

Income protection insurance

Life is full of ups and downs. There are beautiful, positive moments but the bad times can weigh heavily on us.

Unfortunately no one can predict the future, making it difficult to navigate life's highs and lows.

Fortunately, we're not powerless to protect ourselves and our loved ones from the financial hardship often associated with unforeseeable tragedies such as an unexpected illness, injury, accident or death.

Every year millions of Australians make a conscious decision to take out, or maintain, life insurance, which includes income protection, to protect their way of life and underpin their future happiness.

Life is a risk

On any given day in Australia:

1,300 people are hospitalised due to injury¹



380 people are diagnosed with cancer¹



100 people have a stroke¹



170 people have a heart attack¹



One in five Australians suffer chronic pain²



What is it?

Income protection insurance replaces up to 75% of your monthly income if you have to stop work due to illness or injury.

The monthly benefit will typically commence after a specified waiting period. In addition to a regular income, many income protection policies feature other benefits that help you return to work sooner by providing rehabilitation or retraining support.

People who are out of work for more than three months are between four and ten times more likely to suffer from depression and anxiety³

In some circumstances you can also return to claim (after going back to work) without having to undertake another waiting period. This recognises the increasing evidence that returning to work is an important part of the recovery process and can assist with mental health and overall well-being.

Why is it important?

Think about your current lifestyle and future goals and aspirations. If you became sick or injured and unable to work, what savings and resources could you draw on to cover your expenses? Would you be able to pay the mortgage or rent? How would your plans for the future be jeopardised?

Sadly, sickness and injury are part of life and they occur all too frequently.

Consider back pain, which the World Health Organisation says is the leading cause of activity limitation and work absence throughout much of the world.⁴

In serious cases, people are unable to work for an extended period of time.

For those with income protection insurance, they can rely on a monthly benefit payment which provides a great deal of comfort. Instead of stressing about money, they can focus on getting well and back to work. It also means they don't have to dip into their savings or sell other financial assets.

Unlike other types of insurance, income protection premiums can be tax deductible too which is an added benefit.

What can it be used for?

Monthly income protection benefits can be used to meet ongoing living expenses and financial commitments like rent or mortgage payments, household bills, food, school fees, car expenses and other debt repayments.

Can I afford it?

If you're working and earning a decent living, the short answer is yes.

When you consider the risks that life throws at us, it makes sense to plan ahead.

Income protection is one of life's important safeguards. Without it, the financial burden on you and your loved ones may be enormous.

Affordability of income protection insurance

Depending on individual circumstances, a typical 41-year old non-smoker looking to purchase monthly income protection equivalent to \$7,600 (sum insured) could expect to pay around \$1,150 annually which is \$3.15 a day.⁵ When you add up your daily living expenses, this is probably a small price to pay.

And don't forget, income protection premiums can be a tax deduction.

Think about what matters most to you in life? Is it your car, your possessions, your home, your health... your loved ones? Your ability to earn an income is valuable and should be protected.

Take steps to protect what matters to you.

Income protection matters.

To find out the insurance options that may be best suited to you, it is recommended you speak to a financial adviser.

1. <https://www.aihw.gov.au/getmedia/fe037cf1-0cd0-4663-a8c0-67cd09b1f30c/aihw-aus-222.pdf.aspx?inline=true>. Source: Australian Institute of Health & Welfare, 2018. Australia's health in 2018
2. <http://chronicpinaustralia.org.au/index.php>
3. <https://www.racp.edu.au/docs/default-source/advocacy-library/realising-the-health-benefits-of-work.pdf>
4. https://www.who.int/medicines/areas/priority_medicines/Ch6_24LBP.pdf. Retrieved 13 February 2019
5. The amount is based on ClearView LifeSolutions cover for a 41-year old, non-smoking male accountant, living in NSW, paying a stepped annual premium. Rates are current as of March 2019.

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