Smart Wealth Protection Strategies
Protect your greatest asset – your income

If you're employed or self-employed, you should consider Income Protection insurance.

By using this strategy, you could:
• receive up to 75% of your pre-tax income if you are unable to work due to illness or injury, and
• meet your living expenses while you recover.

Case study

Leanne works full-time and earns a salary of $90,000 pa. She owns a home worth $500,000 and has a mortgage of $350,000. If she's unable to work due to illness or injury, she wants to be able to meet her living expenses and mortgage repayments without having to eat into her limited savings.

After assessing her goals and financial situation, her financial adviser recommends she take out Income Protection insurance to cover 75% of her monthly income. Shortly after taking out the insurance, Leanne is involved in a bad car accident and is unable to work for six months.

Because Leanne had Income Protection insurance, she receives the full benefit of $5,625 per month for five months after her initial one month waiting period (where she's covered by sick leave from her employer). As a result, Leanne receives a total income of $35,625 during the six months she's off work – consisting of a combination of sick leave and Income Protection benefits.

If Leanne had not taken out Income Protection insurance, she would only have received a sick leave payment of $7,500 and would have struggled to meet her living expenses, mortgage repayments and out-of-pocket medical costs.

Note: This case study highlights the importance of speaking to a financial adviser about protecting your income in the event of illness or injury. A financial adviser can also address a range of potential issues and identify other suitable protection strategies – see Tips and traps.