

# What is Income Protection?

**Income Protection** provides you with a monthly payment while you are unable to produce an income as a result of illness or injury.

Many policies will cover up to 75% of most people's salaries if you are totally or partially disabled.

By replacing your regular income, Income Protection payments can assist you and your family to function at a level of financial normality. Income Protection gives you the financial security to focus on your recovery or treatment, without worrying about regular expenses.

Income Protection policies are very flexible and can be tailored to suit your individual circumstances.

## About Income Protection

### Waiting periods

The 'waiting period' is the period of time required for you to be unable to work, before your benefit is payable. You can generally choose between a fourteen day waiting period, up to a two year waiting period. A shorter waiting period usually means a higher premium.

### Benefit periods

The benefit period is the period during which you receive your income protection payments. You can generally choose between a two or five year benefit period or up to age 60 or 65.

### Agreed value and indemnity contracts

You can apply for an 'agreed value' contract or an 'indemnity' contract.

An **agreed value** contract commonly means that the monthly payment you apply for will be the amount paid at claim time.

An **indemnity contract** means the monthly payment will be assessed at claim time and is generally based on your average income over the previous twelve months, prior to claim.



## Included and optional extras

Most Income Protection policies also incorporate a series of benefits which are provided at no extra charge, as well as a variety of optional benefits for an additional cost.

Included benefits may be:

- » a recurring disability benefit
- » an elective surgery benefit
- » a specific injury benefit
- » a death benefit.

Additional benefits may include:

- » an accommodation benefit
- » a bed confinement benefit
- » a crisis benefit
- » a family assist benefit.

## Definitions

There are three main types of Income Protection policies available.

1. **'Hours based' policies** – these policies pay benefits if you are unable to perform your regular duties, but will still allow you to work up to 10 hours per week without offset of this income earned.
2. **'Duties based' policies** – these policies pay benefits if you are unable to perform one or more of your regular duties.
3. **'Loss of income based' policies** – these policies pay benefits if you suffer a loss of income as a direct result of your illness or injury.

**Keystone Financial will help determine the right product and strategy for you.**

How much Income Protection insurance you require depends on a number of different factors. The maximum you can insure yourself for is 75% of your gross income.

Premiums for Income Protection are generally tax deductible however tax is payable on benefit payments.

Keystone Financial will be able to help you determine the appropriate level of cover to insure your income.

## Important note

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