

HARBOUR LIFE INSURANCE

Your Income is Your Most Valuable Asset.

Are you protecting it?

A 45 year old earning
\$100,000 pa
has future income of
\$1,800,000
Is it insured?

Ask most Australians what their most valuable asset is and they will say their home. It is understandable a property you can see, touch and live in feels tangible and real. But for most working Australians, the numbers tell a different story.

Think about it this way. If you are 45 years old, earning \$100,000 a year and plan to work until you are 65, your future income is worth \$1.8 million before any pay rises (excluding CPI), bonuses or career progression.

Your income funds everything. It pays the mortgage, puts food on the table, covers school fees, builds your superannuation and funds the lifestyle you have worked hard to create. Yet most Australians insure their car, their home and even their pets without giving a second thought to protecting the income that pays for all of it.

***Your home is your biggest asset. Your income is what pays for it.
So why do most Australians insure one and not the other?***

What is Income Protection Insurance?

Income protection insurance replaces a portion of your income (typically up to 70 per cent) if you are unable to work due to illness or injury. It pays a regular monthly benefit, like a salary, for as long as you are unable to work or until your benefit period ends, whichever comes first.

It is not about a lump sum payout. It is about keeping your financial life running while you focus on getting better.

How Likely Are You to Actually Need It?

Many people think of income protection as something for extreme cases such as a catastrophic accident or a terminal diagnosis.

The reality is far more common and far more ordinary. The most frequent causes of income protection claims in Australia include:

- Musculoskeletal conditions such as back injuries and joint problems
- Mental health conditions including anxiety, depression and burnout
- Cancer
- Heart conditions
- Neurological conditions

You do not need to be in a dangerous job or lead a high-risk lifestyle to make a claim. A slipped disc, a serious bout of depression or a cancer diagnosis can happen to anyone and any of these could keep you out of work for months or years.

According to industry data, one in three Australians will be disabled for three months or more before the age of 65. For many, the financial consequences are devastating not because of the medical costs, but because the income simply stops.

What Happens to Your Finances if You Cannot Work?

Without income protection, the answer depends entirely on how long your savings last. Most Australians have enough in savings to cover a few weeks or perhaps a couple of months. After that, the bills do not stop. The mortgage or rent still needs to be paid. The car loan continues. School fees do not disappear. Groceries still need to be bought.

If you are out of work for six months, a year or longer, the financial pressure can quickly become overwhelming. Families are forced to dip into superannuation, sell assets or rely on family members for support. In some cases, homes are sold. Retirement savings are depleted. Financial goals built over years can unravel surprisingly quickly.

Income protection is the safety net that prevents this from happening.

Key Things to Understand About Income Protection

How much cover - Most policies cover up to 70% of your pre-disability income. Some also continue funding your super while you are on claim.

Waiting period - How long before payments begin. Options include 30, 60 or 90 days. Match this to how long your savings could realistically sustain you.

Benefit period - How long the policy pays if you remain unable to work. Options include 2 years, 5 years, or to age 65.

Inside or outside of super - Premiums inside super are funded from your balance, reducing retirement savings. Premiums outside super are generally tax deductible, reducing the after-tax cost significantly.

Occupation definition - Own occupation pays if you cannot perform the duties of your specific occupation. Whilst Any occupation only pays if you cannot work in any occupation suited to your education, training or experience. For professionals, tradespeople and anyone with specialised skills, own occupation cover is generally the stronger and more appropriate choice.

Taking the First Step

If you are working and earning an income, income protection insurance deserves serious consideration. The cost is often more affordable than people expect and premiums outside of super are generally tax deductible, which further reduces the effective cost.

The most important thing is to get the structure right. Benefit period, waiting period, policy definition and whether to hold cover inside or outside super all have a significant impact on the protection you receive and the value you get for your premium.

At Harbour Life Insurance, we work with individuals and families to understand their income protection needs clearly and find the right cover at the best price.

YOUR FUTURE, SAFELY ANCHORED

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