

INCOME PROTECTION EXPLAINED

What Is Income Protection?

Income protection insurance pays you a portion of your income if you are unable to work due to illness or injury. It is designed to replace part of your lost income while you recover. It does not usually pay 100% of your salary. Most policies pay around 70–75% of your pre-tax income.

This money can help cover:

- Rent or mortgage
- Groceries
- Utilities
- Loan repayments
- Insurance
- Medical costs

Why It Matters

If your health affects your ability to work, income protection can:

- Reduce financial stress
- Prevent reliance on high-interest debt
- Protect your emergency savings
- Help you focus on recovery
- For people with fluctuating health conditions, income protection can provide stability during flare-ups or hospital admissions.

How It Works

If you become medically unable to work:

- You lodge a claim
- The insurer assesses medical evidence
- After the waiting period (see below), payments begin
- Payments continue until you return to work or the benefit period ends

Key Terms You Need to Understand

Waiting Period

The waiting period is how long you must be unable to work before payments begin.

Common waiting periods:

- 14 days
- 30 days
- 60 days
- 90 days

Shorter waiting period = higher premium

Longer waiting period = lower premium

Choose a waiting period that your emergency fund could realistically cover.

Example:

If your waiting period is 60 days, you need enough savings to cover 2 months of expenses.

Benefit Period

The benefit period is how long the insurer will continue paying you if you remain unable to work.

Common options:

- 2 years
- 5 years
- To age 65

Longer benefit period = higher premium

Income Protection Inside Super

Some super funds include income protection automatically.

Important:

- Cover may be limited
- Definitions of “unable to work” vary
- Waiting and benefit periods may differ
- Exclusions may apply

If you have a chronic condition, read the policy carefully.

Things to Check Before Choosing Income Protection

- What percentage of income is covered?
- What is the waiting period?
- What is the benefit period?
- Are there exclusions for pre-existing conditions?
- How is “unable to work” defined?
- Is the policy agreed value or indemnity?
- Does it cover partial return to work?

CF-Specific Considerations

If you live with a chronic health condition:

- Some policies may apply exclusions
- Medical underwriting may be required
- Premiums may be higher
- Waiting periods matter more

Ask: If I were hospitalised for 3 months, would this policy support me?

Quick Self-Assessment

If I couldn't work for 3 months:

My essential monthly expenses: \$ _____

Total needed for 3 months: \$ _____

Would my emergency fund cover this?

- Yes
- Partially
- No

Would income protection reduce my stress?

- Yes
- Unsure