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INCOME PROTECTION – YOUR MOST VALUABLE ASSET

Protect your ability to earn an income and protect your financial future.

Income today protected.
Future tomorrow secure.

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Income Protection – Your Most Valuable Asset

When asked to identify their most valuable asset, most people mention their house, their investment portfolio, or perhaps their retirement fund.

While these are certainly important assets, for most working individuals their most valuable asset is something far more important:

Their ability to earn an income.

Without an income, it becomes difficult to maintain your lifestyle, support your family, pay your debts, save for retirement, or build wealth.

Yet surprisingly, many people insure their cars, homes, and possessions while leaving their income largely unprotected.

Understanding Your Human Capital

Financial planners often refer to your future earning potential as your **Human Capital**.

Think about it this way:

A 35-year-old professional earning R50,000 per month could potentially earn more than R18 million over the next 30 years before retirement.

For a business owner, executive, or highly skilled professional, that figure may be substantially higher.

Your future earnings are often worth far more than your current savings and investments.

If you lost the ability to earn that income tomorrow, the financial consequences could be devastating.

The Real Risk Is Not Death

Many people focus on life insurance because death is easy to understand.

However, statistics consistently show that during a person's working years, they are often more likely to experience a serious illness, injury, or disability than to die prematurely.

A serious medical condition could result in:

- Temporary inability to work
- Reduced earning capacity
- Permanent disability
- Increased medical expenses
- Loss of business income

The financial impact can last for years.

What Is Income Protection?

Income Protection Cover is designed to replace a portion of your income if illness, injury, or disability prevents you from working.

Rather than paying a lump sum benefit, income protection generally pays a monthly income designed to help you meet your financial commitments while you recover or adapt to your circumstances.

The objective is simple:

To ensure that your monthly income continues when your ability to work does not.

Why Income Protection Is So Important

Most financial commitments continue regardless of your health.

The following expenses do not stop simply because you cannot work:

- Bond repayments
- Rent
- School fees
- Medical aid contributions

- Vehicle finance
- Household expenses
- Retirement planning contributions

Without an income, many families are forced to:

- Deplete their savings
- Withdraw investments
- Accumulate debt
- Reduce their standard of living

Income protection helps prevent these outcomes.

A Practical Example

Consider a 40-year-old professional earning R60,000 per month.

He has:

- A home loan
- Two children in school
- Retirement savings goals
- Household expenses

Following a serious accident, he is unable to work for two years.

Without income protection:

- Savings may be exhausted.
- Investments may need to be withdrawn.
- Retirement plans may be derailed.
- Debt may accumulate.

With appropriate income protection:

- Monthly expenses can continue to be met.
- Retirement planning remains on track.
- Investments remain intact.
- Financial stress is reduced during recovery.

The difference can be life changing.

Income Protection vs Disability Cover

Many people mistakenly believe these are the same thing.

They are not.

Income Protection Cover

Provides a monthly income if illness or injury affects your ability to earn an income.

The focus is on replacing lost earnings.

Disability Cover

Typically provides a lump-sum payment following a permanent disability.

The focus is on providing capital to address long-term financial needs.

The two types of cover often work together and serve different purposes.

We will explore disability cover in greater detail in the next article.

Who Should Consider Income Protection?

Income protection is particularly important for:

- Salaried employees
- Self-employed individuals
- Business owners
- Professionals
- Medical practitioners
- Attorneys
- Accountants
- Skilled tradespeople

In fact, anyone who depends on an income to support their lifestyle should consider protecting that income.

When Is Income Protection Most Important?

Income protection is generally most valuable during your working years.

This is often when:

- Your income is critical to your household.
- You have significant financial commitments.
- You are accumulating retirement savings.
- Your family depends on your earnings.

As your wealth grows and you become financially independent, your reliance on employment income may reduce, and your insurance needs may change.

This highlights the importance of reviewing your cover regularly.

Common Misconceptions

"I Have Sick Leave"

Sick leave is usually temporary and may not provide sufficient protection against a long-term illness or disability.

"I Have Savings"

While emergency savings are important, few individuals have enough capital to replace years of lost income.

"It Won't Happen to Me"

Unfortunately, illness and disability can affect anyone, regardless of age, profession, or lifestyle.

The purpose of insurance is not to predict who will claim, it is to ensure that financial security remains intact if the unexpected occurs.

Income Protection and Financial Independence

One of the greatest threats to achieving financial independence is an interruption to your earning ability.

Investments, retirement savings, and wealth-building strategies all depend on one thing:

Your ability to continue generating an income.

Income protection helps protect the engine that drives your entire financial plan.

Without that engine, even the best investment strategy can fail.

Final Thoughts

For most people, their greatest asset is not their house, vehicle, or investment portfolio.

It is their ability to earn an income.

Protecting that income may be one of the most important financial decisions you ever make.

Before focusing exclusively on growing your wealth, it is worth ensuring that the income responsible for creating that wealth is adequately protected.

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