

# Being prepared – Disability



## Disability – important points to consider

- The insurer must first assess your disability during the waiting period. Your employer is responsible for any payments to you during the waiting period. The insurer is only responsible for payment once the waiting period is over.
- While you are disabled and receiving a disability income benefit, you may stay a member of your fund – depending on the rules of your fund.
- Did you have an illness or injury in the six months before joining the fund? You may not be covered for disability insurance when you have to claim for that injury or illness during the first 12 months after joining.

## How much disability cover do I need?

You need to sit with a licensed financial adviser to work out the following:



What you currently have from your personal policies and employee group benefits



The amount of income your dependants need if you can no longer provide for them



**Remember to consider:** Repaying or servicing debt, household expenses and medical costs



Think about future education expenses if you have children



Provision for future needs and lifestyle changes

**Once this all has been taken into consideration, your licensed financial adviser will be able to calculate what level of income your severe illness cover will provide and how much extra cover you need to meet your dependants' specific income needs.**

### The risk of under-insurance.

As you get closer to retirement, a financial loss can have a significant impact on your retirement savings. Speak to a licensed financial adviser to make sure you are insured for anything that could take money out of your retirement savings.

### What about tax?

The employee's disability income benefit premiums are taxed as a fringe benefit. There is no tax deduction and a small reduction in take-home pay. Disability income benefits are tax free.



#### **What if I reach the required retirement age or die while I am disabled?**

If you get a monthly income disability benefit, then you will remain a member of the fund and your contributions and the employer's contributions to the fund continue as usual.

Your contributions are based on your fund salary before you became disabled and are deducted from the disability benefit you get.

Since you will be receiving a monthly income disability benefit, the premium for the disability benefit will not be paid to the insurer but the extra amount will be allocated to your retirement funding.

You'll get the full value of your retirement savings when you reach your required retirement age. If you die before your required retirement age, your beneficiaries will get the full value of the death benefit.



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