

Business Expenses

Protection to keep your business going



Running your own business has its own challenges and benefits. It's your passion and livelihood that's fuelled by hard work, expense control and planning – and your reward is the satisfaction of watching your business grow.

Cash flow can be the deciding factor to the success or failure of a business. Critical to keeping your business afloat financially is having cash flow to pay for expenses to keep your business operating.

So what would happen to your business if you were unable to work as a result of sickness or injury? How would your business keep afloat?

What is Business Expenses cover?

Business Expenses is a financial back up plan for your business. It gives you reassurance knowing that you've got a plan in place to help keep the business running if you get sick or are injured and can't work.

What does Business Expenses cover?

Business Expenses covers your fixed business costs as a monthly reimbursement so you can focus on your recovery and not your bills! Expenses that can be covered typically include rent/lease payments, interest payments on business loans, equipment leasing, car leasing costs and utility bills like water and electricity.

Business Expenses versus Income Protection

Income protection covers your personal income but not your share of the business operating expenses. Business Expenses provides cover for your fixed operating expenses for up to 12 months.

Being able to pay for these fixed costs can help ensure that your business stays operational while you are recovering.

Think of it as income protection cover for your business that is sitting alongside your own income protection cover, and leaving you in a position to deal with the financial consequences of you being unable to work.

No other insurance cover – be it Life, Total and Permanent Disablement, Crisis Recovery or business interruption cover – is an effective replacement for this. Business interruption insurance is not related to your health or ability to work. Instead, it covers you for external events that may bring your business to a stand still like fire or flood. Business Expenses insurance is directly related to you meeting your company operating costs.

How much is enough?

The right amount of business expenses insurance depends on a range of factors. For example, to what extent would the business owner's absence affect their ability to meet expenses? What are the specific ongoing fixed operating expenses? Does the business have other sources of income they can rely on?

Your financial adviser should complete a comprehensive financial assessment on your business expenses and health to ensure you buy the right level of cover.

Tax treatment of policies

Premiums for Business Expenses insurance are tax deductible and the proceeds received will be assessable as income, to either the business or the business owner. Business Expenses insurance is usually owned by the business, however the business owner(s) can also own the policy.

Case Study – Succession plan kicks into action

Frances and Brendon run a successful reception centre. They each generate an income of \$9,000 per month and are jointly responsible for meeting their business's total average monthly expenses of \$10,000. This leaves them \$4,000 each to draw as net income every month.

	Total monthly business income and expenses	Partners' individual share
Frances & Brendon's Income	\$18,000	\$9,000
Reception Centre Expenses	\$10,000	\$5,000
Net Income	\$8,000	\$4,000



Brendon has purchased Income Protection and Business Expenses cover but Frances has only purchased Income protection.

If Frances became sick or injured Frances's Income Protection cover will provide a monthly benefit of \$3,000. This represents 75% of her income before tax. Without Business Expenses cover she will either have to rely on Brendon to cover her share of the reception centre expenses (reducing Brendon's income) or fund it out of her own pocket (most probably from her Income Protection benefit). As a result, she isn't left with any funds to meet her personal expenses, including her mortgage, car expenses, medical bills, utilities and so on.

Frances's Income Protection benefit is now being used primarily to cover the reception centre's expenses to keep the business going while she recovers.

On the other hand, Brendon is insured for Income Protection and 100% of his share of fixed business expenses. He can use his Income Protection benefits for what they are intended for – to meet living expenses while he's unable to work and more importantly to allow him to concentrate on his recovery knowing his business has the funds to stay afloat.

Speak to your financial adviser to find out how Business Expenses can help protect your business.

Don't forget about you and your family

Disability or death can also impact your personal life, especially if banks and creditors try to claim family assets to pay for business debt.

Think about steps you can take to protect your family's financial security with insurance policies that can protect you for:

- Treatment for illness
- Current debts
- Future expenses/income requirements
- Keeping family assets safe