

Business expense insurance

Keeping your business running

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- Are you self-employed or in a small partnership?

 - Would your business revenue drop if you weren't able to work?

 - Do you have fixed business costs and/or business debts?

What is business expense insurance?

When you're self-employed, an extended absence from your business as a result of sickness or injury can have a severe financial impact on both your business, and your family.

Not only is business revenue likely to reduce (or even stop), but many of your business expenses will continue. That could force you to use your personal savings to keep the business running, or sell personal assets to repay your business debts.

Business expenses insurance is designed to help you in such a scenario — reimbursing you for up to 100% of the fixed business expenses that continue to incur while you are unable to work because of a sickness or injury.

Fixed business expenses may include:

- advertising
- audit and accounting fees
- business insurance premiums
- business publications
- cleaning
- utilities — electricity, gas, water, etc
- laundry
- telephone
- licence fees
- leasing costs of business equipment
- professional services — legal, etc
- property rates and taxes
- rent or mortgage payments
- security services
- salaries and other staff costs.

What this means for you?

The benefit payments provided by business expenses insurance allow you to keep your business running while you are unable to work.

This money not only helps protect the future of your business, it helps protect your personal finances too — so you don't have to keep paying all of the bills out your own pocket.

It's important to note that benefit payments for business expense insurance usually don't start immediately, as a waiting period can apply during which no benefit is payable (typically 14 or 30 days).

Exclusions may apply for certain events.

Insurance policies will often vary in their features and benefits, so you should work with your financial adviser to choose a policy that suits your needs and your budget.

Case study

After five years being employed as an in-house graphic designer, Catherine decided to start her own design business working from home. Four years on, when her growing client base was becoming too difficult to manage alone, Catherine took on a part-time junior designer to help her out. She also rented a small office to give her some extra space.

A regular windsurfer, Catherine was enjoying a Sunday out on the water when another windsurfer lost control and collided with her — leaving her with a broken wrist. Her doctor said she would be unable to work for a number of months.

If Catherine didn't have insurance for her business expenses, she would be forced to pay her designer, and all of the office costs, out of her own pocket if she wanted to keep the business running.

Fortunately, Catherine did have business expenses insurance in place. As a result she received a monthly benefit of \$7,000, which was based on her financial adviser's assessment of her fixed business expenses.

This money allowed Catherine to keep on top of her expenses and even hire a contractor to help manage the workload. More importantly, it meant she could keep her commitments to her regular clients — while she was able to focus on her recovery.

What are the chances?

- Mental illness costs Australian businesses \$6.5 billion yearly.¹
- More than 15% working Australians will be disabled for more than 3 months during their working life.²

To learn more about how you can protect you and your business, speak to your financial adviser.

¹ Lifewise (2014) www.lifewise.org.au

² Australian Disability Table IAD89–93 Institute of Actuaries Table

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