



EPH
EXPAT PENSION HOLLAND

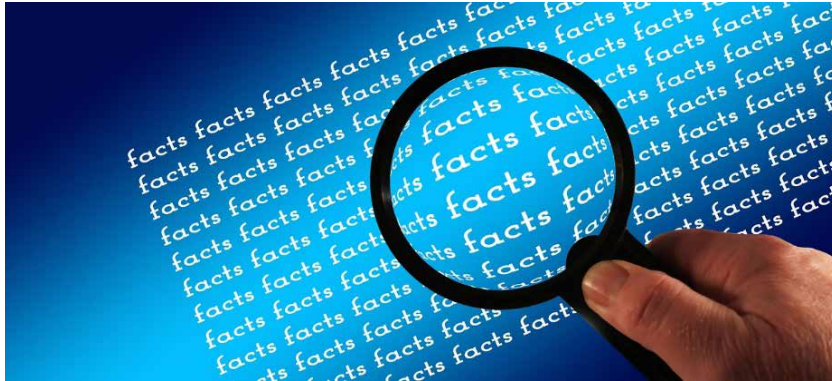


EXPAT DISABILITY PENSION

A) The Most Forgotten & Most Expensive Risk Coverage

Expats tend to be highly motivated and positive and not focused on covering all kinds of risks.

If the Disability Income Risk has not been covered based on a *good understanding* of all facts and options, then that is a personal decision that is to be respected.



If the lack of coverage however is based on a *lack of good understanding* of all facts and options, that would be highly regrettable. As the realization of the risk can have far reaching financial and personal implications which might have been covered in an advisable manner.

As we prefer our clients and relations to be well informed, we will now focus on these issues.

B) Three Pillar Coverages

The disability income risk can be covered through three complementary Pillars:

Pillar 1: State Pensions;

Pillar 2: Workplace Employee Contract & Pension Plan;

Pillar 3: Private Insurance.



Within each Pillar there can and probably will be a very different legal and tax regime. Furthermore most countries will have their own interpretation, definitions and regime for each Pillar.

For starters it is good to know which coverage is **Mandatory** and which is **Voluntary**.

One of the other relevant differences might be the difference between a **Pension Coverage** versus an **Insurance Coverage**. The pension regime in general tends to be more focused on safeguards for participants.

Furthermore an **International Coverage** will in general quickly tend to be much more expensive than a **National Coverage**. So it might be advisable to check in time what your preference is.



Thus when you as Expat are interested in covering this risk for your family, it seems advisable to compare the Premium/Coverage ratio per Pillar and if applicable per Country versus International.

C) Which Coverage Do You Require?

As Disability Coverage is a *Risk based coverage*, you should not have more coverage than required as it will not generate anything if the event does not happen.

In The Process Of Deciding Your Coverages, It Is Advisable To Sum Up:

- All monthly net costs;
- The expected future development of your net wages and capital;
- Your total savings and to what extent you might want to use them during a certain period;
- What kind of disability coverages you might already have as additional clauses to other coverages;



- To what extent you might have higher or lower than average potential for becoming sick/disabled;
- To what extent you and your partner prefer to cover financial risks and during which period;
- Differentiate disability income coverage versus the clause that a certain existing premium payment obligation will be de-activated while being sick/disabled.

A General Guideline To Keep Costs As Low As Possible:

- Check each possible coverage for what kind of disability definition they use and what the effect is if you increase/decrease your own risk (period);
- Check if they cover any kind of disability or exclude certain causes and if they differentiate between how the disability originated or not;



- Collective company related coverages tend to be much cheaper than often highly expensive individual insurances;
- In case of voluntary company coverage and you do not have the urge to directly participate, check if participating on a later moment would mean that you only then could join after you have passed a medical test;
- Be cautious about voluntary governmental coverages as they tend to be expensive;
- Be cautious about clauses related to other insurances and which provide 'additional disability coverage' as they tend to be expensive;



- Make sure you have a clear view on all onetime, annual and advisor costs;
- As the premium for coverage might decrease exponentially as of a certain age, in case of required additional coverage request several quotes regarding different periods;
- In case you require additional coverage check carefully which circumstances or causes are not covered and if there is a maximum to the covered annual amount of wages;
- Regarding the pay-out options check the (possibly very high) extra costs of annual indexation and if you really need such a costly clause;
- Please check beforehand the tax position and if premium is tax deductible and payments are taxed.

D) Is there Pillar 1 State Coverage?

Not Employee Contract Related

Most countries do not provide a special governmental Disability Payment in case of sickness or disability. The very basic grants for the needy are not relevant for Expats.



Employee Contract Related

In many Western countries there are mandatory National Social Security related coverages for employees. The amount, period and premium related to the coverage can differ substantially.

We see that several countries have decreased previously existing generous coverages and stimulated insurance companies to offer to cover that gap.

Additional Voluntary Coverages

Due to the historically low interest rate we see that in general additional governmental coverages tend to be very expensive.



E) Is there Pillar 2 Corporate Coverage?

E1] Based on Employee Contract

Extended Wages Payment During Disability

Certain countries oblige the employer to keep paying (a certain part of the) regular wages during a period of disability. In these countries the tendency is that this period and amount are decreasing.

Additional Corporate Insurance

The best way to cover your Disability Income Risk is in general by participating in a Collective Corporate Insurance. To the extent that the company employees have a 'white collar nature', the premium will probably even be much better at certain insurance companies.

Please check carefully if the possibly mandatory coverage only regards a basic coverage and if it is possible to opt for additional extensive coverage at an attractive rate.

Finally also check if there already exists a Corporate Accident Coverage which might pay-out a substantial onetime not taxable capital in case of a severe accident.

E2] Based on Pension Plan

Even though the coverage by means of participation in a Pension Plan is in general also risk based, the conditions and premium can differ substantially from the just mentioned corporate insurance based coverage.

If you have the option to choose between those two kind of coverages, please compare all parameters carefully.

F) Is there Pillar 3 Private Insurance?

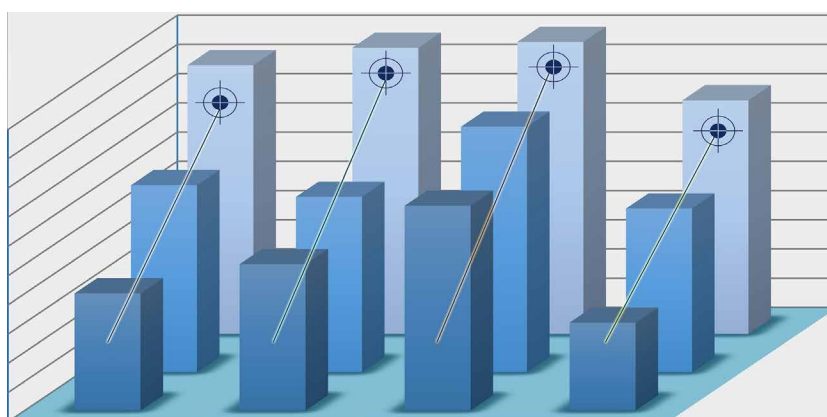
Accident Coverage

In general we only see the existence of a Private Accident Coverage. Which might pay-out a substantial onetime not taxed capital in case of a severe accident.

G) Conclusion

In theory it is not difficult to arrange for the desired disability income coverage:

If your desired coverage has not yet been arranged, you compare all options and choose the best one to fill the gap to the extent it is required.



However, due to all (inter)national and legal/tax/product/premium/coverage differences between Pillar 1/2/3 options, it seems advisable to treat this issue carefully.

If required a lack of coverage can have severe consequences. On the other hand is paying excessive premium on an annual basis also not advisable.

Feel free to contact us for assistance.

International experience and Network

We have more than 20 years of experience in international expat and collective pension consultancy. Thus we have an elaborate international network. If so desired, we can advise and act swiftly in international matters.



Contact

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