

Working Smarter with ACC

Let's be honest –when running our own business we don't like getting ACC invoices and often see them as just another form of tax.

But as Easter nears an end I wonder just how many Kiwis who have injured themselves in some way over the holiday break will now be relying on ACC. In simple terms ACC is a compulsory insurance product that provides a benefit in the event of accident.

With any insurance product the most important consideration is, “will it provide the right cover when I need it?” The default ACC product for the self-employed is ACC CoverPlus and is based on your previous year's taxable earnings. In the event of an accident, ACC provides you with 80% of that income level (up to a maximum) which may or may not reflect your actual income. If your previous years liable earning have been minimal then any ACC payment will reflect this or in some cases, especially if newly self-employed there may be no ACC compensation. The rural sector is an example of a business where taxable earnings are often substantially reduced yet the risk of accident is high and the impact of not being able to work on the farm is severe.

Remember ACC will only cover you if you have an accident. It does not cover you if you are unable to work due to illness. The likelihood of being off work for an extended period due to illness is substantially higher than it is for accident.

ACC do offer alternative products which can address some of the above or can be used to compliment your own private cover without incurring higher costs. For example, Stan and Hilda own a plumbing business together as shareholder employees. Stan generates the revenue and Hilda does the paperwork. The income has been split; Stan \$80000 and Hilda \$40,000.

Even though Stan generates the revenue any ACC claim will only be based on 80% of his liable earnings i.e. \$64,000. While Hilda only does office work she is actually rated under ACC based on the business activity i.e plumbing.

With some careful planning they can save over \$2000 in levies and use those savings to provide better broader protection using both ACC and private cover.

Not being able to work in your business for several weeks or months can have a major impact financially. The Easter break typically signals the start of rugby season where guys will eagerly take to the rugby paddock where all too often the brain and the body have a complete disconnect on what is achievable. I wonder how many will be laid low with injury and how well their businesses will survive.

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