

A Brief Guide To Personal Insurance

Life Insurance

Life Insurance financially assists your beneficiaries after your death.



Life Insurance provides a lump sum payout in the event of death or if you were diagnosed with 12 months or less to live. It has a built-in funeral benefit for most providers which is between \$15-25K. Coverage is generally available from \$50,000.

Beneficiaries generally use the funds to pay off a mortgage, pay for children's education, pay off any additional debt, provide for funeral expenses and future living expenses etc.



Disability Insurance

Total and Permanent Disability (TPD) Insurance supports you financially if you are permanently disabled and unable to work again in any or your own occupation, because of a sickness or injury.

It is generally assumed that you would have the same liability, if not more, than if you were to pass away, as you may require a carer. Cover is generally available from \$50,000.

TPD Insurance provides a lump sum payout giving you access to medical and rehabilitation treatments of your choice. It also allows you to make any required modifications to your home.

Any vs Own Occupation

'Any' occupation covers you if

You are unable to ever return to work in any job you are qualified, trained, or experienced in. This definition can be chosen for TPD held inside Super.

'Own' occupation covers you if

You are unable to ever return to your specific job. It is more comprehensive than 'Any' occupation but usually more expensive. It also must be paid for outside Super.

Activities of Daily Living (ADL)/Home Duties

Only if Any/Own occupation is not available

In some instances, like special risk occupation or not meeting the minimum work requirements, an alternative to the above Any/Own definitions is the only available option.

ADL - Activities of Daily Living

Generally means you are paid out if you are unable to independently perform two or more ADL's, such as bathing/showering, eating, or going to the toilet.

Home Duties

Generally means you are paid out if you are unable to independently perform two or more of the insurance provider's 'defined domestic duties', such as preparing meals, cleaning the home, and shopping for groceries.



Trauma Insurance

Trauma Insurance will pay you a lump sum if you suffer a critical illness or a serious injury e.g., heart attack, stroke, cancer, severe burns, paraplegia, etc.

157

People are hospitalised due to heart attack **every day** - on average that is



1 person every 9 minutes*

*as stated on www.heartfoundation.org.au

1 in 2

Australian men and women will be diagnosed with **cancer**



by the age of 85**

**as stated on www.cancer.org.au

It helps you to get back on your feet with ease, assisting you financially with your recovery process. In the event you become critically ill or injured, and require extensive health treatment, you are paid a lump sum which can help you get access to the best medical advice and treatment or just cover your living expenses.

Child Trauma Cover

Child Trauma Cover is designed with the whole family in mind.

It is a way of insuring children for various trauma events, such as cancer, certain heart and neurological conditions, terminal illness and death.

The sum insured is paid out as a lump sum. The minimum entry age is 2 and the cover stops at age 21 where the policy can then be converted to a Life Insurance policy with attached Trauma Cover.

Business Expenses

This cover is especially designed for business owners, sole traders and partnerships.



It pays out a monthly benefit to help cover fixed business expenses if the life insured is totally or partially disabled due to injury or illness - helping the business stay afloat.



Waiting and Benefit Periods

Waiting periods can range from 14 days to 90 days with a benefit period of 12 months.

Income Protection

Income Protection gives you financial peace of mind while you are temporarily unable to work due to sickness or injury.



Income Protection will provide you with up to 70 percent of your pre-disability earnings for the time you are unavailable to work (after an initial waiting period).

Payouts are made through monthly installments for a nominated period, assisting you in maintaining your household while you are on the mend. You can choose from a range of benefit periods (the maximum time that you are paid for whilst unable to work) and a range of waiting periods (the length of time that you must be off work before the insurer starts paying).

Take Into Consideration

Your current savings

How long you can last financially without an income

How many accrued sick days you have

Waiting Periods

Waiting periods can vary from a range 14 days to 2 years which includes 14 / 30 / 60 / 90 / 180 / 365 / 730 days.

The longer the waiting period, generally the cheaper the insurance. You also need to consider that payouts are usually made monthly in arrears. This means you may need to wait an extra 30 days before receiving your first payout.

Benefit Periods

Most benefit periods are 1 year, 2 years, 5 years, to age 65 and to age 70.

Active Health Events Policy

There is one product in the market that will allow you to hold several types of cover in one comprehensive policy, providing cover for a wide range of Health Events with payouts based on the severity of the medical solution.

This provides you with an alternative solution to the traditional death, trauma, disability and TPD. Multiple claims can be made for related and unrelated events, subsequently reducing the amount payable for subsequent events, however the Claim Protector feature maintains 25% of your original cover up to age 65.

Premiums under this policy can be better value than the premiums for similar levels of death, TPD and trauma cover taken under a traditional product structure, but it is possible that claims paid under this policy may be less than paid under a traditional policy, depending on the severity of the medical condition.

Level vs Stepped vs Hybrid Premiums

Generally, when you take out an insurance policy, you have the choice of paying either level, stepped or Hybrid Premiums.

Stepped premiums are calculated based on your age and inflation and are cheaper upfront, but usually more expensive in the long run.

Level premiums are generally more expensive to begin with but are designed not to increase based on age except for CPI increases. It can take anywhere from 9-16 years before a level premium becomes cheaper.

Hybrid premiums are a mixture of both level and stepped premiums. They normally start with a stepped premium for some years and then convert to a level premium.

Funding Options

Insurance premiums can generally be funded personally, or by using your Super, or a combination of both. What you decide is up to you - it is your choice.

Your decision may depend on what your budget is, your available cash flow, and if funded through Super you also need to consider the adverse impact on your Super retirement balance.