

the **unexpected**
can happen at any time

Insurance

You take out insurance, to financially protect yourself and your family in case anything unforeseen happens. Unfortunately, many Australians don't have enough protection from the financial instability caused by death, injury or serious illness.

If something unexpected were to happen to you or your spouse, how would your family be affected financially? Could your debts be repaid? Where would the family's new source of income come from? Would you, or could you, sell your assets? Would you survive on the limited government assistance?

While many Australians insure their car, home and contents, their most valuable asset is often overlooked.

Example: A 40-year-old earning \$80,000 per year (increasing 5% per year) will earn \$3,818,000 in total by the time they reach age 65. This makes your ability to earn an income and provide for yourself and your family a valuable asset worth protecting. The graph below illustrates how the ideal amount of personal insurance cover can change over time as you move through different life stages.

Income Protection

If you are temporarily unable to work as a result of illness or accident, your expenses may continue even though your income may have decreased or ceased. This type of cover can help you maintain your family's quality of life during the period of your recovery.

Features:

- Premiums payable for your income protection premiums will be tax deductible;
- There are two main types of income protection policies, agreed value and indemnity;
- The available waiting periods are 14, 30, 60, 90, 180, 365 or 730 days;
- The available benefit periods are 2 years, 5 years, to age 60, to age 65 or to age 70. Agreed value provides a greater certainty when a claim occurs as you provide the selected insurer with evidence of your actual 'personal income' with your application. Agreed value policies are generally more expensive, however they remove the significant delays that can occur in securing a claim settlement on an indemnity policy.

Indemnity policies provide vital protection on a very sound basis for salary and wage earners. Evidence of income is not required at the time of application, only at the time a claim is made. If your income drops from the time of initial cover to the time of claim you will be paid on the lower income amount (unlike agreed value). Indemnity policies do not provide the certainty of agreed value style, but do provide premium savings.

Trauma

Trauma insurance provides you with a tax free lump sum benefit upon initial diagnosis of a serious specified injury or illness. There are up to 40 trauma events covered in most policies which include; cancer, heart attack, stroke, multiple sclerosis and severe burns.

Recovering from a serious illness may introduce the financial stress of medical costs, loss of income and rehabilitation expenses. Other capital expenses such as the need to make modifications to the home, buying a purpose built motor vehicle, employing a home nurse or seeking offshore medical treatment, etc. can all adversely impact on your financial situation.

Total and Permanent Disablement

Total and Permanent Disablement occurs when, through illness or accident, you are unable to return to your usual occupation. That is, the type of work you are qualified by training, education and experience to perform.

Permanent disablement can result in a dramatic lifestyle change. Expenses may increase through medical and hospital costs, while income may decrease or cease. This type of cover can help you meet your medical costs and maintain your family's quality of life.

Features:

There are broadly two main types of definitions, own or any occupation.

Own Occupation – The insured must show that he or she has a total and permanent disability that prevents them working in their own occupation which they disclosed when applying for this cover.

Any Occupation – The insured must show that he or she is totally and permanently disabled and is unable to work in their usual, or any other occupation for which he or she is reasonably suited by their education, training or experience.

Death

Death cover can minimise the financial disruption to your spouse and family in the event of your death. This type of cover can help your family maintain its lifestyle and quality of housing as well as meet educational and other major expenses.

Business Expenses

If you become injured or too sick to work, Business Expenses Insurance reimburses you for eligible business expenses. It is suitable for people whose business cash flow is generated largely by their personal efforts.

What is the difference between stepped and level premiums?

Insurance premiums are usually available in two forms:

- Stepped Premiums – Whereby the insurance costs increase each year in accordance with your age.
- Level Premiums – Whereby your insurance premiums are constant year to year.[^]
Cost[^] Most companies reserve the right to increase level premium rates, so it is not guaranteed that premiums will remain the same each year.

Stepped premiums are usually lower in the early years of insurance, but level premiums may be more cost effective over the longer term.