

Insurance advice

Individuals need to protect their sources of income and reduce personal financial risk. This will help to ensure they and/or their families can continue to enjoy their current lifestyle in the face of unexpected illness or death.

Your life and your ability to work (to generate an income) are the biggest assets you will ever have; bigger than the value of your home.

Should you die, or become disabled through illness or injury, most of your roles in life will need to continue and may be performed by other people. You can help to ensure as much continuity of lifestyle as possible and remove unnecessary financial stress by insuring against these risks.

Term life insurance (death cover)

Term life insurance provides funds should you die prematurely. These funds could cover unpaid mortgages and debts, and provide security for your family. A lump-sum payment from this policy may provide education funds for your children and income for your surviving partner (to look after the children or pay for child care so your partner can continue to work). Your superannuation fund may include automatic cover for term life or disability insurance up to a certain amount.

Total and permanent disability insurance

This form of insurance is usually available as an optional benefit on a term life policy or through some superannuation funds as an automatic feature. The benefit is a lump sum paid if you become totally or permanently disabled. Many of the features of a term life policy will apply equally to the Total Permanent Disablement (TPD) benefit. The benefit payable in the event of TPD may be the same or less than the death benefit covered under the policy, and generally cannot be purchased as a stand alone policy.

Usually only one TPD benefit is ever payable to an individual, and payment of a claim for TPD may void your death cover.

Insurers normally offer either of the following claim conditions:

- ▶ **Own occupation** – You will be paid if by reason of accident, injury or illness, you are no longer able to perform your normal occupation and/or an occupation suitable to your training and experience
- ▶ **Any occupation** – You will be paid if by reason of accident or injury you are no longer able to perform any work at all.

Income protection or salary continuance

Income protection insurance provides an income stream to you and your family should you, due to sickness or injury, be unable to work in your normal employment. This is probably the most important type of insurance – after all, where would you be without your income?

This type of policy covers your income if you become disabled and cannot work due to sickness or accident. Benefits are usually paid monthly as income, not as a lump sum. The amount of cover you can purchase is restricted, normally to 75% of your monthly income earned from salary and wages.

There are a number of choices to be made on the type of cover:

1. The period over which the benefit will be paid in the event of a claim. This is known as the claim benefit period and can be 2 years, 5 years, or until age 65 for sickness and accident
2. The duration of the waiting period. The waiting period is the lapsed time before a claim will be paid. The most common are 14, 30 or 90 days
3. Whether or not to have the benefit escalated in line with inflation.

Each of these choices will affect the premiums paid. As the benefit payments received will form part of your assessable income, premiums for this insurance are tax deductible.

Trauma insurance or critical illness

Trauma insurance pays you a lump sum on the diagnosis of certain conditions such as heart attack, stroke, cancer, or similar serious illnesses. This payment may help your family be free of financial worries while you are receiving treatment or rehabilitation. If the trauma cover is an extension of your life cover, usually the life cover will be reduced by the amount of any trauma claim.

A buy-back option is offered by some policies for an additional cost. It allows for an equivalent amount of life cover to be purchased, without further medical evidence, should the life insured survive one year from date of payment of the claim. The new benefit provided would be for death only.

Note: Trauma insurance cannot be connected with your “Life Cover” when the Life Cover policy is within superannuation.

Need further information?

If you have any questions about the material covered in this fact sheet, please contact FuturePlus on **1300 883 788** between 9am and 5pm on any business day.

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