

# What is Personal Life Insurance?

Personal life insurance provides a financial benefit if you suffer a serious injury or illness, or death. These policies include term life, total & permanent disablement, income protection and trauma insurance.

## What is life insurance?

Term life insurance pays a lump sum on the death of the insured. Some policies may pay the benefit if the life insured is diagnosed with a terminal illness and has usually less than 12 months to live.

## How much term life insurance do you need?

A 2017 survey by Rice Walker Actuaries found that while 94% of Australian workers have some life cover, most people are not adequately covered\*. The median cover is only \$143,500 which is unlikely to cover debts and may leave families in financial distress within two years after the breadwinner dies.

How much you need depends on your individual circumstances. The ready reckoner below will help you calculate an approximate guide for how much life insurance you and your family need.

## What is total and permanent disablement (TPD) insurance?

If you become permanently disabled, a TPD lump sum payout can reduce the financial worry for you and your family by providing money to pay for things such as:

- medical treatment, pharmaceutical items, specialised therapies and rehabilitation costs that are not covered by your health fund
- a carer or care support
- modifications to your home arising from the disability (e.g. replacing stairs with ramps)
- repaying debt
- additional disposable income
- a cash reserve to boost your retirement savings.

## How much TPD insurance do you need?

2.1 million Australians who are working age (15-64) have a disability and roughly half are not working.\*\* And 60% of people with a disability need help with at least one daily living activity (such as communication, transport and self-care).

Your financial adviser can help to calculate how much TPD insurance you need to safeguard you and your family if something should happen to either you or your spouse.

## What is income protection insurance?

This insurance is designed to replace your income if you are unable to work due to sickness or injury.

Most people will earn a fortune between now and when they retire yet many people fail to insure their most important asset – their ability to earn an income. This is despite statistics which show that:

- every working Australian has a one in three chance of becoming disabled for more than 3 months before reaching age 65.#
- more than half of all serious accidents happen outside of work – when workers' compensation generally doesn't apply.##

You can usually choose the waiting period (this is how long you must be unable to work before the insurance begins to pay you) and the benefit period (how long the policy will pay you if you are unable to work).

The premiums for income protection are usually tax deductible which can help to make cover more affordable.

## How much income protection do you need?

As a general rule of thumb, you and your spouse should insure up to 75% of your pre-tax income, with payment up to age 65.

You may have basic income protection insurance through your employer however, this insurance often only pays a benefit for a maximum of two years.

Financial advice is important to determine the appropriate cover for you.

## What is trauma insurance?

Trauma insurance pays you a lump sum on the diagnosis of a specified non pre-existing illness or injury, for example, heart attack, stroke, cancer, and paraplegia. This can be taken as a stand-alone policy or be attached to a life insurance policy.

This insurance recognises that medical advances mean patients increasingly survive major health problems, but the financial cost may be prohibitively high for patients (e.g. medical costs, time off work, rehabilitation etc).

### Life insurance ready reckoner

Day to day living expenses			
Multiply by 20	x 20 =	\$	per year
<b>Add to that:</b>			
Repayments of debts/mortgage		\$	
Cost of children's education		\$	
<b>Subtract:</b>			
Value of your existing investments (super etc)		\$	
Approx. level of life cover you require =		\$	
<b>Subtract</b>			
Existing life cover you have		\$	
<b>Amount of top-up life cover you require</b>		\$	

This table is for illustrative purposes only. You should seek advice from a financial adviser to ascertain your specific insurance needs. This illustration does not take into account inflation or indexation on earnings.

### How much trauma insurance do you need?

The chances of suffering a trauma are, unfortunately, quite high. For example:

- more than 1,000 Australians suffer a stroke every week, with 20% being under age 60. Half of those who recover need to rely on a carer<sup>^</sup>
- it is expected that 1 in 3 men and 1 in 4 women will be diagnosed with a cancer before age 75<sup>^^</sup>

You should consider purchasing enough trauma insurance to cover you and your spouse for:

- medical treatment, pharmaceutical items, specialised therapies and rehabilitation costs that are not covered by your health fund
- modifications to your home arising from the disability (e.g. replacing stairs with ramps)
- additional disposable income
- paying for extended time off work (so you can fully recover before you return to work).

### It's not just the breadwinner who needs risk insurance

Families typically insure the breadwinner, but many do not insure the homemaker. However, if the homemaker dies and is not insured, the breadwinner and their children could be left financially vulnerable. Could the breadwinner afford to take extended time off work or take a less demanding but lower paying job to look after the children? Or could the breadwinner afford to hire a carer to look after the children?

If the homemaker suffers a trauma and is not insured, could the breadwinner afford to pay all the medical and rehabilitation costs? And take extended time off work so they could look after the family? Or could the breadwinner afford to hire a carer for the spouse?

\* Underinsurance in Australia Report – 2017, Rice Warner  
 \*\* Australian Bureau of Statistics (ABS) 2016, 4430.0 - Survey of Disability, Ageing and Carers 2015  
 # Australian Institute of Actuaries - Interim Report of the Disability Committee 2000  
 ## Australian Bureau of Statistics National Health Survey 2001  
 ^ The Economic Impact of Stroke in Australia, 2012, Deloitte Access Economics  
 ^^ AIHW, Cancer in Australia, 2017

### Our services

#### Health

- Health insurance
- Overseas visitors cover
- Dental services
- Chronic disease management
- Hospital in the home

#### Wealth

- Investments
- Estate planning
- Trust and estate administration services
- Financial planning
- Investment, education and funeral bonds
- Banking and home loans
- General insurance

#### Living

- Aged care and accommodation
- Personal and business insurance
- Aboriginal home care
- Disability services
- Retirement communities