



# Insurance in super

This fact sheet will provide you with information about the types of insurance available through super and the benefit it provides.

## Why is life insurance so important?

Insurance cover may help protect you against life's uncertainties. It can protect your income, wealth, lifestyle and even your family. By having an insurance strategy you can relax, knowing that you have taken an important step towards protecting you and your family's lifestyle.

## Types of insurance cover

A variety of insurance cover is available through super. Some insurance is designed to provide a benefit in the event that you suffer a prolonged or permanent illness or injury (by either paying you a lump sum benefit, or paid in the short-term to protect your income), and some will provide a benefit to your beneficiaries in the event of your death.

Depending on the design of your super plan you may have access to one or more of the following types of insurance cover:

- death cover
- total and permanent disablement cover (TPD), and
- salary continuance insurance (otherwise known as income protection cover).

### Death cover

Death cover is lump sum cover that may be payable in the event of your death. Death cover also commonly includes a Terminal Illness benefit, which provides an advance payment of your death benefit if you are

diagnosed with suffering a terminal illness. It can be paid to any one or more of your beneficiaries, or directly to your legal personal representative (for instance, to the executor of your estate). The lump sum may be tax-free if paid to your dependant(s).

The lump sum benefit can be used for any purpose – for example, to pay off debts or help maintain a standard of living for your surviving family.

### Total and permanent disablement (TPD) cover

TPD cover is lump sum cover usually payable if you suffer an illness or injury that deems you permanently unable to return to work.

Ideally, your TPD benefit would help to cover any ongoing medical costs you may incur, as well as cover your debts and the potential financial impacts of an altered lifestyle.

### Salary continuance insurance

Salary continuance insurance is also known as income protection or total and temporary disablement cover. It will usually pay in monthly instalments, up to 75% of your salary if you are temporarily unable to work through illness or injury. Some policies may also pay an additional amount to your super plan as contributions.

Salary continuance payments will commence after a certain waiting period has elapsed; this is commonly 30, 60 or 90 days after you become disabled. Some policies will pay you a benefit for a short period (i.e. two

to five years), others pay until you turn 65. Salary continuance payments may be reduced by other income you are receiving at the same time.

## What insurance premiums are payable?

To access insurance cover, you may be required to pay a regular premium. That said, holding insurance within super is generally tax effective, meaning that the premiums are either paid for out of contributions from your employer, or drawn from pre-tax income (where you salary sacrifice personal contributions into your super).

Insurance premiums will vary depending on factors such as the amount and type of cover you choose, and in some cases your age and sex.

## When should your insurance needs be reviewed?

Any time is a good time to review your financial situation. However, there are some life events that may prompt you to review your insurance cover. These events may include:

- getting married or divorced
- having children
- receiving a promotion at work or changing your employment arrangements (for example, reducing or increasing your normal working hours)
- buying property or any other asset involving a loan
- starting your own business, and
- children leaving.

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### Case Study

Freddie, age 42 has the following personal details:

<b>Personal</b>	Married with three young children (ages 1, 2 and 5)	His wife, Andrea, stays at home to look after the children	
<b>Finances</b>	Income \$130,000 per annum	Mortgage \$300,000	Super fund \$115,000
<b>Insurance</b>	Death cover (within his super fund) \$500,000	TPD cover (within his super fund) \$500,000	

As Freddie's family rely on his income, he decided it would be a good time to review his financial situation (including his insurance needs) and seek financial advice. He was concerned what would happen to his family if he died or could not work anymore due to an illness or accident.

He implements the recommendations from his financial adviser – an additional \$600,000 of death and TPD cover within his super fund.

This would mean the insurance benefit would cover the mortgage as well as provide the family with \$915,000 (including his current super balance) to live off if he died.

If Freddie was to suffer a total and permanent disability, the benefit would pay for the debt as well as meet some or all of his medical costs associated with the treatment of the condition.

This may reduce or eliminate the need of having to dip into any personal savings or going further into debt.

Freddie also explained to his financial adviser that he was concerned with being in the situation of not being able to work because of illness or injury as he would only receive up to four weeks of paid sick leave from his employer.

He has expenses including mortgage repayments, but without a regular salary, he has no other income to cover these. He decides to commence salary continuance insurance with a monthly benefit of \$8,125 (75% of \$130,000). The waiting period is one month (around the time his sick leave finishes) and the benefit can be paid until age 65 if necessary. The amount of this cover will also be adjusted every year as his salary changes, ensuring that it continues to be relevant to his situation.

### Can I have insurance cover through my super plan and what are the benefits?

Yes. Insurance through your super plan may be cost-effective:

- your insurance premiums are competitively priced because of the buying power that comes from having a large Plan membership; and
- the cost of insurance is reduced effectively by using before-tax dollars (meaning that premiums are paid out of your employer or salary sacrifice contributions).

Also you may, depending on your insurance policy, be eligible for automatic acceptance, meaning that you will not be required to take any medical tests, or provide any evidence of good health to the insurer.

The types of insurances available, conditions and level of your insurance cover will be specific to your plan. To find out more around the premiums associated with your insurance cover in super, call us on **1300 55 7586** or refer to your *Product Disclosure Statement (PDS)* or *Welcome kit* you received when you joined the plan.

### What does my insurance policy cover?

It is very important that you read and understand the conditions of any insurance policy you may be considering or already have in place. For example, waiting periods for cover and exclusions may apply, and in some circumstances, cover may only be provided for a limited time (i.e. salary continuance insurance).

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### What insurance do I need?

The type of cover that might suit you, and how much cover you'll need, will depend on your personal circumstances. When it comes to determining your insurance needs, you may need to consider things such as:

- your income
- how many children or other dependants you have
- whether you earn the sole income in your family, or contribute a portion of income to the family budget
- your level of debt
- the value of any available assets (and whether they are liquid)
- your family's current level of expenditure, and
- whether there are likely to be any significant increases to expenditure (for example education expenses).

### Where to from here?

In thinking about your next steps, you may want to consider if you have the right insurance for your situation. Understanding the type and level of insurance cover available to you through your superannuation plan is important. To learn more about your insurance cover refer to your annual super statement, or call us on **1300 55 7586**.

Once you have that information you may want to sit down and understand whether the cover you have meets your insurance needs. Detailing your family's financial needs such as household expenses and loan repayments is a good start. To help we have an Insurance checklist for you to use available on our website.

You may also like to login to our *Insurance Advice Calculator* at **plum.com.au**. This calculator can help you work out if you're adequately covered. It's easy to use and covers a range of insurance options, helping you to review your insurance needs and plan the next steps to take.



Before making any decision relating to your superannuation it is recommended that you seek advice from a qualified or appropriately licensed financial planner and/or Registered Tax Agent.

## Insurance in super

### Did you know...

As a member you can call us for help about your super. We can provide you with access to phone based advice on a range of super strategies at no additional cost. If you need more in-depth help, a face-to-face meeting with a financial adviser can be arranged. To access any of these services contact us on **1800 602 977** between 8:30am and 6pm AEST, Monday to Friday.



### Contact us

For more information visit [plum.com.au](http://plum.com.au) or call us from anywhere in Australia on **1300 55 7586** between 8am and 7pm AEST (8pm daylight savings time), Monday to Friday.

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