Insurance – delivering peace of mind

Your guide to insurance

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Safeguarding you and your family

Life is unpredictable. From day to day we control what we can and generally get on with living, but every now and then, something happens that we just weren't expecting – and it's not always good news.

But while it's quite common to insure our cars and houses against unfortunate events, fewer of us insure ourselves or one of our greatest assets – our ability to earn an income – with life and salary continuance insurance.

Of course, the "it'll never happen to me" approach may well work for you and your family... as long as nothing ever does happen.

Why insurance matters. Let's talk for a minute about unforseen injury or illness.

No one likes to talk about it, or dwell on the possibility of an accident or illness happening to them or their loved ones. But if we stopped to think about how often illness, injury and death do happen, not to mention the devastating financial impact a single event can have on individuals and families, we might decide to give it a little more attention – especially when there's something we can do to help reduce the financial consequences.

A study conducted in 2010 by the National Centre for Social and Economic Modelling (NATSEM),* found that one in five Australian families will suffer the death of a parent or a serious accident or illness that renders a parent unable to work. Indeed, the study found that around 65 families per day experience an event that seriously affects their ability to earn an income and support their kids.

The research also found that approximately 95% of families surveyed did not have adequate levels of insurance in place. That might be fine if your family is not the one in five, but what if, one day, it is?

***Lifewise/NATSEM Underinsurance Report*, February 2010, conducted by the National Centre for Social and Economic Modelling at the University of Canberra for *Lifewise*.

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What if?

Imagine if you're injured on your way to the gym tomorrow.

The injury renders you unable to work for at least 12 months ... maybe more.

With no regular income to rely on (beyond any sick pay you may be eligible for through your employer), how would you:

- pay your ongoing bills such as utility and grocery bills?
- keep up your mortgage or rental payments?
- service your other debts such as credit card debt and personal loans?
- pay for school fees, uniforms and ongoing educational requirements for the kids?
- pay for the ongoing medical bills associated with your recovery and rehabilitation.

Perhaps all of that is manageable for you and your family. So let's take it a step further. What if you didn't survive that accident? How would your family cope in these circumstances? How easily could your partner cope with the role of primary breadwinner as well as primary carer (especially if you have children who aren't yet at school)?

As an exercise, 'What if...?' isn't much fun, but it's a vital exercise to undertake if you're going to safeguard your family's financial future against potential accident or illness.

It may be boring, but it's important.

As is the case with any financial product, it's important that you read and understand the fine print associated with any insurance policy you may be considering.

For example, waiting periods for cover may apply, exclusions may apply, and in some circumstances, cover may only be provided for a limited time.

Know what you are covered for as well as what you aren't covered for. And if you're unsure of the details or of the product's suitability for you, consider getting advice from a qualified financial adviser.

Protecting against uncertainty

Insurance can't prevent injury, illness or death. What it can provide is a financial buffer for you and/or your family should unforseen injury or illness strike – a time when financial hardship would undoubtedly add to, and potentially, prolong any distress already being experienced.

Types of insurance cover

A range of different insurance covers are available to you depending on your needs and eligibility – some are designed to provide a benefit in the event that you suffer a prolonged or permanent illness or injury, some will insure your income* in these circumstances, and some will provide a benefit to your beneficiaries in the event of your death.

Death cover

A death benefit is a lump sum amount that may be payable to your beneficiaries or personal legal representative in the event of your death, and sometimes also on the diagnosis of terminal illness.

The 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 & Permanent Disablement cover (TPD)

A TPD insurance benefit is usually payable if you meet the definition of total and permanent disablement as set out in the insurance policy, after an absence from work for a specified waiting period, which can range from 3 to 6 months generally. Most TPD benefits are usually paid as a lump sum amount. 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 cover

Salary continuance insurance cover (sometimes called income protection cover) usually pays up to 75% of your salary if you are temporarily unable to work due to injury or illness. Some policies may also pay an additional amount to your super account in the form of contributions.

Be aware that salary continuance payments generally don't begin until after a waiting period has elapsed (this could be three months or more in many cases). In addition, some salary continuance insurance policies will only provide benefits for a period of up to two years and **benefits may be reduced by any other income you are receiving at the same time.**

Trauma cover[1]

Trauma cover typically pays a once-off lump sum benefit upon the occurrence or diagnosis of a major disease or injury (for example a heart attack, cancer etc). The events and medical conditions covered may differ depending on the policy.

Trauma cover can help pay for any medical treatment you may require, as well as your debts. Trauma cover may also be an option for those who may not qualify for salary continuance insurance. For example, someone who does not work at least 15 hours a week may not qualify for salary continuance insurance products, even though that income may still be crucial to their standard of living. Trauma cover, on the other hand, may provide a benefit even in cases where the claimant is not employed or may not work sufficient hours to satisfy the minimum hours worked requirement.

*Up to a certain limit.
1 Trauma cover is not offered by super funds.

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In a nutshell – which cover for which needs?	
I want to insure against	**Type of cover typically most suitable**
Death and total and permanent disability	**Life cover** and **TPD cover**
Illness and temporary disability	**Salary continuance cover** and **trauma** cover

Insurance and your super account

When you become a member of your employer plan you will automatically be provided with default insurance. In most cases it's possible to obtain additional insurance cover through your super fund, where you are eligible. Depending on the design of your particular superannuation arrangement, as a member, you'll generally be able to choose from some or all of the following types of cover:

- death cover;
- total and permanent disablement cover; and
- salary continuance insurance.

You may have to meet the cost of this insurance. To find out more about the cost, type of cover available and suitability[2] to you, contact us on **1800 602 977**, or refer to your superannuation Product Disclosure Statement. You may also wish to seek advice from a qualified financial adviser.

What's right for me?

A situation worth insuring

Any time is a good time to review your financial situation, including your levels of insurance cover. In particular, due to their significance and their capacity to affect your personal and financial circumstances, some life events may prompt a more immediate review of your insurance situation.

For example:

- getting married
- separation or divorce
- having or adopting children, or becoming a step-parent
- buying a property or any other significant asset, especially if using a loan
- starting your own business, and
- retirement.

How much, and what type?

The type of cover that might suit for you, and how much cover you'll need (if any), will depend very much on your personal circumstances. Generally speaking, when it comes to determining your insurance needs, you'll need to consider things such as:

- your income level
- how many children or other dependants you may have
- whether you earn the sole income in your family, or what portion of income you contribute to the family budget
- your current level of debt
- the value of any assets that could be sold to repay debts if required, and
- your family's current level of expenditure (for example what are your fixed expenses each month, and what are your variable expenses each month), and whether there are likely to be any significant increases to this expenditure in coming years (for example education expenses).

2 Proposed changes announced as part of the 2016 Federal Budget may impact the suitability of holding insurances via your super fund.

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Covering the basics

When it comes to personal insurance, many people just like to know that their family will be adequately taken care of if they die. The following table may help you roughly determine what sort of provisions you'd need to make for your family to help them manage debts and retain their current standard of living long after you're gone.

Type of expense	Amount
Funeral expenses	$
Mortgage (total amount remaining)	$
Credit cards, personal loans and other debts	$
Future income requirements (as a lump sum)	$
Education expenses	$
Emergency cash fund	$
Other	$
Total	$

Have you got enough?

Any assessment of your insurance requirements should also take into account any insurance cover you already have. The following may help you assess the bigger picture when it comes to your insurance cover, and assist you to identify any gaps that might need attention.

Type of cover	Do you have this type of cover?	
Salary continuance to age 65	Yes ◯	No ◯
Trauma cover	Yes ◯	No ◯
General home and contents cover	Yes ◯	No ◯
Mortgage protection	Yes ◯	No ◯
Private health cover	Yes ◯	No ◯
Home and contents insurance	Yes ◯	No ◯
Car insurance	Yes ◯	No ◯
Other insurance	Yes ◯	No ◯

Tools to help you decide

plum.com.au has a range of tools that may assist you to determine the level of insurance cover that may be appropriate for you, such as:

- a detailed *Insurance checklist* is available in the *Forms and publications* section of the website; and
- the *Insurance Advice Calculator* that can be accessed after you login to your member account. This calculator can review your insurance needs and produce a *Statement of Advice* which outlines recommendations and how to implement them.

Tools

Refer to the *Insurance checklist* and *Insurance Advice Calculator* at **plum.com.au** plum.

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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** 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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