

PROTECTING YOUR MOST VALUABLE ASSET: YOU

Picture this: you scrimp, you save, and finally the day you've been waiting for arrives. Today is the day you get your new car. What's the first thing you do before you even drive it out of the dealership? Yes, you insure it. There's no way you'd risk anything happening to it, would you?

Isn't it interesting how most of us don't think twice about insuring our possessions, but when it comes to ourselves, we hesitate? The irony is this: if something happened to you – an accident which stopped you working, for example – you'd lose all those possessions anyway. Not to mention the strain you and your family would undergo trying to afford medical expenses, mortgage repayments and simple things like grocery bills.

Personal Insurance is one of the best ways to ensure against problems like those listed above; it's one of the best ways to protect your loved ones. Yet, as a nation, we are seriously underinsured. Consider these statistics:

- 6 out of 10 Australians with dependent children do not have sufficient Life Insurance cover to look after their loved ones for more than one year if they were to die.¹
- 96% of Australian families lack enough Life Insurance to protect their families for 10 years or more.²
- Only 4% of Australian families are adequately insured.³
- Australians are underinsured to the tune of \$1,370 billion.⁴

However, we know Personal Insurance can seem confusing and complicated. That's why we've created this simplified guide.

Life Insurance

Life Insurance is also known as 'Term Life Insurance', 'Life Cover' or 'Death Cover'. It provides peace of mind by ensuring your loved ones are looked after in the unfortunate event of your death. In that situation, a lump sum or the equivalent amount in instalments would be paid to the policy owner, nominated beneficiaries or to your estate.

Why you need it

Life Insurance becomes necessary when you have dependants who rely on you financially, or if you have debts which need to be repaid upon your death. Immediate expenses to take into account include:

- Medical or hospital costs
- Funeral costs
- Mortgage and/or other debts
- Ongoing income for your dependents.

Is it necessary?

Only you can decide what is right for you, however, please consider the following:

- 90% of Australian adults have at least one modifiable risk factor for heart, stroke and vascular disease.⁵
- Stroke is Australia's second biggest killer. Nearly 500,000 Australians will suffer at least one stroke over the next 10 years.⁶
- 1.1 million Australians are disabled long term by heart, stroke and vascular disease.⁵

Total and Permanent Disability Insurance (TPD)

Total and Permanent Disability Insurance (TPD) can be added to your Life Insurance policy. It provides a lump sum payment or equivalent instalments in the event that you become permanently disabled, as defined in the policy. Generally, a permanent disability means you can't work in your current occupation or a job you have trained in, studied for, or previously worked in. It's important to read the fine print because various definitions apply to TPD Insurance. Your financial adviser is the best person to help you decide which option is best for you.

Why you need TPD Insurance

TPD Insurance helps to eliminate debt, pay for treatment and maintain your lifestyle while you focus on adjusting to what may be a very different lifestyle. It's especially relevant for people with dependants – particularly if only one spouse earns an income – and for people with mortgages and other significant debts which they couldn't pay with savings alone.

The facts:

- For each road death, there are about 13 serious road injuries – many with long-term impacts.⁷
- Only 4% of 30-something Australians with children have adequate Insurance cover.¹
- 1.1 million Australians are disabled long term by heart, stroke and vascular disease.⁵

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Trauma Insurance

Similarly, Trauma Insurance can be added to your Life Insurance policy. This Insurance provides a lump sum benefit or equivalent instalments if you're diagnosed with a specific illness or injury covered by the policy (such as cancer, stroke, heart disease, blindness, severe burns, loss of speech or deafness). The benefit amount, chosen by you, can be used to reduce debts, pay for medical expenses and maintain your lifestyle while you recover.

Why you need Trauma Insurance

As with TPD Insurance, Trauma Insurance is especially relevant for people with dependants, particularly if only one spouse earns an income. Consider the consequences if that person became seriously ill and was unable to work. How would their family cover mortgage repayments and everyday expenses, not to mention medical costs for treatment and rehabilitation? Trauma Insurance protects you against this scenario. It may even allow you to make permanent lifestyle changes like returning to work part-time.

The facts:

- One in three Australian males and one in four females can expect to be diagnosed with cancer before age 75.⁸
- Death rates are falling for many of our leading health concerns, such as cancer, heart disease, strokes, injury, and asthma. This means more and more people are having to live with ongoing illness and/or disability.⁹
- On average, households (in NSW) can expect to incur approximately \$47,200 in financial costs after a member of that household is diagnosed with cancer.¹⁰

Income Protection Insurance

As the name suggests, Income Protection Insurance is the best way to protect your current income if you are unable to work due to illness or injury. Income Protection Insurance pays up to 75% of your gross annual income, in monthly payments, to cover your living expenses. Income Protection Insurance has waiting and benefit periods that can be designed to suit your specific needs and the premiums are generally Tax Deductible.

Why you need Income Protection Insurance?

While we readily consider insuring our possessions like the house and car, we often neglect to consider the need to protect our ability to earn the income that is essential to meet our daily living expenses.

You should consider Income Protection Insurance if you have:

- Debts, such as a mortgage, credit cards or personal loans. If you were unable to work due to sickness or injury and your income stopped, how could you continue meeting your repayments?
- The need for a regular income to pay ongoing family expenses such as food, household bills, rates, school fees or running a motor vehicle.

The facts:

- There are more than 2 million working age Australians with a disability.¹¹
- In 2014–15, almost 110,000 Australians were seriously injured at work.¹²
- 690,000 Australians were injured at work in 2005–06, with 43% receiving no form of financial assistance.¹³

Business Insurance

Business Insurance, which offers includes Key Person Insurance, is designed to cover and protect key elements within a business. No matter what the size of the organisation, Business Insurance is important in the event of an unforeseen adverse situation as it helps to keep the business operating while decisions and changes are made.

Key Person Insurance, which may form a part of a Buy/Sell Agreement, provides funds to enable business owners/partners to buy out the financial interest of an ill, injured or deceased business owner/partner. It can also:

- Replace lost business income
- Replace potential lost profits
- Repay a business debt
- Maintain cash flow to cover the cost of replacing and training new key person/s.

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Business Expenses Insurance

Business Expenses Insurance is available to certain self-employed persons who wish to cover their fixed business expenses should they be unable to work because of illness or injury. Business expenses that can typically be covered include essential fixed costs such as:

- Rent
- Loan repayments
- Equipment leasing costs
- Utility expenses.

Sources

¹ 'Life and risk sales up' IFSA April 2007

² 'Analysis of insurance needs' Rice Walker Actuaries May 2005

³ 'Australian mothers – undervalued and underinsured' IFSA October 2005

⁴ 'Fast Facts; A nation exposed' IFSA August 2005

⁵ 'Heart, stroke and vascular disease, Australian facts 2004' Australian Institute of Health and Welfare 2004

⁶ 'Walk in our shoes; Stroke survivors and carers report on support after stroke' National Stroke Foundation 2007

⁷ 'National Road Safety Action Plan 2007/08' Australian Transport Council 2007

⁸ 'Cancer in Australia; an overview 2006' Australian Institute of Health and Welfare 2007

⁹ 'Australian's health 2008' Australian Institute of Health and Welfare 2008

¹⁰ 'Cost of Cancer in NSW' Access Economics Report for the Cancer Council NSW April 2007

¹¹ 'Disability Facts and Statistics' Diversity@work 2008

¹² <https://www.safeworkaustralia.gov.au/statistics-and-research/statistics/disease-and-injuries/disease-and-injury-statistics>

¹³ 'Australian social trends 2007' Australian Bureau of Statistics August 2007

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