



## *What is personal insurance?*

---

Personal insurance is unique, because it is personal. It is not general insurance such as health, home or car insurance or business public liability insurance.

Worst case scenario – Something terrible happens to you that either causes your death or results in a serious illness or injury. Your family and you if you are still alive are struggling to come to terms with what's happened and there is grief and sadness. **With everything that will be going on do you also want to add financial stress to the situation? It is up to you.**

Insurance premiums are an investment in protection. Nobody plans to have an accident or be diagnosed with a serious illness but it is happening to somebody each and every day of the year.

Here are the types of personal insurances that you should consider.

### **Income protection (Salary Continuance) – Ensures you maintain your current lifestyle.**

- Replaces up to 75% of your income if you are unable to work due to sickness or accident.
- Premiums are tax deductible.
- Cost is influenced by such things as waiting period and the benefit payment period, type of work you do, if you have had any health problems and if you are a smoker.

Income protection insurance is specifically related to your occupation and there can be some restrictions that are applied to different occupations.

### **Some Terms you need to know:**

**Waiting Period** – This is how long you need to be off work before you become eligible to make a claim.

**Benefit Period** – This is the maximum time the benefit will be paid for if you are seriously incapacitated and unable to return to work.

**Increasing Claim** – This means your monthly benefit when on claim increases in line with inflation.

**Indemnity Policy** – You have to prove you are earning the insured level of income when you make a claim.

**Guaranteed Policy** – A guaranteed policy requires you to prove your income when you apply for the policy.

Remember as well that Workcover and TAC payments only cover you if you are injured during the course of your work or in a car accident. Income protection insurance covers you against any medical condition that might keep you off work, regardless of where or when it occurs.

### **Trauma insurance (Crisis or Critical Illness) – Helps to relive financial stress.**

It is a fact that many people don't die quickly, instead they are often left with an illness or injury that can last for years. Trauma insurance can provide a lump sum payout in the event of a trauma event such as:

- Heart Attack
- Coronary bypass
- Stroke
- Cancer
- And a range of other medical conditions.

Trauma insurance will be influenced by things such as your occupation and any health issues you may have had. So why get trauma insurance? Life insurance is not paid until death. How would you cope if you were diagnosed with cancer or a stroke left you paralysed for a substantial period of your life? What if you could not continue to work and had debts to keep paying. It's not something we like to think about (as is the case for life insurance generally) but that's exactly the type of situation that trauma insurance provides for.

### **Life insurance – Ensures your loved ones are taken care of.**

Life insurance is really fairly simple - the policy owner receives the insurance proceeds if the insured dies.

Life insurance can be taken out inside or outside of superannuation. Premiums are tax deductible inside superannuation, however are not deductible outside superannuation. Among the reasons why people take out life insurance are to pay out debts, to buy the full share of a business if your business partner dies, to pay for funeral costs and to provide for your family after you have gone.

The sad fact is the majority of Australians are significantly underinsured or do not have any life insurance at all.

### **Total and permanent disablement insurance – Helps to relieve financial stress.**

Total and permanent disablement (TPD) insurance covers you for disability that stops you from ever working again. It is a lump sum payment that is generally payable when your doctor/s is able to state that, in their opinion, you will never be able to work again. It is important to examine the details of the policy, as the definition of TPD can vary markedly from one insurer to another. For example, some provide cover for disablement that prevents you from working in your current job and others cover you where you cannot work in *any* job.

Premiums for TPD insurance are affected again by factors such as age, health, smoking habits and your occupation. This type of insurance can be obtained inside or outside of superannuation.

You may wonder what the difference is between TPD and trauma insurance. The key difference is the fact that trauma insurance will be paid out if you suffer a medical emergency, regardless of how well you survive. However, TPD insurance will only be paid if you are unable to ever work again.

### **How much cover do you need?**

Think about the following things when considering how much life trauma or TPD trauma cover you need:

- How much debt do you have?
- Do you want that debt to be paid out on your being diagnosed with a trauma condition?
- Do you want to have to sell assets (maybe even the home) to pay out debts?
- Do you have people who rely on your income?
- If you have a non working or part time working partner would they have to go to full time work if you were off work for a period of time? And would this be the best outcome for your family?
- As well as paying out debt do you need a lump sum that can be invested and generate income to keep your family financially secure?
- Do you want enough money to make sure you can get the best available care or make any necessary home modifications?
- Do you have income protection insurance?

## **Some level of cover is better than no cover at all.**

### **Important information**

This information is of a general nature only and is not intended to constitute personal advice. It does not take into account your particular investment objectives, financial situation or needs and, accordingly, you should consider the appropriateness of this information in light of your own circumstances. We recommend that you obtain professional advice before undertaking financial transactions.

Graham Chatterton is an authorized representative of Consilium Advice Pty Ltd  
AFSL 424974 ABN 86 158 826 647  
Level 9, 44 - 48 Hunter Street, Sydney, NSW, 2000.  
Telephone: (02) 8003 5551  
[www.advisoryventures.com.au](http://www.advisoryventures.com.au)