



**PROTECTING WHAT  
MATTERS MOST!**

# **LIFE INSURANCE**

4 Things You Need to Know!



# 4 THINGS

you need to know to help make an **educated** and **informed decision** for the **benefit** of your family.

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## **INTRODUCTION**

There's no doubt Life Insurance is not an exciting topic, but knowing you have it right for your family will be a great comfort.

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## **WHAT TYPES OF COVER ARE AVAILABLE?**

The right insurance products for your personal situation and circumstances are vital to provide the best possible outcome.

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## **I ALREADY HAVE SOME LIFE INSURANCE WITHIN MY SUPERANNUATION**

While you will have some insurance cover within your superannuation fund, this cover may not be appropriate.

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## **HOW MUCH COVER DO I NEED?**

Having the right levels of cover for your personal circumstances is a vital component of getting your life insurance needs right!

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## **HOW MUCH WILL IT COST?**

Like all insurance, it comes at a cost! Making your insurance package cost-effective allows you to focus on debt reduction and enjoying life.

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## **ABOUT THE AUTHOR**

A brief note about the author Certified Financial Planner Robert Goudie



# INTRODUCTION

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**Life Insurance! Now there's a topic you didn't think you would be reading about.**

**If you're like me, you want to make the best informed decision for yourself and for your family regardless of how negative or uninteresting the topic may be.**

In this guide, I will cover some of the most important considerations you need to know when implementing a Life Insurance package that suits your personal situation. I will cover;

- What types of cover are available?
- Why would I need Life Insurance anyway?
- I already have some Life Insurance within my superannuation, do I need to read this?
- How much cover do I need?
- How much will it cost?
- About the Author





**MAKE THE BEST INFORMED  
DECISION FOR YOURSELF AND  
FOR YOUR FAMILY**

# WHAT TYPE OF COVER IS AVAILABLE?

## Term Life Insurance

Term Life Insurance is perhaps the most common form of life insurance purchased. It provides a lump sum payment to the policy owner or nominated beneficiaries in the event that the life insured dies while the policy is in force. Total and Permanent Disablement (TPD) and Trauma cover can often be bundled with Term Life cover, as optional extensions or 'riders'.

## TPD Insurance

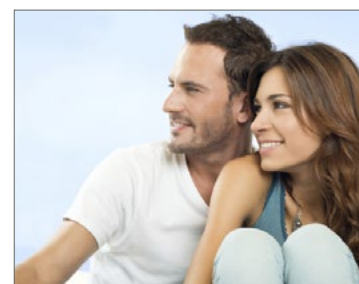
TPD Insurance is usually sold as a 'rider' (additional benefit) in addition to a term insurance policy. This cover provides payment of the sum insured should the life insured become totally incapacitated through injury or illness and satisfies the policy's definition of Disability.

## Trauma

Trauma Insurance is designed to provide a cash lump sum payment when the insured suffers, for the first time, certain specified medical conditions (e.g. serious heart attack, stroke, cancers, etc.). The cover extends to injuries or in case the injured should happen to die.

## Income Protection Insurance

In the event of permanent or temporary disablement resulting from either sickness or accident, a benefit percentage of your income will be received as an income stream for the period you are out of work. It is an important part of insurance as it allows you to pay for regular living expenses while being temporarily out of employment.



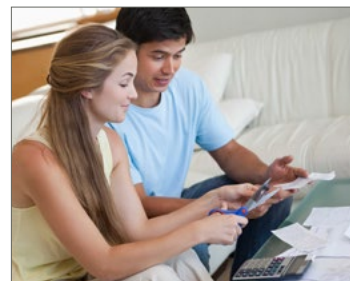
Professional insurance  
advice can tailor an  
insurance package to suit  
your personal needs.

# WHY I DO NEED LIFE INSURANCE POLICY ANYWAY?

Life Insurance is all about protecting yourself, your loved ones, the assets that you have accumulated and incomes that support the lifestyle that you are accustomed to.

In the event of premature death, permanent or temporary disability of a 'bread winner', a lump sum benefit or a regular monthly income could save you from financial difficulty.

As a guide, in the event of death of either partner, you require sufficient funds to repay any debts and commitments and a capital amount from which to generate an income to meet your family's ongoing needs.



It's reassuring knowing that things will be looked after financially if you can't earn the income to support your family.



**SUPPORT THE LIFESTYLE THAT  
YOU ARE ACCUSTOMED TO: PROTECT  
YOURSELF, YOUR LOVED ONES.**



**SUPERANNUATION FUNDS DO NOT TAKE INTO ACCOUNT YOUR PERSONAL SITUATION**

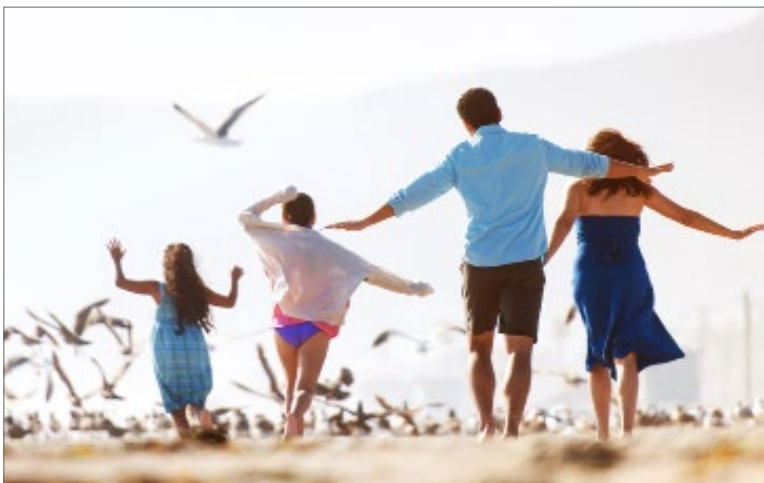


# I ALREADY HAVE LIFE INSURANCE WITHIN MY SUPERANNUATION

As a result of having superannuation you often have some Life Insurance cover within the fund. This cover is sometimes referred to as 'default cover', where depending on your age and the fund, you will get a standard amount of cover.

On average this cover for Life and TPD will be between \$100,000 and \$300,000, but of course this varies between funds. Some funds may also include income protection cover. The quality of these policies vary greatly.

These superannuation funds do not take into account your personal situation and due to recent increasing claims, much of this insurance cover is no longer the cheap option it used to be. In most circumstances the levels of default cover within your superannuation plan will not be appropriate to your personal situation.



While you will have some insurance within superannuation, without advice it will fall short when you need it most.

# HOW MUCH COVER DO I NEED?

Having the right amount of Life Insurance will vary greatly depending on your debts and lifestyle that you are used to. A family with no debts but an expensive lifestyle may require more cover than a family with debts but lower lifestyle needs.

When considering Life cover, as mentioned earlier, we like to cover the entire loan amount and then an extra lump sum to provide a yearly income.

For example, a family with \$300,000 worth of debts and would like a lump sum to provide an income worth \$60,000 pa based on a 7% investment return. Here's the calculation  $\$300,000 + (60,000 / 7\%) = \$1,157,142$ . TPD cover may be the same amount, however if you have a good quality Income Protection policy this amount may be reduced. While we are talking about Income Protection, the calculation is quite simple.

Insurance companies will allow you to cover up to 75% of your taxable income. That leaves you a 25% incentive to get back to work. You will also have the option to cover your employer superannuation contribution while you're on claim. Remember there are many variations when it comes to Income Protection, and these variations dictate the quality and the cost of the policy.

In my opinion your most important consideration here is to make sure your policy will pay out for the long term, this is called the 'benefit period'.

The last cover to consider is Trauma cover, there is no right or wrong answer here and everyone has different ways to calculate the cover amount. My preference is to cover half of all debt, a lump sum for recovery costs and a sum to fill the 25% gap in your income protection policy. While this is something we all would prefer not to even think about, most Insurance companies will also provide an option to cover children in the event of a critical illness.



Under insurance in Australia is a major problem. Having the right levels of insurance is vital for your family.



**PROTECTING OUR LOVED ONES,  
INCOME AND THE ASSETS THAT  
SUPPORT OUR LIFESTYLE!**

**HAVING THE RIGHT INSURANCE PACKAGE  
DOES NOT HAVE TO DO BREAK THE BANK,  
YOUR SUPERANNUATION FUND CAN HELP!**



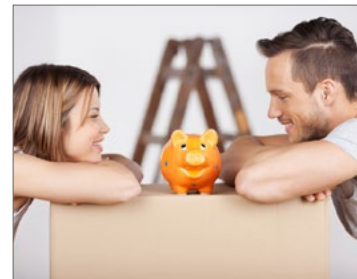
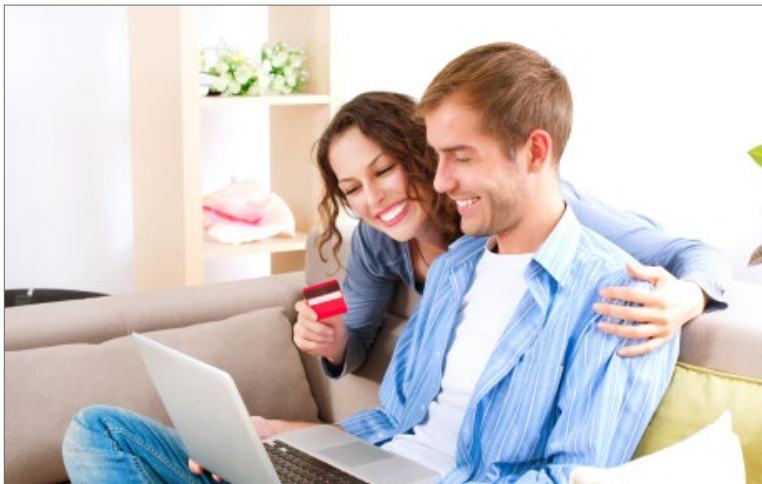
# SO HOW MUCH DOES ALL THIS COST?

Like all insurances they will come at a cost, and there are a number of considerations that are taken into account to calculate the premium cost. These include your age, smoking status, occupation and past health history.

Typically the total cost of cover will be between \$2,000 and \$5,000 pa, this cost will increase with age and indexation of the cover each year in line with the cost of living.

Now, I already know what you're thinking, how can I afford this on top of everything else?

This is where your superannuation funds can help fund part of your Life Insurance package. The only cover that cannot be held via superannuation is Trauma Insurance, these costs need to be funded via cash flow.



Different payment methods  
can make the right insurance  
package affordable.



# ABOUT THE AUTHOR

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Rob Goudie is a Certified Financial Planner who has been providing advice for over 20 years and specialises in Self Managed Superannuation Funds and investment advice. Rob also understands that Life Insurance plays an important part in financial planning and allows us to protect our family and assets in the event of an unforeseen event.

Rob's passion is to work with self-motivated investors who share the same passion for securing their financial future. He has no 'get rich quick' schemes, his advice is based on commonsense that clients understand and that get results. No fluff, no hype!

Rob enjoys building long-term relationships and adding value for his clients who share the same passion for investing.

Rob spends his downtime with his four children, keeping fit, volunteering in the local community and being the best unpaid taxi driver for his kids.

## IMPORTANT

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