

Don't risk it

In this issue we look at the importance of including adequate risk protection strategies as part of your financial plan.

When you have a family that relies on you to provide for them, you wouldn't like to think they would suffer hardship if something were to happen to you. The sad fact is that many Australians with dependent children don't have enough life insurance to look after their families if they were to die unexpectedly.

'It won't happen to me'

You may be an optimist – that can be a good thing in most circumstances. But statistically there's a chance you could be one of the tens of thousands of people affected by heart disease, cancer or any number of conditions that kill or disable Australians each year.

What you should consider

Life insurance

Life insurance generally pays a lump sum to help your dependants clear debts and cover living expenses so they don't face financial hardship if you die from an illness or accident.

You could have basic life cover through your employer-sponsored super fund, so check whether you're covered by this type of policy already. You may need to top up your cover.

If you do take out cover through your super fund, monthly insurance premiums can be deducted from your regular employer contributions. And premiums paid via super may be cheaper if your employer gets a group discount from the insurer.

Total & permanent disability

You can generally take out total and permanent disability (TPD) insurance by either linking it to your life cover, or as a stand-alone policy.

TPD cover provides a lump-sum payment if you become totally and permanently disabled.

'Totally disabled' can mean different things for different people, depending on your occupation or regular daily activities.

Talk to your financial adviser to determine which type of TPD cover is right for you.

Trauma


Trauma cover also known as critical illness or living insurance, is designed to provide financial relief to help you pay medical bills or other commitments (such as your mortgage) if you suffer a specific medical condition. This could cover you for a range of traumas, for example, a heart attack, stroke or cancer.

Income protection

Income protection insurance replaces up to 75% of your regular monthly income if you fall ill or are injured and you can't work. This cover is designed to help pay your mortgage and meet other living expenses when work sick leave runs out.

To calculate the level of cover that's right for you and your family, you'll need to consider the everyday costs associated with maintaining your lifestyle including paying your mortgage and other debts and providing for your partner and/or family. With the help of your financial adviser, you can select the length of time you would like the benefit to be paid. You can also choose the waiting period for your cover which is appropriate for you.

Income-protection insurance may be available through your employer-sponsored super fund as a 'salary continuance' benefit. And the good news is that premiums for income protection are tax-deductible.



Your financial adviser can help you work out if your current insurance cover is enough for your circumstances. If you think you're under-insured, talk to your financial adviser today.