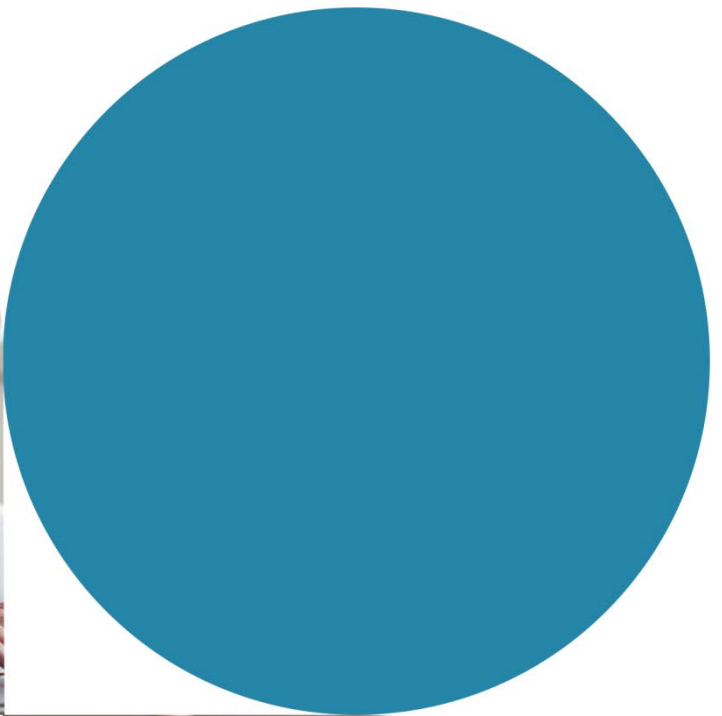




Personal Insurance Guide



**Protect what is
important to you**



Introduction

The older we get, it seems inevitable that we have more responsibilities; mortgages, car repayments and maintenance, children, school fees and never-ending bills. The people in our lives depend on us and our income for survival. If you are the sole or main income earner, it can be a crippling thought to imagine what would happen to your family if you died, could not work or suffered a serious illness or injury. Unfortunately, the bills keep coming or in fact can increase, when you have had a life changing incident. That is why personal insurance is so important for the stability and security of your family. Insurance is the back-up plan for when life hasn't gone to plan, it can help to secure your family's financial wellbeing.

Personal risk insurance can provide you with peace of mind. It shifts the financial burden to the insurers when certain life changing events occur such as a terminal illness/death, trauma or total and permanent disability.





Do I Need Cover?

The short answer is yes. It is very unlikely that you would not require any cover. If you have a mortgage or any debt, are relied upon for paying bills and or have dependents, you need personal insurance. The more pertinent question is what type(s) of cover do I need?





What Type of Cover Do I Need?

The decision to take out personal insurance is about limiting risk.

When reviewing the different types of cover, it is important to consider your personal circumstances and your risk profile. The type of cover you require will depend on your level of debt, your family situation and your profession. It is important to talk through your options with a professional Certified Financial Planner as they can guide you to make decisions appropriate for you and your family. In general, there are four main types of cover:

- **Life (also known as death cover)** – This cover pays a lump sum on your death or the diagnosis of a terminal illness. It provides financial security for your dependents and can be used to pay out your mortgage, provide an investment sum or income stream for your family or fund the sale of a business. The premium/cost depends on the level of cover you take out. It can be paid personally or through superannuation. The benefit is paid to your nominated beneficiaries, it can go to a spouse, child, family member, organization, trust or a combination of the before mentioned.
- **Total Permanent Disability (TPD)** – Pays a lump sum if you become totally and permanently disabled and are unlikely to ever work again in a job which you are reasonably qualified for by education, training and experience. It can be used to pay out debts, medical expenses or provide for your dependents. Likewise, it can be used to fund the sale of a business if the owner should become disabled. This type of cover can also be paid through superannuation.
- **Income Protection (also known as salary continuance)** – This type of cover replaces your income if you cannot work due to injury or illness. Income protection insurance insures 75% of your income up to the age of 65. It is usually not for short term protection; it is about protecting your capacity to earn in the long term. For tax purposes, any payments you receive from a policy are classed as assessable income. You are usually able to claim a tax deduction on the premiums. When taking out this type of insurance it is important to note that there are usually waiting periods for receiving benefits. These can range from two weeks to over a year and depend on what you select when taking out the policy. The longer the waiting period generally the smaller the policy cost.
- **Trauma (or critical illness)** – This type of insurance provides a lump sum if you are diagnosed with a serious illness such as cancer or coronary disease and the benefit is paid when the diagnosis is confirmed. The lump sum can be used however you require. It can be used to help fund medical expenses, pay off your mortgage or just allow you time to focus on your family and recovery during what would be a difficult time.



What Factors Will Affect My Premiums?

A premium is the amount you pay for your insurance. It varies for each policy holder and calculated taking into consideration several factors:

- Age
- Gender
- Smoker status
- Your health (including pre-existing conditions)
- The life insurance company you select (each have different base rates on offer)
- The type of premium you select
- Add-ons (you may wish to select additional policy options at a cost)

When is the best time to take out Life Insurance?

It is common for people to take out life insurance around major life events such as buying a house, getting married or starting a family. However, the earlier the better. Your health status can change at any time, but as a general rule the younger you are the healthier you are, and your health status affects your premiums/costs.





How Much Cover Do I Need?

The answer to this question is “it depends”. It depends on your personal and financial situation. When deciding on what types of insurances and what level of cover it is important to consider what ongoing financial obligations you have:

- Debt (credit cards, cars, mortgages, personal loans)
- Living expenses (day-to-day bills: food, household bills, social life)
- Future expenses (children’s education)
- Any future benefit/inheritance you would like to leave for your children

It is important to find a balance between the amount of premium you pay and affordability. Taking out insurance which is paid through your superannuation is an effective way of balancing this. It is important to seek expert advice to obtain the most appropriate solution for you and your family.





What Else Do I Need to Know?

There are different types of covers and most importantly different levels of cover. The quality of a policy is extremely important when making a decision about an appropriate policy. Cheapest is not necessarily the most appropriate for you. Do your research, know what each policy covers and decide which fits your situation.

There are different tax implications on policies you take out under different ownership structures. Talk to your financial adviser about this when selecting your policy.

Who should I see?

*For tailored personal insurance advice contact the award-winning team at Elliot Watson Financial Planning. Contact us on **02 4038 1623** for an initial consultation to discuss how we can help you achieve your goals and protect what is important to you.*





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