Personal Insurance

It's better to be safe than sorry!

Most people either cringe or yawn when the word insurance is mentioned, but regardless of whether you find it scary or boring, it's a necessity in the world in which we now live.

Sickness or injury can strike any of us at any time. Being sick or injured is no fun, but the impact can go way beyond you to affect your family and loved ones.

Insurance obviously isn't a physical cure, but it does take care of the emotional stress caused by increased financial pressures.

Consider the following statistics:

- 1 in 6 Australians will have a stoke in their lifetime.
- Six in ten families with dependent children have insufficient insurance to cover expenses for more than one year if the main breadwinner couldn't work.
- In the event of death or permanent disability, 80% of families would receive a payout that would last only five years.
- One in three women and one in two men will suffer from cancer before the age of 85.

But the financial effects of these statistics can be tempered by taking out relevant insurance cover.

Life and Total & Permanent Disability

Life Insurance pays a lump sum benefit if the person insured dies. But what happens if they don't die, and can never return to work in their chosen occupation? Total and Permanent Disability (TPD) insurance can help ease the financial burden of loss of income to the insured by providing a lump sum payment.

Most people underestimate the level of life insurance they need. The insured sum should be enough to clear net debt, cover future expenses such as school fees, and provide an adequate replacement for the income that the deceased would have earned through to their normal retirement age. For a breadwinner with young children, an appropriate amount may be well in excess of $1 million. Primary care givers should also consider insurance – who's going to look after the kids?

RJS WEALTH MANAGEMENT

Making a difference to every life we touch.

Income Protection:

What would your future look like if you suddenly were unable to work?

For most of us, the ability to earn an income is our most valuable asset. Depending on your age, your future income may well be worth far more than a house and its contents, a car, boat, and a holiday home all combined. Yet few people properly insure their income, and if illness or injury prevents them from working, financial hardship often results.

Income Protection (temporary disability insurance or salary continuance) will pay you a regular amount, usually up to 75% of your normal income if you are unable to work due to illness or injury. The cost of this insurance is tax deductible and benefits are taxable, and commence after a waiting period abd is generally paid in arrears. Payments continue to be made until you return to work, or until the benefit period expires. The waiting period and the benefit period are selected at the time of application.

Trauma Insurance

Trauma insurance fills a gap between Income Protection, Life and TPD Insurance. It was designed by a doctor who found that his patients' recoveries were hampered by their concerns over the financial burden caused by major illness. Trauma Insurance pays a lump sum benefit on the occurrence of a specified condition such as cancer, heart attack or stroke.

Unlike Income Protection, where the benefit is paid if you are unable to work, regardless of the nature of the illness, trauma payments are based upon the specific illness, not the degree of disability.

Trauma Insurance is designed to cover out of pocket medical expenses and other costs associated with major illness, and to allow recovery to take place without financial worry.

Insurance and Superannuation

It is possible to hold some of your insurance policies (excluding trauma insurance) within your superannuation fund. However, you should carefully weigh up the pros and cons of having your policies held this way.

The main advantage is obvious: you don't have to pay for the premiums from your personal cashflow. The major disadvantage isn't so obvious: it eats into your retirement savings and will be taxed through your superannuation fund when retrieving the payment.

The insurances most commonly held within your super fund are Life, Income Protection and Total & Permanent Disability (TPD) insurance.

Industry and retail super funds generally offer all of these types of insurances to members (except trauma insurance). The advantages, other than the cashflow benefits, include cheaper cover than you would receive on your own due to 'group rates', and no medical testing for your Life Insurance. Also, the fund can claim Death, Income Protection (for up to two years of income payments) and Permanent Disability insurance premiums as a deduction.

When leaving a super fund, you should investigate what happens to your insurance cover. You may be offered a "continuation option", which is an ongoing policy provided by the insurance company. If you don't take this up within the short period that the offer covers, you may find yourself without insurance. If this happens, and there has been a change in your health, it may be difficult and more expensive to obtain replacement cover in the future.

Insurance is a complex area. Policies vary in their detail, and insurance companies differ in their approach to processing both applications and claims.

Each type of insurance has a role to play. If you still haven't gotten around to putting your personal insurance in place, or you need to review your cover to make sure it still meets your circumstances, contact an RJS Strategic Wealth Adviser today.

RJS Wealth Management

Personal Insurance is a complex area; please seek advice from a planning expert prior to implementing protection strategies.

RJS Wealth Management are dedicated to making a difference to every life we touch. We have a commitment to research and education and achieving the highest professional standards of financial intelligence.

Share our financial intelligence, call us today to make an appointment with a planning expert and set your sails for the lifestyle you deserve.

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