



# Insurance

A Financial Planning Guide



## Could you or your family benefit from considering insurance?

When things are going well, the need for adequate insurance cover may only be an afterthought, but what would you and your family's life be like if either you or your partner became sick, injured or were to pass away?

Situations such as these could expose your family to financial stresses at an already difficult time, however appropriate insurance cover can help provide you with the comfort and peace of mind you and your family need at a time where your circumstances may unexpectedly change.

### *Who does this suit?*

It's important to remember that everyone's situation is different and insurance strategies that work for some, may not work for others.

### *It works like this*

Meeting your insurance needs is an important part of any financial plan and there are a number of factors you may need to consider:

- How much cover you may need;
- The features and benefits of your policy;
- How you hold the insurance, for example individually or through your super fund;
- How your premiums are structured and paid;
- Who is eligible to receive your benefit and how it may be taxed?

Depending on your personal situation, you and your family may benefit from one or more of the following types of insurance cover:

Type of Cover	How can this help?	Who is this paid to?	How is this paid?	When is this paid?
Life insurance (Also known as Term life insurance or death cover).	Where you have debts, such as a home mortgage, or dependants reliant on your income, they may benefit from a lump sum amount upon your death to help meet immediate and ongoing living expenses.	Your nominated beneficiaries <sup>1</sup> or your estate	Lump sum	When you pass away or become terminally ill
Total and permanent disability (TPD) cover <sup>2</sup>	Depending on your circumstances, TPD cover could also be used to assist in meeting home modification costs, medical costs, your debt repayments and income replacement needs such as rehabilitation and living costs. There is also a TPD policy available for a family member performing home duties.	The policy owner	Lump sum	In the event you become totally and permanently disabled

Type of Cover	How can this help?	Who is this paid to?	How is this paid?	When is this paid?
Trauma cover	If you suffer a trauma event, this cover can provide you with a lump sum amount to use to help meet immediate living and medical expenses.	The policy owner	Lump sum	If you are diagnosed with a specific illness or injury listed in the policy. Trauma policies generally cover major illnesses and injuries such as cancer, heart attack or stroke.
Income protection	While you are off work recovering, your lifestyle and living expenses don't cease. Income protection cover provides you with a regular income stream to help meet these expenses during this time. There is also an income protection policy available for a family member performing home duties.	The policy owner	Income stream	In the event you are unable to work to your full capacity due to illness or injury.

1. If the policy is held inside super, the beneficiary of any death benefit will depend on the type of nomination made, and the validity of that nomination.

2. TPD cover is often bundled with life insurance.



### Take Note

Insurance isn't a set and forget strategy, you should always look to review your insurance cover when things do change as a result of life events such as getting married, starting a family, taking out a mortgage or beginning a new job or business venture.

#### Example 1

James is married to Liz and they have two young children together. While Liz takes time off work to look after their two boys, James is the sole income earner and as a result, the family are heavily reliant on him. They have a mortgage of \$550,000 as well as living expenses of \$50,000 per annum. James and Liz speak to their financial adviser and after evaluating their options, decide they would like to take out a combination of insurances to cover their debt and protect James' income in the event that he might become sick, become injured, unable to work or pass away prematurely.

#### Example 2

Allan and Margaret's three children have left home and are no longer dependent on them. Although they are both still working with retirement a number of years away, they have reduced their mortgage significantly and their retirement plans are on track. Allan and Margaret meet with their financial adviser to review their insurance needs. While the level of cover they require has reduced, it is determined that they still need to retain a certain level of cover in the event that they were to unexpectedly become ill, with there being a history of illness running in the family. By retaining an appropriate amount of their existing insurance cover, Allan and Margaret help ensure their pre-retirement and retirement planning goals and objectives won't be financially knocked off track by unexpected events.

Contact Key Financial Planners for further  
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