

## Are you prepared for life's unexpected plot twists?

It's impossible to know what's on the horizon, but with the right personal insurance, at least you can be financially prepared against life's curve balls. So how do you know which types of cover are right for you? Here are some personal insurance basics to get you started on the road to financial protection.

### Life insurance

Think of life insurance as a financial safety net for your loved ones. With the right cover in place, your beneficiaries will receive a lump sum payment in the event of your death, so they can keep up with regular expenses, cover any debts and put aside money for the future. If you're diagnosed with a terminal illness, your insurer may also agree to pay out your insurance early.

The level of cover you need depends on the debts you would leave behind (such as a mortgage) and how much your beneficiaries would need to keep up with their ongoing expenses without your income to rely on. With life insurance policies that you personally own, your premiums normally aren't tax deductible, but the payout your beneficiaries receive is generally tax free.

### Income protection

If your regular earnings suddenly stopped, how long could you manage financially – and what would you have to give up?

Income protection insurance regularly pays part of your usual income if you're unable to work for an extended period due to illness or injury. You can adjust the cost and value of your cover by customising the waiting period, benefit payment period and the portion of your income you want to insure.

With an agreed value policy, the benefit amount is determined when you take out the policy. With an indemnity value policy, the benefit amount depends on your income at the time you make a claim. In either case, premiums for income protection policies that you personally own are generally tax deductible, but any claim payments you receive will generally count towards your taxable income.

### Trauma insurance

Serious health conditions such as cancer, heart attack, stroke or blindness impact the lives of millions of Australians. For example, one in two Australian men and one in three women will be diagnosed with cancer by the age of 85,<sup>1</sup> while over 3.7 million Australians are affected by heart disease.<sup>2</sup>

Trauma insurance helps cover the costs of treatment and rehabilitation in the event of a critical illness, with a lump sum paid if you're diagnosed with one of the conditions specified in your policy. Premium payments you make aren't tax deductible, but claim payouts are generally tax free.



### TPD insurance

Being faced with a permanent disability can have a far-reaching impact on your lifestyle. With Total and Permanent Disablement (TPD) insurance, you can receive a lump sum to help cover any immediate costs and also your ongoing living expenses if you become disabled and can no longer work.

TPD insurance can either be standalone or attached to a life insurance policy. The cost of your cover may depend on whether if you choose an own occupation policy, which provides a benefit if you can no longer work in your usual job – or an any occupation policy, which generally provides a benefit if you can no longer work in any job that you're qualified for by education, training or experience.

As with life or trauma insurance, for policies that you personally own there is normally no tax deduction on the premium payments, but the payout is generally tax free.

## Premium costs: stepped or level?

With life, trauma and TPD insurance, you may also be able to choose how you want to pay for your premiums:

- **Stepped premiums** – these are calculated based on your age, with the premium cost generally increasing as you get older. Low entry prices make this an affordable option in the short term.
- **Level premiums** – you pay more at the start, but the premium costs average out over time, meaning you can save money in the long term. In many cases, a level premium converts to a stepped premium when you turn 65, reflecting the increase in health risks for older Australians.

## Super cover versus policy cover

Most super funds offer life insurance, plus TPD and income protection cover, with premiums paid straight from your super balance. While this cover is easy to manage and means you don't have to cover the premium costs out of your own pocket, it means your super won't be able to grow as quickly. Also, claims generally take longer to be paid – and depending on the type of insurance, claim payments may be taxed differently. Premiums may be tax-deductible to the fund, meaning a lower effective premium may apply.

Most importantly of all, the cover your fund offers might not be sufficient for your needs. In this case, you may be able to take out a separate policy outside super to cover the shortfall.

## Tailored to fit

Everyone's needs are different, and it can be difficult to know which cover options are right for you. But don't worry – your Financial Adviser can help you find the right mix of insurance options for your situation and life stage.

1 Australian Institute of Health and Welfare, 2014. Cancer in Australia: an overview 2014.

2 Australian Institute of Health and Welfare, 2016. Cardiovascular disease.

## Speak to us for more information

If you would like to know more, talk to your Count financial adviser. They can give you more detailed information on the best approach for your situation.

### Important information

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