

# Protecting what is important



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## Why you need life insurance

The day you've been waiting for has arrived; your brand new car is ready to take home. The first thing you do before driving it is get it insured. There's no way you would risk anything happening to your new car!

This is a common scenario. Most of us don't think twice about insuring our possessions, but what about protecting the most important asset - you? If you were in an accident and couldn't work, how would you and your family afford your medical bills,

as well as your mortgage and daily expenses?

Personal insurance is one of the best ways of protecting what's most important to you. However understanding it all can be time-consuming and complicated. Let's simplify things and look at the basics:

- Australians are underinsured to the tune of \$1,370 billion<sup>1</sup>
- 6 out of 10 Australians with dependant children do not have

sufficient life insurance cover to look after their loved ones for more than one year if they were to die<sup>2</sup>

- 96% of Australian families lack enough life insurance to protect their families for 10 years or more<sup>3</sup>, and
- only 4% of Australian families are adequately insured<sup>4</sup>.

### Why you need life cover

Life cover becomes a necessity if you have dependants who rely on you financially or if you have debts which need to be extinguished upon your death. Immediate expenses to take into account include:

- medical or hospital costs
- funeral costs
- mortgage or other debts, and
- ongoing income for your dependants.



## Life cover explained

Life cover is also known as term life insurance or death cover. Life cover provides peace of mind by paying a specified amount to your beneficiaries, ensuring that they are looked after in the event of your death. A lump sum or equivalent instalments can be paid to the policy owner, nominated beneficiaries or to your estate.

You can add Total and Permanent Disability (TPD) cover to your life cover policy in case you are unable to work due to a permanent disability. You may also add trauma cover which pays a benefit if you are diagnosed with one of a number of conditions such as cancer, heart attack or stroke.

### The facts

- 90% of Australian adults have at least one modifiable risk factor for heart, stroke and vascular diseases<sup>5</sup>.
- Stroke is Australia's second biggest killer. Nearly 500,000 Australians will suffer at least one stroke over the next 10 years<sup>6</sup>.
- 1.1 million Australians are disabled long term by heart, stroke and vascular diseases<sup>5</sup>.



## TPD insurance explained

TPD insurance provides a lump sum payment or equivalent instalments if you become permanently disabled, as defined in the policy. Generally, a permanent disability means you can't work in your current occupation or a job you have trained or studied for, or previously worked in. It's important to read the fine print because various definitions apply to TPD insurance. Your financial adviser is the best person to help you decide what options are best for you.

### Why you need TPD insurance

TPD insurance can provide you with a lump sum of money to help eliminate debt, pay for treatment and maintain your lifestyle while you focus on adjusting to what may be a very different lifestyle. It's especially relevant for people with dependants - especially if only one spouse earns an income - and for people with mortgages and other significant debts which they couldn't pay with savings alone.



### The facts

- For each road death, there are about 13 serious road injuries - many with long-term impacts<sup>7</sup>.
- Only 4% of 30-something Australians with children have adequate insurance cover<sup>8</sup>.
- 1.1 million Australians are disabled long term by heart, stroke and vascular disease<sup>9</sup>.

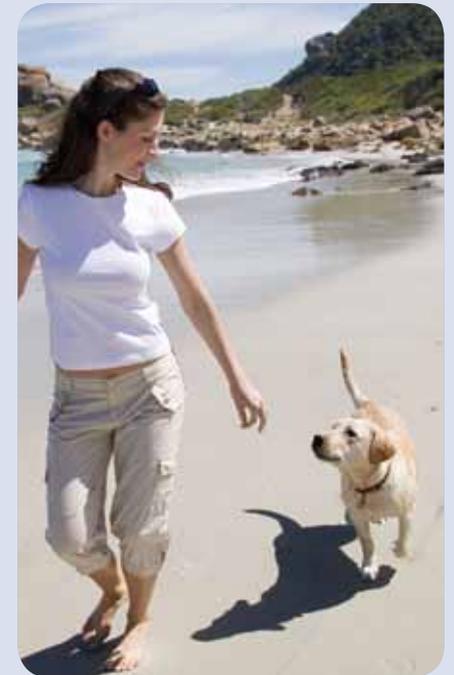
## Trauma insurance explained

Trauma insurance provides a lump sum benefit or equivalent instalments if you're diagnosed with a specific illness or injury covered by the policy (such as cancer, stroke, heart disease, blindness, severe burns, loss of speech or deafness). The benefit amount, chosen by you, can be used to reduce debts, pay for medical expenses and maintain your lifestyle while you recover.

### Why you need Trauma insurance

Trauma insurance is especially important for families or those with dependants, especially when only one spouse is working. Consider the consequences if one half of a couple become seriously ill and was unable to work. How would they cope with the mortgage and everyday expenses on top of medical costs for treatment and rehabilitation? Trauma insurance provides funds for everyday living expenses and treatment costs. It may

even allow you to make permanent lifestyle changes like returning to work part-time.



### The facts

- One in three Australian males, and one in four females, can expect to be diagnosed with cancer before age 75<sup>10</sup>.
- Death rates are falling for many of our leading health concerns, such as cancer, heart disease, strokes, injury and asthma<sup>11</sup>.
- On average, households (in NSW) can expect to incur \$47,200 in financial costs after a member of that household is diagnosed with cancer<sup>12</sup>.

<sup>1</sup> Fast Facts; A nation exposed' IFSA August 2005

<sup>2</sup> 'Life and risk sales up' IFSA April 2007

<sup>3</sup> 'Analysis of insurance needs' Rice Walker Actuaries May 2005

<sup>4</sup> 'Australian mothers—undervalued and underinsured' IFSA October 2005

<sup>5</sup> 'Heart, stroke and vascular diseases, Australian facts 2004' Australian Institute of Health and Welfare 2004

<sup>6</sup> 'Walk in our shoes; Stroke survivors and carers report on support after stroke' National Stroke Foundation 2007

<sup>7</sup> 'National Road Safety Action Plan 2007/08' Australian Transport Council 2007

<sup>8</sup> 'Fast Facts; A nation exposed' IFSA August 2005

<sup>9</sup> 'Heart, stroke and vascular diseases, Australian facts 2004' Australian Institute of Health and Welfare 2004

<sup>10</sup> 'Cancer in Australia: an overview 2006' Australian Institute of Health and Welfare 2007

<sup>11</sup> 'Australia's health 2008' Australian Institute of Health and Welfare 2008

<sup>12</sup> 'Cost of Cancer in NSW' Access Economics Report for the Cancer Council NSW April 2007

## Income protection explained

As the name suggests, income protection is the best way to protect your current income if you are unable to work due to illness or injury. This type of policy pays up to 75% of your gross annual income, in monthly payments, to cover your living expenses. Income protection has waiting and benefit periods.

### Why you need income protection

While we readily consider protecting our possessions, we often neglect to protect our ability to earn an income. Income protection is important if you have:

- debts, such as a mortgage, credit cards or personal loans you couldn't pay if you were unable to work due to sickness or injury
- little or no savings
- the need for regular income to pay ongoing family expenses such as food, household bills, rates, school fees or running a car, and
- a family that you would like to ensure are financially protected if you were unable to work.



### The facts

- There are more than 2 million working age Australians with a disability<sup>13</sup>.
- In 2008, over 140,000 Australians were seriously injured at work<sup>14</sup>.
- 690,000 Australians were injured at work in 2005-06, with 43% receiving no form of financial assistance<sup>15</sup>.

## Business expenses insurance explained

The purpose of business insurance is simply to protect your business. A business insurance plan can:

- provide funds to enable surviving business partner/s to buy out the financial interest of the deceased business owner
- provide funds so that partner/s can buy out the financial interest of an owner who is unable to work due to illness or injury
- replace lost business income
- replace lost profits
- repay a business debt, and
- maintain cashflow to cover the cost of replacing and training new key person/s.



## We're ready to help

To ensure that you adequately protect what is important to you, you should contact your financial adviser to arrange a meeting.

Financial Services Partners Pty Ltd ABN 15 089 512 587 AFSL 237 590

<sup>13</sup> 'Disability Facts and Statistics' Diversity@work 2008

<sup>14</sup> Julia Gillard, Safe Work Australia Awards April 2008

<sup>15</sup> 'Australian social trends 2007' Australian Bureau of Statistics August 2007

The information/advice contained in this document is general in nature and does not constitute personal advice. It has been prepared without taking into account any of your individual objectives, financial solutions or needs. Before acting on this advice you should consider the appropriateness of this advice, having regard for your own objectives, financial situation and needs. You should seek personal financial advice from a qualified financial adviser before acting on the information. You should consider the Product Disclosure Statement in deciding whether to acquire, to continue to hold, or to sell a product. Performance is influenced by market volatility over time. Past performance is not necessarily indicative of future performance. Contact your adviser to discuss your individual needs. The taxation position described is a general statement only and should only be used as a guide. It does not constitute tax advice and is based on current tax laws and their interpretation. Please contact a taxation specialist to discuss your individual situation.

