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## Life Insurance

### What is insurance?

Insurance is an agreement with an insurance company to pay you a sum of money for a specified loss, damage, illness or death. It is form of protection, a way to protect yourself, your family and the things you own if something goes wrong. Insurance allows you to replace or repair the assets that you have accumulated, whether those assets are your belongings or your capacity to earn income.

### What is personal insurance?

The term 'personal insurance' refers to insurance policies you take out on yourself. It provides protection against events like sickness, injury and death that prevent you and your family from meeting your financial commitments and lifestyle requirements. This fact sheet outlines the most common forms of personal insurance:

Life insurance;

Total and permanent disability insurance;

Trauma insurance, and

Income protection.

It is important to understand that insurance does not remove the risk of something going wrong. It provides you and your family with protection, compensation and financial security if something does happen. Put simply, insurance helps you manage those unexpected events that may otherwise mean you have to:

use your savings or investments;

borrow money;

ask family or friends or others for financial assistance;

sell assets to pay outstanding debts and day-to-day living expenses; or

find other ways to make ends meet.

Everybody's circumstances are different – however, insurance is important for everybody. Your need for insurance will change as you move through different stages of your life. The amount of insurance you require will be influenced by your how much you earn, the change in cost of living, your assets, your liabilities, if you are married or in a de facto relationship, and the number of dependants you have - all of which may change depending on your life stage.

This document provides general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. This information does not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, you need to consider (with or without the assistance of an adviser) whether this information is appropriate to your needs, objectives and circumstances.

While having insurance can give you peace of mind, it's not like a savings account. Insurance involves the payment of a premium in exchange for cover. You will only receive a benefit if you have a legitimate claim against the policy you have bought.

There are many types of insurance. The purpose of this fact sheet is to outline the most common forms of personal insurance. Unlike car and home contents insurance, which allow you to insure your belongings; personal insurance policies enable you to insure yourself, and your ongoing wellbeing.

## Life insurance

Life insurance, also referred to as term insurance and death cover, pays a lump sum if you die. It protects your family if you are no longer around to support them. While most people think that life insurance is only for the main income earner, the person who takes care of the family is also a large contributor to the home.

<b>Life insurance</b>	
<b>Provides a cash lump sum that can be used by your family to:</b>	<p>Cover costs such as funeral expenses and legal fees associated with the implementation of your Will.</p> <p>Repay debts such as your home mortgage and personal loans.</p> <p>Replace your income. The lump sum can be invested and withdrawn as income.</p>
<b>Can be purchased either inside or outside of superannuation</b>	<p>Many super funds provide life insurance. Your employer has an obligation to offer you a super fund that provides a minimum level of death cover. You can choose to maintain this cover, increase it or opt out.</p> <p>Contact your super fund to check whether you have any insurance and whether it's enough to meet the needs of you and your family. Your super member statement will also show whether you have any insurance cover and how much the premiums are.</p>
<b>Tax treatment</b>	<p><b>Outside super</b></p> <p>Life insurance premiums are generally not tax deductible; however the benefit payment is generally tax-free.</p> <p><b>Inside super</b></p> <p>Premiums are tax deductible for the super fund, but the benefit payment may be taxed depending on who receives it.</p>

### How much life cover should I have?

This will depend on the costs you want to cover, such as:

Funeral costs;

Living expenses for your family;

Debts to pay out, or ongoing loan repayments;

Future education expenses.

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You should also consider:

Whether your spouse will continue to work.

Funding the cost of a house keeper, childcare or a nanny.

Whether any assets will be sold, such as your car.

Whether you will downsize the family home.

We can help you work out an appropriate level of life cover to suit your needs.

## Cost of insurance

The cost of insurance is called the premium. The premium is based on a number of factors relating to the potential risks to the insurer, such as your age, occupation and existing medical history. The premium covers other costs including administration fees, taxes and government charges.

You can choose either a stepped premium or a level premium.

**Stepped premiums** increase exponentially each year as you get older.

**Level premiums** generally remain consistent over the life of the policy, with potential increases in premium costs occurring if changes are made to the level of cover, either by your request or by you exercising an CPI indexation option. In some instances, premiums may be re-rated higher by the insurance provider when they review the risks of providing insurance and perceive these to have increased. This could be due to increased claims within products or increased risks within certain occupations.

Level premiums can be more expensive initially, but if you keep the policy for a long time, they can offer a saving on the total cumulative amount paid for the insurance.

## Special conditions

If the insurer determines that you pose a higher risk to them than the average client, they may offer you an adjusted policy. A policy can be adjusted in four ways:

Special conditions	
<b>Exclusions</b>	"Exclusion" is when the insurer leaves specific events out of your policy. For example, if you have had back problems in the past, your policy may state that you will not be paid out for any injury to your back.
<b>Loading</b>	A loading is an increase in your premium, compared to the standard premium.  A 150% loading means that your premium is 150% of the standard premium.  Loadings usually apply where you pose a greater risk to the insurer; such as if you are overweight or have a history of heart conditions in your family.
<b>Adjusted term</b>	Rather than choosing to refuse you insurance, the insurer may decide to limit the terms of your policy. For instance, you may be offered a two-year maximum benefit period on income protection insurance. Or you may only be offered an 'any occupation' TPD policy.

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<b>Special conditions</b>	
<b>Decline of cover</b>	Where the insurer believes that you pose too great a risk to them, they can choose not to insure you.  It is important we investigate and explain other options available to you when this happens.

If this sounds like something you need to explore, or review what you already have, please feel free to fill in the form here: <https://www.fasttrackwealth.com.au/contact-us/>

Or contact Adam on 07 3263 4123.