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Total and Permanent Disability (TPD) 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.

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.

Total and permanent disability (TPD)

TPD insurance	
Provides a cash lump sum that can be used by your family to:	Repay debts such as your home mortgage and personal loans. Replace your income. Meet medical costs. Meet the costs of a modified lifestyle, e.g. nurse or carer and home and car modification.
Can be purchased as an add on, or as a stand-alone policy	You can buy TPD as an add-on to term life insurance, or as a stand-alone product. You can also get TPD as an extra benefit from your super fund or as part of a trauma insurance product.
There are different TPD definitions	You should consider which of the definitions best suit your particular situation. **Own occupation:** you will be entitled to claim if you are unable to return to your 'own' occupation. TPD cover under this definition cannot be owned in super. **Any occupation**: you will only be entitled to claim if you are unable to return to 'any' occupation you are reasonably suited to by education, training or experience. *Note: 'own occupation' is more expensive than 'any occupation' TPD.*
Tax treatment	**Outside super** TPD premiums are not tax deductible; however, the benefit payment is tax-free if paid to the injured person or their relative. **Inside super** Only the portion of a TPD insurance premium that provides disability super benefits to a member is tax deductible for the super fund. The benefit payment you receive will be taxed as a lump-sum super benefit.

Total and Permanent Disability Insurance (TPD) provides a lump sum payment if you suffer a disability before retirement and can't work again or can't work in your usual occupation or chosen field of employment. Payments under a TPD policy are generally not made until the insurer believes that you are unlikely to work again. This usually occurs only after you have been unable to work for at least six months.

How much TPD cover should I have?

When considering how much cover you need, you should think about:

Your financial commitments, what are they and how long will they last.

Repaying your debts.

Allowing for an increase in your expenses to cover the cost of ongoing care.

A lump sum amount to help cover the cost of any home modifications.

Whether any assets will be sold to help pay for these expenses.

We can help you work out an amount of cover to meet your requirements.

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	
Exclusions	"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.
Loading	A loading is an increase in your premium, compared to the standard premium.

Special conditions	
	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.
Adjusted term	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.
Decline of cover	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.