



# ARE YOU COVERED?

**“In Australia an estimated 31% of homes are uninsured”**

## **When was the last time you looked at your insurance papers?**

Do your renewal notices come in, get paid, filed and go unread? Many of us have our insurances on automatic payment, so there is no reminder for us to reassess our situation to make sure we are fully covered. How well are you covered and what exactly are you insured for?

## **Mortgage Protection and Lender’s Mortgage Insurance**

Mortgage Protection and Lender’s Mortgage Insurance (LMI) are for two different situations;

- ◆ Lender’s Mortgage Insurance is usually required when your deposit is less than 20% of the purchase price of your property and protects the lender against the possibility of defaults on your repayments.
- ◆ Mortgage Protection however is insurance that supports you in case you become involuntarily unemployed or are unable to work due to illness or disability. Your mortgage is likely to be the biggest financial responsibility in your life time. It makes sense to ensure that you can continue to meet your commitment in the case of unforeseen events.

## **Home and Contents**

It is estimated that 31% of homes in Australia are uninsured. Of those that have cover, up to 81% are underinsured, with an average cover of 70% (or less) of the actual rebuilding costs. Your home and contents insurance should provide adequate cover if you need to repair or replace your home (house/garage/shed) and contents in the event they are destroyed, damaged or stolen.

## **Motor Vehicle**

There is a range of motor vehicle policies to cover different categories of vehicles (car, motor bike, caravan, boat and trailers) which need to be considered separately. Generally with motor vehicles, there are 3 main types of cover:

- ◆ Comprehensive: covers your car, the other party’s car and damage to someone else’s property.
- ◆ Third party property: does not cover your vehicle, it only covers damage to the third party’s property.
- ◆ Third party fire and theft: covers damages to the third party’s property and also if your car is burnt out or stolen.

## Life

Life insurance provides a lump sum payment to your beneficiaries in the event of your death. Generally this cover is considered essential to ensure that your family is protected and will have financial security in the event that you are not around to provide for them. If you are the main income earner in the family, this insurance will help your family manage their future (for example paying out mortgages, schooling and other family expenses) without your ongoing earning capacity.

## TPD – Total and Permanent Disability

Total and permanent disability insurance (TPD) is usually an optional extra on a life insurance policy. It aims to provide a lump sum of money should you suffer an illness or injury which totally and permanently prevents you from working. This usually applies to any occupation for which you are reasonably suited by education, training and experience. The payment could assist in maintaining your lifestyle, reduce the burden of high medical expenses, reduce or eliminate debt or perhaps provide money to modify your home to cope with the disability you have sustained. When combined with life insurance, this cover can provide security for you and your family for the rest of your life.

## Health

Health insurance could be a topic on its own! There are many choices covering hospital and 'extra' options. Check the internet to compare the many varied alternatives available. Did you know that if you earn over \$77,000 then it may actually be cheaper to have health insurance instead of paying the additional 1% Medicare levy? As with any type of insurance cover, it always pays to do your research before making your decision.

## Income Protection Insurance

According to recent Lifewise/NATSEM research, one in five Australian families will suffer the unexpected death of a parent, a serious accident or an illness that renders a parent unable to work. The research also found that 95% of working Australian families do not have adequate insurance in place. Such high levels of underinsurance amongst parents with dependent children and a mortgage can have an enormous impact on the future of the family.

Income protection (or salary continuance insurance) is a form of personal insurance which provides an income stream for you should you become unable to work due to illness or injury. Depending on the level of cover you select, income protection insurance can pay up to 75-80% of your income to cover your day to day expenses if you are unable to work.

## Why would I need income protection insurance?

If you answer yes to any of the following questions, you should consider insuring your income earning capacity. It is after all your most valuable asset.

- ♦ Do you have any debts such as credit card, personal loan or mortgage?
- ♦ Do you have an investment property that depends on your income to top up the repayments?
- ♦ Would your sick leave run out after a month off work?
- ♦ Do you have a family that relies on your income for day to day living expenses such as household bills, school fees and utilities payments?
- ♦ Are you self employed?
- ♦ Do you work within a tight budget for your living expenses?

Even if you already hold income protection insurance, it is essential to review your cover regularly. For example, if you change employment, your sick leave entitlements, although they were accruing with employer A, will not transfer across to employer B. Therefore you may need your income protection waiting period to be reduced for at least the first 12 months with your new employer.

If you have an investment property, especially a negatively geared property that relies on your income to meet the mortgage/interest payments, you need to consider protecting your ongoing ownership of the property. In some circumstances, income protection insurance premiums are tax deductible because they are related to earning an income.

During your lifetime you have the capacity to earn a small fortune - it makes sense to protect your income through a tax effective income protection plan.

## Insurance Appraisal



**Even if you think you have your insurances covered, it makes sense to regularly reassess your policies for peace of mind. If you haven't reviewed your insurances in the last two years, contact the office for information on how we may be able to help.**

\*Disclaimer: This article is generic in nature. All investment decisions should be considered wisely and based on your personal and financial circumstances. Seek proper advice before committing to any course of investment action. This is not deemed as advice.