Family Protection

Insurance Needs Analysis

The goal of life insurance is to provide a measure of financial security for your family after you die. So, before purchasing a life insurance policy, you should consider your financial situation and the standard of living you want to maintain for your dependents or survivors. For example, who will be responsible for your funeral costs and final medical bills? Would your family have to relocate? Will there be adequate funds for future or ongoing expenses such as day-care, mortgage payments and education? It is prudent to re-evaluate your life insurance policies annually or when you experience a major life event like marriage, the birth or adoption of a child, or purchase of a major item such as a house or business. It is important to have the right amount – not too much, and definitely not too little.

For Australians, it is generally best to hold life insurance within superannuation for taxation and cash flow benefits.

Life insurance analysis

	On your death	On your partners death
	Lump sum required ($)	Lump sum required ($)
Clear debts eg mortgage, personal loans		
Funeral costs		
Emergency fund		
Total Capital needs (add up above 3) (A)		
Income required (pa) x Number of years	x years = $	x years = $
Childcare/education (pa)	x years = $	x years = $
Other funding (pa)	x years = $	x years = $
Income replacement (add up above 3) (B) (lump sum required)		
– Less Realisable financial assets that would be sold at death	Investment property $ Direct shares $ Cash assets $ Superannuation $ Other $	Investment property $ Direct shares $ Cash assets $ Superannuation $ Other $
Total Realisable Financial Assets (C)		
– Less Realisable lifestyle assets that would be sold at death	Home $ Other $	Home $ Other $
Total Realisable Financial Assets (D)		
Total cover required (A+B-C-D)		
– Less Existing cover retained		
Additional cover required or Amount of over-insurance		

Family Protection

Insurance Needs Analysis

The goal of total & permanent disablement (TPD) insurance is very similar to life insurance, however this insurance is designed to provide a lump sum of funds in the event of total & permanent disablement. Total & permanent disablement is typically defined as 'the life insured being deemed to be unable to work ever again' either in their current occupation (known as "own occupation TPD") or in any employment where they are reasonable suited due to education, training and experience (known as "any occupation TPD").

As with life insurance, for Australians it is generally best to hold some TPD insurance within superannuation for taxation and cash flow benefits, and some cover outside superannuation as only the lesser quality "any occupation TPD" cover can now be held in superannuation.

Total & Permanent Disability (TPD) analysis

	On your TPD	On your partners TPD
	Lump sum required ($)	Lump sum required ($)
Clear debts eg mortgage, personal loans		
Emergency fund		
Recovery income		
Emergency fund		
Total Capital needs **(add up above 4) (A)**		
Income required (pa) x Number of years Note: Offset this income against any long term income protection insurance held	x years = $	x years = $
Childcare/education (pa)	x years = $	x years = $
Other funding (pa)	x years = $	x years = $
Income replacement **(add up above 3) (B)** (lump sum required)		
– Less Realisable financial assets that would be sold at disablement	Investment property $ Direct shares $ Cash assets $ Superannuation $ Other $	Investment property $ Direct shares $ Cash assets $ Superannuation $ Other $
Total Realisable Financial Assets (C)		
– Less Realisable lifestyle assets that would be sold at disablement	Home $ Other $	Home $ Other $
Total Realisable Financial Assets (D)		
Total cover required (A+B-C-D)		
– Less Existing cover retained		
Additional cover required or Amount of over-insurance		

Family Protection

Insurance Needs Analysis

Trauma insurance is designed to provide a lump sum of money to provide for the financial consequences of a major medical trauma or crisis. Most modern policies provide cover approximately 30 medical events such as heart attack, cancer, major head trauma, paraplegia, multiple sorosis etc. Payment is normally by a lump sum of money on diagnosis of the medical condition.

In Australia, Trauma insurance must be held outside of superannuation.

Trauma analysis

	On your Trauma	On your partners Trauma
	Lump sum required ($)	Lump sum required ($)
Clear debts eg mortgage, personal loans		
Medical / lifestyle		
Emergency fund		
Recovery income		
Total Capital needs (add up above 4) (A)		
Income required (pa) x Number of years Note: Offset this income against any long term income protection insurance held	x years = $	x years = $
Childcare/education (pa)	x years = $	x years = $
Other funding (pa)	x years = $	x years = $
Income replacement (add up above 3) (B) (lump sum required)		
– Less Realisable financial assets that would be sold on trauma	Investment property $ Direct shares $ Cash assets $ Superannuation $ Other $	Investment property $ Direct shares $ Cash assets $ Superannuation $ Other $
– Less Realisable lifestyle assets that would be sold on trauma	Home $ Other $	Home $ Other $
Total Realisable Financial Assets (C)		
– Less Existing cover retained		
Additional cover required or Amount of over-insurance		

Family Protection
Insurance Needs Analysis

Income protection insurance is, for most people, provides protection of their biggest asset – being their ability to earn an income. It is designed to provide an income if you can't work due to sickness or accident. Typically policies will provide between 75% to 90% of your income after an exclusion or waiting period. Waiting periods are normally 2, 4, 8, 12 or more weeks where benefits are not paid until the expiry of this period. Benefits are then payable until the expiry of the policy – either for a maximum of 2 or 5 years after commencement of claim or until a certain age, such as 65.

In Australia, income protection insurance can be held inside or outside of superannuation. If it is within superannuation it is normally known as "salary continuance" and provides an "indemnity" cover – being a percentage of your previous 12 months earnings. Better quality income protection insurance is held outside of superannuation, providing the option of "indemnity" or the more predictable "guaranteed" cover. Premiums for income protection are normally tax-deductible.

Income continuation analysis

Income continuation analysis	On your sickness/accident	On your partners sickness/accident
Income		
% of income to cover Note: Normally only 75% is available from insurance companies		
Superannuation maintenance benefit * Note: Only available from a limited number of insurance companies		
Total cover required (pa) **(A)**		
Less Income not affected by disability (passive income, net rental income, dividend income etc) **(B)**		
Less Existing cover **(C)**		
Additional cover required (yearly) **(D)** **(D)=(A)-(B)-(C)**		
Benefit period (should aim to be covered up until age 65)		
Waiting period **		

Notes

* this benefit is designed to provide superannuation contributions whilst on claim so that long-term retirement savings are being accumulated.

** the waiting period is the exclusion / excess period on the policy. Eg a 30 day waiting period means that the insurance will not commence payments until after 30 days of claim and will then back pay typically monthly in arrears.