



COMBINED FUND

RSE ABN 32 064 976 138

Fund ABN 46 921 400 504

## DEATH AND DISABILITY INSURANCE – WHO NEEDS IT AND HOW MUCH SHOULD YOU HAVE?

### A Quick Quiz

1. **If you suffer a serious illness or accident and can't work for several months, when will your salary stop being paid?**
  - in a few weeks
  - in a few months
  - in 2 years
  - will continue to age 65
  
2. **If it's so serious that you can never return to work, how will you manage financially?**
  - total disaster
  - will be OK for the first year
  - will manage for a bit longer
  - adequately covered
  
3. **If you die tomorrow, will someone suffer financially?**
  - family home will be lost
  - family will struggle
  - family will manage OK with occasional financial problems
  - no financial problems

### GETTING THE PRIORITIES RIGHT

For most of us, our first major purchase is a car. The second major purchase is usually a house. And – because they are valuable assets, we insure them. Well, at least, the prudent ones amongst us do.

It's all about priorities. If you have a valuable asset, you insure it against loss.

But wait a minute, how could you afford the car and the house in the first place? Simple – you earn an income which gives you purchasing power.

So – doesn't that really mean that your most valuable asset is you? If you can't work, your income generally stops (sooner or later) – putting at risk your financial well-being now as well as your plans for the future. Let's look at some priorities:

## **Priority No. 1 – Protecting Income**

A few of us have accumulated enough money to not have to work. However, for most of us, work is essential to provide the income we need.

Surely then, our top priority has to be ensuring that, if an illness or injury stops us from working, we can replace lost income.

### **Solution**

Combined Fund offers **monthly income insurance** for total or temporary disablement.

Known as Salary Continuance or Income Protection Insurance, the benefit payable is 75% of your salary at the 1 January preceding your disability and is payable by monthly instalments. You have a choice of two options:

OPTION 1: a benefit payable up to age 65

OPTION 2: a benefit payable for up to a maximum of 2 years

A monthly income benefit payable to age 65 may be particularly important where you are the sole income earner. If you are unable to work due to illness or accident, you and/or the whole family may be placed under strain unless your income can be replaced with income protection payments.

The insured benefit becomes payable once you have been unable to work due to illness or injury for 3 months and once your claim is accepted by the Fund's insurer.

Note: Income protection cover is not available to casual employees or part-time employees who work less than 15 hours a week.

### **Won't Work Cover, TAC and Government Benefits protect me?**

Work Cover is fine if you're injured at work or become ill due to your work but most long term disabilities are not work-related.

TAC benefits may help if you are seriously injured in a car accident but TAC's Income Support benefits are only payable for up to 18 months and impairment benefits are subject to fairly low limits based upon the degree of permanent disability.

The Government provides some disability benefits but their fortnightly Disability Support pension payments amount to only around \$14,000 a year.

## **Priority No. 2 – Death Cover (Life Insurance)**

Once you have protected your income adequately, you need to address the question – will someone suffer financially as a result of your death?

If the answer is no, then you may well ask – why have death cover at all? You may have no dependants **or** you may simply have accumulated sufficient money so that your death will not cause financial problems.

However, for many of us, death cover is essential because our death will create financial problems for those we leave behind. The appropriate amount of Death cover for you will depend on:

- your current liabilities (eg. mortgage or rent, credit cards, personal loans);
- anticipated future expenses (eg. children's education and care); and
- general living expenses.

### **A simple approach**

One way of looking at it is to say – I don't want to leave my family with any debts. In that case, you simply:

- add up how much you owe on your mortgage, personal loans and credit cards;
- subtract from that how much you have in savings, super and other debt-free investments.

The figure you're left with is the basic amount of insurance cover you need.

That's fine and it ensures that you leave your family free of debt. But – what about giving your family some choices?

- choices about the way they live
- choice for your spouse about working in the future and about a comfortable retirement
- choice of education for the kids

Ultimately, the choices we give to those we leave behind largely revolve around money. So – an alternative to just covering debt is to also leave behind enough money to give your family future choices.

To assist in determining how much cover you may need, we have included a calculation sheet with this summary.

### **What next?**

Your annual Fund benefit statement shows your current death benefit ie your account balance plus any insured benefit you may have. If you need to top it up, let us know and we can get the process started.

## **Priority No. 3 – Retirement Planning**

Now, to plan for your retirement. Well – there's really no magic to it. You:

- start early (but it's never too late);
- contribute as much as you can (but at least 5% of salary); and
- contribute tax-effectively (salary sacrifice, co-contributions).

Your contributions, plus your employer's contributions, should put you well on the way to a comfortable retirement (particularly with the Government Age Pension as backup for older members).

However, that assumes that you are in the paid workforce throughout your working life.

If you've followed the first two priorities, you have your income protected against illness or injury and your family is protected if you die. But – if an injury or illness is so severe that you can never work again, how will you replace your employer's future contributions?

That's where Total and Permanent Disablement (TPD) insurance comes in. For a relatively small additional premium, TPD insurance of an amount up to your death cover can be provided. With that in place too, you are pretty well covered. Like the death cover, the TPD cover is payable as a lump sum and, because it is payable in addition to your income replacement insurance, it can be invested for your retirement and used to replace those employer super contributions which would have been made had you been able to continue working through to retirement.

### **Insurance Premiums**

Arranging your insurance requirements through a superannuation fund can be better than arranging such insurance cover outside the fund:

- the premiums are deducted from your fund account so you don't have to find the money to pay them separately;
- the premiums are group discounted;
- premiums for death and total and permanent disablement cover held privately must be paid from after-tax salary. Premiums for superannuation insurance cover are effectively made from pre-tax income.

For further information regarding insurance cover with Combined Fund, please call us on 1800 200 801.

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## COMBINED FUND

### How much death/TPD cover do you need?

**A. Debts**

Mortgage \$ \_\_\_\_\_

Other Loans, Credit Cards \$ \_\_\_\_\_

Funeral Costs (\$5-10,000) \$ \_\_\_\_\_

**Total:** \$ \_\_\_\_\_

**B. Living Expenses (monthly)**

Regular bills, eg power, rates,  
telephone, rent, insurance, etc. \$ \_\_\_\_\_

Food, Clothing etc \$ \_\_\_\_\_

Other Expenses \$ \_\_\_\_\_

Monthly Total \$ \_\_\_\_\_

Multiply by 12 for annual expenses \$ \_\_\_\_\_

Multiply annual expenses by 10 to  
provide for ongoing income

**Total:** \$ \_\_\_\_\_

**Total Death/TPD Benefit needed**

Add Debts and Living Expenses (A & B) \$ \_\_\_\_\_

**Deduct from this amount the total you have in savings, super and debt-free investments to determine the amount of insurance cover you may need.**