



Fact Sheet – Income and Asset Protection

The concepts of risk, security and volatility have been greatly discussed and challenged over recent years as the global financial crisis unfolded. One area that has come into sharper focus is that of insurance.

Most of us wouldn't hesitate to insure our house or car. In fact 77% of homeowners have their house insured and 84% of motor vehicle owners have insurance.

But when it comes to insuring ourselves personally, to protect against events causing injury, illness, trauma, disability and death, only 49% of the population is adequately insured.



Income Protection

Your ability to earn an income can be your most valuable financial asset. Income Protection normally pays you up to 75% of your gross monthly income while you are unable to work due to sickness or injury.

Income Protection provides you cover 24 hrs per day, 365 days per year, even when you are overseas (depending on location), or on holidays.

There are numerous options and benefits you can choose and these can be tailored to meet your budget and individual circumstances.

One of the options is to protect your income with benefits paid until age 65, providing a substantial financial safety net.

The total premium for Income Protection is tax deductible there-by reducing your net cost.

Trauma Insurance

Critical illness such as cancer, heart attack or stroke can affect anyone at any age. Trauma Insurance is targeted at a specific range of medical conditions and major surgeries.

The lump sum paid on diagnosis of one of the listed conditions can be used to help reduce debt, change employment, pay medical expenses and fund your lifestyle.

Trauma policies cover approximately 35 specific conditions and having a financial buffer to meet expenses can provide the peace of mind necessary for a full recovery.

Life Cover

Term life insurance is the most common form of life insurance.

Life cover pays a one-off lump sum upon death enabling beneficiaries to pay out debts and create ongoing income.

Total and Permanent Disablement

Total and Permanent Disablement (TPD) insurance generally covers a person against an illness or injury that prevents them from returning to their previous type of work.

TPD cover provides a lump sum benefit that can be used to pay off debts e.g. your mortgage, make necessary lifestyle adjustments to your home or provide sufficient funds to employ for a carer.

Misplaced Optimism

Why are we under-insured to such a large extent? Australians generally adopt a "she'll be right" approach.

In a survey of 11 countries, we are ranked no higher than 10th in various categories of perceived risk (serious illness, serious car accident, work accident, serious financial problems). Between 80% and 89% of respondents felt it was unlikely, in the next 20 years, they would face any of the risks listed in the survey (ING Australia 2008).

Cost

81% say life insurance is too expensive, yet 61% over-estimate the cost.

Life insurance cover of \$500,000 for a 40 year old non-smoker is about \$8 a week.

Comparatively, a home valued at \$500,000 would cost about \$15 a week to insure.

The average motor vehicle comprehensive premium is about \$21 a week (Insurance Council of Australia February 2009).

Trust

44% have concerns about the insurance company paying out if they die.

In 2007, the life insurance industry paid out \$3.6 billion in claims (non-super business). That represents 81c for every \$1 of premium.

Complexity

41% say life insurance is too complicated and 25% don't know where to start.

This is where professional advisers can greatly assist. Using comprehensive software that compares products, features, exclusions and premium costs, a short-list of suitable products is identified and rated.

Some Insurance Statistics

- 38% of adult males and 50% of adult females have no death cover (TNS research for IFSA 2005).
- Out of 2.5 million Australian families with dependent children, the level of death cover on average is only 20% of the needed cover (TNS research for IFSA 2005).
- 51% of Australians are under-insured for life cover by \$100,000 or more (AIST and IFF research 2008).
- 77% of Australians will be diagnosed with a serious illness in their working lives (Professional Planner magazine April 2009).
- 50,000 heart attacks occur in Australia every year (Health Foundation, Australian Facts, 2004: Heart, Strokes and Vascular diseases).
- 33% of men and 25% of women will suffer from cancer in their lifetime - 50% of those will live longer than 5 years after diagnosis (Cancer Council).
- More than 42,000 people are expected to die from cancer in 2009.
- Over 1,600 people die on Australian roads every year, most age of 26-59 years (Australian Government, Road Deaths Australia 2007).

Disclaimer

This Fact Sheet has been prepared for general information purposes only and not as specific advice to any particular person. Any advice contained in this document is General Advice and does not take into account any person's investment objectives, financial situation and particular needs.



Level 1, 4 Park Road, MILTON QLD 4064 | P.O. Box 1969, MILTON BC QLD 4064
Tel: 07 3367 6555 Fax: 07 3368 3998 | enquiries@iplan.net.au | www.iplan.net.au

iPlan Financial Services Australia Pty Ltd ACN: 106 591 833 as trustee for the iPlan Australia Trust
ABN: 58 928 175 252 is a corporate authorised representative of
iPlan Financial Services Pty Ltd ABN: 70 122 979 140 AFSL No. 311824