Keeping in Touch

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Get help choosing personal insurance

When things go wrong, it's nice to know you're covered. But getting suitable insurance cover can be a matter of getting professional advice.

Protecting what you have worked hard for is important, so it's essential to get appropriate insurance cover. To do that, you need help.

It's a good idea to speak to your financial adviser about your personal cover regularly, especially if there have been changes in your life, such as a new home loan, the arrival of children or changes to your marital status.

Life insurance
Several types of products fall under the broad category of life insurance, including life cover, trauma cover, income protection, and total and permanent disability (TPD) insurance.

Life cover pays the beneficiaries on your policy a predetermined amount when you die.

TPD insurance pays a lump sum if you are totally and permanently disabled to help with rehabilitation and living costs. TPD is often offered within superannuation and bundled with life cover.

Trauma cover insures you for specific catastrophic illnesses or injuries, such as heart disease, loss of limbs or cancer. Income protection provides money to keep you going if you're unable to work because of sickness or injury.

Affordability
There are a number of ways you may be able to cut the cost of insurance without reducing your cover.

For example, some insurers offer 'bundle' discounts, which means they reduce premiums if you have several policies with the company.

Certain premiums, such as those for income protection insurance, are also tax deductible if you pay them yourself. This may make these policies more affordable.

Stepped versus level premiums
Another option is to consider 'stepped' over 'level' premiums.

Stepped premiums may be cheaper when the policy is issued but increase as you age. It pays to do the sums and consider what the total cost of the premiums will be over five years or so.

This may be a good option for new business owners or others who don't have a lot of disposable income but expect to earn more over time.

Level premiums are not affected by your age, but are generally more expensive than stepped premiums in the beginning. If you want to control your costs over time and intend to hold the insurance for a long period, level premiums may be less expensive in the long term. Nevertheless, the premiums may be affected by inflation or be adjusted by the insurer.

You may also be able to have a combination of stepped and level premiums based on your circumstances and policy structure. For example, you may want level premiums for income protection and trauma cover if you intend to have them

for the long term, and stepped premiums for life cover and TPD. The important thing is to review your premium structures regularly with your adviser.

Superannuation options

Funding life insurance through a superannuation fund may be tax effective. In fact, it is common to use a super-linked policy when bundling life cover with TPD.

The result may be significantly lower premiums and it may also be possible to increase the sums insured for no additional net cost.

Funding income protection through superannuation, however, is subject to terms and conditions that your financial adviser can explain. In many cases, it may be better to fund income protection outside superannuation.

Seek advice

Before committing to any insurance, it's crucial to speak with an expert adviser who will explain the different types of insurance and their applications and calculate what cover you need.

They can also be there to lend a helping hand at claim time, working hard to smooth the way and reduce the stress on your or your family.