

Life insurance myth busters

We insure our homes, our valuables, our cars and our holidays. Some even insure their golf clubs. But when it comes to insuring our incomes or our lives, many people mistakenly believe it's too hard or too costly. Here are the facts to help bust life insurance myths.

Myth 1: it's too expensive

Have you put off arranging life insurance because you believe it's too expensive? Life and income protection may be more affordable than you think. In general, the monthly premium for a 35 yr old male, non-smoker applying for \$500,000 of Life cover would be approximately \$30.¹ Whereas, a 35 yr old female, non-smoker applying for \$500,000 of Life cover the monthly premium would be \$25.¹

All the same, the most important expense to consider is the cost to you – and your family – if you can't earn an income. The benefits of having life insurance can far outweigh the costs.

Income protection may form a vital part of your insurance strategy, especially if you have children. If you're suddenly unable to work, income protection insurance can help you financially support yourself and your family.

Myth 2: it's too complicated

For some people, deciding on a policy, and moving through the application process, may seem like a complicated and daunting task. But in fact, it is not as difficult as you may think. You can also opt to take out insurance through your planner. They can explain the different types of cover and advise on how much is appropriate.

There are several different types of life and income protection insurance. The benefits these policies offer are clear: they provide financial support if you die or become temporarily or permanently sick or injured.

Below is a guide to common types of life and income protection insurance. Simply choose the policies that best suit you, contact your preferred provider, fill out some forms and you're covered. It's that easy.

- Life Insurance pays a lump sum on your death or the diagnosis of a terminal illness. So when the worst happens, your foresight will pay off the mortgage and other debts, provide for your children's education, obtain child care and secure your family's lifestyle. This will allow your family to focus on supporting each other, not worrying about paying the bills.
- Income protection generally pays up to 75 per cent of your income if you are unable to work due to illness or injury. Income insurance premiums are generally tax deductible.
- Total and permanent disability pays you a lump sum if you are unable to work again due to a permanent disability.
- Living/Trauma insurance pays you a lump sum if you suffer one of a number of specific illnesses or events including cancer, stroke or a heart condition. This money can help you pay your medical bills while you recuperate.

Myth 3: there's a good chance I'll never need to claim on it

No one likes to think about death and illness, and whilst you may not be able to predict what is going to happen to you in the future, you can at least be financially prepared. When you consider the statistical likelihood of something unfortunate happening to you, life insurance makes good financial sense.

Consider these statistics:

- By the time a male reaches age 85 there is a 1 in 2 chance they will have been diagnosed with cancer at some point (1 in 3 for females).²
- Cardiovascular disease affects one in five Australians, and two out of three families. It kills one Australian nearly every 10 minutes.³
- There are over 2 million Australians of working age with a disability. Of these, 59% are permanently unable to work.⁴

Myth 4: leaving a lump sum to my family could create a tax liability

Life insurance death benefits are not subject to income tax. Financial dependants can receive unlimited tax-free lump-sum payments in the event of your death, helping them remain financially secure, and ensuring they are not financially disadvantaged.

If it's been a while since you've thought about your insurance, it could be a good idea to make sure you have adequate cover in place to ensure the wellbeing and financial security of you and your family.

¹ Lifewise, www.lifewise.org.au/facts-research, 2014.

² Cancer in Australia, an overview, Australian Institute of Health and Welfare, December 2010.

³ The Heart Foundation, www.heartfoundation.org.au.

⁴ Australian Social Trends, March quarter 2012.

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