



Life Insurance & Income Protection

eBook

McCOMBE
Financial Services

THE IMPORTANCE OF LIFE INSURANCE

Life Insurance is an integral component of wealth protection and more importantly, the protection of your family's financial security.

Many Australians now see the importance of being insured and these are the reasons why:

1. Ensure your spouse and children are protected should a major event occur.
2. Alleviate financial pressures and having to sell off your greatest assets.
3. Alleviate financial pressure in funding medical cost and loss of income.



PERSONALIZED SERVICE AND ADVICE TO
ENSURE FULL FAMILY PROTECTION

We access all the major Insurance Providers to ensure you receive the best level of cover for the best possible price.

The 4 Levels of Life Insurance Explained

INCOME PROTECTION

Income Protection is an ongoing monthly income benefit paid to you in the event of serious sickness or injury.

Your ability to earn income is your greatest asset. If your income stopped tomorrow, how could you fund your mortgage payments, other loan commitments and your lifestyle costs?

Income Protection provides you 24/7 cover. Irrespective of where your sickness or injury was obtained, 75% of your income will be paid.

LIFE INSURANCE

Life Insurance is a lump sum benefit that protects your family and life interests in the event you pass away.

Don't let your family deal with not only the grievance of your loss, but the financial implications of not having adequate life insurance cover.

Life Insurance is designed to clear all home loan debts, others debt obligations and a lump sum amount to fund the living and education cost for your spouse and your children.

TOTAL & PERMANENT DISABILITY INSURANCE

Total & Permanent Disability (TPD) Insurance is a lump sum benefit that protects you and your family in the event of you suffering a permanent disability.

TPD is aimed to clear your home loan, other debt obligations and commitments. It is also aimed to provide you with a sufficient lump sum to fund any disability renovations, ongoing caring and medical allowances.

TRAUMA (or Critical Illness)

Trauma Insurance is a lump sum benefit payment should you suffer a significant trauma such as cancer, heart attack, loss of sight or hearing and more.

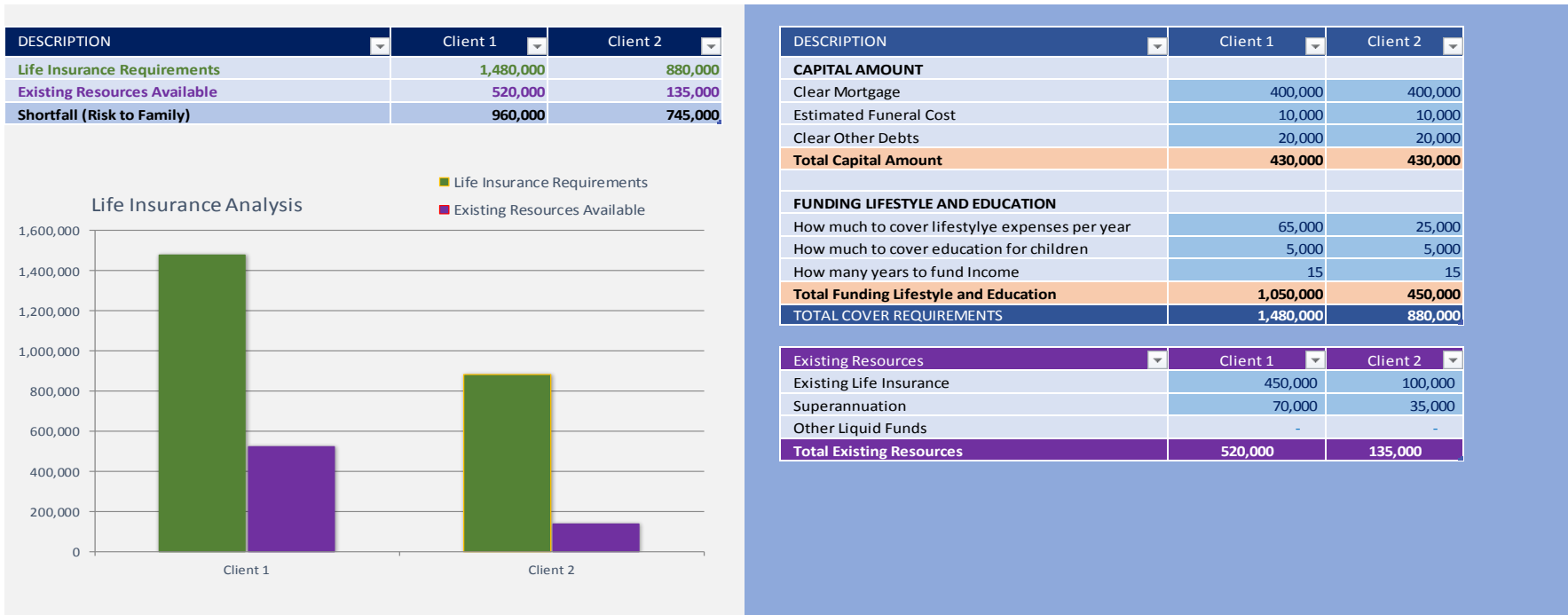
Trauma insurance is aimed to cover a lump sum medical cost and a lump sum payment equivalent to 2 years of income replacement so you and your family are not impacted financially and can have sufficient time for recovery.

Insurance Gap Analysis (Life)

Below is an example of our Life Insurance Gap Analysis tool in determining the appropriate amount of cover. We ensure not only the outstanding debts and funeral cost are covered, but also the replacement of income should your partner pass away. This is a critical capital lump sum that will enable your surviving spouse to sufficient access to income/funds to support the ongoing lifestyle and education cost for your family. In this particular example, it is clear that this family is underinsured and we use this insurance gap analysis for Life, TPD, Trauma and Income Protection Insurance.

Insurance Gap Analysis Life Insurance

January 2014



Insurance Gap Analysis (TPD)

Below is an example of our TPD Insurance Gap Analysis tool in determining the appropriate amount of cover. Following from the example above, this particular clients requirements for TPD is less than Life Insurance, however there is still a shortfall of cover requirements.

Insurance Gap Analysis

Total Permanent Disability (TPD) Insurance

January 2014

DESCRIPTION	Client 1	Client 2
TPD Requirements	710,000	560,000
Existing Resources Available	270,000	135,000
Shortfall (Risk to Family)	440,000	425,000

DESCRIPTION	Client 1	Client 2
CAPITAL AMOUNT		
Clear Mortgage	400,000	400,000
Clear Other Debts	10,000	10,000
Total Capital Amount	410,000	410,000
FUNDING LIFESTYLE AND EDUCATION		
How much to cover lifestyle expenses per year	65,000	25,000
How much to cover education for children	5,000	5,000
Less Annual Income Protection Cover	50,000	20,000
Multiplier Number (years for cover)	15	15
Total Funding Lifestyle and Education	300,000	150,000
TOTAL COVER REQUIREMENTS	710,000	560,000

Existing Resources	Client 1	Client 2
Existing TPD Insurance	200,000	100,000
Superannuation	70,000	35,000
Other Liquid Funds	-	-
Total Existing Resources	270,000	135,000

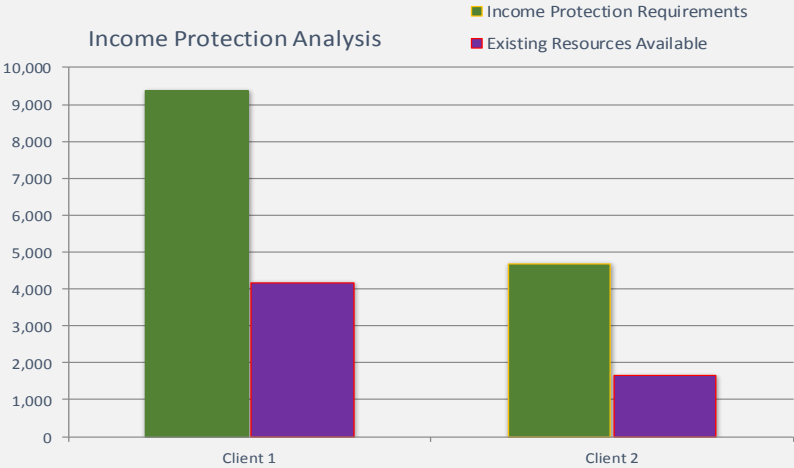
Insurance Gap Analysis (Income Protection)

Below is an example of our Income Protection Insurance Gap Analysis tool in determining the appropriate amount of cover. Following from our example, these particular clients do have some income protection cover in place, however, both clients have the ability to protect 75% of their income to assist their ongoing lifestyle and financial costs. Our analysis indicates there is a shortfall and a potential risk to their family should they suffer a serious sickness, illness or injury and prohibits them from working.

Insurance Gap Analysis Income Protection

January 2014

DESCRIPTION	Client 1	Client 2
Income Protection Requirements	9,375	4,688
Existing Resources Available	4,166	1,666
Shortfall (Risk to Family)	5,209	3,022



DESCRIPTION	Client 1	Client 2
INCOME		
Current Salary	150,000	75,000
% Protection of Income Protection - max 75%	75%	75%
Annual Income Protection	112,500	56,250
Monthly Income Protection Requirement	9,375	4,688
TOTAL COVER REQUIREMENTS	9,375	4,688

Existing Resources	Client 1	Client 2
Existing Insurance Cover Monthly	4,166	1,666
Total Existing Resources	4,166	1,666



Questions & Answers

1. ***There are cheap insurance providers that offer quick and easy life cover over the phone without any medicals provided. Are these sufficient?***

Answer: Be extremely careful with the cheap insurance providers. These cheap insurance providers do not necessarily give you the appropriate cover, they have limited definitions and therefore are cheaper than the proper retail insurance providers. In addition, the retail providers have greater pay-out ratios than the cheaper alternatives due to their definitions and asset position. You pay for what you get, so it is important you are paying for the right coverage for you and your family.

2. ***What are the best insurance providers in Australia in terms of pay-out for claims?***

Answer: The retail insurance providers available in the market payout the most claims than any other cheaper/alternative insurance providers. These insurance providers are well known brands such as OnePath, CommInsure, Zurich, Macquarie, Tower, AXA, AIA, Asteron etc.

3. ***If I have trauma cover of \$150,000 and a monthly Income Protection benefit \$8,000 and I suffer a cancer that prohibits me from working for 2 years, what do I get paid out?***

Answer: Should you not be able to work for 2 years, you will receive the insured monthly benefit of \$8,000 from your income protection policy for the period that you are unfit for work. In addition, you will also receive up to 100% of the \$150,000 as a lump sum benefit which will be dependent on the type of cancer you have suffered (please note these are subject to the definitions of your policy).

4. ***For tax purposes, what is the best way to structure my Life/TPD Insurance, Trauma and Income Protection?***

Answer: We advise our clients to structure their Life and TPD insurance via their superannuation funds. This allows the super fund to claim a tax deduction from the premiums being paid and also tax effective for pay-out's to your dependant beneficiaries. For Income Protection, this should be held in the life insured's name as the premiums will be a tax deduction when they complete their individual tax returns. Trauma unfortunately is not a tax deductible item and should be held in the life insured's name.

5. ***Is Income Protection and Life Insurance cover more important than home insurance, car insurance and health insurance?***

Answer: All insurance covers have their place and are all important. I do believe income protection and life insurance do rank above these other types of insurance. The reason being, if you could not earn an income due to sickness or illness, how would you pay for your home, the car and meet your other financial and lifestyle commitments? As such, any significant event that prohibits you from working will place a huge level of financial stress and burden to your household if not implemented.

If you were not here tomorrow or could not work tomorrow, how would this impact your family, your home and your assets? Wealth protection will give you peace of mind and financial security should an unforeseen sickness, illness or death occur to you.

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If you would like advice on life insurance and income protection, please do not hesitate to email info@mccombe.com.au or contact the office on (03) 8621 8485.