

THINGS CAN GO *DOWN HILL VERY FAST!*

If you don't have the right insurance.



BY SHANE JONES

Things can quickly spiral out of control if you don't have the *right* insurance.

A major uncovered expense can leave you unable to pay subsequent bills on time, and that often leads to interest and penalty fees. Debt can grow and grow, until you're at risk of bankruptcy or having your home foreclosed. As just one example, even here in Australia medical issues are a leading cause of bankruptcy.

Insurance is an important part of any investment and wealth-preservation plan.

This booklet leads you through 8 simple steps you should attend to in order to protect your financial future and ensure that you won't lose the very roof over your head.

ACKNOWLEDGEMENTS

This book is written for all that find insurance a boring but necessary evil. And especially for those that don't want to spend money on insurance.

I would like to thank Chris and my herd for your support and input. My sincere thanks goes to Helen and all my other clients that have benefited from carefully planned insurance.

Seeing is believing.

Shane Jones
Courtesy of TrendLine\$



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1. The Most Common Misconception. Don't Make This Mistake!

Life is busy. It feels like we're more and more rushed each year and there just isn't enough time in the day. You know you need to pay more attention to insurance, but it's just not a priority right now. I get that.

You just don't have time at this moment to deal with insuring your life. You think, "what are the chances that disaster will strike me." Actually, the statistics are that it will happen to 1 in 4 people. Don't count on being one of the 4.

When I ask what is the most important in someone's life, most people answer "my family or my health."

And there's the misconception.

Life insurance isn't about you. It is about protecting your family. Now suppose I was to ask "Do you have 15 minutes right now to discuss how you can protect your family from becoming destitute and homeless, dependent on the charity of strangers?" Would you make the time?

Of course you would!

Are you single? I could ask a very similar question. "Do you have 15 minutes right now to discuss how you can protect your wealth and assets, and ensure your financial independence so you don't have to rely on charity?" Would you make the time?



2. Life Savers Are Everywhere. But Beware, They Could Cost You Your House.

Life savers are literally everywhere. It's great that so many people know first aid and that our emergency response teams are so amazingly effective. We even have paramedics on motorcycles in order to get to accidents quicker and save more lives.

The positive side is more and more people are being saved. The down side is more and more people are being kept alive.

That's not to open a moral debate, but rather to raise important issues about the financial and social impact of caring for a loved one that has suffered a *total and permanent disability*. The cost of care can be horrendous and the added strain of caring can be debilitating for the spouse and family.

A Total Permanent Disability insurance policy will not help with the heart ache, but it will go a long way to fund the appropriate care and home modification, as well as loss of household income to the family.

It just might keep a roof over your head.

3. Why Do We Insure Our Cars And Homes But Not The One Thing Pays For Them?

We don't think twice about insuring our cars and our homes. For most of us those are our two biggest tangible assets and it's just common sense to protect against their loss. Especially when financing means that we'll still have to make payments even if they're totally destroyed.

But also consider this.

It would be awful to be homeless because you couldn't make your mortgage payments due to an illness or injury.

Your greatest asset is your ability to work.

If you couldn't work and you don't have Income Protection you face losing your financial independence. Do you really want to risk having to rely on the charity of family and friends just to avoid a reasonable (and *tax-deductible*) insurance premium?

Insure yourself with an income protection policy and you will have the peace of mind knowing that if you can't work due to injury or illness you will have an income benefit to replace your earnings.

4. Buying Insurance Off TV Can Leave You Without Real Coverage.

Getting insurance can sometimes be a real pain. But it's well worth the effort to go through the full process.

Imagine how much more painful it would be to jump through the assessment hoops at claim time when you are also suffering an illness or injury. Even worse yet imagine your claim being knocked back because it is related to some event when you saw your doctor previous to taking out the insurance policy.

The risks are especially high for “quick choice” TV and online policy offers.

Too many people have taken out insurance without going through an initial assessment process. Put simply this means you are not covered for any related condition for which you have seen a doctor, or that you will have to go through an assessment at claim time. Either way there is very little certainty with your policy and you have no way of being confident that you are adequately insured.

To be sure that you are sufficiently covered and that the roof remains over your family's head you need to go through the underwriting process at the application stage. This way you know exactly whether you are covered and if any exclusions apply.

As an example, there are situations when people have a pre-existing condition like high blood pressure. If controlled this would generally be accepted. However with an online policy you most likely would not be covered for heart attack or stroke!

Take the time to be sure, and steer clear of false economy.

5. Under-Insurance Is Rife In Australia. Don't Be A Victim.

Under insurance in Australia is costing everyone! We pay more in tax to support those on social security benefits (\$340,000 in the first year) and those on a disability support pension (estimated at \$2.5billion) and that's not taking into consideration the charitable support provided by family, friends and complete strangers.

The level of under insurance of employed people in Australian families is estimated to be \$304 billion per year as reported in a recent KPMG study.

Yet income protection and total permanent disability insurance are relatively easy to get!

To keep your family financially secure, get the income protection and total permanent disability insurance you need. You can even fund these premiums in most cases through your superannuation policy. By doing so you are also securing your financial independence.

6. Why Have Insurance In The First Place?

Things might be starting to sound a bit complicated, so let's step back a bit and look at the big picture.

There are really only two reasons you would purchase insurance.

- To protect you life long assets
- To protect your loved ones

We spend our whole lives working to get ahead. To buy our cars, furnish our family homes, to invest for our retirement, and to save for a well earned holiday.

Not having insurance puts all you life's work at risk.

We've all heard stories about someone, maybe a friend or relative, who lost it all because of something completely out of their control.

Our primal objective is always to protect our family. Life insurance provides the fund to ensure there is a roof over their heads and sufficient resources to meet their costs of living. We had a recent claim where over a \$1,000,000 was paid to the family upon the death of the main income earner. If it wasn't for insurance the family would have no choice but rely on the charity of family and friends to have a place to live and to put food on the table.

7. What Are All Those Different Types Of Insurance All About? How Do They Help?

Let's summarize what we've been talking about.

Life Insurance - Pays a lump sum on proof of death or proof of terminal illness. Life insurance is regularly used to pay off debt, replace loss of income, provide for education costs, and to clear miscellaneous expenses.

Total Permanent Disability - Pays a lump sum if you are diagnosed as being totally and permanent disabled. This is often used to pay off debt, replace loss of income, meet medical and caring expenses, and to meet modification expenses for the home.

Trauma/Critical Illness - Pays a lump sum if you are diagnosed with a critical illness like severe cancer, heart attack, MS, or stroke to name but a few. A critical illness can have you and your spouse (who usually leaves work and takes on a primary care giver role) out of work for up to two years. So you would want this policy to cover at least 2 times annual household income and meet medical expenses. With such coverage there's no financial stress and the family can come together with the sole objective of helping the patient to get better. But if you did not have critical illness insurance you may well survive the cancer but be faced with a financial disaster.

Income Protection - Will pay up to 75% of your income monthly. You have a choice of waiting periods of 14 days, 30 days, 60 days, 90 days, 180 days, 1 year and 2 years. The longer the waiting period the lower the insurance premium. The benefit period is a separate issue, and refers to how long the policy will pay. You can have a benefit period from 2 years on up to reaching age 70. The longer the benefit period the more the insurer is exposed to pay and therefore the higher the insurance premium.

8. Handy Tips From An Expert.

Let's wrap things up with some guidance concerning several of the most important policies you should be considering.

For **Income Protection** we generally advise our clients to choose a 30 day wait period and an accident option. This way if they have an accident and can't work they would be paid from day one. If they have an illness they would be paid after 30 days. We generally recommend a benefit period to age 65 to reduce premiums. Their benefit would pay up to retirement age, when they can access the pension and or super (or when they are fit to return to work).

We suggest choosing the following.

- A policy that allows you to work at least 10 hours a week without affecting the claim.
- A policy that has a clear and concise total disability definition.
- A partial disability definition without the need to be totally disabled for a period of days. Sometimes you simply are not totally disabled. Back injuries or mental illness are good examples of being partially disabled but not necessarily totally disabled.
- An *agreed value* policy. If due to circumstances you choose *indemnity* instead, look for a policy that allows you to select the highest 12 months of income in the previous 3 years. That's the best definition out there.

You're generally better off going through an adviser at claim time. Speaking for myself, *our clients get the benefit of an experienced claims team working for them.* We are working for *you* not the insurer. If you go directly to the insurer you are dealing with an employee of the insurance company whose job is to minimize claim payouts!

To put it bluntly, **Life Insurance** comes down to proof of death. If all you want is basic life insurance you should probably look for the lowest premium for your desired payout.

The definition used for a **Total Permanent Disability** policy is critical. You want the wording to be clear and concise. This is a contract between you and the insurer and is only as good as the definition.

I have seen wording like "in our opinion" and "we believe" used by some insurance companies. I personally would never ever use such a policy. So you probably shouldn't either.

The **Critical Illness** insurance market is pretty competitive. If you have a good income protection policy and a good total permanent disability policy in most cases you would have a good critical illness policy. But *look out for the definitions for heart attack, cancer, MS and stroke*. These are the key definitions.

If you are over 40 years of age you should be looking at *level* insurance premiums. *You will be paying more now but if you plan to keep the policy for the longer term you will save a small fortune*. Stepped premiums work well at the start until you are comfortable with the level of coverage you want. Then its a great idea to move to level premiums.

Be very wary when comparing insurance policies and premiums.

- The cheapest may not necessarily be the cheapest over the medium to longer periods.
- The most expensive are not necessarily the better policies.

Some insurance companies have a lower initial premium but the longer you stay the more expensive it can become. Always look at the cumulative premium to age 65. This will give you the best indicator on what policy is *actually* the lowest cost. Again, the more expensive premiums do not necessarily reflect the quality of the definitions and coverage.

Also, be aware that it is a well know industry fact that insurance companies add all sorts of bells and whistles to score higher on research reports. To put it quite simply you should be looking at the core definitions. It is imperative you have a policy with clear and concise core definitions. All the rest is bonus, or simply noise.

CONCLUSION

So there you have it. The 8 things you need to pay attention to in safeguarding you and your family's financial future. We have provided you with a wealth of information to make the right decisions when you chose an insurance policy.

If things still seem a bit confusing or if you have questions, just contact us. We focus on the personal needs and objectives of our clients and carefully research the market to find the right policy for them. We're happy to pass along what we've learned and answer any questions you might have.

It is so important to realize that insurance is all about protecting your family. So please make it important enough to take action.

It's the one thing you can do right now that will protect and provide for your family when you can no longer do so yourself. Insurance is your way to maintain financial independence, to maintain dignity and pride. Insurance is your way to stay in control when you otherwise no longer have control.

If I may, let me say one more thing. Life is generally very busy. There is no reason to say tomorrow is going to be less busy than today. Today you can make a difference.



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