WEALTH SOLUTIONS

PROTECTING YOUR FAMILY

Don't leave things to chance. Get a plan in place that protects you, your loved ones and your assets should the unexpected occur.

PT WEALTH SOLUTIONS

IDENTIFYING YOUR WEALTH & ASSETS

Building wealth is probably something you've thought about a lot. But have you also thought about protecting the wealth and assets you've worked hard to accumulate?

Protecting against risk is possibly one of the most neglected aspects of people's financial affairs. Many Australians haven't adequately protected themselves and their families from financial instability caused by death, injury or serious illness.

If something were to happen to you or your spouse unexpectedly, how would your family be affected financially?

- Before you answer this question, ask yourself the following:
- What assets do we have and could we easily cash them?
- Could our family's debts be repaid, including the mortgage?
- Do we have enough assets to cater for our financial needs?

What would be the family's source of income if one of us were unable to earn an income through illness, injury or death?

Have you protected one of your most valuable assets?

While many Australians insure their car and home and contents, one of their most valuable assets is often overlooked.

How can you be worth $1 million?

Did you know that a 40 year old earning $40,000 per year (increasing 5% per year) will earn $1,909,000 in total by the time they reach age 65? This makes your ability to earn an income an asset worth protecting!

How can I protect the family?

You can protect yourself, your earning capacity, your family and your assets from the impact of unforeseen events with the following types of insurance:

- disability cover
- crisis cover
- death cover
- business overheads insurance
- health insurance, and
- general insurance.

So how much insurance do I really need?

Many factors affect how much cover is needed. As a starting point it may depend on:

- your current assets and liabilities (including mortgage and all loan repayments, credit card debt etc.)
- how much money your family will need to maintain your current lifestyle if you are no longer earning an income
- your family's future plans such as your children's education.

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TYPES OF INSURANCES

You can protect your family's assets and wealth with the following types of insurance cover:

- disability or illness cover
- crisis cover
- death cover
- business overheads insurance
- health insurance, and
- general insurance.

A summary of these insurances is provided below. Your financial planner can help you assess the type of insurances you need and the level of cover you are likely to require.

Disability or illness cover

There are two ways you can insure yourself against disability or serious illness.

Income protection (also known as salary continuance) can usually provide you with up to 75% of your regular income for a specified period if you're unable to work due to illness or injury. Income protection ensures that you'll continue to receive a regular benefit if you're unable to work.

Total and permanent disablement (TPD) cover pays a lump sum amount if you're totally and permanently disabled. This cover can help you pay for medical expenses, repay major debts and help provide for your future.

Crisis cover

Crisis cover provides a lump sum payment if you're diagnosed with a specified 'crisis' condition such as:

- heart attack
- multiple sclerosis
- motor neurone disease
- major organ transplant
- severe burns
- cancers
- dementia
- stroke, or
- paralysis

Crisis cover should be considered by people of all ages and not just by those who may be more likely to suffer from medical problems such as strokes or heart attacks. Injuries such as severe burns or paralysis can affect people of any age.

Crisis cover helps pay for medical costs and can help you meet some of your living expenses and debts, providing more financial security during the important recovery process.

Death cover

Death cover provides protection for your family should the unexpected happen to you. By providing your beneficiaries with a lump sum payment, death cover helps ensure that your family can maintain their lifestyle and keep their assets when they can no longer rely on your income.

Death cover may also pay benefits if you are diagnosed with a terminal illness. It's important for people of all ages, especially if you have others relying on your financial support or you have large debts such as a mortgage.

Business overheads insurance

For those who own and manage their own business, or are partners in a business, this insurance provides contributions towards your business overheads should you be unable to work due to illness or injury.

Health insurance

While Medicare may cover some of the costs that can arise if you or a family member becomes ill or are injured, you can still be up for a lot of money.

Private health insurance, depending on your level of cover, can cover much of the medical costs associated with the treatment of illness or injury. By taking out health insurance you may also be entitled to a 30% rebate from the Government on the costs of your premiums. And if you're single and earning more than $50,000 pa, having private health insurance will mean you won't be liable for the additional 1% Medicare levy surcharge.

General insurance

Insuring your valuables such as your car and home and contents is vital for protecting your family's wealth. While many Australians do protect their assets through general insurance, an alarming number are not insured at all. In fact, according to the Insurance Council of Australia 2002 Survey, 25% of all households are uninsured and almost 70% of renters have no contents insurance at all.

With natural disasters such as floods, bushfires and hailstorms occurring throughout the country, not to mention the threat of theft and burglary, having adequate general insurance will ensure that if something happened, you and your family would be protected. But having the right amount of cover is vital. Your financial planner can help you assess the amount of cover you need.

PROTECTION IF YOU ARE INJURED

Serious illness or injury can happen to any of us at any time. While we don't like to think about it happening, it's important to plan for it. Unfortunately, people become sick and suffer injuries everyday.

In fact, according to the AMP.NATSEM Health & income in Australia report (March 2003), in 2001 53 per cent of all Australians suffered from what the Government terms a 'priority condition'.

These priority conditions include:

- asthma, cancer, cardiovascular health
- diabetes, injury, mental health or arthritis.

So what would happen to your assets, and your family, if you were no longer earning an income because you were laid up in hospital or at home recovering from a serious illness or injury? How would you pay your mortgage, send the kids to school and still put food on the table?

How can I earn an income if I am injured and not working?

This is a very good question. Let's look at some different scenarios:

A regular benefit if you're off work

Income protection insurance provides you with a regular benefit should you be unable to work due to long-term illness or injury. Depending on the cover you choose, it can pay up to 75% of your regular monthly income if you're unable to work for a specified period. This can really help you meet your regular expenses such as mortgage and loan repayments and living expenses.

Income protection is generally available to full-time employees aged between 19 and 59. It may also be available to part-time employees working more than 15 hours per week.

You can choose the level of cover that best suits your needs.

For example, you can select:

- how long you want to be paid for
- when you want the plan to expire
- the waiting period (how long you must have been unable to work before you are paid the benefit).

If you have income protection through your super plan, then your employer will generally select the level of cover available to you, although you may have the option to change that level of cover.

A lump sum payment if you're disabled

If you're disabled and unable to work, a lump sum payment can help you pay for medical expenses as well as help with future living expenses.

Total and permanent disablement (TPD) cover pays you a specified lump sum amount if you become 'totally and permanently disabled'.

Generally, you're considered totally and permanently disabled if you:

- are unable to do any regular remunerative work for which you are reasonably fitted by education, training or experience, or
- totally lose the use of more than one limb or eye, or
- are unable to do certain key activities of daily living.

However, the actual definition that will apply to you will depend on the specific policy you are covered under.

You may already have income protection and/or TPD cover through your super. You can find out whether you have it and how much cover you have by checking your annual statement from your superannuation fund.

A lump sum if you suffer a major illness or injury

Crisis (or trauma) cover pays you a lump sum benefit if you suffer a specified major illness or injury. This lump sum can help pay for medical expenses, pay off major debts and provide some replacement income for you and your family.

The type of illnesses and injuries covered by crisis cover usually depends on the type of cover you select. Standard cover may include conditions such as cancer, heart attack, stroke, major organ transplant, and paralysis.

You may also be able to choose a higher level of cover that also includes conditions such as blindness, coma, deafness/loss of hearing HIV, major head trauma, and Parkinson's Disease

How insurance could help if you suffered an event such as a heart attack?

The table below provides an overview of how insurance can help you if you suffered a heart attack and you were unable to work for a period.

Type of insurance	How insurance could help
Income protection (or salary continuance)	A regular benefit of up to 75% of your salary for up to 2 years.
Crisis cover	A lump sum benefit.
Health insurance	Helps cover medical costs.
Total and permanent disablement cover	No cover unless you become totally and permanently disabled.

PROTECTION IF YOU DIE

While we don't like to think about it, the unexpected can happen at any time. If you were no longer around, how would your family cope? Would they be able to meet commitments such as mortgage repayments and other debts? Would they struggle to maintain their current lifestyle? Would your family's plans for the future, such as your children's education, be in doubt?

By having the right amount of death cover and an effective Will in place, you can ensure your family's financial security.

What is the right amount of death cover?

While you may already have death cover through your super, it's vitally important to ensure that you have the right amount. You need to consider your family's income requirements, levels of debt and what insurance cover you already have. The answer will be different for each person.

For example.

- John is 41 years of age, has three dependent children aged two, four and eight and plans to retire at age 60.
- John is employed as an accountant earning a gross salary of $70,000 per annum.
- His wife, Jenny, is not gainfully employed as she provides full-time home care.
- Their living expenses are $42,000 per annum.
- Current debt is $170,000, consisting of a $150,000 mortgage, a personal loan of $15,000 and credit card debt of $5,000.
- John has $50,000 invested within his employer super fund with life and TPD cover of $100,000 attached.
- John and Jenny have no other assets.

What is an appropriate level of insurance cover for John?

LIFE INSURANCE NEED	LUMP SUM REQUIRED
Extinguish All Debt	$170,000
Emergency Fund	$15,000
Dependants Education Expenses	$120,000
Lump Sum Required To Provide Dependant Income Support[1]	$500,000
Funds Needed For Specific Legacy Commitment	$50,000
Funeral Costs and Other Final Expenses	$15,000
Less Cover Already In Place	$100,000
Less Superannuation Benefit	$50,000
Total Required	**$720,000**

[1] Determined by: PMT=3500, Period/Year=12, Total payments over 19 years=228, Conservative Return Rate (CPI + 3%) = 5.4%, Future Value =0, Present Value =$498,350 rounded to $500,000.

You can find out how much death cover you have through your super on your annual statement.

Who does my money go to if I die?

If you were to die while a member of your super plan, your beneficiaries (see below) would be entitled to your superannuation death benefit. If you are entitled to a defined superannuation benefit, your death benefit will be calculated according to a formula. Otherwise, your death benefit includes your super account balance (subject to any vesting) plus any insured death cover you have through your plan.

You can nominate one or more beneficiaries to receive your superannuation death benefit. Beneficiaries must be either:

- a dependant (under superannuation law), or/p>
- your estate (also known as your 'legal personal representative').
- Dependants who you can nominate include:
- your spouse (including de facto spouse and same sex partner)
- your children (including adopted, step, or ex-nuptial children)
- anyone who is financially dependent on you, and
- any person with whom you have an interdependency relationship.

You'll generally have three options for choosing how your superannuation death benefit should be paid:

a) Complete a binding nomination - if you provide a binding nomination that satisfies all legal requirements, your benefit must generally be paid to the beneficiaries you have nominated and in the proportions you have specified*.

b) Complete a non-binding (or preferred) nomination - the trustee of your superannuation plan will determine which of your beneficiaries and in what proportions they will receive your benefit. Your nomination will be taken into account. However, your benefit may be paid differently depending on your circumstances at the time of your death.

c) Make no nomination - If your fund allows you to make a nomination and you don't make one, or you cancel your existing nomination and do not replace it, your benefit will generally be paid to your estate.

* If your nomination is considered invalid then it is usually treated as a non-binding nomination. Note also that a Court may order the trustee to pay your death benefit differently to your binding nomination.

How can I ensure my beneficiaries will receive the benefits I intend for them?

There are 2 key factors you must address to help ensure your beneficiaries get the benefits you intend for them.

Keeping your superannuation death benefit nomination up to date

To help ensure that your superannuation death benefit is left to the loved ones you intend it for, you should always keep your nomination up-to-date. You may need to make changes to your nominated beneficiaries as your circumstances change. For example, if you marry. Remember that, unless your nomination is a binding nomination, the trustee may distribute your death benefit differently to your nomination.

You can nominate, cancel or change your nominated beneficiaries at any time by completing a 'Death benefit nomination' form. You can check your current nomination details on your annual statement.

Protecting your family with a Will

To help ensure your beneficiaries receive the benefits you intend for them, you need an effective Will. A good way to ensure your will is effective is through proper estate planning.

Estate planning helps to ensure that the right money goes to the right beneficiaries at the right time. It's more than just dividing up your assets between your loved ones.

The basic principles of estate planning are:

- Deciding how you want your estate divided.
- Ensuring you have a legally binding will.
- Making sure you empower and provide for your executor to carry out your will.
- Regularly reviewing your estate plan.

As estate planning is so complex and vital to the welfare of your family, you may find it worth seeking professional advice from a lawyer, accountant or financial planner. Perhaps even all three.

One advantage of seeking professional advice is that you may be able to plan your estate much more tax effectively. For example, by setting up a Testamentary Trust your beneficiaries will receive tax advantages and the assets you leave them will be protected if they later become bankrupt. They are also useful in controlling how and when funds are distributed to younger or disabled beneficiaries, ensuring that they receive the right funds at the right time.

SUPER & INSURANCE

PT Wealth Solutions offers a range of insurance options designed to provide some protection for you and your family if you die or are injured. If you are in an employer plan, your employer chooses the default insurance options that apply to your super plan. You may need to arrange additional insurance to ensure your family is fully protected.

Your super plan may offer one or more of the following insurance options:

Death cover - this provides a lump sum, if you die while an insured member of your super plan.

Total and permanent disablement (TPD) cover - this provides a lump sum if you become 'totally and permanently disabled' while an insured member of your super plan. This is only available if you also have death cover.

Temporary salary continuance (TSC) cover - also known as income protection, this provides a monthly benefit if you become temporarily disabled due to illness or injury.

This information is a summary, so you'll need to check if you are covered by any or all of these through your super plan.

How do I determine if I have enough?

There are many factors that affect whether you have enough insurance cover to suit your financial needs. Important considerations include your, and your family's, income requirements, level of debt and existing amount of cover.

Can I increase my level of cover or add other types of cover to my super?

Most Superannuation plans provide insurance cover and allow you to choose additional cover through your super. When applying for additional insurance cover, you may need to provide evidence of your health.

Some important terms you need to understand for income protection insurance

Waiting period - This refers to how long you must wait from the time you are unable to work to the time you receive a benefit. You can generally choose a waiting period of 1,2,3 or 6 months. If you have insurance as part of an employer super plan, then the waiting period may be determined by your employer.

Benefit period - The benefit period is the length of time you are entitled to receive payments under income protection (or salary continuance). Where your insurance is part of your super provider, temporary salary continuance payments may be made up to a maximum of 2 years, or, generally, will stop when one of the following occurs:

- in the opinion of the insurer, you are no longer disabled
- you die
- in the opinion of the insurer, you are declared totally and permanently disabled
- you reach age 65 (or the nominated insurance cessation age for your plan if this is earlier).

Premiums - If you have insurance as part of your super plan, premiums are deducted from your super account at the end of every month (unless your employer has agreed to pay your premiums). The amount of your premium is calculated annually at your plan's review according to the amount and type of cover you have, your age and the premium rates applying to your plan. If you are insured through your super plan, your premiums will generally be lower than what they would be if you had the same cover under a personal policy. This is because you are insured as part of a larger group.

REVIEW YOUR INSURANCE

Hopefully by now you've made sure you are protected with enough death, total and permanent disablement and income protection insurance. This can give you peace of mind that you and your loved ones will be financially protected if something unexpected were to happen to you.

Even so, stay actively interested in your insurance. As your life situation changes, review your cover. For example, you might need a policy that covers other conditions or you might find the level of insurance you have no longer matches what you need.

Make sure you check your listed beneficiaries and consider updating them every three years. Consider using binding nominations to lock in (to the extent legally possible) who will receive your superannuation death benefit.

Quick tips if you are over age 50

If you are over 50, you should now be actively planning your retirement.

Take advantage of lower tax rates on double the standard concessional contributions cap, from the year in which you turn 50 until 30 June 2012. You can make up to $50,000 of contributions taxed at 15% to your super each year. If you are an employee, this would be through salary sacrifice and employer contributions. If you are self-employed, you can make tax-deductible contributions of up to $50,000 each year. After this time, the $25,000 a year limit (indexed annually) that applies to other age groups will apply.

You can access your super even if you're still working and boost your super at the same time if you're 55-plus, OR Consider delaying retirement until age 60 so you can access your super tax-free.

YOUR LIFESTAGES

While it's important to be protected whatever stage of life you're at, there will be certain events in your life where it may be prudent to sit down and review your insurance needs.

Some of these events include:

Starting work - you'll be taking a significant step when you start earning a regular income for the first time. And with your new found independence comes added responsibilities and regular expenses. If you're moving out for the first time, consider home contents insurance to protect your valuables. You should also consider insuring your car, especially if you've borrowed money to purchase it. Protecting your income in case you are unable to work for a period through illness or injury will enable you to continue paying regular expenses such as rent and car repayments. You could also consider making extra contributions towards your super. Making smaller contributions over a longer period of time may be more beneficial than making larger contributions later in life.

Getting married - as you start building your life together and relying on each other's income more and more, you'll need to make sure that you are both protected in case something happens to either of you.

Buying a new home or increasing your mortgage - for most of us our mortgage will be our largest debt, taking many years to repay. If something were to happen to you or your spouse, having the right amount of insurance will ensure that you or your loved ones will be able to keep paying the mortgage.

Having children - raising children is a very expensive business. School fees, clothing, saving for university, it can add up to a lot by the time your children are teenagers. To ensure that your children will still have everything they need should something happen to either parent, it's important to calculate the costs of raising your children when considering how much insurance you'll need. And it's not just death or total and permanent disability cover that is important here. Crisis cover and income protection can help ensure that your family's lifestyle can be maintained if you're unable to work due to serious illness or injury.

Changing careers, increasing your pay packet or getting that promotion - it's always a good idea to review the amount of insurance you have whenever your salary changes, otherwise you could find yourself under-insured.

Starting or expanding a business -If your business cash flow is generated largely by your personal efforts, it is important that if something were to happen to you, your business keep running. You may also have responsibilities to your staff, customers and business partners. Business overheads insurance can help pay for everyday costs of running your business such as rents, leasing obligations and the costs of utilities if you're incapacitated and unable to run your business for a period. You should also consider the value of the assets and liabilities of your business when calculating how much death and disability cover you'll need.

About to retire - The time is approaching when you will no longer be generating an income from paid employment. In retirement, you want to have financial independence to live the lifestyle you desire. It's not too late to start thinking about your investment strategy and how you are going to keep earning a regular income, such as from an allocated pension. Other considerations include maintaining a life insurance policy once your superannuation is paid out. And although we do not like to think about it, this is probably a time when you should consider some housekeeping, such as whether your superannuation beneficiary nomination is up to date and what will happen to your estate if something happens to you.

WHAT NEXT

Building wealth is one thing. Protecting your most important investment, which is you and your family is something that most people over look.

In planning your way to wealth you should take a holistic approach, looking at not only your debts and assets, present and future needs, but also consider protecting you and your family.

If you would like further information on insurance and how it affects you, please contact **Tony Rimac from PT Wealth Solutions on 9891 1544 or tony@ptws.com.au** who can assist by providing you with the correct insurance advice.