

Do I need Total & Permanent Disability (TPD) insurance?



Life doesn't always turn out the way we plan. Illness and accidents are a reality – and, if serious, could leave you unable to work.

How would you, your family or your business cope if you could no longer earn an income? How would you manage if you needed permanent care?

The risks

- 2.6 million Australians aged under 65 are living with a physical disability.ⁱ
- Australians suffer around 60,000 strokes per year or roughly one stroke every 10 minutes.ⁱⁱ
- About 88% of stroke survivors live at home and most have a disability.ⁱⁱⁱ
- Over one million Australians need assistance with core activities (such as communication, transport and self-care) due to severe disability.^{iv}

The reality

Count the number of years to your retirement. Now, multiply this by how much you earn.

In the event of permanent disability, this is the amount of money you could no longer provide for your family.

Still, many Australians don't take out insurance protection because of some common misconceptions.

"I'll receive a disability pension"

The disability pension only provides around 20% of the average Australian wage.

"My TPD insurance in my default super fund is enough"

Insurance cover inside superannuation only represents 20% of the cover required.^{vi}

"It doesn't matter; I'm not the main income earner"

Child care and home help provided by a 'stay-at-home' spouse could be worth more than \$75,000 per year.^{vii}

What is TPD insurance?

TPD insurance provides a tax-free lump sum payment if you become disabled to the point where you can no longer work.

What are the cover features?

Here are just some of the features you can expect with TPD insurance:

- **A choice of disability definitions:** Choose the one that best suits your needs from 'Own occupation', 'Any occupation' or 'Activities of Daily Living'.
- **Flexible packaging options:** For instance, combine TPD and life insurance to broaden your protection in a cost-effective manner.
- **Additional benefits:** For instance, Guaranteed Future Insurability lets you increase your sum insured – sometimes without providing extra medical evidence – following key life events.

What are the cover options?

Here are just some of the options you can expect with TPD insurance:

- **Standalone or 'linked':** In the event of a claim, 'standalone' cover will not impact the level of any of your other covers. When 'linked', a TPD claim payment will result in an equivalent reduction in the linked insurance (this is the more cost-effective option).
- **Inside or outside super:** You may be able to hold your TPD insurance inside super and pay premiums using pre-tax dollars. There are often restrictions however, so it's important you talk to your financial adviser.
- **Choice of premium options:** 'Stepped' premiums increase each year in line with your age, while 'Level' premiums remain constant until an age specified by your insurance provider (at this point, they convert to Stepped).

What do the payments protect?

Sure, you could survive on your savings – for a while. But facing permanent disability would leave very few options for you and your family to manage your future lifestyle.

A lump sum payment is critical to help meet the following expenses.

- **Mortgage repayments**
Whatever happens, there will be funds available to safeguard the family home.
- **Day-to-day expenses**
Everyday bills can really add up. Without the ability to earn, this money can help cover living expenses like food, utility payments, clothing and schooling.

- **Ongoing care**

A lump sum payment can assist with the cost of a full-time caregiver as well as ongoing rehabilitation.

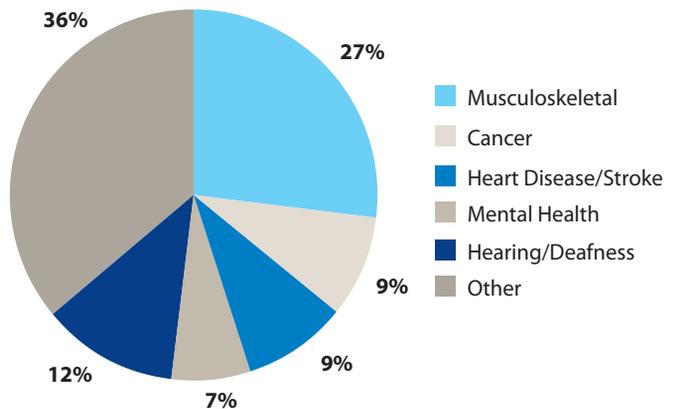
- **Medical bills**

This money can help pay for medical treatment that your health insurance is unlikely to fully cover.

- **Home modifications**

In the event of a claim, you're likely to need modifications to your home or work environment.

Causes of claim



Source: TAL Life Limited (2011)^{viii}

How do I get protected?

Contact GRM Advice today and find out how we can help you tailor the right level of cover for your needs.

For more information and to obtain a TPD quote, talk to David Gates on 03 8764 7692 today.

ⁱ AIHW (2008) *Australia's health 2008*, Cat. no. AUS 99, Canberra

ⁱⁱ Stroke Foundation (2011) *Facts, Figures and Statistics*, www.strokefoundation.com.au/facts-figures-and-stats, viewed 12 March 2012

ⁱⁱⁱ Stroke Foundation (2011) *Facts, Figures and Statistics*, www.strokefoundation.com.au/facts-figures-and-stats, viewed 12 March 2012

^{iv} AIHW (2008) *Australia's health 2008*, Cat. no. AUS 99, Canberra

^v Disability pension at 20 September 2009 is \$528.50 per fortnight for a disabled spouse with children - Centrelink.gov.au.

^{vi} \$1,223.30 weekly ordinary times earnings, Australian Bureau of Statistics, November 2009.

^{vii} IFSA (2005) *A Nation Exposed: Investigating the Issue of Underinsurance in Australia*, Research study commissioned by IFSA and conducted by Rice Walker Actuaries and TNS Australia, Sydney

^{viii} IFSA (5 October 2005) *Australian mothers – undervalued and underinsured*, Media release, Sydney

^{viii} The figures shown represent actual claims paid by TAL from 1 January 2011 to 31 December 2011 across all TAL products.

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