

# Wealth Protection

Why protecting your wealth is important



# AGENDA

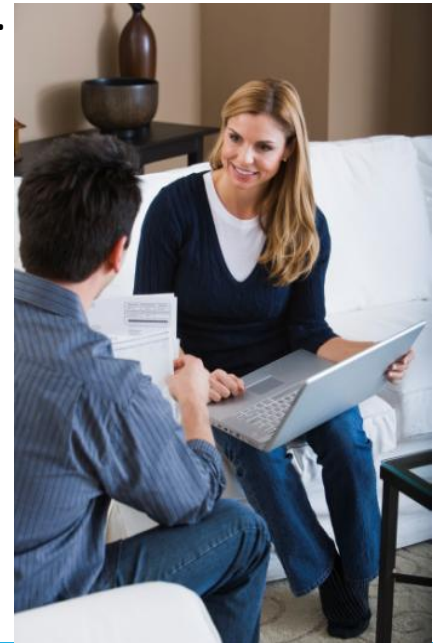
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1. WHAT IS WEALTH PROTECTION?
2. THE NEED FOR WEALTH PROTECTION?
3. TYPES OF PROTECTION AVAILABLE
4. INCOME PROTECTION
5. LIFE INSURANCE & ESTATE PLANNING STRATEGIES
6. WEALTH PROTECTION INSIDE SUPER vs OUTSIDE SUPER
7. GENDER INEQUALITY IN WEALTH PROTECTION FOR WOMEN
8. LIFEPLAN EDUCATION INVESTMENT FUND
9. HOW CENTRE IN FINANCE CAN ASSIST

# WHAT IS WEALTH PROTECTION?

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- **Protects your ability to earn an income & create wealth.**
- **Incorporates a variety of insurance products to protect you, your family & the wealth you have created.**
- **Provides you with peace of mind that you & your family will be able to cope financially if something unexpected was to happen, such as illness, injury or death.**
- **We create wealth through the following:**
  - Direct shares
  - Property
  - Managed funds
  - Super
  - Savings
  - Cash
  - Regular or lump sum



# YOU JUST NEVER KNOW...

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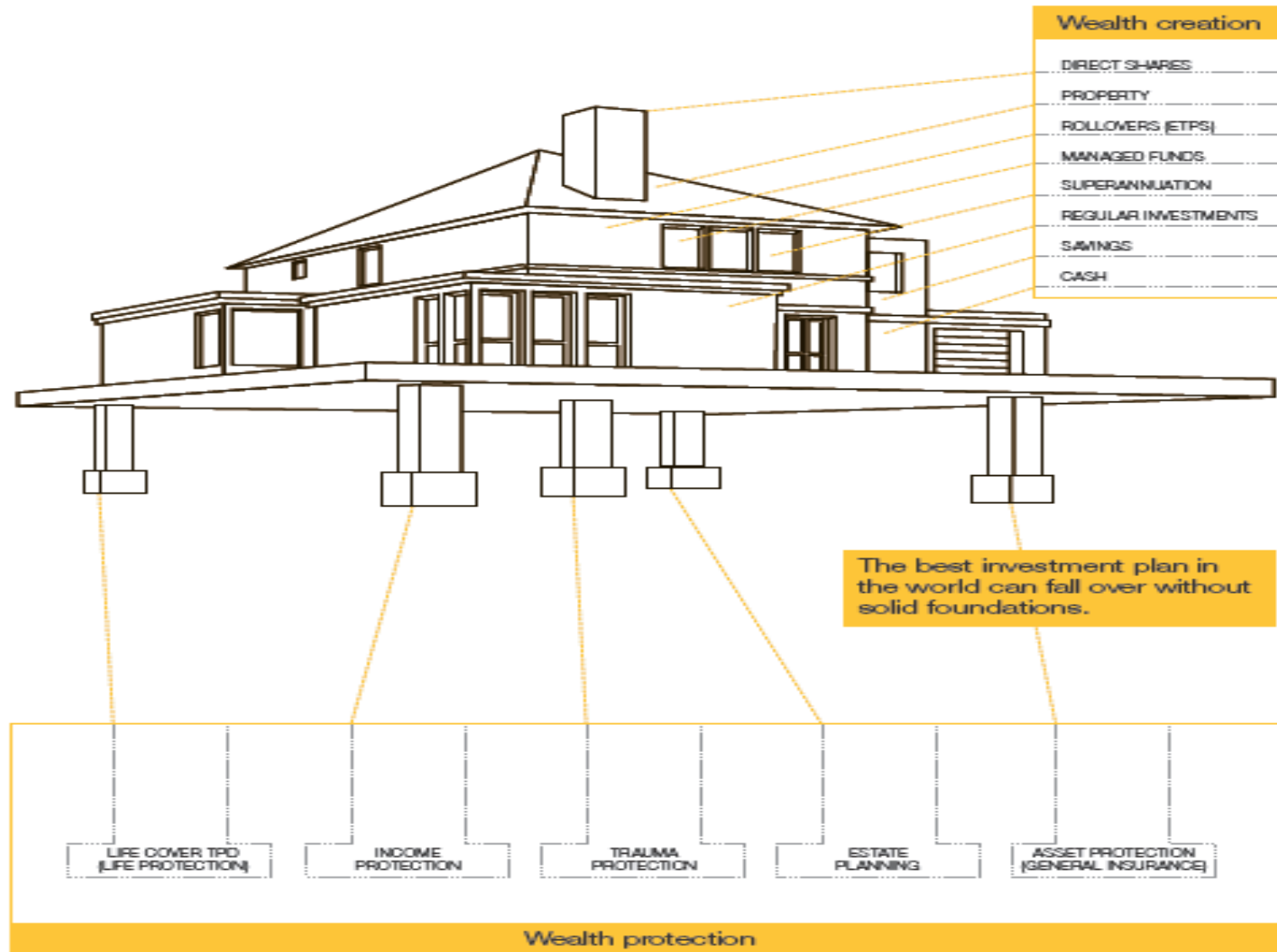


# THE NEED FOR WEALTH PROTECTION

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# WHAT ABOUT THIS?



# WHAT PEOPLE REALLY WANT

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1. **Good health**
2. **Assist / help family**
3. **Maintain standard of living**



# WHAT IS THE ROLE OF WEALTH PROTECTION?

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**TO REMOVE WORRY!!!**

- 1. Eliminate a debt or potential debt**
- 2. Create an income stream**

**Protects created wealth**



# 4 TYPES OF PEOPLE WHEN IT COMES TO WEALTH PROTECTION

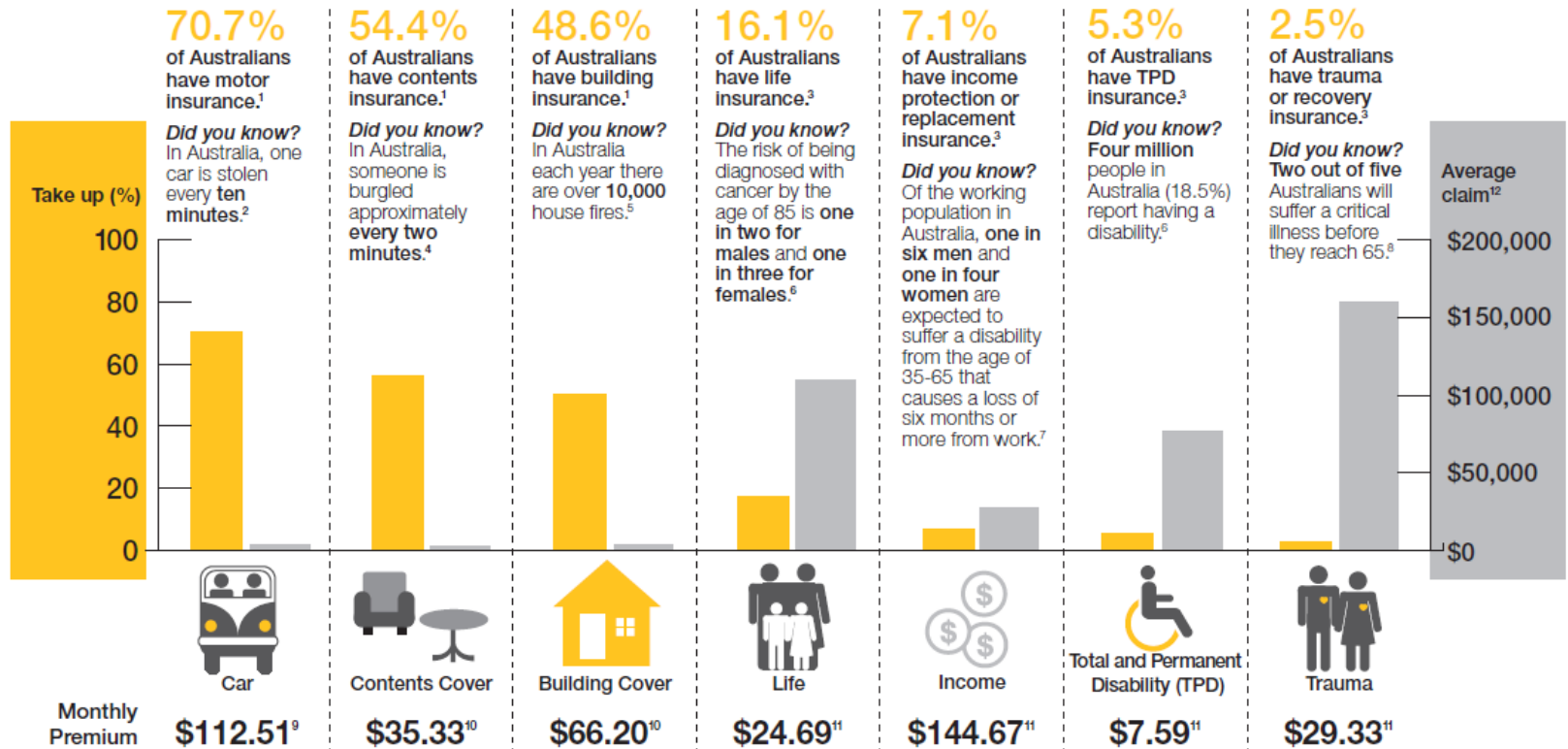
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1. Those that have it;
2. Those that have it, but not enough of it;
3. Those that can't get it;
4. Those that should have it, but don't

The majority of people fall into the final category

# WHAT'S YOUR MOST IMPORTANT ASSET?

Most people have insurance for their home and motor vehicle, but fail to cover their most valuable assets – their life and their ability to earn income over the long term.



1. Roy Morgan Research, 12 months to February 2015, based on Australian population aged 14+. 2. National Motor Vehicle Theft Reduction Council – Statistical Report 2013/14. 3. Roy Morgan Research, 12 months to February 2015, based on Australian population aged 14+. Life and risk insurance product holdings are likely to be underrepresented due to respondent recall and/or awareness. 4. Australian Institute of Criminology, April 2009; 'Unlawful Entry with Intent' statistics for 2007. 5. Australian Bureau of Statistics: Australian Social Trends 2000 – Housing – Housing Stock: Home and fire safety. 6. AIHW 2014. Australia's health 2014. Australia's health no. 13. Cat. no. AUS 156. Canberra: AIHW. 7. Institute of Actuaries. Table IAD 89-93 – white collar males and females, December 2006. 8. General Cologne Life Re Australia 2002. 9. Comminsure Motor Insurance Cover assumes a 26-year-old female driving a 2006 Toyota Corolla Ascent Sport ZZE122R 4D 1.8L 4 SP Automatic. It is housed in a garage in Chatswood, 2067. The car is for private use only, contains no modifications, and the owner has not had any accidents or incidents in the last 5 years. On the motor vehicle there is no finance, and it is insured for market value. The basic excess for the car is \$700. The premium rates include all statutory Government charges and the internet discount. Monthly premiums are quoted as at November 2014. 10. The Comminsure Residential Home Package: Owner – primary residence assumes a 26-year-old female individual in a double brick free standing house in Wollstonecraft, NSW, built in 2010. The building sum insured is \$350,000, and the contents sum is \$75,000, both with excesses of \$500. The premium rates include all statutory Government charges and the internet discount. Monthly premiums are without accidental damage and are quoted as at November 2014. 11. Life, Income Care Plus, TPD and Trauma Plus insurance assume a 35-year-old male (age 36 next birthday), non-smoker, degree-qualified accountant, annual income \$168,000 stepped premiums; Life cover of \$500,000, \$10,500 monthly Income Protection benefit (including \$1,260 super continuance), \$200,000 TPD (any occupation) and \$200,000 Trauma Plus cover. Monthly premiums are quoted as at November 2014. 12. Claim figures are based on the 2013 calendar year.

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# WHAT ARE THE CHANCES OF...

You have a 1 in 3 chance of suffering a major medical illness (e.g. cancer, heart disease) between the ages of 30 and 64<sup>1</sup>

You have a 1 in 2 chance of having your house being burgled in the next 20 years<sup>2</sup>

You have a 1 in 130 chance of having a car stolen and not recovered over the next 35 years<sup>3</sup>

You can protect your assets from as little as...

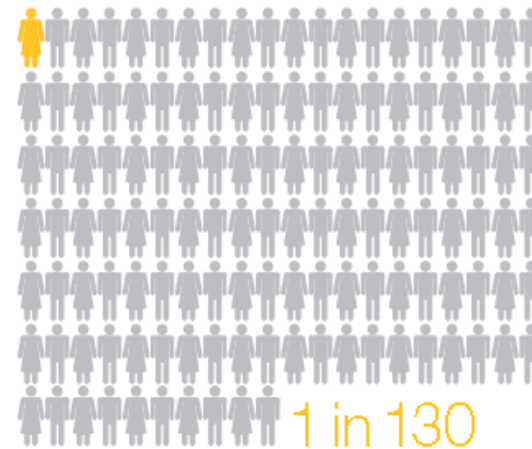


Annual premium

\$480.04<sup>4</sup>



\$1,441.86<sup>5</sup>



\$1,263.63<sup>6</sup>

1. Pricing Dread Disease, Institute of Actuaries of Australia 1994.

2. Based on data obtained from Australian Institute of Criminology, household burglary statistics 2009-10, and Australian Bureau of Statistics: Census results, 2011.

3. National Motor Vehicle Theft Reduction Council - Theft Watch: May 2012, based on overall thefts 12 months to March 2012.

4. Based on stand-alone Trauma Plus Cover, assuming a 35-year-old male (age 35 next birthday), non-smoker, degree-qualified accountant in NSW, stepped premiums. Sum insured is \$200,000. Annual premium quoted as at July 2012.

5. The Comminsure Residential Home Package: Owner - primary residence assumes a 25-year-old female individual in a double brick house with no shared walls, and deadlocks on all external doors. The building sum insured is \$350,000, and the contents sum \$75,000, both with excesses of \$500. Options covered are for theft, fusion, power surge and accidental glass breakage and damage. The premium rates include all statutory Government charges and the internet discount. Monthly premiums are quoted as at July 2012.

6. Comminsure Motor Insurance Cover assumes a 25-year-old female driving a 2006 Toyota Corolla Ascot Sport ZZE122R 4D 1.8L 4 SP Automatic. It is housed in a garage in Chatswood, 2057. The car is for private use only, contains no modifications, and the owner has not had any accidents or incidents in the last five years. On the motor vehicle there is no finance, and it is insured for market value. The basic excess for the car is \$700. The premium rates include all statutory Government charges and the internet discount. Monthly premiums are quoted as at July 2012.

# YOUR FUTURE EARNING POTENTIAL

	Weekly Income*					
Age now	\$400	\$600	\$800	\$1000	\$1500	\$2000
20	\$1,928,573	\$2,892,860	\$3,857,146	\$4,821,433	\$7,232,149	\$9,642,866
25	\$1,568,346	\$2,352,519	\$3,136,692	\$3,920,866	\$5,881,298	\$7,841,731
30	\$1,257,611	\$1,886,417	\$2,515,223	\$3,144,028	\$4,716,042	\$6,288,057
35	\$989,569	\$1,484,353	\$1,979,137	\$2,473,922	\$3,710,882	\$4,947,843
40	\$758,353	\$1,17,529	\$1,516,705	\$1,895,882	\$2,843,823	\$3,791,763
45	\$558,904	\$838,356	\$1,117,808	\$1,397,259	\$2,095,889	\$2,794,519

**\*Assumes a 3% p.a. salary increase.**

# WHAT PROTECTION IS AVAILABLE?

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- 1. DEATH COVER (also known as 'life insurance')**: provides a lump sum on your death or terminal illness.
  - This can assist with paying off debt (mortgage), providing an income for the remaining spouse, future education costs for children & funeral expenses.
- 2. TOTAL & PERMANENT DISABILITY COVER**: pays a lump sum benefit if you become totally & permanently disabled & never able to work again.
  - Covers the costs of rehabilitation, debt repayments & the future cost of living if you are totally & permanently disabled.
- 3. INCOME PROTECTION COVER**: provides you with a regular monthly benefit of up to 75% of your annual gross salary when you are unable to work due to illness or injury.
  - This provides peace of mind that you can continue to pay your mortgage/rent & maintain yours & your families standard of living.
- 4. TRAUMA COVER**: pays a lump sum benefit when you survive a specified condition, such as stroke, heart attack or cancer. It is paid regardless if you are working or not.
  - Can be used to pay off debts, medical costs or to recuperate before returning to work.
- 5. BUSINESS INSURANCE**: Covers the fixed operating expenses of a business if self-employed or a small business owner & totally disabled.

# INCOME PROTECTION COVER

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- **Provides a regular monthly income benefit up to 75% of your gross annual salary when you are unable to work due to illness or injury.**
- **WAITING PERIOD:** 30 days, 60 days, 90 days – this is the amount of time you have to be sick or injured before you can receive your first monthly income benefit.
  - The shorter the waiting period, the more expensive the insurance premium will be.
- **BENEFIT PERIOD:** 2 years, to age 65 – this is the length of time that the monthly benefit will continue to be paid while a person is sick or injured & unable to work.
  - If a person was totally & permanently disabled from the workforce & had an income protection policy in place with a benefit period to age 65, this will be paid until then.
- **ESSENTIALS COVER:** This provides a monthly income benefit for “Accidents only” . This is a stand-alone policy.
  - If a person does not qualify for income protection cover due to a past medical condition or other reasons there is Essentials Cover.

# LIFE INSURANCE & ESTATE PLANNING

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- **Life Insurance can be an important instrument in helping meet your estate planning objectives in the following ways:**
  - **Provides a lump sum amount to ensure your spouse & children have enough money** to pay off debts, meet large expenses (such as school fees) & continue to live a comfortable life.
  - **If your estate has a large taxation liability**, you can protect your beneficiaries by purchasing life insurance. These funds can then be used to pay out your estate's taxation liability without eating into their inheritances.
  - **If you are in a business with partners**, a life insurance policy on each partner can help protect the viability of the business & the financial position of the surviving partners if one of you were to die.
  - **Estate Equalization:** If there is an asset, such as the family home or business that you would like, for example, your daughter to inherit as she may have helped you build the business or needs the home to live in. However, you do not want to financially disadvantage your son:
    - You can purchase a life insurance policy for the same amount as the house value or business;
    - On your death this life insurance policy will be paid out to your son so both your daughter & son receive the same amount of inheritance.

# WEALTH PROTECTION – INSIDE SUPER vs OUTSIDE SUPER

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- You can have wealth protection cover attached to your Superannuation or as a Stand-Alone policy.
  - Majority of people have a small amount of default wealth protection cover attached to their employer superannuation fund – Death Cover; Total & Permanent Disability Cover (TPD); & Income Protection Cover.
  - This wealth protection cover is provided when a person commences a super fund with their employer. No health check is required.
  - A lot of people aren't aware that they have wealth protection cover in their super.
  - It is important to mention this to your children to make sure they are aware.



# WEALTH PROTECTION – INSIDE SUPER

## ADVANTAGES

- **Assists with cash flow** – premiums are paid automatically from Super fund, not out of own pocket.
- **Lower Cost** – super funds purchase wealth protection policies in bulk so they tend to be cheaper as you are covered by a group policy.
- **More affordable** – allows people to obtain wealth protection who may not have otherwise been able to afford it.
- **Premiums are tax deductible within the super fund**
- **For self-employed** – personal contributions to super to fund wealth protection premiums, can also claim value of contributions as a deductible expense.

## DISADVANTAGES

- **The types of wealth protection & level of cover may be limited** – default cover is \$100K - \$200K but in reality may need \$500,000 or \$1 million
- **No Trauma Cover available in Super** – only as a stand alone policy.
- **Tax may be payable on some wealth protection benefits** if your beneficiary is not a dependent.
- **Wealth protection premiums may reduce your retirement savings** if you do not top up super.
- **Required to meet a condition of release** in Super to access your wealth protection benefits.

# WEALTH PROTECTION – OUTSIDE SUPER

## ADVANTAGES

- **Comprehensive cover with more features & options** – Trauma Cover, Essentials Cover & Business Insurance available.
- **Faster Process** - benefits are paid directly to the policy owner & do not have to go through the super system.
- **Life & TPD Cover are not taxable** – anyone can receive the benefits tax-free.
- **You can claim a personal tax deduction on the Income Protection premiums**

## DISADVANTAGES

- **Less Affordable** – wealth protection premiums are paid out of your own pocket
- **Risk of Cover being cancelled** – if you continually forget to pay your wealth protection premiums or can not afford to pay the premiums you will have your wealth protection cover cancelled.
- **Full underwriting process** - you will be required to fill out questionnaires about medical history, recreational activities & may be asked for a medical examination when applying for cover.

# GENDER INEQUALITY IN WEALTH PROTECTION FOR WOMEN

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- **Recent survey by TAL Insurance group found that 47% of women polled had wealth protection compared to 57% of men.**
- **Women lagged behind men in every area of wealth protection – e.g. Death Cover, TPD Cover, Income Protection Cover & Trauma Cover.**
- **Female Breadwinner households have increased to around a quarter of Australia's total.**
- **Important that working mums have adequate wealth protection cover, especially if they are the breadwinner of the household – i.e. Death Cover, TPD Cover, Income Protection Cover & Trauma Cover.**
- **It's a trend for women to stay home to look after their babies.**
- **Women continue to bear the primary responsibility for caring for children & other family members – e.g. ageing parents or those with disabilities.**
- **Trauma Cover will pay a lump sum on the occurrence of a medical condition based on the specifications of the policy whether working or not.**
  - This cover is ideal for Stay at Home Mums especially as they can not apply for Total & Permanent Disability Cover or Income Protection Cover.
  - Stay at home mums' contribution to household can add up to \$75,000 a year – based on cost of babysitting, childcare, cleaning & other costs. (2013 BT Life Insurance Claims Manager Paula Bourke)
- **Both partners are assets to the family household whether they both earn an income or one stays home to manage the household. So they should be both protected.**

# WOMEN'S COVER - EXAMPLE

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## Maria's Story:

- Maria was driving home from a friend's house one night when she swerved to miss a dog on the road. She crashed into the nearby telegraph pole & suffered a major trauma.
- After 1 year of occupational therapy Maria was able to care for herself, but left with weak limb movement. This meant she had to give up her job & didn't have full capacity to look after her family.
- Maria had a Trauma Cover policy.
- The stress around how to financially look after her family was eliminated.
- Maria received a lump sum payment allowing them to:
  - Move into a one-storey house from their two-storey house.
  - Pay off their mortgage.
  - Hire someone to help cook, clean & assist with looking after the children so Maria's husband could continue working.
- ***What would you or your children do if an unexpected event like this happened? How would they cope?***

# EDUCATION BONDS

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- **Used for a child's lifetime education:** preschool to tertiary.
- **Parents, Grandparents, Uncle, Aunts can invest for a child.**
- **Form of Life Insurance Policy** – Student is the life insured.
- **Covers School related expenses** – E.g. school fees, text books & uniforms, living allowance if studying away from home.
- **Education & Non-education withdrawals allowed.**
- **\$1,000 minimum investment per student up to \$500,000**
- **Provides flexibility** – invest in a range of investment options provided by professional investment managers.
- **Classified as a 'scholarship plan' by ATO with unique tax features.**
- **Taxation Benefits** – Annual investment earnings taxed at corporate tax rate of 30% within the fund (Can be lower due to dividend franking credits & other tax offsets)
- **Withdraw your contributions tax free.**
- **Needs to be invested for at least 10 years to gain full taxation features.**
- **After 10 years can withdraw 100% tax free regardless if education or non-education expenses.**

# HOW CAN CENTRE IN FINANCE ASSIST?

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- **Review existing wealth protection cover for yourself or family members & compare wealth protection premiums & benefits.**
- **Transfer existing wealth protection cover & Super into FirstWrap Plus Super** (if no serious medical conditions & under age 55).
- **CIFP do not charge commissions on wealth protection**, making FirstWrap's wealth protection premiums very competitive.
- **Review existing wealth protection cover & client wealth protection needs** to ensure they are adequately covered in all areas. If they are not, recommend additional cover to suit their needs.
- **Review wealth protection cover regularly** to ensure that it still meets clients needs & any changes in their circumstances.
- **It is important that you speak to your children** to ensure they have the right wealth protection covers in place.
- **If something unexpected was to happen** then they will need financial support & you, the parents, will probably be the first point of contact for this help.
- **A wealth protection policy can also protect you from having to use your retirement savings** to financially support your children at a time of need.