



# FUZION

INSURANCE

*SECURING YOUR TOMORROW*

# LIFE INSURANCE



**Your personal protection plan**

**Live your best life even if the unthinkable happens**

# CONTENTS



<b>Introduction</b>	1
The risks you could face	
<b>How the strategy works</b>	2
Many people underestimate the importance of personal insurance	
<b>Insurance Types</b>	3
Life insurance	
Total and Permanent Disability Insurance	
<b>Trauma Insurance</b>	4
<b>Income Protection Insurance</b>	5
<b>Business Expense Insurance</b>	6
<b>Premium Types</b>	7
Level Premiums	
Stepped Premiums	
<b>Ownership</b>	8
Advantages	
Disadvantages	
<b>Taxation</b>	9
Inside Superannuation	
In Personal Name	
<b>Application and Underwriting</b>	10



It is easy to think that you won't get sick or hurt and ignore the need to protect the very thing that generates your wealth - your own health and ability to work. But if accident or serious illness does occur the impacts can be devastating.

It's worth remembering that no matter how much expert advice you receive or how well you manage your finances there is always a risk of early death, serious illness or injury. How that impacts you and your loved ones depends on the wealth protection strategy you have in place.

## Risks you could face include:

- Emotional, physical or mental trauma
- Death or serious illness
- Loss of income due to temporary or permanent incapacity

Your personal protection plan should include a strategy to minimise risks to your present and future plans. In simple terms, if you cannot afford to lose something then you should try to protect it. Insurance can provide a cost-effective protection mechanism.

# HOW THE STRATEGY WORKS



Personal risk insurance protects your wealth accumulation strategy by providing money if you are no longer able to earn an income due to disability, trauma or death. The money received can help with medical bills, loan repayments and living expenses.

Many people often underestimate the importance of personal insurance which has led to a problem with underinsurance in Australia. It is important that you consider having enough cover to replace your income and cover expenses so that the personal tragedy does not create financial tragedy.

You can apply for insurance to cover you in the event of death, temporary or permanent disability, or trauma (critical illness).





## Life Insurance

The most common type of cover is life insurance. Life insurance will pay a lump sum to your estate or specific beneficiaries in the event of death or in some cases, on diagnosis of a terminal illness.

The advantage of life insurance is peace of mind that your death will minimise any financial hardship for your loved ones. Life insurance can be used to pay off debts, provide an income for dependents, cover funeral expenses and assist in maintaining your family's lifestyle in the event of your death.

With this type of cover, your family would not be burdened by debt and may be protected from selling assets to pay debts or cover living expenses.

## Total and Permanent Disability Insurance

Total and Permanent Disablement (TPD) can prevent you from working and require expensive medical treatment and ongoing care. TPD insurance aims to provide a lump sum if you suffer an illness or injury and you:

- Are permanently unable to work again,
- Are unable to care for yourself independently, or
- Suffer significant and permanent cognitive impairment.

TPD insurance payments can be used to pay for medical expenses, ongoing care costs and to meet living expenses for you and your family. The definition of TPD can vary and include option for a range of occupations, including homemakers.



- Any Occupation TPD:

The benefit will be paid if you are unlikely to be gainfully employed in any business, profession or occupation for which you are reasonable suited by your education, training or experience. This definition is generally less expensive than an Own Occupation definition but for some people, it may be harder to meet.

- Own Occupation TPD:

The benefit will be paid if you are unlikely to ever be gainfully employed in your own occupation. Own Occupation TPD is specific to your occupation and is particularly suitable for specialist occupations. The premiums for are more expensive than Any Occupation TPD.

## Trauma Insurance

A serious illness or injury can prevent you from working for a period of time and may require expensive medical treatment. Trauma insurance (also known as critical illness, crisis or recovery insurance) aims to provide a lump sum upon the diagnosis of a specified illness or injury such as life-threatening cancer, stroke or heart attack. Trauma insurance pays a lump sum to pay medical expenses and reduce financial pressure while you focus on recovery. This payment is made regardless of whether you are able to return to work, and can relieve financial pressure at a time when you are under great stress.

Child Trauma insurance may, in some cases, be added to your policy to cover a seriously ill or injured child. This provides a lump sum to help cover medical treatment, easing financial worry for parents who may need to take time off work to provide care.



## Income Protection Insurance

Income Protection insurance aims to minimise the financial impact of sickness or injury by replacing income lost during a prolonged absence from work. A monthly benefit will assist you to meet living expenses and debt repayments.

Income Protection policies will usually pay a benefit up to 70% of your gross income (some policies may pay higher) after a waiting period. Payments continue for a set term or until you return to work, whichever occurs first. Waiting periods range from 14 days to two years. Generally, the longer the waiting period, the lower the cost of the income protection insurance. Benefit periods range from two years, five years or until a specified age.

The monthly benefit paid may differ to the monthly benefit insured as it will depend on your earnings at the time of a claim. The monthly benefit received is based on your gross income at the time of claim. Details of proof of income will be required at the time of claim.

You can generally claim a tax deduction for most premiums paid on an income protection policy (other than any portion of the premium that is attributable to benefits of a capital nature such as physical injury or critical illness). However, income payments received are considered taxable income.



## Business Expense Insurance

Business expense insurance can help to keep your business running if you are unable to work due to temporary illness or injury. This is particularly appropriate for sole traders.

This type of insurance will usually cover up to 100% of your eligible business expenses, for example rent/lease payments, interest costs, accountant's fees, telephone, electricity, etc. However, not all expenses are covered so you should always check the policy wording. Alternatively, if you run a larger business you may need to consider life, trauma, TPD or income protection insurance to cover 'key' employees or business partners in case they die or are unable to work due to injury/illness. This type of insurance protects your business in the event of the loss of a person who makes a significant contribution towards the profitability or stability of the business. As an example, 'key person' insurance may provide the business with a lump sum that could be used to either hire a temporary replacement, cover costs of training a new staff member, or simply compensate the business for any reduction to profit. The premiums may be deductible as a business expense depending on the insurance purpose and the proceeds may also be considered taxable income.





# PREMIUM TYPES



Premiums for all types of personal insurance will vary with age, gender and smoking status. Occupation and medical history may also affect the cost of premiums.

## Level premiums

The premium rate is fixed when you start the policy and does not change as you get older except in line with CPI indexation. Level premiums are initially higher (than stepped premiums) but will be more stable over time. This can help with affordability and reduce the risk that premiums will become unaffordable as you get older.

## Stepped premiums

The premium rate increases each year according to you age. Stepped premiums are initially more affordable than level premiums but over time may become more expensive. However, this option can provide you with flexibility as your needs change over time.





When held within a superannuation fund, the policy is owned by the trustees of the superannuation fund, for the benefit of the member. Life, TPD and income protection policies can be owned personally or through a superannuation fund. Trauma insurance can only be owned personally.

## Inside Superannuation

## In Personal Name

### Advantages

- Premiums are paid using contributions into the fund (e.g. employer contributions) or your superannuation savings – this can help to ease a drain on your cash flow.
  - Tax concessions on contributions may reduce the effective cost of the premiums (e.g. salary sacrifice to cover the cost of premiums).
  - You may be eligible for automatic acceptance (for some cover) which means you will not have to provide evidence of health or income.
- The claim proceeds are usually tax-free.
  - Claim proceeds will be paid directly to you, your estate or nominated beneficiary as appropriate. This ensures the money is available when you and your family need it.
  - A wider range of benefits and features may be available.
  - Income protection premiums are generally tax deductible.

### Disadvantages

- Policies may have less benefits and features than those offered outside superannuation due to legislation restrictions.
  - Tax may be payable on claim proceeds, depending on circumstances and rules at the time.
- Disposable income will reduce as you pay premiums from your after-tax income.
  - Premiums are paid after-tax, so may be a higher cost than premiums inside superannuation.



How insurance premiums and claim proceeds are taxed will depend on the type of insurance policy and beneficiary, and whether you choose to hold the policy inside or outside of superannuation. You should seek specialist taxation advice to check the taxation applicable to your circumstances.

	Inside Superannuation	In Personal Name
Premiums	Premiums are deductible to the fund.	Not deductible except for income protection policies.
Claim Proceeds	<p>Life policy – proceeds are taxable unless paid to tax dependents.</p> <p>TPD – if you are under age 60 when you withdraw money from superannuation, tax may be payable.</p> <p>Income protection – the benefits are assessable income to you and are taxed at your marginal tax rate.</p>	The proceeds from a life, TPD or trauma policy are generally tax-free. However, the benefits from an income protection policy are assessable income and taxed at your marginal tax rate.

# APPLICATION AND UNDERWRITING



When applying for insurance you will need to complete an application form providing both personal and medical information for the underwriter to assess. Some applicants may also need to undergo a medical examination and/or blood tests or a report may be requested from their usual doctor to determine whether to accept or decline the cover.

Depending on your circumstances and health you may be asked to pay an additional premium, known as a loading, if you have an unfavourable medical history or display higher risk factors for developing chronic illness. In some cases, the life insurance company may apply an exclusion to your policy. For example, a decision may be made to not cover you for high risk activities and sports or a pre-existing injury/illness. This means that if an event occurs that is excluded, the benefit under the policy will not be paid.

Many policies are guaranteed renewable. This means that as long as you pay the premium you will continue to receive cover regardless of any changes in your circumstances or health. If you do not pay your premiums, your insurance will lapse. Some companies may provide a short window of opportunity to pay your overdue premiums to maintain the cover if you have missed the due date. If your policy lapses and your health or circumstances have changed it may impact on your ability to get the same cover at the same premium. It is important to understand the benefits included in your policy, and optional extras.

Benefits included are at no extra cost however optional extras may increase your premium. Your insurance adviser can discuss the features of your chosen policy with you.



# FUZION

## INSURANCE

**SECURING YOUR TOMORROW**



**GET IN CONTACT WITH US TODAY!**



**P: 08 6556 6631 E: [admin@fuzioninsurance.com.au](mailto:admin@fuzioninsurance.com.au)**

**[www.fuzioninsurance.com.au](http://www.fuzioninsurance.com.au)**

HKH Investments Pty Ltd. | ABN 72 649 634 766  
Corporate Authorised Representative No. 1286729  
Wealth Today Pty Ltd AFSL 340 289 | [www.fuzioninsurance.com.au](http://www.fuzioninsurance.com.au)

This information has been provided as general advice. We have not considered your financial circumstances, needs or objectives. You should consider the appropriateness of the advice. You should obtain and consider the relevant Product Disclosure Statement (PDS) and seek the assistance of an authorised financial adviser before making any decision regarding any products or strategies mentioned in this communication.