

# Personal insurance concepts

## Planning for the unexpected

While you don't like to think that something might happen to you, or your family, it is always better to be prepared for the unexpected.

### Why prepare for the unexpected?

Think about the risks that you face in everyday life. There are risks that we can't remove entirely. However, for a lot of risks that we can't eliminate, we can mitigate their impact by taking out suitable personal insurances.



An umbrella can't prevent the risk of rain, but it can minimize its impact

### What are the risks?

If you don't have adequate insurance, an unforeseen death or illness could have severe consequences for you or your family.

What would be the impact on your family if:

- your income was to stop, or
- you were unable to work for an extended period of time?

How would you pay your mortgage and meet your other living expenses, if your income was to cease?

You could struggle to make ends meet and run down your savings very quickly.

### Did you know?

In a recent survey, 46% of Australians admit that they live 'pay cheque to pay cheque' including:

- 1 in 4 households earning over \$150,000 pa, and
- 1 in 5 households earning over \$200,000 pa.<sup>1</sup>

### Seek advice

A financial adviser can help ensure you have the right insurances in place to help protect your family's lifestyle. The first step is having the conversation.

1. Research conducted by IPSOS on behalf of MLC in August 2015 and published in February 2016 in 'Australia today – Part 1: A look at lifestyle, financial security and retirement in Australia'.

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## Role of insurance

Insurance type	Description	Potential uses for insurance
<b>Life (and Terminal Illness) Insurance</b>	Provides for a lump sum on death or diagnosis of a terminal illness.	<ul style="list-style-type: none"> <li>• Cover living expenses</li> <li>• Pay for childcare and housekeeping</li> <li>• Service or pay-off debts</li> <li>• Cover funeral and estate costs</li> </ul>
<b>Total and Permanent Disability (TPD) insurance</b>	Provides for a lump sum if you are totally and permanently disabled. Is often provided with life insurance.	<ul style="list-style-type: none"> <li>• Pay medical or rehabilitation costs</li> <li>• Cover living expenses</li> <li>• Pay for childcare and housekeeping</li> <li>• Service or pay-off debts</li> </ul>
<b>Critical Illness or Trauma Insurance</b>	Sometimes referred to as 'recovery insurance'. Provides a lump sum if diagnosed with a range of specified critical or traumatic illnesses.	<ul style="list-style-type: none"> <li>• Cover living expenses</li> <li>• Service debts</li> </ul>

## Other key considerations

- You may already have insurance through your employer or your super fund. Even if you have existing insurance, it's always good to review what you currently have, to ensure that it's adequate to meet your needs.
- Everyone's needs are different and the types and amounts of insurance that are appropriate for you may not be appropriate for someone else. It's important that what you have in place is tailored to your needs, and that you review what you have on a regular basis, as your circumstances may change.
- How much will it cost? There are a range of factors that influence the cost of insurance, including your age, gender, occupation, and your medical or family history. It may be cheaper than you think.

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