



Insurance: Counting the cost of a curve ball

Here's a confronting question: what would you do if the main breadwinner in your household could no longer bring in an income? Do you have a Plan B? Most people don't. That's where insurance comes in.

Curve balls. They're unexpected, often deceptive and it's impossible to predict their trajectory. That's why they're so devastating – in sport and in life. There's some interesting data now available about the kind of curve balls that can impact your life, your finances and your retirement.

The headline figure is this: one in three Australians could be disabled for more than three months before turning 65.¹ If you combine this with another startling fact – that 60% of Australian families with dependents will run out of money if the main breadwinner can no longer bring in an income – you can see the problem. Curve balls are pretty common, but so few people are prepared for them.

With the mortgage to pay, school fees to fund and day-to-day living expenses to meet, you could run down your savings very quickly and face financial difficulty.

The table below shows what's at stake in terms of potential earnings to age 65. For example, if you are currently 45 and earn \$80,000 per annum, you could earn around \$2.15 million over the next 20 years. Isn't that worth protecting?

Current income (per annum)	Age now			
	25	35	45	55
\$40,000	\$3,020,000	\$1,900,000	\$1,070,000	\$460,000
\$60,000	\$4,520,000	\$2,850,000	\$1,610,000	\$690,000
\$80,000	\$6,030,000	\$3,810,000	\$2,150,000	\$920,000
\$100,000	\$7,540,000	\$4,760,000	\$2,690,000	\$1,150,000

Assumptions: Income increases by 3% per annum. No employment breaks. Figures rounded to nearest \$10,000.

What kind of Plan B do you need?

The last thing you need to worry about when you're dealing with a curve ball is your finances. That's where insurance comes into its own. It's a well-known saying that you only realise the value of insurance when you need it – and you don't have it.

Taking out Income Protection insurance could provide you with a monthly benefit of up to 75% of your income to replace lost earnings while you recover.

Most Income Protection policies offer a range of waiting periods before you start receiving the insurance benefit (with options normally between 14 days and two years). You can also choose from a range of benefit payment periods, with a maximum cover generally available up to age 65.

Other things to consider

- Income Protection insurance premiums will generally be lower if you choose a longer waiting period and shorter benefit payment period.
- If you don't have sufficient cash flow to fund the Income Protection premiums, you may want to arrange the cover in superannuation, where the cost will be deducted from your account balance.
- Other curve balls you may want to insure for include critical illness (such as cancer and stroke), total and permanent disability and death. These curveballs can be covered by different types of life insurance, which you may want to consider.

To find out more, contact Rick Maggi on 9382 8885.

¹ Calculations based on data from the Institute of Actuaries of Australia 2000. Interim Report of the Disability Committee. IA Aust: Sydney.

Important information and disclaimer

This publication has been prepared by Westmount Securities Pty Ltd (AFSL 225715, ABN 42 090 595 289).

Any advice in this publication is of a general nature only and has not been tailored to your personal circumstances. Accordingly, reliance should not be placed on the information contained in this document as the basis for making any financial investment, insurance or other decision. Please seek personal advice prior to acting on this information.

Information in this publication is accurate as at the date of writing, May 2015. In some cases the information has been provided to us by third parties. While it is believed the information is accurate and reliable, the accuracy of that information is not guaranteed in any way.

Opinions constitute our judgement at the time of issue and are subject to change. Neither the Licensee nor their employees or directors give any warranty of accuracy, not accept any responsibility for errors or omissions in this document.

Case studies in this publication are for illustration purposes only. The investment returns shown in any case studies in this publication are hypothetical examples only and do not reflect the historical or future returns of any specific financial products. Past performance is not a reliable guide to future returns as future returns may differ from and be more or less volatile than past returns.

Any general tax information provided in this publication is intended as a guide only and is based on our general understanding of taxation laws. It is not intended to be a substitute for specialised taxation advice or an assessment of your liabilities, obligations or claim entitlements that arise, or could arise, under taxation law, and we recommend you consult with a registered tax agent.