

Personal insurance concepts

Life insurance myths busted

We look at some of the common reasons why people don't take out life insurance and the counter arguments for why they may want to consider it.

"I don't need it"

No one wants to think of the worst. We hope that you won't need it! This may be true, or it may be partially true.

Your financial adviser can test this assumption for you. They may even recommend you reduce your insurance over time.

Your financial adviser can make sure that you have the cover you need to help protect you and your family.

For every reason for not taking out insurance, there is often an equally valid reason for taking it out.

"I've got insurance cover elsewhere"

While it's fantastic if you've got insurance cover elsewhere, do you know:

- what type and amounts of cover you have
- what you are covered for, and
- what you may not be covered for?

You need to ensure that:

- what you have is adequate to meet your needs, and
- you address any gaps.

Will your cover be underwritten at claim time or at time of application? Will the proceeds go to the correct person? These are all questions your financial adviser can help address for you.

Did you know?

In 2016, Rice Warner actuaries¹ found that:

- the typical amount of Life Cover held by Australians through their employer or superannuation fund, only provided between 40 - 60% of the amount required to meet basic needs
- the typical amount of Total and Permanent (TPD) and Income Protection (Salary Continuance) Cover only provided 13% to 17% of the amount required respectively.

1. *Australia's Relentless Underinsurance Gap 8 September 2016.*

“I’ve got other priorities”

- ‘Shouldn’t I pay down my mortgage instead?’
- ‘Shouldn’t I make saving for my retirement a priority?’
- ‘I can’t afford it!’

Having established that you have a need for insurance, it’s a matter of balance.

You absolutely need to be saving for your retirement. You also need to pay for your children’s education.

But if your income stops, all of these goals could become unachievable. Insurance can provide a sum of money to replace your lost income and help meet these and other goals and needs.

“My Insurance is no longer relevant to me”

This may be the case! But it’s important to review your insurance with your financial adviser to confirm whether it still meets your needs.

Your circumstances may have changed and your insurance needs may have changed with them. For example:

- Have you experienced a relationship breakdown or established a new relationship?
- Are your dependants still dependants?
- Are there new dependants?
- Has your debt reduced?
- Have your other assets increased in value?

These are all questions that a financial adviser will ask you when undertaking a review of your insurance needs.

“Can’t I rely on social security?”

The Disability Support Pension (DSP) is currently less than 30% of the male average wage, or approximately \$22,800 per annum for a single person.

According to the Australian Bureau of Statistics (ABS), only about 15% of current applicants are granted the DSP, with the vast majority of applications being rejected.²

So, the social security safety net may not be there if you need it.

2. ABC News. ‘Disability support pension: Successful claims plummeting after Government rule change’. June 2016

Seek advice

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

Your financial adviser can provide you with recommendations on what types and amounts of insurance cover you need to help make sure your family’s lifestyle is protected.

Important information and disclaimer

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