

People who make a large purchase through raising debt are exposing themselves to significant risks. The two main risks are loss of the article purchased or loss of the ability to repay the debt. In your specific scenario you are assisting people to arrange a mortgage in respect of real property, real estate.

People will recognise the fact that damage or destruction of the dwelling is a risk and the majority, if not all, will insure that structure (generally because the lender will insist on insurance). However, people generally do not think about insuring their capacity to repay the debt if they no longer have the earning capacity to do so. Consequently, there is an opportunity for you, the mortgage broker, to assist your clients with a referral arrangement to a specialist organisation that can provide advice about insuring that capacity to retire debt on the happening of certain contingencies.

What you can do

As part of the process in assessing the loan you will ask the client if he or she already has insurance in place. This will open the door for you to suggest that it is prudent to have some form of ability to repay or retire the debt if something was to prevent the main income earner from generating that income.

You can provide factual information about insurance products. For example, that the life insurance policy pays a lump sum on death, the total and permanent disability benefit pays a lump sum when the disability meets the definition, the trauma benefit is paid as a lump sum when certain specified medical conditions are fulfilled as specified in the policy document and the income protection policy pays the client 75% of their taxable income if they are unable to work due to sickness or injury.

If the client expresses an interest you can either ask to pass on their details to Mike Sikar from Delta Financial Group who is able to provide the client with the suitable advice.

If in doubt as to whether you should provide certain details or respond to specific questions it is better to err on the side of conservatism and not provide the information or answer the question but either record it and pass it onto Delta Financial Group or suggest to the client that they ask the specialist adviser.

What Mike Sikar will do

Mike Sikar will conduct an interview with the client to obtain information upon which they can form a basis to provide advice on the insurance options available for the client.

The advisor will provide the client with a Financial Services Guide that will explain the services and products available and the associated costs.

The advisor will also provide the client with written advice in a document titled Statement of Advice. This document will explain why the recommendations are suitable to the client, disclose the remuneration that Delta Financial Group will receive and any of its representatives as well as the referral fee paid to the mortgage broker, confirm a summary of the client's circumstances and compare any replacement products.

If the client decides to proceed with the advice, Delta Financial Group will assist them in the implementation process.