

# Life Insurance

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## Who needs Life Insurance?

Life insurance is designed to protect your family and other people who may depend on you for financial support. If you die and lose your income, the people that are dependent on your financial support will lose that income, so life insurance can help cover some or all of that loss depending on the policy you choose. But there are instances where life insurance can be beneficial even if you have no dependents, such as your desire to cover your own funeral expenses.

### Children: Children

do not need life insurance. Yes, there have been cases where life insurance for one's child has been a blessing, but in the majority of cases, children do not need life insurance since no one depends on income from them.

**Beginning Families:** Life insurance should be purchased if you are considering starting a family. Your rates will be cheaper now than when you get older and your future children will be depending on your income.

**Established Families:** If you have a family that depends on you, you need life insurance now! This does not include only the spouse or partner working outside the home. Life insurance also needs to be considered for the person working in the home. The costs of replacing someone to do domestic chores, home budgeting, and childcare can cause significant financial problems for the surviving family.

**Young Single Adults:** The reason a single adult would typically need life insurance would be to pay for their own funeral costs or if they help support an elderly parent or other person they may care for financially. Otherwise, if one has other sources of money for a funeral and has no other persons that depend on their income then life insurance would not be a necessity.

**Non-Child Working couples:** Both persons in this situation would need to decide if they would want life insurance. If both persons are bringing in an income that they feel comfortable living on alone if their partner should pass away, then life insurance would not be necessary except if they wanted to cover their funeral costs. But, maybe in some instances one working spouse contributes more to the income or would want to leave their significant other in a better financial position, then as long as purchasing a life insurance policy would

not be a financial burden, it could be an option.

Elderly: As

long as you do not have people depending on your income for support, life insurance at this stage in life would not be necessary, unless again, you do not have any other means to pay for your funeral expenses. But, be aware that purchasing a life insurance policy at this age can be very expensive. Before doing so, first talk to LiveNow Financial Planning about looking into other saving options to pay for your funeral costs before considering life insurance.

What is Personal Insurance?

Personal insurance provides protection and peace of mind for those unforeseen events. Proceeds can be used for any purpose. If you are working, have a lot of debt or have a family with dependants you probably need personal insurance.

There are four main types of personal insurance products available, Term Life, Total and Permanent Disability (TPD), Trauma and Income Protection insurance. A key distinguishing feature is that Term Life only provides a benefit when you are no longer alive while TPD, Trauma and Income Protection generally only provide a benefit while you are living. A combination of Term Life insurance and one or more other personal insurance is usually necessary.

Term Life Insurance

What would happen to your family if you were no longer around to support them? Term life insurance provides financial protection to your loved ones in the event of your untimely passing by making a one-off payment to your nominated beneficiaries or your estate. The payment could be used to retire debt such as a mortgage or to provide income for your dependants.

Total and Permanent Disablement Insurance (TPD)

What if you became permanently disabled through injury or otherwise and could no longer work again? TPD provides financial protection to you and your dependants in the event of your total and permanent disablement by making a one-off payment to you. You should review the definitions of total and permanent disablement under

competing policies and importantly whether the work test applies to your own occupation or to any occupation. To apply for TPD insurance you also need to be working at the time.

## Trauma Insurance

Advances in medical treatment have meant that many of us will survive medical conditions such as cancer, stroke or a heart attack. Still such an event is likely to be very disruptive to your life. You may need to take extended leave from work during treatment and many expenses and treatments are excluded from standard hospital cover and Medicare. Trauma insurance provides financial protection to you and your dependents should you experience a defined trauma event by making a one-off payment to you. The trauma might be an injury or a defined medical condition. It is important to review the number and types of medical conditions covered by competing policies and how each medical condition is defined.

## Income Protection Insurance

For most of us our most valuable asset is our future earning potential. Think of how much you earn now and how long you are planning to work? What if you were never given the opportunity to earn this income because of sickness or injury? Income protection insurance can provide financial protection to you and your dependents by making an ongoing monthly payment to you should you, as a result of a medical condition or accident, be unable to work. You will need to choose a waiting period (how long before your benefit starts to accrue) and a benefit period (how long your benefit will be paid). For example, you might like just to cover the period after your accumulated sick leave and long service leave would be depleted. Unlike TPD your disablement does not need to be total and permanent. To apply for this type of policy you need to be working at the time and you can only insure up to 75 per cent of your earnings.

## How Much Life Insurance Do I Need?

No formula to determine how much life insurance coverage one needs is right for everyone. A quick and basic way to figure out how much you would need is to take your annual income and multiply it by 7. For example, a family with an income of \$80,000 might need at least \$560,000 worth of life insurance protection. But some insurance experts feel one may need as much as 10 times their annual salary. There are more specific ways to estimate how much life insurance an individual or family may need.

## Figuring one's need based on their income, expenses

liabilities and assets can be more accurate:

This would include your mortgage, child care, insurance, and basic living expenses. Don't forget to include expenses such as vacations, and future education plans such as private school and college.

Consideration must also be given to such assets as savings, social security benefits, or any other income that will be there such as the income of a surviving spouse. Remember, stay-at-home spouses contribute a lot to the family income by by-passing child care, travel, cleaning, cooking, tutoring and associated costs, therefore would need to be insured also.

LiveNow financial planning has the ability to take the guess work away and accurately determine an appropriate level of insurance for you and your family.