

It pays to have Personal Insurance

Almost everyone recognises and understands the need for insurance. We insure our car, our home and contents, our health and in some cases we even insure our pets. And whilst we complain about the cost of insurance, we'll gladly pay a premium of \$750 on a car worth \$10,000. Because insurance is "just in case".

However, when it comes to insuring the really important things in our lives, like our lives, we are reluctant and find reasons why not to do it. "It's too expensive", "I'm too young to have insurance", "Insurance companies find reasons not to pay" are some of the excuses. We also think we are invincible and taking insurance acknowledges our mortality, which can be a little uncomfortable.

"It's too expensive. I can't afford it"

Can't afford it? Can you or your family afford not to have it? Consider the consequences of a family with a \$300,000 mortgage, two young children at school and both parents working. Suddenly, either yourself or your partner dies. How is the surviving partner going to pay the mortgage and pay bills and support two young children? Sell the house? Struggle with bills until the debt collectors come knocking? Move in with a friend or family? While you are grieving, these are issues you really don't want to think about. However, the harsh facts are the bills will continue, the mortgage needs to be paid

and the children need to be fed. Without any cover, your family's life will be thrown into further chaos. This is not what you would want your family to experience. It's hard enough dealing with the death of a loved one without having to consider the financial aspect of a death.

For a 35 year old male non-smoker, the cost of \$1,000,000 of life insurance is approx \$750 per year. About as much as you'd pay for a car worth \$10,000. For a 35 year old female non smoker the same level of life insurance would cost approx \$600. Doesn't make sense why you'd happily insure your \$10,000 car, but not insure your life.

What happens to your finances should you suffer a heart attack? With the advances in medical science there's a good chance you'll survive, but you'll need to take some time off work to recover. The bank manager still wants the mortgage paid. Without sufficient cover how are you going to pay the bills while trying to recover? Does your heart need the extra stress?

Income Protection, Total & Permanent Disablement and Trauma Insurance are other insurances available to help cope with the financial burdens that occur when an unforeseen illness or injury occur.

"I'm too young to have Personal Insurance"

Death, Illness or Injury do not discriminate. Young, Old, Male, Female, Single, Couple. Consider the following examples of well known people;

- Kerry McCann - Marathon Runner. Cancer. Passed away at 41.
- Jane McGrath - wife of Glenn McGrath, Breast Cancer. Passed away at 42
- Lance Armstrong - Cyclist. Cancer aged 25
- Adam Ramanaskus - AFL Footballer. Cancer aged 23.
- Angelo Lekkas - Footballer. Stroke aged 29.
- Kylie Minogue - Singer. Cancer aged 36
- Christopher Reeves (Superman)- Actor. Paralysed aged 43.
- Deltra Goodrem - Singer. Hodgkin's disease aged 18.
- Michael J Fox - Actor. Parkinson's disease aged 36.

How would your family cope financially should one of the above situations happen to you? The appropriate form of insurance can provide peace of mind financially from unforeseen events.

"Insurance companies find reasons not to pay"

Contrary to what the media will say for the sake of a story, insurers do pay on claims. In fact, in 2007, the top 11 personal insurance companies in Australia paid an average \$8.39 million per working day in insurance claims, or a total of \$2,098,133,638.

- Term Life Insurance - \$1,061,218,287 paid out
- Total & Permanent Disablement - \$211,616,711 paid out
- Trauma Insurance - \$245,865,503 paid out
- Income Protection - \$580,265,300 paid out.

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Some examples of these benefits being paid are;

- General Manager, Male 49 – Death Benefit \$5,000,000
- Business & Information Professional, Female 47 – Death Benefit \$500,000
- Barrister, Female 41 – Death Benefit \$229,500
- Miner, Male 44 – Death Benefit \$220,000
- Agricultural Labourer, Male 28 – Death Benefit \$152,760
- Clerical Worker, Male 52 – TPD Benefit \$350,000
- Credit & Loan Officer, Female 31 – TPD Benefit \$223,510
- Domestic Housekeeper, Female 37 – Trauma Insurance (Breast Cancer) \$263,680
- General Medical Practitioner, Male 49 – Trauma Insurance (Stroke) \$708,388
- Solicitor, Male 59 – Trauma Insurance (Prostrate Cancer) \$215,512
- Computer Technician, Male 28 – Trauma Insurance (Prostrate Cancer) \$103,000
- Dental Specialist, Male 57 – Income Protection (Prostrate Cancer) \$137,028
- Anaesthetist, Male 56 – Income Protection (Unspecified Fall) \$112,687

So instead of thinking it's too difficult, too much or don't believe in it, consider the alternatives. Should you suffer an illness or injury, or even die, how will your family and assets be protected. Everyone's situation is different. To determine the appropriate level of cover specific to your needs and circumstances, speak to a Risk Insurance specialist at WHK Financial Planning and make an appointment to ensure the people you care for the most are looked after the way you want them to be looked after.



Government Co-Contributions

If your total income is less than \$60,342 for the 2008/2009 financial year and meet the eligibility conditions below, you may qualify for the Government co-contribution.

For those whose total income is less than \$30,342 a Non-Concessional contribution to super of \$1,000 will potentially lead to a government co-contribution of \$1,500 which represents a return of 150% of the contribution.

A Government co-contribution is payable in respect of a person for an income year of the person if:

- The person makes one or more eligible personal superannuation contributions by 30 June each year;
- 10% or more of the person's total income for the income year is attributable to either or both of the following:
 - Employment where the person is an employee for SG purposes, and/or
 - Self-employment where the person is carrying on a business;
- The person's total income for the income year is less than the higher income threshold; and
- An income tax return for the person for the income year is lodged;

- The person is less than 71 years old at the end of the income year; and
- The person does not hold an eligible temporary resident visa at any time during the income year.

You do not need to apply for the Government co-contribution. The ATO will automatically assess your eligibility based upon information supplied in your tax return and the superannuation funds in their annual reporting to the tax office.

Consideration

- Because at least 10% of the person's income needs to come from employment or self-employment, unemployed individuals do not qualify for the co-contribution.
- The co-contribution can be used effectively to fund insurance premiums via super.
- Self-employed individuals cannot increase their eligibility by making concessional contributions to super because deductions for personal superannuation contributions will reduce taxable income not assessable income.



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