



PRECISION ADVISORY

FACT SHEET

Risk Insurance and Superannuation

Some interesting (and also alarming) facts about risk insurance and superannuation.

Take note...then take some action!

INDISPUTABLE FACT # 1;

Apart from Superman, none of us is bulletproof.

Sickness and accidents can and do befall all of us at some time and we have absolutely no control over when, or to what extent it will affect us.

But, we do have control over the financial impact that sickness, accidents or death can have on our families by having the right risk insurance covers in place.

FACT: Over 95% of Australians do not have adequate life insurance cover to meet their financial commitments.

1 in 5 men and 1 in 7 women will suffer a critical illness before the age of 64.

(Reference: Lifewise, Understanding the Social and Economic Impact of Underinsurance)

FACT: 1 in 3 people will become disabled and have no income for more than 3 months before the age of 65. Age 40 is the most dangerous year of a person's life with the highest likelihood of death by accident than any other age group.

(Reference: Institute of Actuaries of Australia 2002, Report of the Disability Committee. Suncorp Life Report, The Year of Living Dangerously)

FACT: When we look at protecting what we have, we typically look at our tangible assets such as our house and cars. Yet our greatest asset is our ability to earn an income, which is what pays for the house, the cars, the holidays and the family in general. Research shows around 60% of families with dependent children do not have enough insurance to cover the household expenses for even a few months if the family breadwinner were to die.

(Reference: Institute of Actuaries of Australia 2002, Report of the Disability Committee)

FACT: 2,977 people perished in the September 11 terrorist attacks in the USA. It was estimated that \$1.2 billion was paid out in various life insurance claims.

(Reference: LifeHealthpro and The Insurance Information Institute)

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FACT: Guess what the number 1 cause of claims for income protection policies comes from? Answer, Musculoskeletal injuries...and by a large margin, being about 70% of all claims. Followed by mental health claims in the number 2 spot with cancer taking up 3rd spot, neurological claims in 4th spot and breast cancer in 5th spot.

(Reference: AIA Insurance Limited)

FACT: In 2015, it is estimated that 15,600 women will be diagnosed with breast cancer.

The risk of developing breast cancer increases with age; the average of first diagnosis in woman is 60 years. 1 in 8 woman will develop some form of breast cancer in their lifetime.

(Reference: AIA Insurance Limited)

FACT: Cancer (# 1) and heart disease (# 2) continue to be the 2 leading causes of death in Australia and account for the large majority of insurance claims.

An estimated 128,000 new cases of cancer will be diagnosed in Australia, with that number set to rise to 150,000 by 2020.

Diseases of the digestive system, stroke and respiratory illness each take up spots 3 through to 5 of the top 5 causes of death by illness in Australia.

(Reference: AIA Insurance Limited)

FACT: The most common cancers in Australia (excluding non-melanoma skin cancer) are prostate, bowel, breast, melanoma and lung cancer.

(Reference: AIA Insurance Limited)

FACT: In 2005-06, 71% of all deaths for Australians aged 15 to 24 were due to injury. 2.1 million Australians have a long-term condition due to injury. In 2005-06, accidental falls accounted for 20% of all fatal injuries in Australia.

(Reference: OnePath Insurance)

FACT: Trauma Cover pays a lump sum, or instalments, if you are diagnosed with a specified medical condition such as cancer, heart attack or stroke. This money can be used to take care of the home loan, pay your out-of-pocket medical expenses and generally keep your household afloat whilst you focus on getting better.

FACT: Life cover pays a lump sum if you die or are diagnosed with a terminal illness. This money can then be put aside to pay for school fees, get rid of the home loan, and generally help keep your household financial afloat.

FACT: Total and Permanent Disability Cover (TPD) cover pays a lump sum, or instalments, if you are disabled as a result of sickness or injury. You can use this money to eliminate your debts, pay for ongoing medical expenses, and make necessary modifications to your home.

FACT: After cancer, cardiovascular problems were the major cause of Crisis Recovery Insurance claims. The vast majority of these were male claimants, with heart conditions making up 23% of all male Crisis Recovery Insurance claims in 2014. In Australia, every 9 minutes someone suffers a heart attack.

(Reference: AIA Insurance Limited)

FACT: While the number of recorded workplace fatalities has decreased by 26% since FY2008-09, workplace fatality is still a very real risk. While not all occupations are eligible for risk cover, don't risk jeopardising the quality of life you have worked hard to build for you and your family.

(Reference: Safe Work Australia, 2011, Notified Fatalities Statistical Report 2009-10)

FACT: Cancer accounts for about 3 in 10 deaths in Australia each year.

(Reference: AIA Insurance Limited)

FACT: Medical advancements mean Australians are generally healthier, but the cost of care is getting higher and is often underestimated. Most primary carers in Australia are between the age of 30 and 64 (working age) and they are usually a partner, spouse or family member.

The cost of medical care can, and usually does have a dramatic impact on the lifestyle of the whole family. This is where Total and Permanent Disability cover (TPD) comes into play and can relieve an enormous financial burden to the carer and the entire family.

(Reference: Asteron Life)

“INSURANCE POLICIES ARE NOT JUST PRODUCTS, THEY ARE PEACE OF MIND TO PROTECT YOUR FUTURE AND THOSE THAT YOU LOVE AND CARE FOR.”

FACT: Income Protection Insurance can pay a monthly benefit of up to 75% of your income if you're sick or injured and unable to work. You can use this money to give you some breathing space until you can return to work or it can pay your income (indexed) up to age 65 if your ailment is considered permanent. The premiums are usually fully tax deductible if you're an employee OR self-employed.

FACT: Business Expenses Cover is an insurance policy to assist small business operators to cover their pre-determined business expenses such as leases, rent and operating costs in the event the owner-operator is unable to work due to sickness or injury. This type of cover usually pays up to 100% of the pre-determined expenses of the business.

FACT: More than half of all road traffic deaths occur among young adults aged between 15 to 44. Road traffic accidents are the 9th leading cause of deaths globally. Road crashes are the leading cause of death among young people aged 15 to 29 and the second leading cause of death worldwide among young people aged 5 to 14. Unless action is taken, road traffic injuries are predicted to become the 5th leading cause of death for all ages globally by 2030.

(Reference: Association for Safe International Road Travel - ASIRT)

FACT: In FY2009-10, around 80% of workplace fatalities occurred in the goods producing industry. The five industries with the highest number of work-related fatality in FY2009/10 were Construction (28 deaths), Agriculture, Forestry and Fishing (26 deaths), Manufacturing (15), Transport and Storage (14) and Mining (6). While the Construction industry witnessed the highest number of deaths during this period, the highest fatality % rate was recorded in the Agriculture, Forestry and Fishing industry.

(Reference: Safe Work Australia, Notified Fatalities Statistical Report 2009-10)

FACT: What are the chances of: Your car being stolen and not recovered? = 1 in 800.

Having to claim on your home and/or contents cover? = 1 in 13.

Becoming disabled for more than 13 months before the age of 65 and have NO income? = 1 in 3

Suffering from cancer before the age of 75? = 1 in 3 for men and 1 in 4 for women

(Reference: Westpac Insurance)

FACT: A man is 35% more likely to develop prostate cancer than a woman is with breast cancer. Prostate cancer is an age-dependent cancer, meaning it increases with age. By age 75 the risk is 1 in 7 men and by age 85, 1 in 5 men will develop prostate cancer.

(Reference: Prostate Cancer Foundation of Australia)

FACT: Illness and accidents do not discriminate. Everyone can, and will at some time in their life suffer from a debilitating illness and/or accident that will render them disabled or worse, dead. Here are just a few examples of people that have been helped by risk cover:

- Male / Accountant / Aged 30 / Income Protection / Permanent disabling back injury / Claim paid 75% of his income (indexed) up to age 65

- Female / Nurse / Aged 27 / Trauma Cover / Curable cancer / Claim paid all of her medical and living expenses until she recovered

- Male / Self employed tradesman / Aged 39 / Life Insurance / Fatal heart attack / Death benefit of \$500,000 paid to his wife to clear home and investment property loans

- Female / Lawyer / Aged 49 / TPD and Trauma Cover / Disabling Car accident / Claim paid all her medical and living expenses and provided funds to renovate her house for her ongoing disabilities

FACT: For every 1 home lost to fire, 4 homes are lost due to death and 48 homes are lost due to disability. 2 in 5 Australians will suffer a critical illness by the age of 65. *(Reference: Commisure)*

FACT: In any year, up to 1 in 5 Australians experiences a mental health problem. Of these, 43% also have a physical illness. 1 in 20 Australians is estimated to have a disabling psychiatric condition. *(Reference: OnePath Insurance)*

FACT: In 2009, more than 2.6 million Australians or 12% of the population were informal carers. About one-third of these informal carers (or 3.6% of the population) are primary carers. Of these primary carers, two-thirds were women. The total number of hours and minutes spent by women caring for children has risen from 7:56 in 1997 to 8:33 in 2006. For men, it has remained the same at 3:55. A woman without children earns 43% more than a woman with children over a lifetime.

(Reference: Australian Bureau of Statistics, The Australian Institute, What's Choice got to do with it? Women's Lifetime Financial Disadvantage and Superannuation Gender Pay Gap. Policy Brief No. 55 July 2013)

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FACT: The age pension simply will not make for a comfortable retirement. To achieve a comfortable lifestyle in retirement it is estimated that a retiree couple needs approximately \$58,444 a year minimum, whilst singles need \$42,569 per year. On the other hand, the age pension provides approximately \$33,716 per year for a couple, with a single receiving approximately \$22,365 per year... and this assumes you have no other debts when you retire such as personal loans, credit cards or most importantly, a home loan,

(Reference: Association of Superannuation Funds of Australia)

FACT: Apply the 60% rule. As a guide, a general rule of thumb, a comfortable retirement for most people means receiving at least 60% of their current annual income in retirement. This is easy to work out then, isn't it? So, how much do you need as a lump sum to generate an annual income in retirement? Every \$100,000 of after-tax super lump sum benefits will produce an annual income of \$8,794 for 20 years. So, to generate \$42,000 for 20 years you'll need about \$500,000 in your superannuation fund.

(Reference: First State Super and Mercer Human Resource Consulting assuming an investment return of 6.5% pa. No allowance made for fees)

FACT: Australians have been warned they need to take immediate control of their retirement now or risk living a grim retirement. The ageing population is forecast to grow the number of retirees placing immense pressure on the nation's current pension system. Superannuation is THE MOST tax-effective method of saving money specifically for retirement and can benefit every working Australian.

FACT: There are 4 home truths (AKA cold facts) that everyone who fits between being wealthy at one end of the scale or desperate at the other end of the scale should take close notice of:

1. Don't ignore the problem, you WILL get old, no doubt about it, and it will be too late!
2. Don't listen to well-meaning relatives, friends or neighbours; seek out professional advice from someone who puts their money where their mouth is about insurance and proper superannuation planning.
3. Show no mercy to the taxman. There is no moral obligation to pay more tax than you need too and there are many legal methods available to everybody who is gainfully employed to reduce the tax they do pay
4. Stop procrastinating! Get on with it like there is no tomorrow, because one day this will be true!

FACT: 3 out of 5 women retire earlier than expected. Many women who describe themselves as "retired" still do some form of paid work. At retirement, men have an average super payout of \$198,000, whilst women pocket over a 3rd less being \$112,600.

(Reference: IBID. The Association of Super Funds of Australia, Developments in the level and distribution of retirement savings, 2011)

FACT: Women's super balances "flat-line" between the ages of 38 to 42 and 43 to 47. Only a small proportion of retired women live on incomes about \$50,000pa and more than half have incomes of less than \$30,000pa. 77% of women rely on some form of age pension in retirement.

(Reference: Australian Institute of Superannuation Trustees. Financial Literacy Foundation, Financial Literacy: Women Understanding Money, 2008)



ADVISOR PROFILE

Gary is an award winning financial adviser and has over 30 years experience in the financial services and property industries having commenced his career in his early 20's in

1981 as an Insurance Agent, working with some of Australia's largest insurance companies.

He's passionate about what he does and why he does it; "I believe wholeheartedly in what I do and the services that I provide to my clients. I've seen first hand how the results of what I do can change people's lives for the better, which is terrifically rewarding in itself. Not only that, I practice what I preach"



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