

A young child with light brown hair, wearing a bright yellow raincoat and heart-shaped sunglasses, is smiling and holding a yellow umbrella. The scene is set outdoors on a grassy area, with raindrops visible on the umbrella and the child's coat. The entire image is framed within a black border that resembles a smartphone screen.

HOW TO PROTECT *myself and my family*

**UNDERSTANDING
INSURANCE JARGON**
PLUS 5 THINGS TO CONSIDER



WealthAdviser

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Before you get started

This digital handbook contains general and factual information only, and is part of the Wealth Adviser library, published by:

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Before acting on any information contained herein you should consider if it is suitable for you. You should also consider consulting a suitably qualified financial, tax and/or legal adviser.

Information in this handbook is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions. We would obviously love the opportunity to have that conversation with you, and at the rear of this handbook you will find information about our authorised representative and how to go about booking an appointment.

If ultimately you decide not to meet with us we still encourage you to consult with another suitably licensed and qualified financial adviser.

In any circumstance, before investing in any financial product you should obtain and read a Product Disclosure Statement and consider whether it is appropriate for your objectives, situation and needs.

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Letter from the Wealth Adviser Library

Dear Reader

Welcome to the Wealth Adviser Library

This library was built specifically to facilitate the provision of sound financial information to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of members who share our vision and commitment to providing tailored financial advice and a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

Knowledge gives you a huge advantage

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That's why our team of experts has created this series of digital handbooks and manuals that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this publication and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

Take the next step

Wealth Adviser (a division of WT Financial Group Limited) supports more than 400 privately owned and operated advice practices around the country. We invite you to engage with one of our advisers to discuss what it was you were hoping to achieve when you obtained this handbook, and to establish if they can help you achieve your goals and objectives.

At the rear of this handbook you will find details on how to book an appointment.

Wealth Adviser Library

Introduction

Insurance. The very mention of the word is enough to give some people a headache. Our first response to the need for insurance is “That won’t happen to me”. Then there is a bewildering array of insurance products available from a lengthy range of insurance companies. Making a choice from among these products is further complicated by the fact that we get so much conflicting advice from experts advising us that we should not even step out of the door without first purchasing their preferred insurance products. All of this confusion leads many people to the place where they constantly delay making decisions about insurance. Deep down they know that this is not a very smart thing to do and the natural result is nagging uneasiness and worry.

This reaction is obviously rather ironic as the very purpose of insurance is to make our lives a bit more worry and hassle free!

The purpose of this guide is to take some of the mystery and confusion out of insurance by providing you with an overview of the different types of insurances available. We will begin by discussing the basics of insurance cover before moving on to consider different aspects of constructing your insurance safety net.

It should be noted that the purpose of this guide is not to recommend a particular insurer or insurance products but rather to lay down general guidelines that you can use to design an insurance strategy that may suit your particular circumstances.

#1 Insurance – the basics

Insurance provides protection against certain risks in exchange for a specified premium.

Insurance can assist to protect against risks like a house fire, car accident or burglary. It can also cover you if you are too ill to work or to provide for your family upon your death.

The amount of money that you will be required to pay for this protection will vary according to the likelihood of the specified event occurring (risk) and the potential

financial fallout should it occur (i.e. the size of the liability). Premiums are determined through complex calculations performed by actuaries, whereby insurers set the premium so they can still achieve a profit after the deduction of realised liabilities.

This balance of risk, liability and premium levels means that insurance is only ever necessary and economical where there is:

- a real and realistic risk (e.g. most people do not insure themselves against being hit by an asteroid!)
- the possibility of significant financial loss if the risk should materialize and
- affordable premiums

In designing your own insurance strategy, you should therefore ask yourself the following basic questions:

- What are the significant risks that I face as an individual and/or business owner?
- What would the financial implications be should any of these risks materialise?
- How much would I be willing to pay to protect against (insure) these risks?

Having answers to these questions is a very important first step to creating a suitable protection strategy for your circumstance.

#2 What to look for in an insurer

Before we discuss individual areas where insurance may be needed it would be good to look at some of the qualities that you should look for in insurance providers:

Financial stability: The most important quality that you should look for in an insurer is the ability to actually deliver the desired outcome, namely compensating you (and perhaps many others) when disaster strikes. This means that the insurer should have deep enough pockets (or have strong reinsurance arrangements in place) to deal with even major catastrophes. The last thing you would want in a situation like this is for your insurer to go belly-up because of

an inability to cope with the volume and size of claims. It is therefore always a good idea to investigate the capitalisation, reinsurance arrangements and track record of an insurer before you place a policy with them.

Specialisation: If you have no specialised needs you will have a number of providers to choose from. If, however, you have specialised needs (e.g. vintage car insurance, life insurance for heart attack survivors etc.) it would be advisable to seek out the services of specialist insurers working in this area. Such insurers will be better able to accurately assess risk in specialised situations and will be able to offer you realistic policies and premiums.

Customer service: It is sadly often the case that some insurers offer the world –but only if you can get through to them! Coping with catastrophe or trauma is stressful enough without having the added aggravation of dealing with unresponsive and/or incompetent insurers. This is an area where word-of-mouth and perhaps also a bit of sleuthing on the websites of consumer advocacy groups can save you a lot of trouble in the future.

Packaging of policies: It is sometimes possible to make significant savings by placing all your insurance business with one insurer in the form of a bundled package. This is a service that is often offered by larger insurers who are able to offer policies in a variety of risk areas. It is a good idea to ask whether this kind of service is available from the insurer you are considering. Please keep in mind however that going down this route will not be cheaper in all cases, so do your homework on costing. It should also be noted that a combined policy is not advisable if your insurance needs are particularly complex or specialised.

#3 Asking the right questions

In the introduction we asked you to consider some implications of the risks that are present in your life. What they are, what their impact might be and how much you would be willing to pay to neutralise them.

When designing a personal insurance strategy, you should attempt to ‘flesh out’ these questions a little by focusing on specific areas of risk. You can do so by asking the following questions:

- What are some potential nasty shocks that could befall me?
- Under what circumstances would I not be able to generate a reliable income?
- What will happen to my loved ones if I am not there to provide for them?
- How will my personal finances hold up if I get sued?
- Will my business be able to survive if I cannot work for due to illness or injury?

The purpose of these questions is to help you to determine your position in certain key areas.

Once you have determined the level of risk it would be prudent to move to protect yourself against the realisation of these risks.

#4 Protect yourself from the impact of major life events (life, illness and disability insurance)

The effects of serious illness, or even death, could seriously jeopardise your family’s financial well-being. In this area your objectives should basically be twofold:

- Protecting your income stream and
- Providing for your family in case of death or disability.

Any policy that you take out should include at least the following elements:

- **Income protection insurance:** This type of insurance kicks in when you are unable to earn an income due to illness or injury. Policies will generally pay a set amount to compensate you for loss of income over a specified period.
- **Critical Illness Insurance:** Provides

cover in case you contract certain specified illnesses and conditions.

Total and Permanent Disability insurance:

This type of insurance will usually pay out a lump sum in case of total inability to work.

Total and permanent disability policies sometimes differentiate between cover for own occupation and cover for any occupation. If you are covered for your own occupation the policy will pay out when you cannot work in that specific occupation anymore (the profession you are performing at the time of disability). Any occupation cover will only pay out if you cannot work at all. It is obviously better to go for the former (i.e. own occupation cover), even though it is usually more expensive.

Life insurance: This can be used to provide for your family in case of your death.

Policies will normally pay a lump sum to your family.

Policy options: The types of insurance discussed above are often packaged together in a single policy. This can sometimes result in significant cost savings, but you should nonetheless make very sure that it is the best option in your case.

Consider the level of insurance: One of the most important aspects of setting up life and disability insurance is to choose the correct levels of cover. It is our experience that most people are woefully underinsured when it comes to this type of insurance. This happens because they neglect to adjust coverage levels to reflect changes in circumstances (e.g. the birth of a child) or because they simply underestimate the financial needs of their families. Choosing the right levels of cover can be quite a difficult exercise as there are so many variables to take into account. This is therefore an area where it would be very much to your advantage to get some professional help and input.

#5 Protect your business

If you are a business owner your insurance needs will obviously go beyond the previous insurances described above. You should also have insurance to protect your business and your stake in it. Protecting

your business, as well as your stake in it, through insurance can be a highly complex and specialised task. It is therefore highly recommended that you make use of the services of a competent and experienced insurance adviser as you develop your strategy for maximum protection. The following areas should ideally form part of your total strategy:

Business loan insurance

What would happen if death or disability makes the repayment of any business debts difficult, if not impossible? Having a good business loan policy in place can be the answer. Under the terms of this type of policy funds will be made available to repay debts and also to protect personal or business assets that may have been used as security for such loans.

Business succession insurance

If a business is co-owned, or is part of a partnership, the disability or death of one of the principals could mark a major crisis point. This person's interest in the business may need to be transferred to the other principals in an orderly manner. Such a transfer can have massive capital implications as the disabled person (or the family of the deceased person) will have to be compensated for his/her share. Insurance is generally considered the best way to raise capital in such circumstances. In addition to the insurances it is essential the appropriate legal agreements are drawn up and reviewed on a regular basis that deals with these possible events.

Business expenses insurance:

How will you be able to cover fixed business expenses if the revenue generating capability of your business is hamstrung by your inability to work due to illness or disability? Business expense insurance takes care of this worry. As such it will enable you to maintain your business as a viable concern through very challenging circumstances, generally with cover for up to 12 months.

Business revenue protection-Key Person insurance

If you are the owner or a major stakeholder in your business, it is quite likely that business income will suffer if you are not able to fulfil your role due to illness or disability. Revenue protection insurance most commonly referred to as Key Person or Key Man insurance provides cover to offset reductions in revenue should something happen to you (or to other stakeholders named in the policy). Some policies will also provide funds for the recruitment and training of suitable replacements.

Personal income protection insurance

Income protection was discussed previously. This insurance is still required to cover your personal situation should you be unable to work in your business. Business insurances are intended to support the business operations, not the personal circumstances of the business individuals covered.

It might seem rather bewildering to try and get all of the different types of cover described above in place. It need not be, however. It is often the case that insurers are able to combine the described above into a single policy. A competent adviser will be worth their weight in gold in this area as they work through all of the different options with you. This will ideally leave you with the peace of mind that comes with the knowledge that you are protected against much of what life and adverse circumstances can throw against you and your business!

Conclusion

We hope that the information presented in this eBook gets you thinking about some of the issues that you will have to pay attention to in planning your next steps and more importantly your financial future.

We also invite you to meet with one of our advisers us for an obligation free introductory meeting.

Take the next step

We trust you enjoyed this publication and found it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

We now invite you to take the next step and meet with an adviser to discuss what it was you were hoping to achieve when you downloaded this handbook and to establish if we can help you achieve your goals and objectives.

Next you will find details on how to book an appointment with an adviser.

We look forward to meeting you soon.

Appointment booking request form

About the Adviser

Please complete the Appointment Booking Request below and scan and email to:

Appointments are available Monday-to-Friday.

Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

Our services

Preferred appointment day and time

Day

Date

Time am/pm

Contact details

If you would like us to contact you via email to confirm your appointment or to answer any questions you have, please provide a valid email address for our records.

Email

Your Details

Title

First name

Last name

Mobile



Wealth Adviser

Wealth Adviser is a division of WT Financial Group Limited
Head Office: Level 5, 95 Pitt Street Sydney NSW 2000
Telephone: 02 9248 0422