



Insurance

Overview of personal insurance

Aon Hewitt Financial Education Series

The common belief that “it won’t happen to me” often results in many people having a sound plan for wealth creation but not an adequate plan to protect the very thing that generates the wealth – themselves!

It is worth remembering that no matter how much expert advice you receive or how astute your financial management, there is always a risk that you could potentially suffer an early death or extended time off work through serious illness or injury. Where that leaves you and your loved ones in the future can depend on the wealth protection strategy you have in place. The four most common types of personal insurances are discussed below.

Term Life Insurance

The most common type of cover is term life which provides a lump sum benefit to the policy owner on death of the life insured. This cover financially protects families and/or businesses from the financial challenges arising from death.

This lump sum can help with areas such as repayment of debts, covering future needs such as the cost of children’s education or long-term care, providing funds for investment to generate an income stream or to keep a business afloat.

Total and Permanent Disability Insurance

Total and permanent disability (TPD) insurance will provide a lump sum payment should the person insured suffer an illness or injury which causes permanent disability (as defined in the policy). Generally a permanent disability means that you are unable to work in your current occupation, a job that you’ve worked in, or a job that you could do as a result of previous training or study. There are many specialised definitions of TPD and your financial adviser can recommend the one most suitable for you.

Income Protection Insurance

Income protection (or salary continuance) insurance is designed to provide a regular income in the event that you are unable to work due to sickness or injury. Generally, income protection insurance provides a regular income during a period of disablement up to a pre-determined and agreed benefit period. The benefit amount payable is up to 75% of your income (net of business expenses but before tax), and many policies will also cover your super guarantee payments into your super fund.

Trauma Insurance

Trauma insurance (or critical illness) cover provides a lump sum benefit on diagnosis of a defined specified event. Trauma insurance is designed to help people financially following a trauma or crisis, such as a heart attack, stroke, cancer or other life threatening condition.

Your financial adviser can provide insurance advice tailored to your personal situation.

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