

UNDERINSURED?

What's the worst that could happen?

An industry report has revealed Australia is highly underinsured compared to most developed nations – especially when it comes to income protection and life insurance.

It is an ongoing problem that could affect many of us AND even more importantly - our families. The report¹ shows:

- **95% of families** don't have adequate insurance
- **One in five families** will be impacted by the death of a parent, serious accident or illness that leaves them unable to work
- The typical family **will lose 50% or more of their income** after a serious illness, injury or loss of a parent due to underinsurance

The matter is also a grave concern for the government who expects multi-billion dollar blowouts to health and welfare budgets in coming years. And we ALL end up paying for that!

How does this affect families?

A recent study² found up to 60% of Australian families with dependants didn't have enough life insurance to care for the family for more than 12 months if the main income parent was to die. That's a very worrying scenario.

Why DON'T we insure 'US'?

There are several theories here. One theory is that our typical Australian 'she'll be right' attitude contributes to our complacency. This approach might serve us well in everyday life but it won't pay the bills in situations that might normally be eased by insurance benefits.

Another theory is that when we are healthy - or lack a family history of serious illness - we tend to think 'it won't happen to us'. That is, until something happens...

It seems the inclusion of life insurance cover in superannuation funds may also have given many of us a false sense of security that our super fund will provide all the protection we need. In reality, the average compulsory death cover payout provided by super funds is around 20% of average needs. Have you checked your cover lately?

'Most of us don't investigate our current insurances until after an event occurs - which is TOO LATE.'

Common insurance myths

There are several insurance 'myths' that may contribute to the problem. These include:

You only need insurance if you're in poor health. It is estimated 20% of the population between 21 and 64 will suffer an unforeseen event that will render them incapable of work.

Total and permanent disability insurance (TPD) is another insurance type that will provide cover for serious and permanent disablement. In any event, wouldn't you prefer your family had peace of mind?

Insurance is expensive. This is probably the primary reason for underinsurance. In reality, practices such as purchasing policies when young and taking advantage of various tax benefits - especially if you are self employed - may result in insurance being more affordable.

If having no insurance - or being underinsured - should result in your family's monthly income being halved or the need to sell off family assets to survive, perhaps the cost of insurance may not seem so high after all?

The government will look after us. With almost 80% of Australians on government benefits and around 66% of retirees solely dependent on the pension it's clear that a lot of us probably think that way. Sadly, it is unlikely government benefits will provide for you or your family comfortably.

If you are unsure

Seek advice from a professional. If you believe you are unable to afford the appropriate policy, a professional will be able to shop around for a number of quotes and consider alternatives such as increasing the excess to reduce the premium.

Clearly being well prepared is important and will provide greater certainty at a time that will already be stressful.

1. Lifewise/NATSEM Underinsurance Report
2. IFSA.com.au



Want to know more about TPD insurance?

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