

Focus On Insurance

Mum's the Word.

(But what if she couldn't take care of the family?)



“A family losing a mother may find that the cost of home help and child care for very young children is in excess of \$75,000 per year”

- Investment and Financial Services Association CEO, Richard Gilbert.

Women spend around 6.6 hours per day on housework, shopping and looking after children.⁽¹⁾ If a nominal value of \$20 per hour were placed on this unpaid work around the home, a housekeeper employed to do the same amount of work would cost around \$924 for a seven day week or \$48,000 per annum.

Yet only 50% of female parents hold life insurance policies, more often than not through super. And only one in five full-time working mums has enough insurance to cover their income for three years or more, well short of recommended guidelines.⁽²⁾

While death is something nobody likes to think about, the sad fact is around 4400 Australian parents with dependant kids die each year and many more become sidelined as a result of illness or injury.⁽³⁾

Unless you're independently wealthy, the only way to safeguard your family's financial wellbeing under these circumstances is by adequately insuring both parents.

Life's facts

- It costs \$448,000 to raise 2 children from birth to 20 years of age.⁽⁴⁾
- One in 11 women will develop breast cancer before age 75. In 2004, nearly a quarter of women diagnosed were younger than 50.⁽⁵⁾
- Australia's divorce rate is at 48%. Women's disposable income falls more sharply than men after divorce.⁽⁶⁾

Life is full of surprises - good and bad. Insurance provides you with the ability to transfer the financial impact of some of the more drastic surprises that can happen. Insurance will never compensate for the loss of a loved one, or replace their role in the family, but it can help reduce the financial burden by providing the capital to ensure you and your family have choices.

Answer the following simple questions.

1. Do you have a mortgage?
2. Do you have any personal loans?
3. Do you have any credit card debt?
4. Do you have dependants?
5. Would your financial position be affected if you were to suffer from an illness or injury (remember you would need to have enough capital to fund medical expenses and the ability to take time off work to recover)?
6. Do you want to have enough capital to look after your dependants if you were unable to care for them for an extended period of time or perhaps indefinitely?

If you answered yes to any of the above questions, then you should speak to your Infocus financial adviser about a personal risk management plan.

It won't happen to me

Jenny, 37, and George, 41, had two young children and what seemed to be the perfect life. George earned \$100,000 a year and travelled interstate frequently on business. Jenny was a stay-at-home mum and planned to return to work when both kids reached school age.

The couple saw a financial adviser to find out how best to protect the family should anything happen to Jenny. Their adviser recommended that they insure Jenny's life for the value of the mortgage plus a lump sum to provide an income stream for childcare and school fees. They followed his advice, taking both Term Life insurance and some Trauma cover.

A year later, Jenny was diagnosed with cancer. When Jenny's condition worsened, the couple used her Trauma benefits to pay off the mortgage and George decided to take a less demanding job to spend more time with Jenny and the children.

Eight months later, Jenny died. George took three months unpaid leave to look after their children. He hired a nanny and part-time

housekeeper, and has set up trust accounts for the children - all made possible by Jenny's Term Life insurance policy.

What is Term Life Insurance?

Term Life Insurance pays a lump sum on your death or diagnosis of a terminal illness. Life insurance benefits can pay off the mortgage and other debts, provide for your children's current and future education needs, and act as a safeguard for your family's financial wellbeing.

Life insurance is available from age 10 to 69 and it may cover you to age 99. You don't need to be in the paid work force to apply for Term Life Insurance.

What is Trauma Insurance?

Trauma Insurance pays a lump sum on the diagnosis or occurrence of one of a list of specified injuries and illnesses such as heart attack, cancer or stroke.

Trauma Insurance is about providing you with choice and flexibility. So if you want to make temporary or permanent lifestyle changes, such as reducing working hours, spending more time with your family, or just doing more of the things you enjoy, you can. You don't need to be in the paid work force to apply for Trauma Insurance.

What is Income Protection Insurance?

Put simply, if you are unable to work because of an illness or injury, it provides you with a monthly payment to replace lost income. In order to be eligible for Income Protection Insurance you must be engaged in full-time employment (usually for a minimum of 26 hours per week).

The premiums for Income Protection Insurance are tax deductible.

Source:

- 1 "Time Spent on Unpaid Work", Australian Bureau of Statistics, 2001.
- 2 "Australian Mothers - Undervalued and underinsured", IFSA Media Release, 5/10/2005.
- 3 "Fast Facts: A nation exposed", IFSA Media Release, 5/8/2005.
- 4 AMP.NATSEM Income and Wealth Report, Issue 3, October 2002.
- 5 The Cancer Council NSW Statistics, www.cancerCouncil.com.au
- 6 AMP.NATSEM Income and Wealth Report, Issue 10 April 2005.

Your Infocus Financial Adviser can assist you to understand your protection needs. Together, you can create a plan to ensure you're covered against the unexpected.

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Money Management

For Life

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