What are the odds of needing life insurance?

According to the IRESS Life Risk Report, a female aged 32 today has almost a one in four chance of making a death, trauma or TPD claim by the age of 65.

The report also looked at the possibility of temporary disability, and found that the same woman would have almost a 50/50 chance of suffering a disability that lasted more than three months. That shows why protection is so important.

‡ OnePath calculations, based on the following assumptions:

1. Retiree couple – male age 63 has $300,000 in super and female age 58 has $210,000 in super.
2. Family home is owned.
3. Non-income tested super pension amount – male $16,000 pa and female $8,000 p.a.
4. No capital gains tax (CGT) applies on sale or redemption of liquid savings.
5. CPI is assumed to be 3% p.a. for cash flow needs and Centrelink rates and thresholds indexation purposes.
6. Investment returns are assumed at 5% p.a.

A financial adviser can also help your children structure their insurance in a way that's most cost and tax-effective.

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INSURANCE

Protect your path to retirement

Talking to your children about life insurance

What's your help really going to cost?

If your children needed urgent financial help, you'd do everything in your powers to give it to them. And you'd probably do it without thinking twice about what it means for your own financial position.

Unfortunately for parents, helping your adult children through a financial crisis – like a serious illness or accident– could be extremely costly when you've got your own retirement plans to consider. Financial pressures may also emerge on death of your child or their spouse, especially where there's a young family to be looked after.

By encouraging your children to take out appropriate levels of life insurance, you're helping them provide a valuable safety net for themselves, and their families if they have one. You're also helping to protect your lifestyle in retirement.

Did you know?

- **One in five** families will be impacted by the death of a parent, a serious accident or illness that renders a parent unable to work#.
- **Two thirds** of families with kids at home couldn't meet their expenses beyond 12 months of the main breadwinner passed away†.
- **95%** of families do not have adequate levels of insurance#.

'The Lifewise/NATSEM Underinsurance Report' – February 2010
† 'Analysis of Insurance Needs', Rice Warner Actuaries – May 2005

Help your children help themselves

By encouraging your adult children to take out the right levels of life insurance, they can give themselves a valuable safety net if things go wrong – so they don't have to rely on you.

A financial adviser can help your children tailor a life insurance plan that protects themselves and your retirement. The plan may provide for:

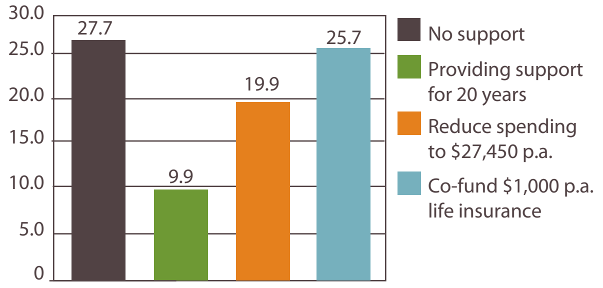
- their lifestyle expenses
- their medical costs
- their debts
- the needs of their dependants.

A financial adviser can also help your children structure their insurance in a way that's most cost and tax-effective.

How your children can protect your retirement‡

As the baby boomers approach retirement, the underinsurance of their adult children poses a genuine threat to their future lifestyle.

Consider the case of a retired couple who has $510,000 in super pensions and $20,000 in cash savings. If they budget on spending $45,000 per year between then, their annual cash flow needs can be met for 27.7 years.



However, if they had to spend $400 per week on financially supporting a child, their $45,000 annual living requirements can only be satisfied for 9.9 years (or 13.5 years if they physically cared for their child and received a Centrelink Carer Allowance). This means the couple has to significantly cut back on personal expenses in retirement.

The best way to avoid such a scenario is to ensure the younger generation understands the importance of life insurance, and protect themselves against sickness and injury. They should also consider covering themselves against death where they have a family of their own.

There's no doubt they would rather be financially independent than rely on you. And likewise, your retirement plan would feel much more secure if you knew they were covered too.