

How much Life insurance cover?

We consider life and TPD insurance coverage to be “family protection” – it is about protecting your family.

Life Insurance

The purpose of life insurance is to provide your dependants with a sum of money sufficient to:

Pay off your Mortgage	\$
Pay off your other debts or part thereof	\$
Provide for your Children’s education	\$
Provide Funds for emergency income	\$
Provide Funds for medical Costs	\$
Provided funds for Funeral Costs	\$
Create a lump sum for ongoing income	\$
Fund planned expenditure	\$
Other	\$
Total	\$

Less:

Existing cover + net assets	\$
Insurance Cover Required	\$

Some risk advisers will recommend that your life insurance cover should be in the vicinity of 10 times your average annual income, however, the amount required will largely depend on the level of your debts, cost of living (without debt expenditure), and the income the surviving spouse is able to earn. It is worth considering the cost of home support should the home provider suffer premature death. It is worth considering that the ongoing income support be available until your children are at least 18 years old.

To establish the capital sum required to provide the level of income (net of income tax), an easy way is to use the Microsoft Excel formula PV where the Rate is the earning rate, net of inflation (for example 0.04 for an expected earning rate of 7.0%), Nper is the number of years and a negative value of the income required.

The Australian Bureau of Statistics revealed that on average, 12 parents of dependent children die each day in Australia. Of these only 4% will have sufficient life insurance to assist their families? This means that 4,200 parents leave their families exposed to financial hardship or even ruin. The average worker does not have much more than \$70,000 of life insurance cover via their superannuation – a figure that represents 20% of estimated average needs.

Additional options available include (additional premium):

Depending on the insurance company the options available will vary. TPD insurance cover is often deemed to be an option. Other options include:

- **Waiver of premium**

General Advice Warning

The information provided on this website and the pages contained within it have been prepared on a general advice basis only. The information has not been prepared to take into account your specific objectives, needs and financial situation. The information may not be appropriate to your individual needs and you should seek advice from your financial adviser before making any investment decisions.