



Life Insurance:
A Colossal Undertaking

VI Questions
to determine
how much
life insurance
you need

**wealth
smart**
life insurance

INTRO

It is a truth universally acknowledged that death is an unfortunate inevitability. We're all anticipating the invention of an immortality elixir within our lifetimes. But for now, it's best to acknowledge that death is life's ultimate drawback. In that case, preparing for the unsavory event can make its eventuality just that bit easier to accept.

But it may surprise you to learn that Life Insurance isn't just about death. Life Insurance includes other types of cover that can provide financial protection for a number of other eventualities, including a permanent disability or serious illness.

You're bound to be a little overwhelmed with the plethora of information out there about Life Insurance. It is, after all, a complicated business with a formidable range of factors that could impact your policy. But making the right choice with insurance is crucial to getting the right protection for your loved ones when you're no longer able to provide an income.

So we've broken it down for you. We follow Horatius the Gladiator's journey of discovering into the murky world of Life Insurance; in the process, we hope to guide you to making the right choices when it comes to Life Insurance.





What is Life Insurance?

There are four main types of Life Insurance that can help ensure that your family's way of life is maintained should an unfortunate event happen.

You can choose from lump sum payments that can cover Death, Total and Permanent Disability or even specific Trauma conditions such as stroke and heart attack. You can also protect your monthly income should you be unable to work due to illness or injury.

If you thought Life Insurance was a new concept, you're wrong. In one form or another, life insurance has been around since ancient Romans were attending gladiator battles at the Colosseum. Imagine what the premium would be for a man dicing daily with death!

Why do I need Life Insurance?

Life Insurance benefits anyone concerned about protecting their family's way of life. If something were to happen to you, whether it be a temporary condition or permanent, you need to know that those who rely on your income will still be taken care of.

Take Horatius as an example. He's a gladiator. As a free man born of noble birth, he has savings and a stable income. With a wife and two kids, he's concerned about what will happen to his family once he makes the wrong move in the stadium. He particularly concerned about protecting his loved ones in the life they'll lead after his own is extinguished. But he also wants cover in case of a permanent disability.

While he will never be able to entirely fill the gap left in the family after his own demise, he can at least guarantee them financial protection. He can even make plans in the event of trauma or disability. That's what Life Insurance is all about.

Life Insurance can:

- **Provide a regular income so your family can maintain their lifestyle and achieve their goals**
- **Pay off the mortgage**
- **Settle outstanding debts**
- **Provide for your children's education**
- **Help fund retirement.**

Naturally, there's more to it than that. Choosing the right amount of cover for Horatius is about striking a balance between the best cover for his family in the future and what he can afford now.

Of course, Life Insurance isn't just for ancient Roman gladiators. Depending on personal circumstances, there's a suitable Life Insurance policy for nearly everyone in the modern world. Whether you're a young childless couple facing years of mortgage repayments, or empty nesters with less financial obligations, a Life Insurance policy should be tailored to your needs.

Getting the right balance between needs and affordability is difficult – it is best to seek an insurance consultant to help you through the quagmire. But to ease the way, we've supplied six questions you need to consider before delving into the world of Life Insurance.



VI Questions
to determine
how much cover
you'll need.



Ultimately, you want to determine how much financial coverage you and your beneficiaries would like to receive in the event of your death, illness, or serious injury.

Determining personal circumstances now and in the future is the crux of deciding which Life Insurance policy is best for you. You need to ask yourself *what do you want to come out of the policy?* To answer this, you need to first respond to the following six questions.



Question 1

Who will benefit from the insurance?

Identifying **WHO** will benefit from an insurance claim is the first step to deciding which insurance is best for you. The best way to answer this is to ask yourself: *who will be affected when my income is gone?*

Those who benefit from Life Insurance claims are normally yourself and your dependents. These could be a life partner, children, aging parents, or even business partners. Being aware of your own and your beneficiaries needs can help you determine how much cover you want.

Horatius's family, for example, would be very much affected by his loss of income. His **wife**, Helena, is a stay-at-home mum, relying on her husband's income to cover the family's daily expenses (not to mention her enthusiastic shopping ventures and the lavish feasts and parties she hosts). Horatius needs to decide whether he wants Helena to maintain the lifestyle she now leads, improve on it, or perhaps learn to tighten the belt and restrain herself from throwing excessive parties in his absence.

Anticipate your dependent's needs now and in the future:

Horatius also needs to consider how he wants his **children** to fare, whether he's gone or unable to provide for them. Both are young boys under ten. They currently require a tutor as well as the usual **school** materials (abacus, wax tablet and stylus). He wants to make sure these needs are met whatever the outcome in the stadium.

But he's also thinking about the future, especially if he's no longer around. He wants to make sure the boys continue their schooling through to higher education. So he has factored in an increase in expenses to cater for their future **university** fees and even a deposit on their own properties. It would also be nice to have money to spare towards their **weddings**.

Finally, Horatius is burdened with the medical expenses of his sick **mother-in-law**, who resides with the family. Though it pains him to think the aging woman could outlive him, he nevertheless wants to include expenses to comfort the matron in her final years.

- Mortgage repayments
- Daily living expenses
- Child care and education expenses (private or public school)
- Extra expenses if any of your dependents have special needs
- Retirement or medical costs for a dependent parent

Question 2

What are your basic monthly expenses?

Calculating your monthly expenses today will show you how much you may need covered in the future. Take into consideration mortgage payments, regular bill payments, and other everyday living expenses. Once you know how much you spend monthly, you'll have a ballpark figure of how much you and your dependents would need to cover the basics once your income is gone. You'll want to be sure these costs can be covered.

For Horatius, though he owns a countryside villa outright, the family's Roman apartment is rented. The two household servants and the boys' tutor also require monthly payments in addition to everyday costs of living. These payments will be ongoing even after Horatius's final defeat in the arena and he'll want to be sure Helena has the funds to keep the apartment and the staff as well as daily expenses.

Question 3

How far will your savings go?

It can be good to consider any current savings or other sources of income which could be used to support the family. These include superannuation, savings or investments.

You can take these in to consideration when considering your Life Insurance benefit. This can reduce the benefit accordingly and thus the premium you would pay now. However, it's important to consider how long will your savings last if something was to happen. Do you already have plans for your current savings, perhaps a deposit for your first home? Although it is good to have savings, it shouldn't replace a Life Insurance

policy.

Horatius, for example, came from a wealthy family and has moderate savings. But with current monthly expenses – not to mention wife Helena's spendthrift attitude – his savings are quickly diminishing. If Horatius temps the Grim Reaper, will his family be able to survive on the remaining savings?

So before deciding how much Life Insurance cover you'd need, take into account:

- Superannuation
- Shares
- Savings
- Existing insurance policies

Question 4

What liabilities need to be taken care of?

With Life Insurance, lump sum payments come in handy to pay off those outstanding debts that can otherwise cause a burden to an already grieving family. These can include:

- Mortgage
- Lingering credit card debts
- University fees
- Outstanding tax

It's good to ensure that any cover will include a lump sum payment that will immediately cover the big expenses so that you and your loved ones have one less thing to think about to get their lives back on track.

Though his wife doesn't yet know it, Horatius is a keen gambler and has accrued a number of unsavory debts at the amphitheatre. To spare his wife any unpleasant surprises or nasty door knocks after his death, Horatius wants to be sure a lump sum insurance payment will cover the amount he owes to some of Rome's leading underground figures.

Question 5

What types of Life Insurance would you like?

There are a number of Life Insurance policies that you may want to consider. The four main ones are:

Life Cover is an agreement to pay a lump sum payment in the event of your death or if you suffer from a terminal illness with less than 12 months to live. It can help to financially protect your family should you no longer be there to take care of them.

Total Permanent Disability suits all working people (but especially gladiators). Again, it provides a one-off lump sum payment if you find yourself suffering a debilitating injury that prevents you from returning to work.

Trauma Cover pays a lump sum if you are diagnosed with a major illness or injury, including cancer, heart attacks and strokes. The payment can go towards medical costs as well as daily living expenses. You do not have to be totally disabled to qualify for a Trauma payout. Everyone should consider trauma insurance. Illness and injuries are not gender or age specific.

Income Protection guarantees a steady income if you are not able to work, due to illness or injury.



Horatius is a fit and healthy Roman specimen, built for strength and endurance in the stadium. But some things, despite all his best efforts, are out of his control. Fitness alone doesn't exempt Horatius from the possibility of any one of the major diseases and plagues rife in Rome in his day.

But his greater concern is the high chance he could sustain a permanent disability as a result of his work. Should he, for example, lose a limb in the midst of battle, his gladiatorial career will be at an end and he may no longer be able to provide for his family. In the event of a total permanent disability, a lump sum payment or income protection would benefit the family to no end.

Question 6

What personal circumstances may affect your Life Insurance?

Finally, you'll want to think about what costs you're facing today so that your family can reap the benefits later. Premiums – or the amount that you pay yearly for Life Insurance – are calculated not just on the final cover level you select, but also on personal circumstances. Some things that will factor into the calculation include:

Age – Generally, the premiums are lower the younger you are.

Gender – Whether you like it or not, women have on average a higher life expectancy than men; this often means men pay higher premiums than women.

Pre-existing medical condition – Any pre-existing medical conditions, such as diabetes, heart problems, high blood pressure, or a family history of life-threatening diseases, may lead to an increase in the premium.

Smoker or non-smoker – Because of the increased risk of lung cancer and other associated effects, smokers tend to pay a higher premium than non-smokers.

Occupation – People with high-risk occupations, like fire fighters, pilots, construction site workers and gladiators, may pay a higher premium than someone with a desk job.

Lifestyle – An adventure seeker who enjoys pursuing death-defying stunts, such as white water rafting, paragliding, or swimming with sharks, may pay a higher premium than, say, a video game enthusiast.

Horatius's Prospects:

As a middle-aged male, Horatius is already looking at a higher-than-average premium. Given his line of work, he is a healthy individual with no existing medical conditions. However, since hand-to-hand combat is a high-risk job, he's facing sky-high premiums. Add to the mix his wife's generous attitude towards spending and the benefits of his cover outweigh the affordability of the premium. He has only one choice: to reduce the cover so that his boys' continuing education is assured while Helena must learn to better prioritize her spending.

Your VI Questions checklist

WHAT? There are four main types of Life Insurance that can help protect your family's way of life should an unfortunate event happen.

You can choose from lump sum payments that can cover Death, Total and Permanent Disability or even specific Trauma conditions such as stroke and heart attack. You can also protect your monthly income should you be unable to work due to illness or injury.

1. Who will benefit from the insurance?

The best way to answer this is to ask yourself: *who will be affected when my income is gone?* This can include:

- Yourself
- A life partner, such as a wife or husband
- Children
- Aging parents
- Business partners

WHY? Life Insurance benefits anyone concerned about protecting their family's way of life. If something were to happen to you, whether it be a temporary condition or permanent, you need to know that those who rely on your income will still be taken care of.

2. What are your basic monthly expenses?

Calculating your monthly expenses today will show you how much you may need covered in the future. Consider:

- Mortgage repayments
- Daily living expenses
- Child care and education expenses (private or public school)
- Extra expenses if any of your dependents have special needs
- Retirement or medical costs for a dependent parent

3. How far will your savings go?

Before deciding how much additional cover you'd need, take into account:

- **Superannuation**
- **Shares**
- **Savings**
- **Existing insurance policies.**

Don't forget to factor what you have planned for those savings. Whether it's to buy your first house or simply to help fund retirement, this could affect the benefits you receive.

5. What types of Life Insurance would you like?

- Life Cover is an agreement to pay a lump sum payment in the event of your death or if you suffer from a terminal illness with less than 12 months to live.
- Trauma Cover pays a lump sum if you're diagnosed with a major illness or injury
- Total Permanent Disability pays a lump sum payment if you find yourself suffering a debilitating injury that prevents a return to work
- Income Protection guarantees a steady income if you are not able to work, due to illness or injury.

4. What liabilities need to be taken care of?

With Life Insurance, lump sum payments come in handy to pay off those outstanding debts that can otherwise cause a burden to an already grieving family. These can include:

- **Mortgage**
- **Lingering credit card debts**
- **University fees**
- **Outstanding tax**

6. What personal circumstances may affect your Life Insurance?

Premiums are calculated not just on the final cover level you select, but also on personal circumstances, including:

- **Age**
- **Gender**
- **Pre-existing medical condition**
- **Smoker or non-smoker**
- **Occupation**
- **Lifestyle**

Contact us today!

About Weath Smart

Wealth Smart is an online life insurance comparison website aimed at enabling you to select competitively priced yet comprehensive policies.

We provide information to help you compare, choose and apply for insurance online and over the phone.

- Our service is 100% free to you, the customer.
- There are no hidden fees or charges.
- We don't mark up the cost of the products compared on this site.
- We are paid a commission for products bought through Millennium3 Financial Services Pty Ltd.
- Our commission does NOT affect the premium you pay.
- So you get to choose from a range of insurers in one place.

Our aim is to give you the knowledge to help you make the right choice. We do this by:

- Understanding your unique circumstances
- Applying this knowledge to provide you with meaningful information
- Helping you find competitively priced insurance cover
- Saving you money
- Saving you time
- Making it your choice...

If you would like us to help you find the answers to your life insurance questions either pop online or call today.

www.wealthsmart.com.au/6-questions
or call 1800 765 100

