



## A Symbol of Hope

We've come to know the daffodil as the symbol of hope for a cancer free future, indeed it is central to one of Australia's best known and most loved fundraising events.

According to the Cancer Council<sup>1</sup>, 128,000 new cases of cancer will be diagnosed in Australia this year and sadly 115 people die from cancer every day. But there are plenty of survivors too. Over the past two decades there has been a 30 per cent increase in survival rate from many common cancers.

This is welcome news and with ongoing research we can only hope that this continues to improve.

As is the case with all serious illness there is a lot to contend with including the financial

burden of treatment and being unable to work. Thankfully there is Trauma Insurance to help ease the financial stress.

Trauma Insurance may provide a financial benefit in the event of serious illness and health conditions, with the major causes of claim being heart disease, stroke and of course, cancer. Most policies, however, cover more than 30 specified events such as major head trauma, severe burns, paralysis and multiple sclerosis.

The prevalence of cancer alone may provide you with some compelling reasons to consider a trauma insurance policy - 1 in 2 Australian men and 1 in 3 Australian women will be diagnosed with cancer by the age of 85<sup>2</sup>.

The purpose of a trauma insurance entitlement, as outlined in your policy, is generally to help assist you to find and be able to afford suitable medical care and rehabilitation as well as make any necessary lifestyle changes, in the event of suffering a serious illness or health condition. With this financial support, you may be better placed to focus on recovery without the additional stress of pressing financial commitments.

I can assist you to make the choice suitable for your individual financial planning circumstances, provide a personal risk management strategy that will help ensure the peace of mind you need during recovery.

For more details, please contact me today.

## Welcome



The year is rushing by and it will be Christmas before we know it. But don't allow the year to run away on you without doing yourself, and those you love, the biggest favour of all - review your insurances.

Life is full of unexpected twists and turns and it's the planning that you do now which will provide the best possible outcomes for later.

Personal insurance is central to your financial planning, which includes your estate planning. It is important that you are able to continue to provide for your family if you are no longer able to work or if you pass away.

I invite you to give me a call to arrange a time for this important discussion.

Yours sincerely,

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# TPD – Important Considerations for Highly Specialised Occupations



If you are a professional or you work in a highly specialised occupation, when it comes to total and permanent disablement (TPD) it is important to seek advice about the 'own occupation' definition.

As the inability for you to work in your own occupation can lead to a significant loss of earning capacity, the 'own occupation' definition provides greater certainty that you will be paid a benefit.

Structuring 'own occupation' TPD cover in super raises the spectre that the benefit could become trapped as you may be unable to meet the 'permanent incapacity' test. That is, the trustee must be satisfied that you are unlikely, because of ill health, to ever engage in gainful employment

for which you are reasonably qualified by education, training or experience (ETE).

But if TPD cover is structured outside of super, the premiums are not tax deductible to the super fund. So the challenge is to find the right structure that gives you greater certainty that you'd qualify for a benefit but also takes advantage of the tax deductibility of premiums in super.

Your TPD can be structured in such a way that it boosts the certainty of payment while taking advantage of opportunities for tax deductions.

In this situation your cover is structured inside and outside of super. Cover is under the one plan but with two policies issued; one in super and one outside of super.

## Case Study

John (44) is an orthopaedic surgeon and he has a \$1,000,000 TPD policy. Unfortunately for John, he is involved in a traffic accident and loses the use of one arm.

John is first assessed against the 'any occupation' definition under the super policy. To be eligible for a benefit he must satisfy the policy definition for 'any occupation' and the 'permanent incapacity' condition of release under superannuation law.

Because John is able to perform other occupations for which he has education, training or experience, such as working in general practice, he does not meet the 'any occupation' policy definition.

The claim can then be assessed under the 'own occupation' definition outside of super. John meets the 'own occupation' policy definition so he is paid a benefit of \$1,000,000. Because the benefit is paid outside super it attracts no tax.

## Consider the tax implications

How would this scenario have concluded if John had met the 'any occupation' policy definition and was eligible to receive the benefit through super?

Because the 'any occupation' policy is held in super, John may be liable to pay tax on his benefit depending on the age it is paid to him.

John suffers his permanent disablement at 53, meaning that the taxable component of his benefit is taxed at 21.5%<sup>3</sup>.

Using the proportioning rule<sup>3</sup> which takes into account his service period start date and date of permanent disablement, almost \$286,000 of his benefit is deemed tax-free.

The remaining \$714,000 is then taxed at 21.5% leaving him with a net benefit of just under \$847,000.

To overcome this shortfall, John and his adviser can increase the sum insured in the 'any occupation' policy to compensate for any tax.

As John gets older, the rate of tax he pays will reduce and he would pay no tax on his TPD benefit if it is paid to him when he is aged over 60 and this provides an opportunity for his adviser to review the sum insured.

As you can see, there are some complexities which a qualified and experienced insurance adviser can consider and customise a solution to suit your individual needs. To find out more please give me a call.

# Never Leave Home Without It

Most people would never think of travelling without insurance.

Yet over 95%\* of Australian families do not have adequate

life insurance. If you died, would your family be able to cope with the financial burden? Never leave loved ones short.

Call me today so we can review your life insurance.

\*Source: Lifewise – NATSEM Underinsurance Report 2010



<sup>[1]</sup> <http://www.cancer.org.au/about-cancer/what-is-cancer/facts-and-figures.html> <sup>[2]</sup> <https://daffodilday.com.au/about-us> <sup>[3]</sup> Assumes John has 30 years of completed service and became disabled on his 53rd birthday. The tax free component is calculated using the formula (Amount of benefit x days to retirement/service days + days to retirement).