

'Life insurance? I don't want to think about it'

Not many of us like talking about death, or thinking about the fact that we're going to pass away. It's probably why so many of us don't have wills or adequate life insurance – not because we don't want to look after our families once we're gone but because we don't want to confront the issue of death.

Sadly none of us lives forever.

According to 2008 statistics 18 Australian families will lose a working age parent every day. It is estimated that 95% of families do not have adequate levels of insurance and as a result the typical Australian family will lose half or more of their income following a serious illness, injury or the loss of one parent.*

It pays to set aside some time to think about the financial implications for your loved ones if you were no longer here to help provide for them.

'Well then, how much life insurance do I need?'

The answer to this question will obviously depend on your individual circumstances.

- The information inside will give you a starting point to help you estimate how much life insurance coverage you might need.

* Source: Kelly, S. & Vu, Q.N., 2010, The Lifewise/ NATSEM Underinsurance Report, Understanding the social and economic cost of underinsurance.



Open from 8.00am-8.00pm, Mon-Fri Sydney time

Free call 1800 675 839 **Free fax** 1800 023 662

Email administration@primesuper.com.au

Web www.primesuper.com.au

Postal Address

Prime Super Locked Bag 5103 Parramatta NSW 2124

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How much life insurance is enough?

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Consider the financial implications for your loved ones if you were gone.



How much life insurance is enough?

According to Rice Warner's Underinsurance in Australia report, full-time workers in their mid-40s with young children generally need *at least* 10 times their taxable earnings in life cover – this is just to repay debts and maintain current living standards.** So if you earn \$50,000 a year, you may consider covering yourself for at least \$500,000.

However, working out the right amount of insurance will depend on your individual circumstances.

As a starting point, think through the following questions:

- How much money will my family need to pay off all debts (such as the mortgage, credit cards or personal loans)?
- How much money will my family need to pay off immediate expenses (like funeral expenses and unpaid medical bills)?
- How much money would you like to leave your family to meet their future financial obligations and maintain their standard of living in the long run?
 - Consider school fees and leaving enough money to pay for family holidays and celebrating special occasions such as 21st birthday celebrations or a wedding ceremony.

** Underinsurance in Australia, Rice Warner, 2013.

Insurance calculator

Current and future
financial obligations

Existing resources including survivor's
earnings, savings and investments,
and life insurance already owned

Life
insurance
needed

This equation may seem simple enough, but putting a dollar figure to how much life insurance you will really need can be a little trickier. An online insurance calculator can help. Lifewise (an initiative of the FSC and Australian life insurance industry) provides an 'insurance needs calculator' at their website: www.lifewise.org.au/calculator

The calculator takes you through a series of questions to help you estimate your insurance needs. Before you start it's a good idea to know approximately how much it costs to maintain your lifestyle each year or to raise your children. The website can help you with these calculations too, as well as providing a wealth of general life insurance information.

- An insurance calculator is a great starting point, but you may wish to speak to someone to receive specific personal advice.

'Don't I already have life insurance?'

There is a good chance you do. But you may not know how much you have or where it's held. As a starting point:

Check with your employer

Some employers offer staff insurance benefits as part of their employment package. This could be through their super fund or through a separate stand-alone insurance scheme. If you are not aware of your current entitlements it could be worth having a chat with your employer.

Check with your super fund

Most Australians have at least one super fund and by law super fund trustees must offer a minimum level of default insurance cover (premiums are usually automatically deducted from your super account). Contact your super fund to check your level of coverage. If you have more than one super fund, don't forget that you might therefore also have multiple insurance policies. You may want to consider consolidating your super and your insurance into one policy for ease of management. Prime Super can help members track down lost super accounts.

We can fetch your super for you

Visit www.primesuper.com.au and login to our secure member section (if you don't already have an online account it's easy to register). Once you give your consent we can find the super you hold in other accounts and any 'lost super' being held at the ATO. Then we'll arrange to have everything rolled into your Prime Super account. If computers aren't your thing, call **1800 675 839** and we'll arrange to have the relevant paperwork sent to you.

Receive financial advice on your insurance options

At Prime Super, we provide members with limited financial advice over the telephone. A planner may be arranged to help you determine which insurance options are right for you, based on your individual circumstance and needs. And it won't cost you a thing. Call us today on **1800 675 839**.

If you require further advice and potentially a full financial plan, we can refer you to a financial planner. Prime Super has arrangements with a small number of licensed financial planners who offer low cost, commission-free financial advice and the first consultation with a planner is at no charge. Call us today on **1800 675 839**.

