TPD INSURANCE

Apt.
WEALTH PARTNERS

1 January 2017

Total and permanent disablement (TPD) is your financial back-up plan. It gives you the confidence to seize life's possibilities knowing you've made plans to secure your family's financial future... just in case!

Protecting you and your family against the unexpected

TPD insurance will provide a lump sum payment in the event you suffer an illness or injury which totally and permanently prevents you from working again.

Broadly speaking there are two definitions of TPD:

- **Own occupation** – The insured must show that they have a total and permanent disability that prevents them from working in their own occupation which they disclosed when applying for this cover.
  'Own Occupation' is a more liberal definition of disability because, even if you can work in another occupation, you may still be eligible to receive disability benefits. Because it is relatively easy to qualify for benefits under this definition of disability, insurance companies are limiting the availability of this type of coverage. Own occupation coverage is often more expensive, and may only be available to individuals who have a clean medical history and work in a relatively risk-free occupation. This type of coverage cannot be taken in your superannuation fund.
- **Any occupation** – The insured must show that they are totally and permanently disabled and unable to work in their usual, or any other occupation for which they are reasonably suited by their education, training or experience. 'Any Occupation' is often the cheaper option, however it can be more difficult to meet the requirements of this type of disability definition. This type can be taken in your superannuation fund and benefits can be taken in the form of lump sum pension or a combination of both.

Some insurers have a third definition available – a 'homemaker' definition. Payment of benefits under this definition would be based on the proviso that the insured, through sickness or injury, is unable to do any normal physical domestic duties and will never be able to do so again.

Factors to consider

- Make sure you have adequate coverage. Under-insurance can present a serious problem
- Changes in your personal circumstances (ie, taking on additional debt) often necessitate the need for higher covers of insurance
- There may be taxation consequences where a disability lump sum superannuation payout is received.

Maintain your quality of life

TPD insurance can provide a lump sum benefit which can be used in many ways, such as:

- helping to pay for recovery and rehabilitation costs, such as refitting your home
- enabling a partner or family member to reduce their work hours to care for you
- paying for a professional carer
- providing much-needed funds to repay debts, and
- creating an ongoing income stream for the future.

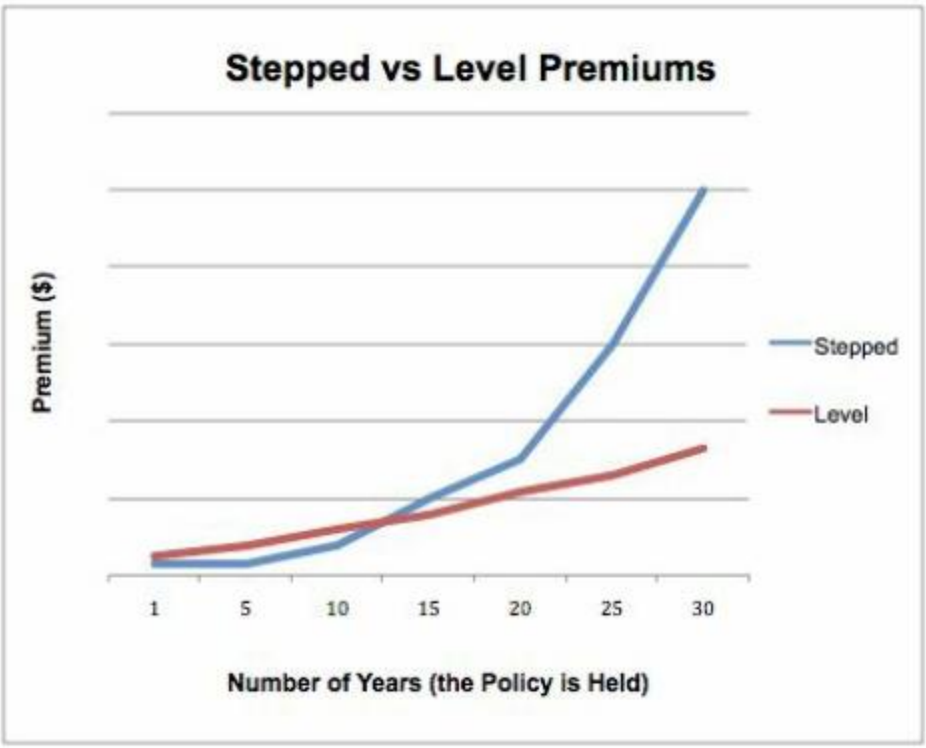
How are premiums calculated?

Generally, premiums are based on the sum insured, age, sex, occupation, hobbies, smoker/non-smoker status, general health and option chosen. Premiums can be stepped (they change with age) or level (fixed for an agreed time), with assessment differing from insurer to insurer.

- **Stepped premium** – your premium increases every year with your age.
- **Level premium** – your premium generally does not change and is based on your age when the policy commences.

While stepped premiums are usually lower in the early years, level premiums can be a more cost-effective option if you retain the insurance for a longer period of time. If insurance cover is only required for a short timeframe, a stepped premium may be more appropriate and cost-effective.

Level versus Stepped premiums



What is the tax position of premium and benefit payments?

For TPD cover owned personally, the premiums are not tax deductible. Lump sum TPD benefits paid to the life insured are ordinarily tax free.

Ask your Apt Wealth Partners financial planner for more information.