



Antipodean Advisory

Antipodean Private Pty Ltd
133 Alexander Street
Crows Nest NSW 2065
Phone: 1300 101 250
Mobile: 0438 893 571
Email: michael@antipodeanadvisory.com
Web: www.antipodeanadvisory.com

Why it's important to think about insurance ahead of retirement

Finding the right level of insurance cover is important when you're thinking about retirement.

If retirement's coming up on your horizon, the impact of COVID-19 (Coronavirus) may have thrown a warehouse-sized rack of spanners in your planning.

It makes sense to concentrate on things you can control, such as insurance. Too-high premiums can chew away at the foundations of your savings, at a time when they're more important than ever. Under-insure and one day your floor may collapse, undone by events you can't foresee.



Cover for a changing life

A good way to get started is to think about what you really need, and what you don't. As you get close to retirement, you may want to make sure you're holding the right insurance for the lifestyle you want.



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Here's a simple checklist that may help:

1. Ask yourself how much money your family would have if you were to pass away or become disabled.
2. Compare that with how much money your family might need in the same situation, including how they'd manage paying for day-to-day costs like child-care and mortgages.
3. The difference between the two can help you work out how much insurance you may need.

Many of us take out insurance and are done with it – it's enough to know we have the proverbial rainy day covered off. However, with economic clouds gathering, now's a good time to review what you've already got and assess if it's still right for you and your needs.

So, dig out your existing insurance agreements, taking special note of when they're due to expire and your continued eligibility for the policies they hold.

An important area for many Australians is insurance held inside superannuation.

Insurance inside super

Insurance inside super can help us out when we really need it. Like any type of insurance, it works best when you've got the right level of protection for your situation. As you head towards retirement and your life changes, so might your priorities.

As well as life insurance, you might have total and permanent disablement (TPD) inside super. TPD cover may provide you with a lump-sum payment if you suffer a disability that prevents you from ever working again.

TPD could help you pay for ongoing medical expenses, alterations to your home to make day-to-day life easier and help provide future financial stability.

Total salary continuance, also known as income protection, is designed to pay a monthly benefit of up to 75% of your pre-disability regular income if you're unable to work due to injury or illness.

Typically, within super, income protection provides you with cover either for a two-year or five-year period or until you turn 65, depending on the terms in your employer plan.

What to look out for

There are pros and cons of insurance within super. Things to think about if you're approaching retirement include:

- Cover through super may end when you reach a certain age (usually 65 or 70). That's generally different to cover that's outside a super account.
- Taxes may be applied to TPD benefits depending on your age.



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- Claim payments may take longer, as the money is normally paid by the insurer to the trustee of the super fund before it's paid to you or your dependants.

Don't double up and stay flexible

As part of your review, it's also a good idea to check insurance you hold inside super against other policies you might have outside super.

Then compare your cover, check whether you have any insurance double ups – if you have more than one super account with the same type of insurance, you may be paying for more insurance than you need.

As well as comparing the level of cover you get, consider any exclusions, such as the treatment of any pre-existing medical conditions, and waiting periods. Remember that if you do cancel your insurance, you might lose access to features and benefits and may not be able to sign back up at the same rate.

It's also important to disclose your situation to your insurer honestly. Otherwise, the insurer may be entitled to refuse your claim.

Tricky times call for flexible thinking. Volatility can be daunting, whatever age you are. Fortunately, you've got the life experience to look beyond the headlines and adapt to changing circumstances. Reviewing your insurance is as good as any place to start.