MAKE A DIFFERENCE insurance

Make A Difference Insurance Pty Ltd
ABN 67 120 665 750

Unit 18, 328 Reserve Road Cheltenham VIC 3192
E-mail: service@madinsurance.com.au
www.madinsurance.com.au
Ph: (03) 9583 0143
Fax: (03) 9583 0237

Make A Difference Insurance can assist with the following personal insurances:

1. <u>Life Insurance</u>

What is Life Insurance?
Life insurance pays a lump sum to the Policy Owner or nominated beneficiary in the event of your death or (as defined in the policy) terminal illness.

Why do you need Life Insurance?
To provide funds which can:
- Cover costs such as funeral expenses and legal fees associated with the implementation of your Will.
- Repay debts such as income tax ,your home mortgage and personal or business loans.
- Provide a lump sum to replace lost income for your family. The lump sum can be used to establish an income stream to support your family/dependents in order to enable them to continue their lives with a degree of financial security.
- Cater for the ongoing need to provide housekeeping and child minding for your family in the event of your premature death. The lump sum can also be used to generate replacement income for your spouse in the event they take time off work.

Tax treatment.
Unless held under superannuation or for business insurance purposes, life insurance premiums payable are not deductible for income tax purposes. The lump sum proceeds are considered to be a capital payment and are therefore not assessable as income for taxation purposes.

<u>2. Income Protection Insurance</u>

What is Income Protection?
An Income Protection policy replaces a portion of your income if you are unable to work due to accident or illness. “Unable to work” is usually defined as:
- Being unable to perform at least one important income producing duty of your regular occupation; and
- Not currently working in any gainful occupation; and
- Following the advice of a medical practitioner.

In the event of disability and after a pre-selected waiting period, the insurer will make regular payments to you either for the term of the benefit period or until you are able to return to work. Income protection is generally not available unless a person is gainfully employed for a minimum of 25 hours per week.

Why do you need Income Protection?
For most people, their most valuable asset is their ability to earn an income. Every working Australian has a 1 in 2 chance of being disabled for 3 months or more before reaching age 65. The average Australian household can survive without an income for just over 1 month (Australian Bureau of Statistics National Health Survey). Having income protection insurance in place effectively allows you to protect your most valuable asset. It will enable you to pay for regular living expenses whilst you are unable to work.

Non-cancellable policies can offer a guaranteed payment (called Agreed Value) or an indemnity contract. The Agreed Value contract guarantees to pay the insured sum. The indemnity policy will pay the lesser of 75% of income in the 12 months prior to claim or the insured monthly benefit. Indemnity policies are useful in providing cover if you have entered into a new business arrangement and do not have an established income pattern.

What is Income?
The definition of earned income is a very important aspect for this insurance. If you are an employee of a company, earned income means salary, superannuation, fees, commissions, bonuses and any other income considered part of your remuneration package, earned by you for services performed. If you are self employed income is the business income you generate from personal services less any necessarily incurred business expenses but before tax.

Please note that 'earned income' does not include any income that is not generated by your personal or vocational activities. Income paid from other disability income policies, retirement plans, lump sum disability payments, rental income and investment income are some examples of income which are not considered part of your 'earned income.'

How long should the Waiting Period be?
A waiting period will apply before payments commence. This waiting period can be 14 days or up to 2 years. The waiting period ensures that only significant off work periods are covered. The longer the waiting period the lower the premium (all other factors being the same)

How long should the Benefit Period be?
Benefit period means the maximum period of time for which benefits will be paid. The benefit period can range from 2 years up to age 65. The longer the benefit period the higher the premium (all other factors being the same).

Taxation treatment.
The proceeds of any claim are assessable income to the policy owner and the premiums are tax deductible.

3. Trauma Insurance (also called Crisis cover, critical illness or living insurance)

What is trauma insurance?
Trauma cover is designed to provide a lump sum payment if you suffer a specified condition for the first time (e.g. heart attack, heart-by-pass surgery, stroke, cancer, etc). and survive a specified period of 14 days without the use of life support.

Why do you need trauma insurance?
An example is best used to illustrate the effectiveness of having trauma insurance in place. Suppose you have a heart attack and are seriously ill an unable able to return to work for 6 months and even than at reduced hours. Total and Permanent Disablement (TPD) is unlikely to payout as it requires that you are "unlikely to ever return to work" and depending on the income protection policy and waiting period chosen, this may not payout for some time. If and when payment from Income Protection does commence, it will be at best based on 75% of your previous income.

Trauma cover is needed as it pays out on the actual occurrence of the incident. This will ensure that you have the funds available to cover the medical costs associated with the condition, but also to reduce debt and supplement your reduced income.

Tax treatment.
Unless held for business insurance purposes Trauma premiums payable are not deductible for income tax purposes. The lump sum proceeds are considered to be a capital payment and are therefore not assessable as income for taxation purposes.

4. Total & Permanent Disablement (TPD) Insurance

What is TPD?
TPD provides a lump sum benefit in the event that you become totally and permanently disabled. Where you suffer a total and permanent disablement which prevents you from ever being able to work or perform basic living activities, TPD will generally be payable. Definitions for total and permanent disablement vary between product providers. A TPD definition may include the total and permanent loss of the use of your limbs or loss of sight of both eyes.

Why do you need TPD?

- To cover your mortgage or pay other debts
- To create a lump sum to provide an income stream for you and your dependants
- To meet medical costs
- To meet the costs of a modified lifestyle, e.g. nurse or carer and home and car modification

Tax treatment.

Unless held under superannuation or for business insurance purposes, TPD insurance premiums payable are not deductible for income tax purposes. The lump sum proceeds are considered to be a capital payment and are therefore not assessable as income for taxation purposes

5. Business Expenses Insurance

What is Business Expenses Insurance?

A Business Expenses policy reimburses the cost of your expenses if you are unable to work due to accident or illness. "Unable to work" is usually defined as:

- Being unable to perform at least one important income producing duty of your regular occupation; and
- Not currently working in any gainful occupation; and
- Following the advice of a medical practitioner.

In the event of disability and after a pre-selected waiting period, the insurer will reimburse the policy owner the cost of Business Expenses actually incurred either for the term of the benefit period or until you are able to return to work or until you sell the business whichever occurs first.

Why do you need Business Expenses?

Having Business Expense insurance in place effectively allows you to protect yourself and/or your business partners from having to cover your share of the insured business expenses whilst you are unable to work.

How long should the Waiting Period be?

A waiting period will apply before payments commence. This waiting period can be 14 days or up to 1 year. The waiting period ensures that only significant off work periods are covered. The longer the waiting period the lower the premium (all other factors being the same)

How long should the Benefit Period be?

Benefit period means the maximum period of time for which benefits will be paid. The benefit period can be either 6 months or 12 months. The longer the benefit period the higher the premium (all other factors being the same).

Taxation treatment.

The proceeds of any claim are assessable income to the policy owner and the premiums are tax deductible