

client alert

super news | views | clues

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Is insurance always super?

Taking out insurance is all about minimising financial risk, but is having insurance with your super compulsory, or can you make a choice? We look at what basic cover might include and some of the pros and cons of having insurance through super.

Many super funds offer basic insurance to you as a benefit of being a member. It is often difficult enough to decide which super fund to join, but understanding what insurance cover you need, and what you don't need, adds yet another layer of complexity.

It's a good idea to find out more about how you are covered and what that cover includes.

TIP: Depending on your individual circumstances, you may not need the default level of insurance you are given automatically within your super fund, or you may need more.

For instance, if you are in your early 20s and single, your insurance needs will probably be less than for someone who is 45 and has a family.

Paying for insurance through super will reduce your super balance, though, as premiums are deducted from your fund at source. The Insurance Superannuation Working Group reported recently that paying for unnecessary insurance premiums is eroding the savings of younger members, by "up to \$9,000 in some cases". As a result, one particular super fund is offering "opt-in" insurance to its members aged under 25, and others may follow.

What type of insurance is on offer within super?

Insurance within super can be broken into three types of cover:

- **Income protection (IP) insurance** – this cover protects you if you are temporarily unable to work due to short-term illness or injury.
- **Total and permanent disability (TPD) insurance** – this cover will protect you if you suffer serious illness or disability and as a result are not able to work again.
- **Life insurance (or death cover)** – this cover will protect your family/beneficiaries if you die in service; payment can be made gradually over time or via a lump sum.

What are the benefits of insurance through super?

- Insurance premiums through super may be less than those outside. Super funds can get a discount on premiums due representing a number of people, under a "group" policy and this discount will be passed on to you.
- Your insurance premiums will come out of your super balance automatically, without you having to manage the process.
- You may not require a health check before you are accepted for insurance within super.
- You should have a choice about the amount for which you are covered.

How about the disadvantages?

- You may be paying for insurance that you just don't need.
- Paying insurance premiums will reduce your super balance.
- The cover may be limited (eg minimum life insurance cover).

- You may not be able to move your existing insurance cover if you change your super fund or your employer's contributions stop.
- Life insurance through super ends at retirement age (usually 65 or 70) and then you will need cover outside of super.

Who are your beneficiaries?

Should the unthinkable happen and those close to you need to make a claim, insurance that is paid out to dependants is tax-free, whereas any pay-outs to non-dependants are subject to tax. If you do have life insurance and other cover, make sure you are clear to nominate your beneficiaries, those you most wish to benefit if you die.

What happens if you decide to consolidate or switch super funds?

If you are thinking of rolling all of your super into one fund, or indeed switching funds, make sure to check what this might mean for your insurance cover. It might be possible for you to transfer the cover, but you need to know this first. Your situation may be more complicated if you are over the age of 60 or if you have an existing medical condition.

TIP: It is important to review the insurance you have throughout your life. As your circumstances change, your insurance needs will too.

Opt-in life insurance?

It may be possible to avoid paying life insurance in super altogether in future, as the new approach of funds offering opt-in insurance could become more widespread. However, if you take this route your decision needs to be weighed up carefully.

Want to understand insurance options better?

Speak to us about your individual circumstances, what insurance you already have, and if it is the right amount of cover for you.

From financial health to mental health

Running or owning a small business can be stressful, even when things are going well, never mind if you have money worries or you're having trouble staying on top of your accounts. The knock-on effects of anxiety, depression, stress and other mental illness can affect far more than your business, including your ability to function well and maintain relationships with those around you. As your trusted advisers, we understand the struggles of small business owners and can offer you financial counsel, but for more deep-seated support there are others better equipped to help.

The good news is, as we saw on World Mental Health Day (10 October), there is now greater awareness of mental health issues and more support for people experiencing difficulties. For example, the Institute of Public Accountants (IPA) acknowledged recently that accountants are often called upon to go beyond their role as financial counsellors in assisting their clients who are experiencing mental health difficulties. To

understand these situations better, the IPA is now running research on the role of accountants in the mental health of clients who run small and medium-size enterprises.

What are the warning signs?

It's good to learn how to recognise warning signs or that may suggest you need to reach out for support. Common mental health "red flags" include:

- finding it hard to concentrate;
- feeling irritable, stressed or very emotional;
- experiencing difficulty sleeping, or waking very early in the morning and not being able to get back to sleep;
- inability to switch off from thinking about work even when not at work;
- a change in eating and/or drinking habits (including eating less/more or drinking more);
- withdrawing from family and friends.

How to access help

While large companies can offer employee assistance programs, if you own or run your own business, you probably won't be able to access these or offer them to your employees. There are quite a few agencies that can help if you think you, or your staff, are suffering from mental health-related issues, including:

- Beyondblue information line: phone 1300 224 636;
- Lifeline (available 24/7): phone 13 11 14;
- Black Dog Institute: www.blackdoginstitute.org.au;
- MensLine Australia: phone 1300 78 99 78;
- Suicide Call Back service (available 24/7): phone 1300 659 467;
- Emergency: phone 000;
- Psychotherapy and Counselling Federation of Australia: www.pacfa.org.au/find-a-therapist;
- Australian Psychological Society: www.psychology.org.au/FindaPsychologist;
- Australian Clinical Psychology Association: www.acpa.org.au/find-a-clinical-psychologist/.

ATO support

The ATO also recognises that personal and mental health circumstances can affect financial health. If your difficulties are affecting your ability to meet your tax obligations and super commitments, the ATO can remove some of the stress involved. It encourages small business owners to visit www.ato.gov.au/smallbizmentalhealth or call 13 11 42 for information about the support that's available, including:

- tailored payment plans;
- delaying a lodgment or payment;
- organising a call-back or assistance visit; and
- help to alleviate some of the pressure through its complex issues resolution service (see the "Let's Talk" section of the ATO's website).

TIP: If you prefer, you can ask us to speak to the ATO on your behalf by nominating us as your representative.

Talking to your accountant may help, but it's not the only answer

If you are experiencing difficulties in meeting tax and super commitments or having issues with debt, talking to us is a great step to take. Nothing gives peace of mind like knowing that your accounts are in order.

TIP: In one survey, over 90 per cent of small business owners said that engaging with an accountant to understand their financial situation significantly lowers their anxiety.

But the thing to remember is that talking to someone experienced in the mental health field could be even more important, for your own health, for the people around you, and for your business's future.

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