

Protect your own best interests

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As a legal practitioner, your clients look to you to protect their best interests. However, what if sickness or injury meant you were the one that needed looking after? Who will look after your business, clients and family? Your health is your most precious asset. Without it there's no work, no income, and no way to pay the bills. To protect everything you've achieved, and everything you hold dear, you need a back-up if you become sick or injured.

One of the most rewarding things about being a life insurance adviser is experiencing the positive impact insurance policy proceeds can have. Whether it is death or disability cover for an individual or for business purposes, it's all very personal.

A recent study by a major bank explored the impact the death of a parent has on children and the surviving parent, comparing the results between insured and uninsured households.¹ The findings were quite remarkable and that was only for life insurance. The most obvious impact came from an increased level of financial stability for those families who had cover in place. If you consider for a moment the effects of disability as well, be it temporary or permanent, the impact is immeasurable.

Most people underestimate the real cost, not just financial but emotional as well. The report highlighted to me that if you can provide adequate financial support through insurance it has a positive effect on the emotional aspects.

How does having life insurance help?

The most obvious impact is the increased level of financial stability for your family. The ability to service debt, pay for additional medical costs or assistance and even remain in the family home. There is also a business application in the form of Partnership and Key Person insurance. What about the impact on your practice if a partner or fellow principal is incapacitated or dies? Partnership insurance provides funds to facilitate buying your share of the business should you be unable to return to work and key person insurance providing an injection of revenue into the business to cover short term expenses and financial support to your clients and business.

A recent survey conducted for the Financial Services Council by Rice Walker found that only 4% of those with dependants have sufficient life insurance.² This has the potential to greatly affect families who aren't adequately covered should one parent die unexpectedly.

While sufficient life insurance is generally accepted to be at least ten times the insured's earnings, people have differing needs. Alarming though, six in ten people with dependants don't have enough life insurance cover to look after their loved ones for more than one year if they were to die.³

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Having been in the finance industry many years, I believe these disturbing results could be due to a lack of awareness and adequate thought about the types of life insurance solutions available. This may be a result of inappropriate or no advice.

Based on previous years' figures, it is estimated that mainstream Australian life insurance companies, most of which are on our panel of insurers, will pay out more than \$7b in life, disability and trauma claims in 2017.

You've heard it before

Many people insure their home and their car, but fail to insure their most important asset, their ability to produce an income, which is also their livelihood. Many fail to realise the value of their 'working life'. It supplies the capital that fuels the lifestyle that you and your family enjoy, not just now, but well into the future.

Have you considered just how valuable an 'asset' your ability to produce an income is? Just think about it for a moment—what are you likely to earn over the next ten or twenty years (don't forget to include inflation or potential increases)? An annual income of \$80 000 today is potentially worth around \$3m in twenty years. Imagine no longer having access to that potential income through injury, illness or death, which is so vital to you and your family.

Could you survive without an income?

Think what would happen if you couldn't work because of sickness or injury. How would you keep up with the bills, school fees, mortgage repayments and additional medical expenses? Who would look after you if you needed care? What about your family? Where would the money come from if you couldn't return to work? How long would your savings last? What if you run a business, could you repay any business debts, or could your business partner afford to buy you out? These and many more questions need to be asked.

Whether it's something as tragic as the death, or an illness you can recover from, it's invaluable to have the financial freedom to make the best choices for yourself and your

loved ones. That freedom is why life insurance is such an important and valuable asset.

There are many insurance products available that come under the 'life insurance' umbrella such as total & permanent disability (TPD), income protection and trauma/critical illness and understandably, trying to evaluate the best product to protect your family can be daunting. Seeking professional assistance in arranging insurance is highly recommended.

I would encourage those who do not have some form of life insurance in place for themselves or their life or business partners to do something about it. Those with life insurance, who have not had a review recently, could also be at risk of having inappropriate or inadequate cover in place. Life changes such as marriage, the birth of a child, purchase of a property or business all impact your life insurance needs.

- 1 'Impact of parent's death on the family' – Research conducted by Ipsos, prepared for ANZ Global Wealth, June 2015
- 2 FSC-Rice Walker Fast Facts: a nation exposed!
- 3 FSC-Rice Walker Fast Facts: a nation exposed!

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