

Information Guide to Life Insurance



Life insurance explained simply
How the different products work together

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Pivotal
INSURANCE GROUP

Why do I need life insurance?

What if you suffer an illness or injury ?

Income protection can help cover immediate household and debt expenses. Trauma cover can provide a lump sum to meet expensive medical and recuperation costs.

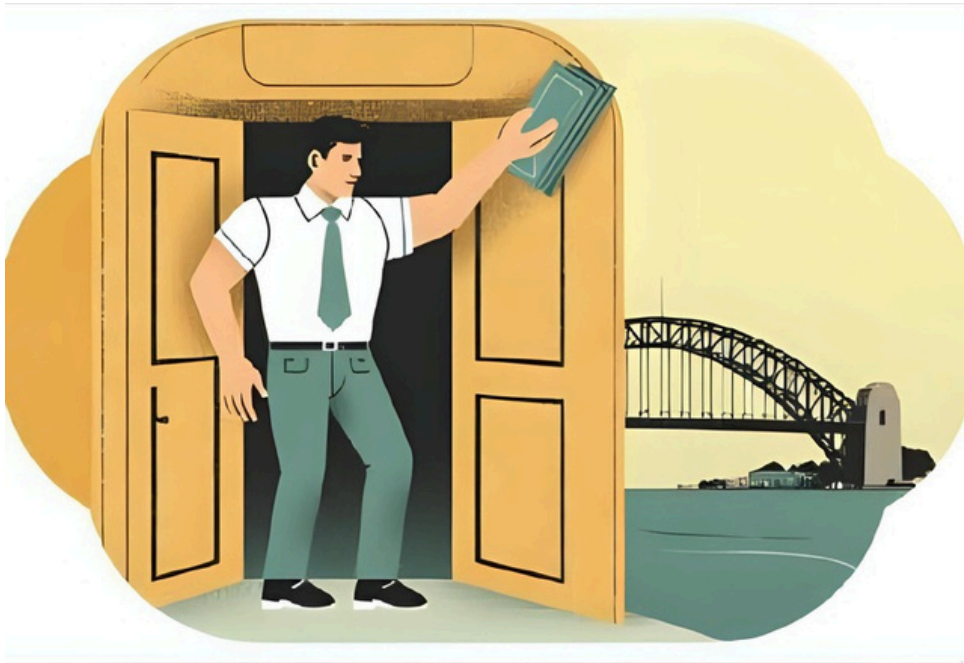
What if your illness or injury is permanent ?

Income protection cover with a benefit period to aged 65 can help provide long term income replacement of up to 70% of your income. TPD cover can provide a lump sum to pay off debts and top up income protection payments.

What if you die or become terminally ill ?

Death or term life cover can provide a lump sum to help your dependants pay off debt and provide the money they need to maintain their standard of living.





Your protecting life's biggest asset - Your Income

If you were asked to name your most valuable asset, what would you choose?

Your car? Your house? Maybe your education? For most people, the correct answer is most likely their income.

Your ability to earn throughout your life is a huge asset. Your house might be worth \$1 million, but if you earn \$75,000 a year between the time you're 25 and 65, you'll bring in three times that - and that's not even accounting for any pay rises.

Health Statistics show why there is a need to be insured

It's easy to say it won't happen to me. But each year thousands of Australians are injured, suffer a serious illness or die unexpectedly. Statistics from the Australian Institute of Health and welfare show that 1 in 3 men and 1 in 5 women die before the age of 70.

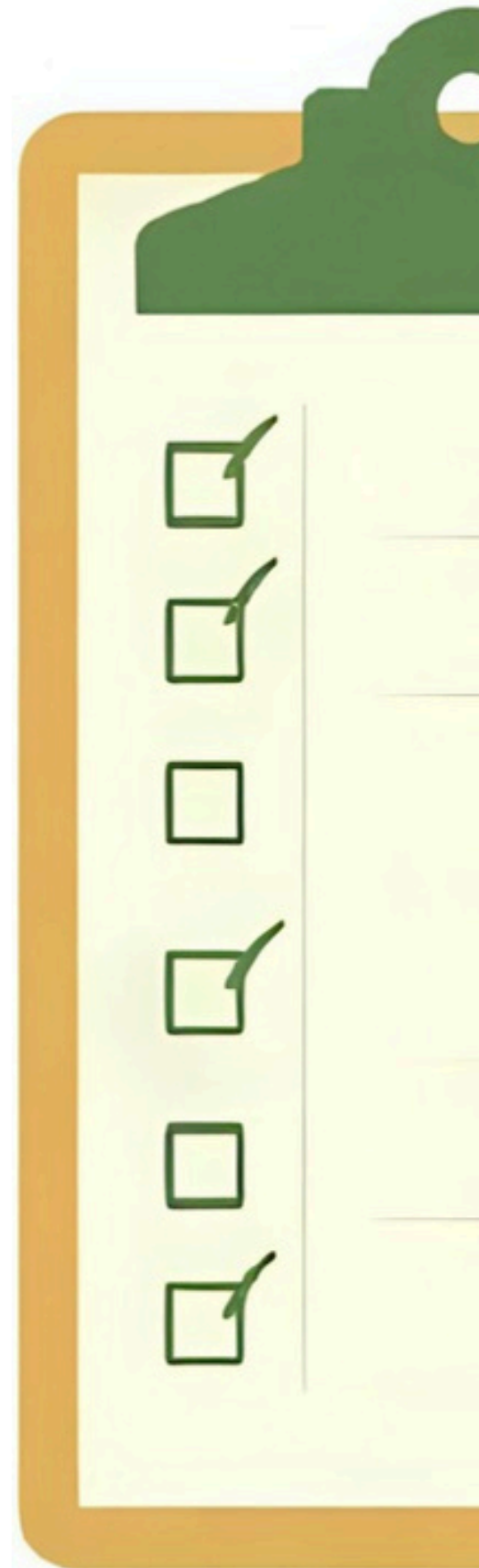
We also have health statistics from the following sources:

Cancer Council Australia

- It is estimated that in 2024 there was around 169,500 cases of cancer diagnosed, and around 52,700 deaths from cancer in the same year.
- 1 in 2 Australian men and women will be diagnosed with cancer by the age of 85.
- Cancer is a leading cause of death in Australia – and in 2024, 3 in 10 deaths were estimated to be attributable to cancer.

Stroke Foundation Australia

- In 2023, there were an estimated 45,785 stroke events in Australia including 34,793 first-ever strokes, which equates to one stroke every 11 minutes.
- Stroke can happen at any age, and one in four people globally will have a stroke in their lifetime.



Heart Foundation Australia

- One Australian person is dying of a heart attack every 80 minutes, or on average 19 Australians per day.
- Over 150 people are hospitalised due to a heart attack every day, this is on average, one person every nine minutes.
- Considerably more men die from heart attacks compared to women (75% higher rate).

Dementia Australia

- Dementia is now the leading cause of death for Australians, according to the Australian Institute of Health and Welfare.
- In 2025 there are an estimated 433,300 Australians living with dementia.
- Dementia in childhood is caused by over 100 rare genetic conditions. One in every 2,900 babies is born with one of these disorders.

Beyond Blue

- 3.4 million people in Australia live with an anxiety condition.
- 1.5 million people in Australia live with a mood condition including depression.
- On average nine people in Australia take their own lives everyday, seven of whom are men.

Sources

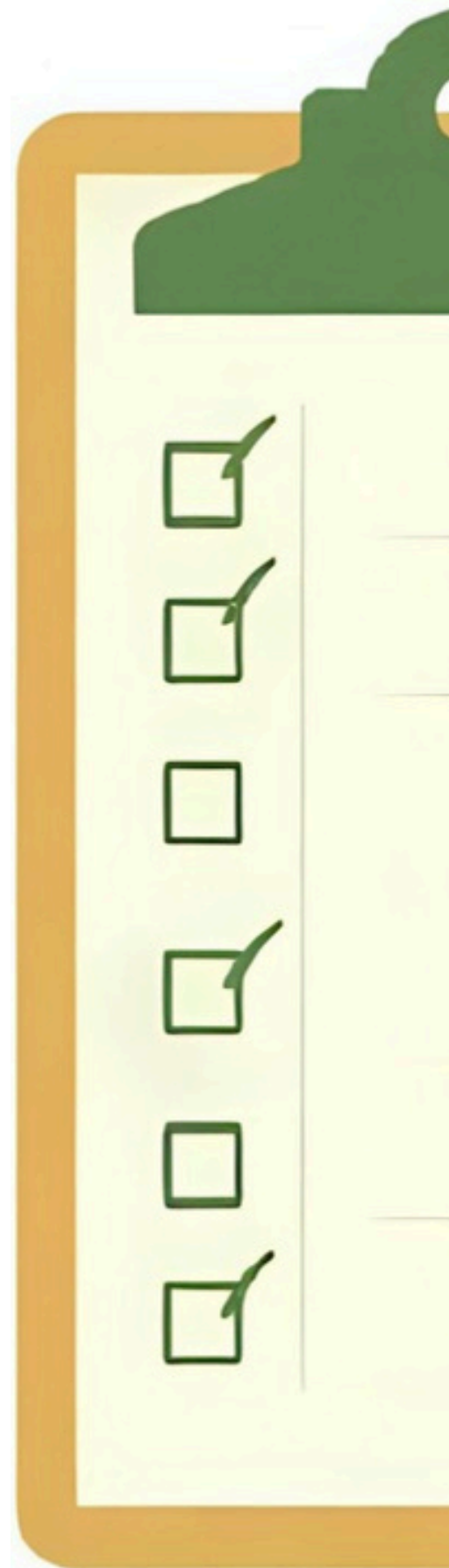
cancer.org.au

strokefoundation.org.au

heartfoundation.org.au

dementia.org.au

beyondblue.org.au



How would your family cope ?

The loss of family income and increased medical costs may force the sale of your family home, the sale of other assets, or the depletion of your savings. Your hopes of giving your children the right start in life may be dashed, and your family may no longer be able to afford life's little luxuries. Insurance can help protect you against such a scenario.

If you were to become sick, injured or died unexpectedly, would your family be able to afford:



The cost of proper education for your children?



Monthly mortgage payments?



The cost of additional home help?



Living expenses of your current lifestyle?



Sufficient retirement savings?

How can life insurance policies help you?



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Life Insurance (Death Insurance)

Life Insurance provides a lump sum pay out in the event of death or if you were diagnosed with 12 months or less to live. Most providers have a built-in funeral benefit between \$15,000 and \$25,000.

Beneficiaries generally use these funds to pay off a mortgage, secure children's education fees, finalise any debts, provide for funeral expenses and future living expenses.

Child Cover

Child Cover is an add-on to Life Cover, and provides a one-off payment if an insured child on the policy dies or is diagnosed with a terminal illness. The payment can be put towards replacing lost income for parents caring for the child, medical expenses or taking time to grieve.

Disability Insurance



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Total and Permanent Disability (TPD)

Total and Permanent Disability Insurance supports you financially if you are permanently disabled and unable to work again in 'Any' or your 'Own' occupation because of a sickness or injury.

TPD Insurance provides a lump sum pay out giving you access to medical and rehabilitation treatments of your choice. It also allows you to make any required modifications to your home.

It is generally assumed that you would have the same liability, if not more, than if you were to pass away, as you may require a carer. Cover is generally available from \$50,000.

Any Occupation

"Any" Occupation covers you if you are unable to ever return to work any job you are qualified, trained or experienced in.

This definition can be chosen for TPD held inside super.

Own Occupation

"Own" Occupation covers you if you are unable to ever return to your specific job.

It's more comprehensive than "Any" Occupation and is usually more expensive. It must be paid for outside of super.

Activities of Daily Living (ADL) & Home Duties

Activities of Daily Living (ADL)

Generally means you are paid out if you're unable to independently perform two or more ADL's such as bathing/showering, eating or going to the toilet.

Home Duties

Generally means you are paid out if you're unable to independently perform two or more of the insurance providers "defined domestic duties", such as preparing meals, cleaning the home and shopping for groceries.

Trauma Insurance

Trauma Insurance will pay you a lump sum if you suffer a critical illness or a serious injury such as:

- Heart Attack
- Stroke
- Cancer
- Severe Burns
- Paraplegia etc

Some policies also cover conditions such as dementia. Since 68% of people diagnosed with cancer are still alive five years later, a trauma benefit can help ease financial pressure and pay for expensive medical treatments, while you focus on recovery.

Child Trauma Cover

Child Trauma Cover is designed with the whole family in mind. It is a way of insuring children for various trauma events, such as cancer, certain heart and neurological conditions, terminal illness and death.

The sum insured is paid as a lump sum. The minimum entry age is 2 and the cover stops at age 21, before the cover expires your child will be offered a continuation option to convert the plan to their own policy with life insurance and attached trauma cover.



Income Protection



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Income protection

Income protection gives you financial peace of mind while you are temporarily unable to work due to sickness or injury

Income Protection provides up to 70% of your pre-disability income for the period you are unable to work (after a set waiting period). Payments are made in monthly instalments for your chosen benefit period, helping you manage your household expenses while you recover. You can select from various benefit periods—the maximum time you'll receive payments—and different waiting periods, which determine how long you must be off work before payments begin.

Most policies provide cover for mental health and back pain conditions, both of which can result in extended periods off work.

Home Loan Protection

Helps you cover mortgage repayments if you can't work temporarily because of illness, injury, involuntary unemployment or death. Guaranteed acceptance with a 12-month pre-existing condition exclusion. Premiums can reduce in line with loan balance. Cover in under 10 minutes.

Cover Options

- Life Only
- Illness, injury and involuntary unemployment
- Life, illness, injury and involuntary unemployment (all combined)

Sum insured & eligibility

- \$30,000 - \$1,000,000 AUD
- Party to an eligible loan contract
- Australian or New Zealand citizen or permanent resident aged 18-59
- Employed more than 20 hours per week (self employed, working permanent part time, casual, contract or temporary capacity)
- Loan types: existing home loans, variable, fixed, interest only, bridging and construction

Benefits of this product

- No other home loan insurance in the market currently offers involuntary unemployment
- Guaranteed acceptance to protect the outstanding loan balance and repayments
- No underwriting questions
- Quick and easy application process
- Uses **open banking**
- Pays the individual not the loan/bank



Business Expenses

This cover is specifically designed for business owners, sole traders and partnerships

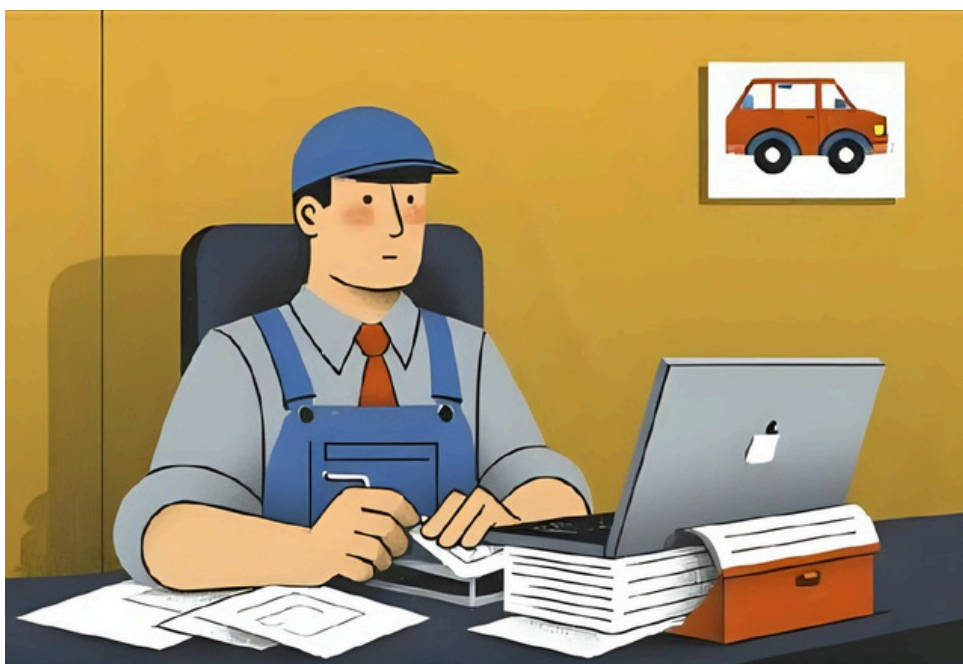
This cover pays out a monthly benefit to help meet fixed business expenses if the life insured is totally or partially disabled due to injury or illness. Funds that help the business stay afloat.

Allowable business expenses include:

- Office/warehouse rent
- Rates/taxes
- Security costs
- Insurances
- Loan repayments
- Repairs and maintenance

Waiting and Benefit Periods

Waiting periods can range from 14 to 90 days with a benefit period of 12 months.



Director & Partnership Insurance

If you have a business partner, you need a Buy/Sell agreement.

A well considered buy/sell agreement and tailored life insurance plan will help protect the value you and your business partners have worked so hard to build.

The unexpected illness or death of a partner can throw your business into disarray. Not only does it mean dealing with a sudden loss of income and expertise, but raises the difficult question of how to compensate that partner or their family share in the business.

A death can put you in the awkward position of negotiating with distressed family members who are now co-owners and have neither the skills, nor experience needed, to keep the business running. A prolonged illness can be equally difficult. Naturally you'd want to support a sick partner, but for how long can your business afford to pay them an income when they're not inside the business driving income. That's when it's important to have a well-considered buy/sell agreement, backed by an adequate life insurance plan.

Why do you need buy/sell insurance?

An agreement alone is not enough by itself. Not only do you need to agree on a buy-out, you also need to fund it. And without that it can be difficult. To understand why, think about what would happen to your business if you lost a key partner. Not only would you need every dollar of working capital to rebuild, you would also be at a disadvantage if you need to approach the bank for a loan.

Combining your agreement with buy/sell insurance will help to ensure funds are at the ready, when you need them most. The life insurance plan will typically include Life and TPD for each partner, with any payments used to fund the buy-out of their share, without draining the business of capital. That way, everyone's interests are better protected.



Key Person Insurance

Key person insurance is a life insurance policy that a company takes out on the life of a business owner, a top executive, or another individual considered critical to the business. The company is the beneficiary of the policy and pays the premium.

Key person insurance offers a financial cushion if the sudden loss of a particular individual would significantly and negatively affect the company's operations. The death benefit essentially buys the company time to find a new person or to implement other strategies to save (or shut down) the business.

In a small business, the key person is usually the owner, the founders, or perhaps a key employee or two. The main qualifying point is whether the person's absence would cause major financial harm to the company. If this is the case, key person insurance is definitely worth considering.

That money can be used to cover the costs of recruiting, hiring and training a replacement for the deceased person. If the company doesn't believe it can continue operations, it can use the money to pay off debts, distribute money to investors, provide severance benefits to employees, and close the business down in an orderly manner.

Key Person insurance gives the company some options other than immediate bankruptcy.



Company Employee Group Life Insurance

A group insurance plan is a type of insurance policy that is offered to a group of people, usually through an employer. Some common types of group insurance plans include life insurance, disability insurance and salary continuance (also known as income protection). We can do group insurance plans for small businesses or large organisations.

Some of the benefits of a group insurance plan for employees include:

- **Access to coverage:** Group insurance plans can make it easier for employees to access coverage that they might not be able to afford or qualify for on their own.
- **Cost savings:** Because group insurance plans are often purchased in bulk, they can be less expensive than individual insurance policies.
- **A range of options:** Group insurance plans often provide a range of coverage options, allowing employees and employers to choose a plan that best suits their needs.
- **Reduced administrative burden:** Group insurance plans are often administered by the employer, which can reduce the administrative burden on employees.
- **Tax benefits:** The employer may be able to claim a tax benefit on the premiums they pay for group insurance.
- **Attracting and retaining employees:** Having a group insurance plan can be an attractive benefit for potential employees, and it can help retain current employees.
- **Employee morale:** By providing a benefit like a group insurance plan, an employer is showing that they care about their employee's wellbeing, which can have positive effects on employee morale. However, there are also some drawbacks to group insurance plans, such as less flexibility in terms of coverage options and a lack of portability if an employee leaves the company. However, the employee can be underwritten by Pivotal Insurance Group for a full personal retail policy that is owned by the employee.



Policy Ownership Structure

The ownership structure of a life insurance policy can affect your taxes, particularly regarding Capital Gains Tax (CGT) and potential deductions for premiums. Pivotal Insurance Group can provide a non-advice insurance tax guide. You should consult your accountant for personalised guidance.

Self-Ownership

Self-ownership of a life insurance policy means the person insured (the life insured) owns and controls the policy, making them the primary decision-maker regarding its operation and beneficiaries. This ownership structure allows the life insured the ability to manage the policy throughout its duration, including making changes, adding or removing riders, and determining how proceeds are distributed.

Cross Ownership (buy/sell agreement)

Cross-ownership of a life insurance policy occurs when the policy is owned by someone other than the insured person. This is common in business settings, where each owner may hold policies on the lives of the other owners, with the purpose of funding a buy-sell agreement. It's also seen in marital situations, where one spouse may own the policy on the other.

Trust Ownership

Trust ownership of a life insurance policy means that a trust, rather than the insured individual, legally owns the policy. This allows the insured person to be the "beneficial owner" while the trustee, often an independent party, holds the legal ownership. This structure can provide various benefits, including potential tax advantages and flexibility in distributing proceeds.

Family Trust Ownership

A family trust can own a life insurance policy, with the trustee holding legal ownership while the trust beneficiaries are the beneficial owners. This structure allows for potential tax benefits and can be used to manage insurance proceeds within the family trust.

Company Ownership

When a company owns a life insurance policy, it means the company is the policy owner, premium payer, and beneficiary, and the life insured is typically an employee or key person. This allows the company to use the insurance proceeds for various purposes, such as buying out the deceased employee's shares in a buy-sell agreement or compensating the company for the loss of the key person.

Superannuation Fund Ownership

When life insurance is held within a superannuation fund, the superannuation fund itself, or specifically the trustee of the fund, becomes the policy owner. This means the insurance proceeds are paid to the fund (via employer super contributions SG), not the insured member directly. The super fund then manages the funds according to superannuation rules, including conditions of release, and distributes them to the beneficiaries.

Self Managed Super Fund Ownership

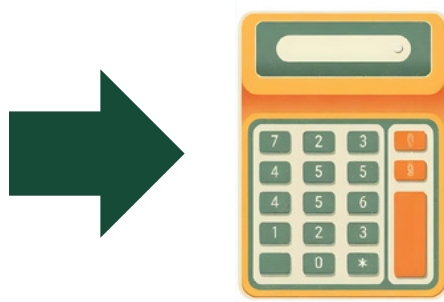
In an SMSF (Self-Managed Super Fund), the SMSF itself, not the individual member, is the legal owner of the life insurance policy. The trustee of the SMSF is responsible for paying the premiums, and the policy benefits are paid to the SMSF when a claim is made. Generally, life insurance premiums paid by your SMSF are fully tax-deductible to the fund.

When should you consider whether you need insurance

Any time is a good time to review your personal situation.

You should review your insurance needs regularly to take account of changes in your circumstances.

Use the moneysmart.gov.au life insurance needs calculator:



There are certain events during life which should prompt considerations of cover such as:



Getting married



Having children



Buying a property or any other asset involving debt



Setting up a self managed super fund



Self employed

Take into consideration

Generally, when you take out an insurance policy, you have the choice of paying either variable premium or variable aged stepped premium.

Variable Premium

Previously known as Level Premium.

Premiums are a mixture of both level and stepped premiums. They normally start with a stepped premium for some years and then convert to a level premium.

Variable aged stepped

Previously known as Stepped Premium.

Premiums are calculated based on your age and inflation, making the more affordable up front, but usually more expensive in the long run.

Waiting Periods

Waiting periods can vary from a range of 14 days to 2 years.

The longer the waiting period, generally the cheaper the insurance. You also need to consider that pay outs are usually made monthly in arrears. This means you may need to wait an extra 30 days before receiving your first pay out.

Benefit Periods

Most benefit periods are 1 year, 2 years, 5 years - through to age 65 and age 70.



NOTE:

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Indicates products that can be purchased via superannuation rollover with 15% government rebate.

General Advice Disclaimer:

This information has been prepared without taking into account your objectives, financial situation or needs. As a result of this, before acting on any of this information, you should consider the appropriateness of the information given to you, having regard to your objectives, financial situation and needs; and if the advice relates to the acquisition of a particular financial product, you should obtain a Product Disclosure Statement (PDS) relating to the product and consider the PDS before making any decision about whether to acquire the product.

Contact us



Come in and see us. We have an office in Sydney, Newcastle and Hunter Valley

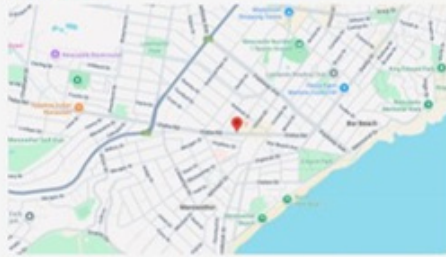
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