

Top 10 Insurance Cashflow Strategies

General Information ONLY

At Succession Matters, our ongoing Insurance Service ensures our advice remains relevant and current to changes in circumstances. We have a number of cashflow strategies to assist you **balance** the need to protect yourself, and your loved ones, while lowering your personal cash flow commitments.

Review of Sums Insured

Any changes to your current situation, eg reduced debt, cash flow pressures, no more dependants, could mean your existing policies no longer reflect your current needs. You may have too much or too little cover, wrongly structured policies, or have older policies that are no longer competitive in today's marketplace.

Market Comparison “like for like”

We can compare your existing cover ‘with the market’ to identify the **best value** solutions – more competitive premiums, better definitions, etc. NOTE: Full underwriting will be required.

Super-Rollover

It may be possible, to assist with cash flow requirements, to meet the cost of insurance premiums via a partial rollover of funds from your personal superannuation account. **IMPORTANT: Where premiums are deducted from superannuation funds, be aware that this may affect your retirement balance.**

Super-linking

Total and Permanent Disablement

When it comes to Total & Permanent Disablement cover (TPD) inside super, policy definitions are an important factor to consider. The definition of ‘permanent incapacity’ under superannuation law is more closely aligned with an ‘any’ occupation definition of total and permanent disablement (TPD). So, where TPD ‘own’ occupation cover is taken inside super, it is possible the narrower super definition of permanent incapacity may not be met in the event of a claim. The TPD benefit would then be preserved in the super fund until another condition of release is met, for example retirement.

With tailored super structuring, you can still access the best of both worlds by splitting the TPD cover across both related policies in a more cost and cashflow effective way as follows:

- ‘any’ occupation TPD on the super policy, and
- ‘own’ occupation TPD (‘superlink’) on the ordinary policy

Income Protection

If you choose to ‘superlink’ your Income Protection (IP) policy, the cover is held across two policies which are connected. This allows you to pay for your core income protection benefit with superannuation monies, but still access the ancillary benefits outside superannuation. When your Income Protection is superlinked, approximately 85% of your premium is funded by superannuation and 15% is funded personally by you. This can help to reduce the burden on your personal cash flow.

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Review of Income Protection Waiting Periods

We can assess whether extending your Income Protection wait period is appropriate for you. Longer wait periods reduces the risk to the insurer and can reduce the total premium amount.

Linked Vs Stand Alone

If you have stand alone cover, for example Life, TPD and Trauma, and you were to claim on one of the benefits, only one of your policies (which you have made the claim on) will be reduced. If you were to 'link' these covers, this would reduce the total cost of the policies. However, in the event of a claim to one of the policies, this could reduce all of your benefits. When utilising linked policies for your lump sum cover, it is important to consider '**Reinstatement**' and '**Buy Back**' options to ensure the cover of your remaining policies can be 'reinstated' or 'bought back' in the event of a claim.

Stepped Vs Level

A stepped premium means the premium you pay to maintain your cover increases each year with your age. A level premium is more expensive at the outset but may be cost effective if you plan to retain your policy for the longer term, i.e., 9 years+.

Note, insurers may also increase premiums for both Stepped and Level premiums where they have experienced poor claims experiences.

Premium Holiday

Many insurers will allow you to suspend your premiums for a period of time, due to cashflow difficulties.

- However, you will **NOT** be eligible to claim for any benefits during the period the premium was suspended.
- You may only exercise this option once in any 12 month period. You must be an Insured Person as well as a Policy Owner and must show evidence of financial hardship, as this may be requested.
- The policy **MUST** be paid up to date prior to commencement of the premium holiday.

Decline Indexation

You have the option to 'reject' CPI on renewal of your policy. The effect of rejecting indexation is that your sum insured will not automatically increase, and your premiums will not be impacted by an increase in cover. However, your premiums will still be subject to increases in accordance with all other policy terms and conditions. You will be offered indexation again after 12 months.

Wellness Programs Discounts

Many insurers offer a wellness program, intended to provide you with some extra support and encouragement, to improve and promote health and fitness. Through these programs, insurers are able to reward your healthy habits with incentives such as **premium discounting**, exclusive member benefits and much more, bringing extra value to your Personal Protection.