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with TPD cover, and this is regularly provided as standard insurance cover in many industry and retail super funds.

You should consider what riders are available to you when you are looking at a term insurance policy, as such flexibility may be critical when life stages change requiring further cover.

### Policy expiry

People are living longer and as such may require term insurance cover for longer than in previous generations.

The expiry date of a term insurance policy is varied amongst insurance companies. Current policies can have expiry dates up to age 100 (or no expiry age) as long as the premium is paid; some older policies may have expiry at age 65 or 75.

What happens if you require an additional amount of cover, for example to go into business or increase business cover at age 76, if your policy expires at age 75? The expiry date/age of a term policy is an important factor to consider.

If you have term life through superannuation, many policies cease at age 65 in a super, so you need to check if the cover can be converted to non super at that time, and if it can, what is the new expiry date?

If TPD and trauma insurance is provided as rider benefits on a term insurance policy, the expiry age for those benefits will differ and you should check the policy document for the expiry dates of each of the benefits provided in the policy.

### Other options/benefits

There are a number of standard benefit inclusions, and options that can be purchased for an additional cost, in a term insurance policy.

As mentioned, if you have TPD and trauma insurance as rider benefits these will come at an additional cost as will any options included in those rider benefits such as buy back and reinstatement.

Other benefit inclusions and options that may be available in a term insurance policy are:

- **Benefit indexation increases** – this is an automatic increase in the sum insured each year on renewal by either a certain percentage or CPI. This is generally a standard benefit inclusion.
- **Guaranteed Insurability** – the policy is guaranteed to be renewed on the terms offered once the policy is issued by the insurer. This is generally a standard benefit inclusion.
- **Future Underwriting Benefit** –

this benefit provides an option to buy cover in the future for the occurrence of certain events. This is different to Guaranteed Future Insurability as the Future Underwriting Benefit is underwritten at the time of application, not at a date in the future. This is generally an optional benefit at an additional cost.

- **Financial Planning Benefit** – this may be included as a standard benefit and provides an additional amount under the policy to the policy owner or nominated beneficiary(ies) for the cost of obtaining financial planning advice in respect to the term insurance benefit payment. The benefit amount may range from \$2,000 - \$5,000 depending on the insurer.
- **Funeral expenses or final expenses benefit** – this benefit may be provided as a standard inclusion or could come at an additional cost. The benefit would generally allow a release of a percentage of the sum insured, or specified amount, to cover the cost of funeral or final expenses upon the death of the insured person.

We have looked at the important aspects of term insurance cover, and even

though it may seem a simple purchase, there are a number of different factors to consider when you are looking to purchase term insurance cover, or add it to your super fund.

With the direct market you may pay a cheaper premium but you also take on the responsibility of considering and understanding the policy terms and conditions of the cover being purchased; if you get it wrong it may affect your family or business at the very time that they most need the benefits of the policy.

We cannot eliminate death, but what we can do is with the right advice, help the ones that are left behind, whether it be family or business, cope in the future. Best wishes until next time.

Dr Jim Taggart OAM and Christina Matthews are Representatives of Taggart Nominees Pty Ltd. Taggart Nominees Pty Ltd holds AFSL No: 234973, and is a Life Insurance Broker. The information in this article is general in nature and does not constitute financial advice.

#### References:

AIA Priority Protection Product Disclosure Statement, Version 10, Issued 3 December 2011. CCH Australian Master Financial Planning Guide, 14th Edition, 2011/12. IRESS Market Technology Ltd Xplan Risk Researcher Risk Product Evaluation Report – Life Insurance.

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