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***Tip:*  Spread the word with #insuranceclarity**

#insuranceclarity is a hashtag we’ve added to the material to promote life insurance education. We encourage you to get on board and help grow engagement and confidence in the life insurance industry by using it when you post on social media.

**SOCIAL MEDIA POST**

Thinking about life insurance, but not sure about how it really works? Here are some questions you can ask your financial adviser to get more clarity about your cover. Read more #insuranceclarity

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***Tip*: Complement your advice**

You could also use the articles to complement your advice, sending specific articles to clients who have expressed concerns about their insurance or who have yet to take up insurance you have recommended.

**ARTICLE**

**6 questions to ask a financial adviser**

Despite having insurance in your superannuation, it’s a good idea to consider how much and what type of insurance you may need. Generally, when considering your personal circumstances you will need to see a financial adviser.

Here are 6 insurance questions you may want to ask your financial adviser, to help you build a clear picture of what you're buying.

#### **1. What types of cover do I need?**

Deciding what you need to be covered for is important. You can start by asking yourself (and your adviser, of course): Can I do without any of these types of insurance?

* **Life cover**

Pays a lump sum in the event of death or terminal illness. The payment could be used to cover living expenses for your dependants, pay off debts, funeral costs or fund palliative care if you are terminally ill. These can help ensure that your family remains looked after financially when you are not there.

* **Total and permanent disability (TPD) cover**

Pays a lump sum should you become permanently disabled and unable to work. Again, this could be used to cover out-of-pocket and ongoing medical expenses, home modifications and to take care of dependants if needed.

* **Income protection**

Pays a monthly benefit to replace part of your income, if you are temporarily disabled and unable to work. The monthly benefit can be used to cover everyday living expenses and maintain your lifestyle, while you focus on getting back to work. If this cover meets your needs, you will need to determine how long you wait for your first payment (this is called the **waiting period**) and for how long you are paid (generally called the **benefit period**).

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While not available within super, another type of insurance that you may have heard about is trauma cover. Trauma cover pays a lump sum on the occurrence of certain types of serious illness or injuries (e.g. a heart attack or certain cancers) – to cover an extended break for you (and potentially your spouse) from work as you recover, as well as out-of-pocket medical expenses. This way, you and your loved ones can focus on recovery, not bills.

#### **2. How much cover do I need?**

When it comes to life insurance, everyone’s needs are different. Working out how much cover you’ll require may require sitting down with your financial adviser and determining a figure that’s not too little, and not too much. This personalised and in-depth assessment will be based on your personal circumstances including your total debt position, assets including superannuation and property, plus your family circumstances like education and childcare needs.

#### **3. What should I look for (and look out for) in a policy?**

Buying life insurance isn’t difficult, but it does require some thought. So don't ever feel pressured to make a quick decision. Take the time to consider your choice, and always make sure you:

* work closely with your financial adviser to understand your personal needs, objectives and financial situation to identify the cover, and all associated options, that suits you best
* are aware of the injuries or illnesses covered by each type of insurance
* understand how your medical history/occupation/pastimes will influence your cover
* understand the level and type of cover included – and how it will pay out in the event of a claim
* are aware of the ongoing cost of the cover. You could ask your adviser to provide you with a future forecast of likely premiums. Ask for this so you can plan for how you will pay for your insurance in the years to come
* beware of shortcuts – not having to provide your health history to get covered can mean that the insurance product may have more exclusions and become more expensive in the long run
* understand your medical history so you can disclose everything you need to your financial adviser. That way you’ll make sure to get the cover that’s right for you
* read the relevant Product Disclosure Statement.

#### **4. What’s the best way to pay – stepped or level premiums?**

Insurance premiums can often increase over time – simply because health risks increase with age. But insurers offer two ways of paying for, and managing, the costs of your cover over time:

* **Stepped premiums**: where the cost of your cover is recalculated each year based on your age at your policy anniversary. Generally this means your premium will increase each year as you get older.
* **Level premiums:** some insurers offer this where your premium is ‘averaged out’ over a number of years to help prevent large increases over time. This means your cover will generally be more expensive than stepped premiums when you are younger, but will be lower than stepped premiums in later years.

Note that regardless of which premium option you select, premiums are generally not guaranteed and increases can occur.

#### **5. How long do I need to be protected for?**

We don’t know what the future will bring. That’s why it helps to plan ahead.

You should begin the insurance relationship with an expectation that your cover needs to be continually adapted to suit your needs. The rule of thumb is that your need for financial protection usually decreases over time. For example, if you pay off your mortgage, reduce your debts, or no longer have dependants to look after financially, you may want to review your cover.

If you no longer have debt, or have enough financial resources to maintain your livelihood should something happen to you, then you may no longer need as much cover. Lower cover usually means lower premiums, so it’s definitely worth reviewing your policy every 12-18 months.

#### **6. What you might look for in an insurer?**

Before making your final choice, consider:

* the reputation and longevity of the insurer
* if the questions the insurer will ask you about your health and medical history are in plain language, so that it’s easier for you to complete the application with confidence. This is important because you won’t always know the medical term for a condition you might have had (e.g. you might know you had a case of tennis elbow in the past, but you may not know that it’s medically referred to as ‘epicondylitis’)
* the proportion of claims an insurer pays and how long they take to make claims decisions
* the extra services and support provided at time of claim (including sensitivity to mental health challenges arising from claims, added services for rehabilitation, tele-claims availability, help in filling out the forms)
* the insurer’s claims handling process (including time to payment, any immediate release of funds)

**Want to know more?**

If you’d like to discuss any of the content in this article and how it may apply to you, please call me on XXXXXXXXXX.

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