



## Guide To...

### Caring for your family when you are no longer able

Generally, families rely on a regular income to provide for their living and education expenses, as well as toys, school uniforms and the latest sneakers! But what happens if this ongoing provision is interrupted?

In the event of death, permanent disability or the occurrence of a serious medical condition of the household's primary income earner, this can very quickly upset the family, their finances, and their way of living. If something should happen to the breadwinner, the emotional strain on your family could be very hard. Through careful planning, there is no need for this situation to be made worse with financial worries.

#### ***How does the strategy work?***

Firstly, you will need to sit down and list your family's financial needs such as household expenses, loan repayments, children's education and so on. You then need to consider how long you would like your family to be financially supported if anything should happen to you. Once you have decided on an amount, you can then consider life, total and permanent disability and critical illness insurances which could provide a lump sum amount to start a future income stream for your family.

Ensure your family can maintain their standard of living.

#### ***The Benefits***

- You can provide a more financially secure environment for your family.
- You can relax knowing you have taken an important step in protecting your family's financial future.
- The invested lump sum can be used as the primary source of generating an income.

#### ***Case Study***

Recognising the need to protect the future of their three children, John (5), Michael (3½) and Belle (2), Peter and Wendy have decided to list out their future financial commitments.

Commitments	Amount	Frequency	Annual Amount
Groceries	\$850	Monthly	\$10,200
Education fund (3 children)	\$400	Monthly	\$4,800
Household expenses eg. electricity, gas, phone, insurance, petrol	\$2,500	Quarterly	\$10,000
Living expenses eg. clothing, entertainment	\$150	Weekly	\$7,800
Total			\$32,800

Peter expects to work for another 27 years and will continue to support his family financially for at least 18 years. Based on day-to-day commitments, Peter should insure for a minimum of \$590,400 for death and total and permanent disability (simple calculation of 18 years @ \$32,800 per annum and not taking into consideration the increases in the cost of living). Provisions should also be made to clear any family debts at the same time.

Should Peter die or become totally and permanently disabled, the insurance lump sum benefit can be used to maintain the family's financial commitments and lifestyle. Peter may also consider the option of critical illness insurance, protecting his family's lifestyle in the event he suffers a serious medical condition (as defined by the policy).

### ***Tips and Traps***

- The lump sum insurance benefit can be invested to provide a long-term income stream. You should seek advice at that time as to the most appropriate investment vehicle to provide an income stream.
- The cost of living (usually measured by the change in the Customer Price Index [CPI]) generally increases over time. You should consider insurance policies which allow you to automatically increase your cover in line with increases in the CPI.
- When calculating the lump sum requirement, it is important to accurately detail your commitments at the time of implementing the strategy.
- It is not unusual for additional expenses to be incurred at the time of the death, permanent disability, or critical illness. It would therefore be reasonable to make additional provisions for such expenses eg. funeral costs, relief childcare, nursing care etc, as applicable.
- It is important to protect all those whose death, disability or critical illness would have a serious financial impact on the family.

*If you have any queries in relation to the content of this material, please do not hesitate to contact Kate Kimmorley the Principal Financial Adviser at Kimmorley Financial Management on (07) 5591 1725.*

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