

Insuring through super

With the recent changes to superannuation, insurance within super has become an even more attractive option for members.

We have looked at some the advantages and disadvantages of insuring through super instead of taking out insurance on your own.

Advantages

- Insurance within super is usually cheaper because large super funds can access group discounts and can deliver lower premiums to their members.
- Premiums are usually deducted automatically from your super account so you won't have to take money from your household budget to pay for premiums.
- As most of the money in your super account has been taxed less (at 15% rather than marginal tax rates) there's more money to pay for a higher level of cover if desired.
- If you are self-employed, you can generally claim your super contributions as a tax deduction (up to certain limits). This is regardless of whether the contribution is used by the super fund to purchase investments or insurance.
- Most super funds provide basic cover with automatic acceptance, which means you don't have to jump through the medical hurdles for the minimum level of cover.

Disadvantages

- If you move super funds or your employer stops paying into the fund or for some reason your super account becomes inactive, your basic cover may lapse without you realising.
- The basic cover within some super funds will probably be lower than what you need. You can apply for additional cover, however acceptance is not automatic and you may have to go through health checks.
- Within most super funds, the basic cover decreases as you get older and usually ceases when you reach the age of 70.
- Some super funds have a maximum level of cover available to their members and some funds have shorter benefit periods for income protection insurance.
- You cannot claim a tax deduction for Income Protection premiums paid with superannuation benefits. You can if you pay the premium outside of super.
- Unless you have the option of making a Binding Nomination (check with your super fund) you can't be certain your life insurance payout will go to the people you want it to. For policies held outside of super, you maintain absolute control.
- If a benefit is paid to a non-dependant, it is taxable at a maximum of 16.5%. The same benefit paid from a policy held outside super is tax-free no matter who the beneficiary is.
- There can be delays in payments to beneficiaries while the super fund trustee identifies and resolves any claims, such as a former partner or children from a previous relationship who feel they are entitled to part of the benefit.

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Any questions? Call 1800 046 166 or visit: www.moneysolutions.com.au