

EDGE SPECIALIST ADVICE NETWORK



# TPD INSURANCE

TOTAL AND PERMANENT DISABLEMENT (TPD) IS YOUR FINANCIAL BACK-UP PLAN. IT GIVES YOU THE CONFIDENCE TO SEIZE LIFE'S POSSIBILITIES KNOWING YOU'VE MADE PLANS TO SECURE YOUR FAMILY'S FINANCIAL FUTURE... JUST IN CASE!



## Table of Contents

Protecting you and your family against the unexpected - 2

Factors to consider - 2

Maintain your quality of life - 2

How are premiums calculated? - 3

Tax position of premiums and benefit payments - 3

# TPD INSURANCE

Total and Permanent Disability (TPD) insurance provides protection if you were to become completely disabled due to sickness or injury and that injury meant you were unable to work. The benefit is paid in a lump sum to the policyholder and their family.

A range of disabilities and conditions are covered under TPD insurance such as heart attacks, strokes, cancer, accidents, mental illness as well as musculoskeletal, nervous system and sense organs diseases.

TPD insurance can be purchased as a standalone policy however it's more commonly combined with a life insurance policy to provide more comprehensive cover.



# TPD INSURANCE

## PROTECT YOUR AND YOUR FAMILY AGAINST THE UNEXPECTED

TPD insurance will provide a lump sum payment in the event you suffer an illness or injury which totally and permanently prevents you from working again.

Broadly speaking there are two definitions of TPD:

### Own occupation

The insured must show that they have a total and permanent disability that prevents them from working in their own occupation which they disclosed when applying for this cover. 'Own Occupation' is a more liberal definition of disability because, even if you can work in another occupation, you may still be eligible to receive disability benefits.

Because it is relatively easy to qualify for benefits under this definition of disability, insurance companies are limiting the availability of this type of coverage. Own occupation coverage is often more expensive, and may only be available to individuals who have a clean medical history and work in a relatively risk-free occupation.

### Any occupation

The insured must show that they are totally and permanently disabled and unable to work in their usual, or any other occupation for which they are reasonably suited by their education, training or experience. 'Any Occupation' is often the cheaper option, however it can be more difficult to meet the requirements of this type of disability definition. Some insurers have a third definition available to clients – a 'homemaker' definition.

Payment of benefits under this definition would be based on the proviso that the insured, through sickness or injury, is unable to do any normal physical domestic duties and will never be able to do so again.

## FACTORS TO CONSIDER

- Make sure you have adequate coverage. Underinsurance can present a serious problem.
- Changes in your personal circumstances (ie, taking on additional debt) often necessitate the need for higher covers of insurance.
- There may be taxation consequences where a disability lump sum superannuation payout is made.

## MAINTAIN YOUR QUALITY OF LIFE

TPD insurance can provide a lump sum benefit which can be used in many ways, such as:

- helping to pay for recovery and rehabilitation costs, such as refitting your home
- enabling a partner or family member to reduce their work hours to care for you
- paying for a professional carer
- providing much-needed funds to repay debts,
- creating an ongoing income stream for the future.

# TPD INSURANCE

## HOW ARE PREMIUMS CALCULATED?

Generally, premiums are based on the sum insured, age, sex, occupation, hobbies, smoker/non-smoker status, general health and option chosen. Premiums can be stepped (they change with age) or level (fixed for an agreed time), with assessment differing from insurer to insurer.

### Stepped premium

Your premium increases every year with your age.

### Level premium

Your premium generally does not change and is based on your age when the policy commences.

While stepped premiums are usually lower in the early years, level premiums can be a more cost-effective option if you retain the insurance for a longer period of time. If insurance cover is only required for a short time frame, a stepped premium may be more appropriate and cost effective.

## TAX POSITION OF PREMIUM AND BENEFIT PAYMENTS

For personal cover, the premiums are not tax deductible.

TPD benefits in your hands will generally not be assessed for income tax provided the benefit is received in the form of a lump sum.



TPD INSURANCE



LIFE IS A FAMILY SPORT  
GIVE YOURS AN EDGE

 +07 4633 9888

 [www.edge.net.au](http://www.edge.net.au)

 189 Herries Street, Toowoomba

 [info@edge.net.au](mailto:info@edge.net.au)