

Four common mistakes when buying personal insurance

If your life insurance policy is in a drawer gathering dust, your family could be in for a nasty shock in the event of a claim. Here we outline some pitfalls to avoid when taking out cover.



*Authorised Representative of Millennium3 Financial Services Pty Ltd ABN 61 094 529 987 AFSL 244252

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1. Buying on price rather than cover

No-one wants to pay too much for cover but the purpose of buying life insurance is to ensure your family won't be left to fend for themselves in the event of your death.

Cheap policies can be riddled with potential issues, so read the fine print and look into the capacity of the insurer to pay, policy exclusions and dispute handling processes.

2. Not considering insurance outside super

Many people make the mistake of thinking that life insurance cover through super will be enough. Most super funds provide a default level of cover but this is often well below the level required.

In some cases, people could be caught unaware that their insurance cover had lapsed if and when they changed superannuation providers. However, on the plus side, it may be possible to carry over existing insurance to a new superannuation fund.

When it comes to insurance within superannuation it's also important to remember that premiums are paid from what is effectively your retirement savings, which can impact your overall super balance on retirement and when you begin drawing down on your savings.

3. Failing to get the right advice

Life insurance policies are easy to obtain these days and it can be tempting to buy policies online or from a teleprovider. However, policies that are quick and simple to obtain may be declined at claim time for reasons such as non-disclosure, exclusions or hidden clauses.

Sitting down with a qualified adviser means you can benefit from unbiased advice on a broad range of policies that can be tailored to your individual requirements. The adviser will also discuss issues you might not have thought of- for example will your insurance policy be owned by you, your spouse, both of you, your super fund or a trust or corporate entity?

4. Failing to review cover when circumstances change

There are certain key events in life when it is imperative to take a fresh look at your insurance coverage.

Have you married or divorced or has your spouse passed away since you last reviewed your policy? Have you become a parent or have your kids left home? Have there been any changes in your financial circumstances such as an increase in income, more debt or paying off a mortgage? All these are factors to consider when determining the level of your cover.

Summary

No-one wants their families to be left high and dry in the event of their death. Taking the time to consider your life insurance today may be your greatest gift to your loved ones tomorrow.

Anthony Brown and Stuart Carter from Sherrin Partners work closely with the Bar Association of QLD to provide members with Insurance advice specific to your needs as a Barrister. Please contact either Anthony or Stuart if you wish to discuss any personal insurance matters or review your existing arrangements.

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