

Life through super softens death knock

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LIFE insurance and superannuation are two topics unlikely to get your pulse racing.

But when that inevitable day comes that you have no pulse, they can work together powerfully.

Taking out life insurance through your superannuation fund can save hundreds of dollars in premiums, and best of all, you don't even have to pay for it with your take-home pay.

"People don't see super as sexy and death is certainly not sexy, so they don't want to think about it," said Marinis Financial Group financial strategist Theo Marinis.

"But you have to think about what's going to happen to your children and partner."

Mr Marinis said the Federal Government's planned changes to super rules made life insurance in super even more attractive because there would be no longer be a maximum amount that could be paid out tax-free to dependants.

Premiums could also be cheaper than retail life insurance policies because super funds often had thousands of members and could buy insurance for a large group, spreading the risk.

The biggest benefit of insuring your life through super is that it does not dent the weekly household budget.

In most cases an employer's compulsory 9 per cent super contributions will easily cover any insurance premiums. People not wanting to use their retirement savings to fund insurance can choose the salary sacrifice enough into super to cover the insurance costs.

Goldsborough Financial Services director and senior planner Glenn Todman said taking out life insurance was vital, even if it meant losing some super savings.

"If people haven't got the extra money to put into super for insurance, they are better off having the insurance cover and letting it eat a little into their super. They can pick up the extra contributions later," Mr Todman said.

"People say it is such a waste of money. I always say 'I hope you pay it and it's a waste of your money, because the alternative's worse'."

▶ HOW MUCH DO I NEED?

Life insurance should ideally provide enough money to cover:

- ▶ Paying off the home mortgage.
- ▶ Repaying all other debts such as car loans and credit cards, to help reduce stress for the surviving partner.
- ▶ Funeral costs. Most people allow between \$10,000 and \$20,000 for this expense.
- ▶ Education costs for children. Private school can be very expensive.
- ▶ Replacing the insured person's income – or paying child care costs if the surviving partner wants to work full time – at least until the children turn 18.

Prescott Securities risk insurance specialist D'Arcy Evans said the majority of South Australians had inadequate levels of life insurance.

He said many people mistakenly believed their compulsory employer super provided them with adequate life insurance cover.

"In most cases, the amount of life insurance cover an employee receives through their compulsory super fund is grossly inadequate," Mr Evans said.

"It comes as a great shock to working families paying only the minimum premiums to realise that they may only have around \$50,000 in life insurance cover, which in most cases is nowhere near enough."

Mr Evans said people wanting to increase their life insurance cover in super could do so by salary sacrificing an extra 1 per cent of their income rather than dipping into the 9 per cent super contributions being paid by their employer.

"Topping up your life insurance through super also provides tax benefits as the contributions are only taxed at 15 per cent," he said. "If, however, you pay for life insurance cover outside the super environment you effectively will be paying tax at your marginal tax rate, which could be between 30 and 45 per cent."

