



**Chan & Naylor**  
Our People. Your Advantage.

## What is the **Role of Risk Insurance in Your Financial Plan?**

Typically, you would expect that you would earn an income and grow your assets until you retire and then those assets would be depleted over your retirement, possibly with some left for your estate.

But what would happen if you were seriously injured or had a serious illness sometime before you retired? Or if you died? You would lose your ability to earn an income and you – or your family – would have to draw down your assets to survive (see the red line in Chart 1 below). Of course, your plans for a financially secure retirement for you and/or your family might also evaporate – depending on the length of time you were unable to earn an income.

That's where risk insurance comes in. Depending on the type of cover, it can fill the gap in assets, and it can replace your lost income. In other words, risk insurance can help keep you on track financially – in

case an unexpected tragedy causes you to lose the ability to earn an income.

### **Safeguard your vision of a secure financial future if the unexpected happens**

Most families are carrying significant financial risk should the unexpected happen. The big question you have to answer is:

### **'Would my family be able to maintain their lifestyle if I no longer earned an income?'**

If your answer to this question is "no", you need to consider transferring that financial risk to life insurance companies. They have a range of insurances which can help you fund your risk mitigation plan and give you enormous peace of mind – all for a small fraction of the sum insured each year.



## Insurance can help your family maintain their lifestyle if life doesn't go to plan

Personal insurances worth considering include:

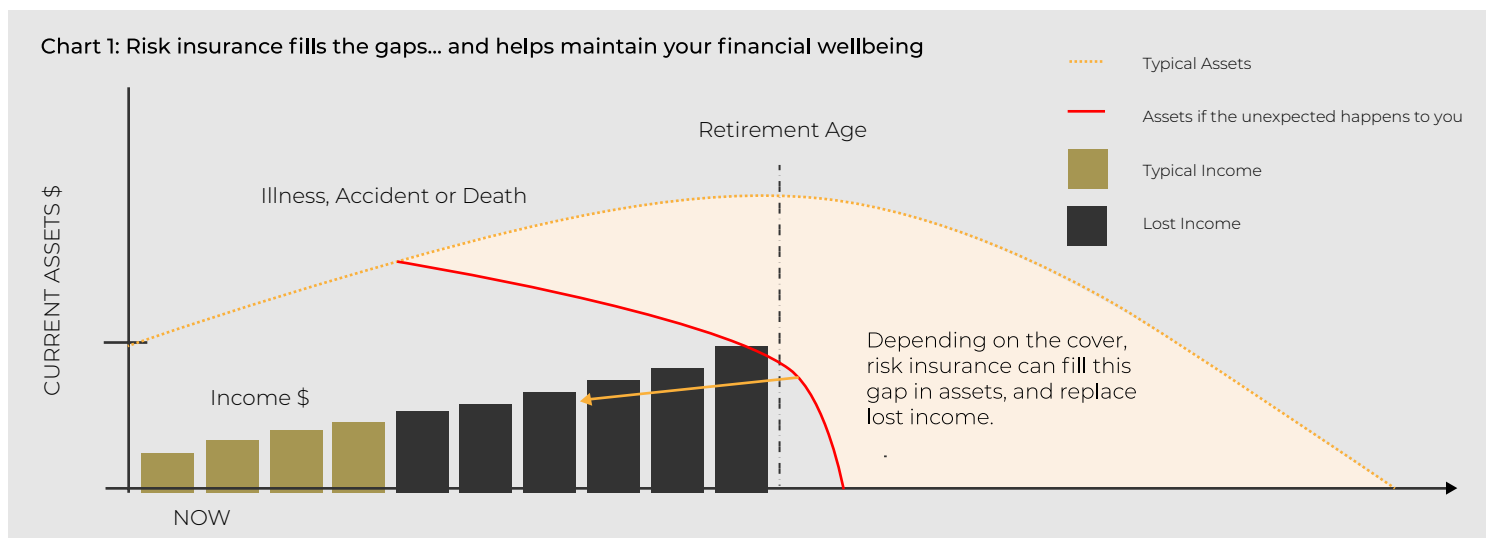
- Term life insurance - pays a lump sum on the death of the insured.
- Income protection insurance - replaces your income if you are unable to work due to sickness or injury. It provides a monthly payment of usually up to 75% of your pre-tax income.
- Trauma insurance - pays you a lump sum on the diagnosis of a specified non-preexisting illness or injury, generally including heart attack, stroke, cancer, and paraplegia.

## The Insurance Portfolio Construction Process

To help ensure your risk insurance plan is properly funded, we employ our disciplined eight-step insurance portfolio construction process.

We start by assessing your current situation – if the unexpected happened today, what would be the financial shortfall? In other words, how much money would be required for you and/or your family to replace your income... and pay for other expenses?

We then develop strategies to help you transfer that risk to insurance companies, and identify which types of insurances



you require. We also help you qualify for tax deductions on the annual premiums where possible.

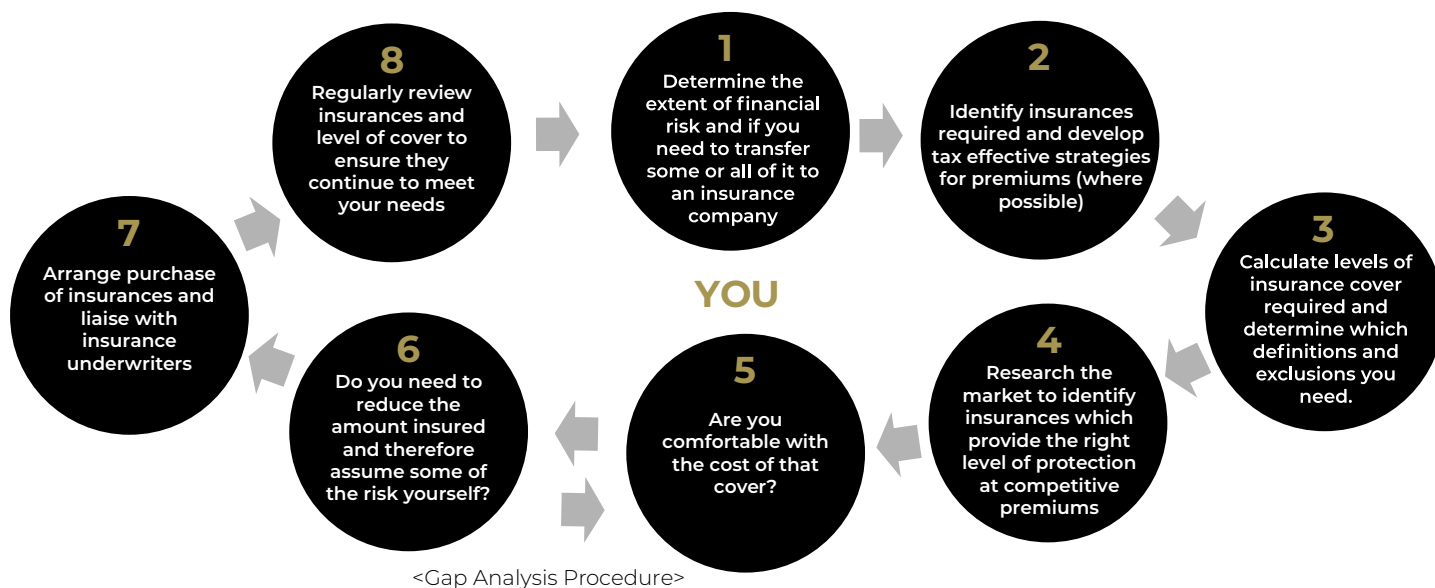
Next, we research the major, reputable insurance companies to find the insurances which provide you with the right level of protection, including the definitions and exclusions which best suit you and your family. Of those insurances which meet your needs, we obtain a number of quotes to ensure we recommend the most cost effective products for you.

The next step is for you to determine if that cost is affordable. If it's not, you might choose to reduce the cost by reducing the amount insured – in other words, retaining some of the financial risk yourself.

Once you have made that decision, we finalise your risk transference plan, and arrange the purchase of the recommended insurances on your behalf. That may require you to undergo a physical exam from a doctor (which the insurance company should pay for), as well as completing the paperwork (we will assist you with this).

Once your insurance portfolio is in place, we will regularly review it – and your situation – to ensure your portfolio continues to be relevant and cost effective.

Chart 2: We'll help you find the insurance cover you need... at a competitive price



**Disclaimer:**

Before acting on any information you may have received during a strategic financial consultation, or read about on our websites, email communications, guides including our newsletters, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs.

If any products are discussed, you should obtain a Product Disclosure Statement relating to the products and consider its contents before making any decisions. It is recommended to seek advice from a qualified Professional relevant to your particular needs or interests. (For instance, Tax Advice from a Tax Agent, Financial Advice from a Licensed Financial Adviser and so on and so forth).



## Chan & Naylor Pymble

**P:** 02 9391 5000

**E:** [receptionp@chan-naylor.com.au](mailto:receptionp@chan-naylor.com.au)

**W:** [www.pymbleaccountants.chan-naylor.com.au](http://www.pymbleaccountants.chan-naylor.com.au)

