

Insurance protecting you and your family for the long term!

When you take out a home loan you can choose between a fixed or variable interest rate. Similarly, when taking out insurance, there are two options on how to calculate and pay for your premiums:

1. A **STEPPED PREMIUM** – which is calculated each year with your age.
2. A **LEVEL PREMIUM** – which is calculated each year based on your age when the cover commenced.

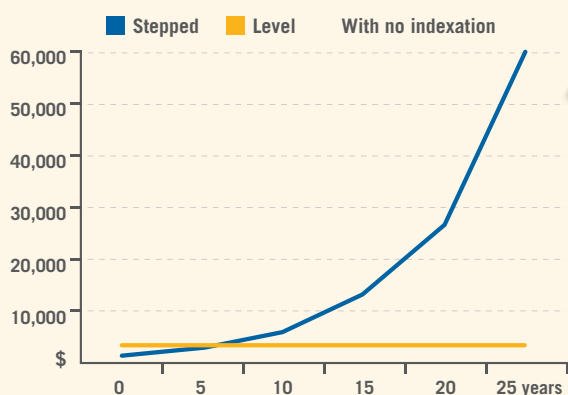
A Level Premium will be higher initially becoming cheaper (than Stepped Premiums) over the long-term.

“A POLICY WHEN YOU NEED IT MOST”

Generally a Stepped Premium increases at more than 10% per annum until the policy eventually becomes unaffordable – this is usually at a time in one’s life when insurance is most needed.

LONG TERM PREMIUM STRUCTURES

Stepped vs Level premium



John aged 30 is soon to marry Brenda. They plan to have children in the next 5 years and have exchanged on a house they feel will be perfect to bring up children.

John wants to ensure that Brenda will be able to repay the mortgage in the event of his death and has taken out the necessary life insurance. As he will need the cover long term he decided to take a level premium and will

SAVE OVER 67%

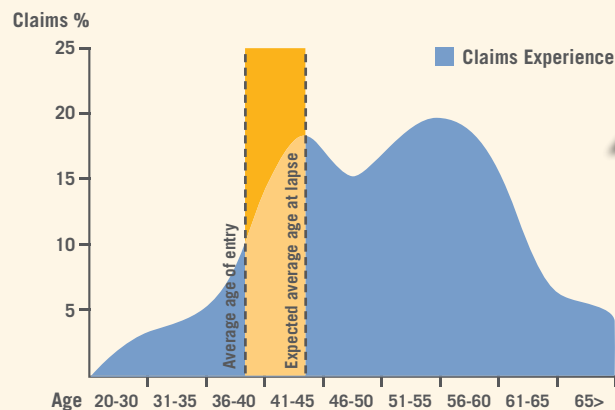
on his costs over the life of the policy.

COVER WHEN YOU NEED IT MOST

Most Australians are now starting families later in life, carrying larger amounts of debt for longer, retiring later and living longer, so the need for long-term insurance has never been greater.

The probability of a claim increases later in one’s life, however many policies have lapsed at this time due to the increasing cost of stepped premiums and inability to continue to afford them.

POLICIES VERSUS CLAIMS



Sources: 1. Age at entry by policy for MLC inforce business as at 31 March 2006.
2. MLC’s Claims Statistics Analysis Lump Sum Oct 2003 - Mar 2006.

As you can see from the graph to the left many people discontinue their policies as they get older.

Ironically the possibility of a claim increases when we get older.

The main reason people do not continue to renew their policies is that the policy gets too expensive.

We can limit this happening.



The right amount of money in the right hands *at the right time!*

WHY CHOOSE A LEVEL PREMIUM?

The major benefits of choosing a level premium are ensuring:

- ✓ You have a policy in force when you need it most
- ✓ You pay a lower average premium over the life of the policy
- ✓ Your cover is more affordable at a time when you need it most
- ✓ Manage Cash flow

“As a financial planner, one of my greatest disappointments is when a client cancels their insurance due to the stepped premium becoming expensive and unaffordable, then something happens that would have resulted in a claim, but sadly they no longer have the protection of insurance cover.

They have paid many years of insurance only to find that when they need it most they cannot afford it. This can be prevented by using a level premium structure. Not only will you have a policy when you need it, you will also have saved thousands of dollars. A win-win for my clients!”

- Stephen O'Donoghue



For more information on how to protect you and your family long-term and save money contact your insurance professional, Stephen O'Donoghue at Vaughan & Monaghan today.

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