



Budget



+ wealth + security

Booster

March 2014

Affordable insurance for the long term

With changes to our economy, employer attitudes and individual's aspirations, studies show that Australians are working well into their retirement; with 51% of people aged 60 to 64 and 24% of people aged 65 to 69 still in the workforce.*

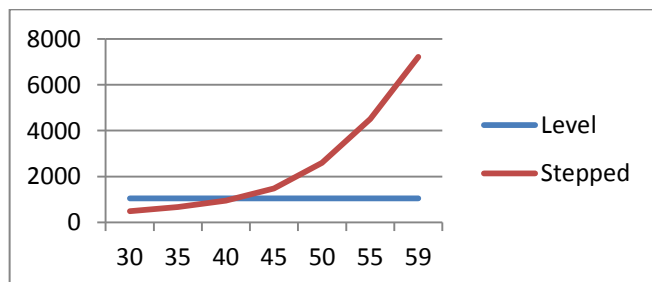
Along with working to an older age, more people are leaving it until later in life to get married and have children, and so insurance is not only an important risk mitigation for these people, but affordability of premiums in the long term will be critical.

Stepped Vs Level Premiums

Stepped premiums are lower in the early years, whilst level premiums can prove far more cost effective over the long term. Clients can therefore make significant savings overtime by choosing a level premium, and direct these savings into an appropriate investment/superannuation fund. Securing a level premium based policy helps ensure that you have affordable protection when you most need it in life!

Case Study

Female, age 30, non-smoker, office administrator
\$500,000 Life and Total and Permanent Disablement
\$180,000 Crisis Recovery



There is a substantial difference between what you can pay with a stepped premium verses level premium as the graph shows. Over a 29 year period there would be a saving of over \$35,000 by going with a level premium option.

Key things to consider when considering level premiums?

- Some insurers calculate their annual premium increases differently. Make sure you know the difference between a standard level and true level
- Some level policies convert to a stepped premium you turn 65 and others when you turn 70
- Think about how long you will need to keep the insurance in place for. Depending on how long you keep the insurance will allow you to decide which premium option will be best suited for you
- Ask your adviser for a comparison of the accumulated premiums of stepped and level premiums to help with your decision when changing your premium type.

For more information about level premiums, please call us today!

* ABS 4102.0 – Australian Social Trends, Sep 10 – Older People and the Labour Market

† Comparisons taken from AIA Quoting software November 2013, no CPI indexation was selected, savings may vary depending that no increase to level premiums over time.

Source | AIA

This communication has been prepared on a general advice basis only. The information has not been prepared to take into account your specific objectives, needs and financial situation. The information may not be appropriate to your individual needs and you should seek advice from your financial adviser before making any investment decisions.

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