

RIVKIN  
WEALTH ADVISORS

# A GUIDE TO WEALTH PROTECTION



# What is it About Protecting Your Wealth that is Important to You?

This guide to personal insurance aims to help you get the best-case outcome when your welfare and livelihood are challenged.

An insurance policy is a forward-looking contract where the person insured pays a premium in the event something adverse were to happen such as a premature passing or illness. This document provides an overview of the insurance process and how partnering with a financial advisor can provide peace of mind knowing that your standard of living is secure.

*Throughout the document we will be referring to the story of Gerard and Michelle, a young couple in Sydney, who are navigating the complexities of securing their family's future. This guide will follow their journey, highlighting key considerations at each stage of the insurance process*

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# Understanding Insurance

(No One-Size-Fits-All Approach)

According to a Deloitte Whitepaper published in 2023\* anywhere between 60% to 80% of Australians remain underinsured and approximately \$25 billion of claims could have been paid for life insurance events if it were not for underinsurance. Insurance far outweighs the social goods and valuable benefits provided to the community. The absence of TPD insurance alone costs the Australian taxpayers \$1.5 billion per annum.

It's important to consider that your personal insurance requirements will vary according to your life stage. For instance, you will probably require more insurance when you're younger, indebted with a mortgage and have a family compared to when you're approaching retirement.

\*DELLOITTE, MIND THE GAP: HOW TO PROVIDE THE AUSTRALIAN COMMUNITY WITH THE LIFE INSURANCE IT NEEDS, AUGUST 2023, [HTTPS://WWW.DELOITTE.COM/AU/EN/INDUSTRIES/FINANCIAL-SERVICES/ANALYSIS/MIND-GAP.HTML](https://www.deloitte.com/au/en/industries/financial-services/analysis/mind-gap.html)

If something unplanned were to happen and that you are not insured, would you **SWEAT**, that is, do you have enough:

**Savings to rely on?**

**Welfare to assist you?**

**Estate to draw from (bank of mum and dad)**

**Assets to Sell?**

**Time to Recover?**

If your answer is no to most of these questions, it's time consider professional advice.

### ***Case Study -***

During the initial conversation Gerard and Michelle had expressed their initial financial objectives. It was only until after they realised that they were exposed in the event of sickness or a premature passing. They had recently bought a home a couple of years ago, have a mortgage and 2 young children. The family home and opportunities for their children would be compromised if something unfortunate were to happen.



# What's Available to Me?

## Types of Insurance Explained

When considering personal insurance, it's essential to explore the various options available to safeguard your financial well-being. By understanding these options, you can make informed decisions that align with your unique needs and financial goals, ensuring comprehensive protection for you and your loved ones.



### ***Case Study -***

Their advisor walked them through options like Term Life, TPD, and Income Protection, highlighting which policies would best secure their home and family's needs. They wanted to insure that in the event of a premature passing, disability or sickness, they could still pay off their mortgage and put food on the table while being able to contend with any out of pocket medical bills. The next page explains the types of insurances available to individuals.



## Term Life

The decision to purchase life insurance allows you to provide for your loved ones and secure their future after you're gone.

Life insurance pays a lump sum if you are diagnosed with a terminal illness (and not expected to survive more than 12 to 24 months) or die prematurely as a result of an accident or illness.

The proceeds of life insurance can provide long-term financial support. It can help pay funeral expenses, distinguish outstanding debt, pay for future education costs, or it can be invested to provide a future income.

### ***Case Study - Term Life and TPD Objectives:***

- To extinguish debt on a mortgage
- To fund children's educational expenses
- To accommodate for any home modifications
- To provide a lump sum (gift) or pay for a funeral expense
- To provide supplementary income (TPD)

## Total & Permanent Disability (TPD)

By deciding to purchase life insurance, including Total & Permanent Disability (TPD) cover, you can minimize the risk of a catastrophe, such as a crippling disease or injury, derailing your life and dreams.

TPD insurance pays a lump sum if you become totally or permanently disabled due to illness or injury. Typically, this means that you are unable to work again in your prior occupation or any other occupation that you are qualified to do (training, occupation and experience).



## Income Protection

Our human capital and ability to work is our greatest asset. Income protection insurance replaces up to 75% of your monthly income if you have to stop work due to illness or injury. The monthly benefit will typically commence after a specified waiting period.

In addition to a regular income, many income protection policies feature other benefits that help you return to work sooner by providing rehabilitation or retraining support.

## Critical Illness

Critical Illness (Trauma) insurance provides a lump sum payment if you are diagnosed with a specified medical condition like cancer, heart attack, stroke, or require heart bypass surgery.

Thanks to medical advances, the survival rate for many of these conditions has increased over the years. Still, there's often a significant financial burden attached.

Medical expenses, not to mention the time off work, can wipe out life savings.

### ***Case Study - Income Protection and Critical Illness Objectives:***

- To insure 70% of my income to 'age 65' / 2 years / 5 years
- To fund my mortgage repayments for 2 / 5 years (Critical Illness)
- To provide a lump sum of \$X in the event of a medical emergency
- To extinguish any debt on my primary residence (Critical Illness)

# The Role of an Advisor

With expert advice, you can confidently navigate the complexities of insurance options and avoid common pitfalls of being underinsured (exposed) or overinsured (paying too much in premiums). There's also an aspect of understanding your health history as this may lead to complications with the underwriting of a policy. An adviser is there to be by your side, address your personal and financial matters in a private and confidential manner.

The advisor's responsibility is to:

- 1 Determine The Right Amount of Coverage
- 2 Account for any personal and family health considerations
- 3 Asses the most optimal tax structure for a policy and address whether there is any 'rider' benefits that is suited to a clients situation
- 4 Ensure the premiums are not cost prohibitive
- 5 Asses the life insured's occupation is customized to the appropriate insurer
- 6 Mentor the client in the event of a claim

# Considerations Made By an Insurer

An insurance company is a private entity which has the privilege of issuing insurance and not the right. Every insurance company in the market will take into consideration a person's health history as to underwrite a policy.

## Factors That Are Taken Into Consideration With Underwriting

Age	Risk-taking activities
Occupation (qualifications)	Body mass index
Health history	Family health history
Smoker/non-smoker, drug and alcohol consumption	Income

As a mechanism of mitigating the risk of not being underwritten, an adviser will complete a **pre-assessment** first so that a client has a smooth underwriting process and certainty that the insurance company will issue a certificate of currency where insurance is issued.

# Case Study: Gerard & Michelle

**DISCLAIMER:** This fictional case study is for educational purposes only. The financial strategies discussed are complex and may not be appropriate for everyone. Please consult a qualified financial professional before implementing any of these strategies, as they are not intended as personalized financial advice.

Gerald and Michelle have a young family and are based in Sydney's inner west. Both have the dream of sending their children, Brad (2) and Elise (4) to an independent school for high school. Their primary objective is to send both of their children to an independent high school and after speaking with an advisor realized there was a gap in their personal finances as they had no personal insurances. In the event of a premature passing or sickness, they realized they would have to sell the family home and the ability to send their children to a good school would be compromised.

*The initial conversation centred around protecting their greatest asset, which is their ability to earn an income (human capital). Both agreed to insure 70% of their respective incomes (\$120,000) to age 65 with a waiting period of 90 days.*



# Insurance Needs

## Analysis

The table below shows a break down as to how the advisor and clients came to an understanding of how much insurance would be required in the event of a claim for Life, TPD and Critical Illness insurance.

	Life	TPD	Critical Illness
Liabilities to Clear	\$1,000,000	\$1,000,000	\$0
Future Expenses Required	\$0	\$0	\$90,000
Future Education Expenses	\$350,000	\$350,000	\$0
Home Modifications / Medical Costs	\$0	\$150,000	\$80,000
Capital Requirement	\$1,350,000	\$1,500,000	\$170,000
Less Existing Provisions			
Superannuation Balance	(\$200,000)	(\$200,000)	\$0
Cash (Disposable Assets)	(\$50,000)	(\$50,000)	-
<b>Total Insurance Needs</b>	<b>\$1,100,000</b>	<b>\$1,250,000</b>	<b>\$170,000</b>

The case study throughout this document explains how insurance commonly relates to a young family with responsibilities. It's also important to consider how insurance needs changes over the course of your lifetime. Your advisor is to understand your needs and motivations, all the while establishing a dialogue as to how your finances can enable you to achieve your financial goals.



If you'd like to get in touch with us, scan the QR code with your phone's camera to be taken to our website. You can also give us a call or email us at the following details:

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# Insurance Quiz

Are you confidently insured?

1 = No

2 = Uncertain

3 = Yes

**1** I can sleep at night knowing that my family is protected.

1

2

3

**2** I have enough savings or assets to provide me with income or the ability to provide care for sickness or disability.

1

2

3

**3** I have reviewed my insurance policies in the last 24 months and I am aware that they still align with my current lifestyle and financial goals.

1

2

3

**4** I have a clear understanding of the limitations of my current insurance policies.

1

2

3

**5** I know how to structure my insurances in the most tax effective manner.

1

2

3

Scored under 15? **Contact us today for expert advice.**

# Contact

## Ready to have a conversation?

Rivkin Wealth Advisors is committed to guiding you with the utmost professionalism and dedicated service as you navigate your financial journey. We look forward to partnering with you on this exciting path towards financial growth and stability.



### Jock Evans, Financial Advisor

Jock Evans is a key member of our Wealth Advisor team. With over seven years of experience in the financial services industry, Jock specialises in creating tailored wealth management strategies and investment plans. Holding a Bachelor of Commerce and having studied Financial Planning and Economics at the postgraduate level, he is dedicated to helping clients understand the intricacies of their investments, empowering them to make well informed financial decisions.



### Alex Galvin, Financial Advisor

Alex Gavin is a Senior Financial Advisor at Rivkin Wealth Advisors. He has over ten years of experience with focus on helping clients create and preserve their wealth. Alex adopts a client-first approach in crafting prudent financial strategies that ensure that his clients achieve their financial and lifestyle goals. He holds Certified Financial Planner status and an Investment Management Analyst Certificate, while also possesses a Bachelor of Commerce and a holds Master of Financial Planning.

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