



A Matter of Priorities

Personal insurances are a complex but extremely important area of financial planning. In this article Michael Horan, CFP, reflects on why the majority of Australians don't protect their most valuable asset – themselves.

I recently read an article which talked about the need for a new personal insurance advertising campaign because studies have shown that consumers lack knowledge about life insurance and associated products such as income protection insurance. Amazingly, while 83% of Australians have car insurance only 31% have income protection insurance.*



This isn't surprising to me – of course personal insurance is an area we specialise in and so we educate our clients on the importance of protecting themselves and their loved ones against the unknown but I would suggest that the majority of people out there are simply not interested. The part that got me thinking is, why?

Is it because a car, or house and contents, is tangible and we accept that accidents can happen so insuring these assets is a given? On the other hand, an intangible event such as death or illness is something that only happens to other people so insuring against it isn't a priority.



Or perhaps it's because insurances such as income protection and life insurance can be depressing to think about let alone act upon – these insurances force us to think about events that we hope never happen so the majority of people adopt the 'ignorance is bliss' philosophy. I know from helping my clients, that having a conversation about how much money they will need to survive and raise their children if one of them dies, becomes seriously ill or is injured in a car crash, is not an uplifting conversation. The reality is that it can potentially be one of the most important conversations they'll ever have.

Another theory I have is that these insurances are difficult to understand and get your head around. There's income protection, life insurance, trauma insurance, TPD and salary continuance. Within these insurances there are various waiting periods and conditions and you can also pay for them inside or outside of super depending on the type – the mind boggles.

It's our job to advise on which insurances are required and for what value and this is dependent on a whole range of factors. Unfortunately it's not as simple as plugging the make and model of your car into an automated system and receiving a quote and I suspect this confuses people to the point that it's easier not to think about it.

As I look at this page I'm thinking wow this article really got me thinking! I didn't mean to dwell on it, but because we handle our client's personal insurance claims I am so often reminded of the importance of having these insurances in place and it amazes me that so many people are not protected. Every time we handle a claim I can't help but think what would that client have done if they hadn't had insurance?



If you've never considered the above or don't know what you/your family would do then talk your loved ones and friends, particularly those with young families, and ask, would their family be ok if something unexpected happened tomorrow?

If the answer is 'no', perhaps suggest that they do something about it. Hopefully they will never need to claim on it, but the peace of mind it provides is worth every cent.

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