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Planning for the unexpected: Protecting the biggest asset of all

The stress that comes with being injured or unwell is significant and having to worry about money at the same time can take an even greater toll. But it doesn't have to.

When we think about our assets, often we think about our homes, cars, maybe even our superannuation savings. Essentially, our minds automatically wander to tangible things with tangible value.

But are we thinking about it all wrong?

According to MetLife Australia, yes.

"Your biggest and most important asset is actually your ability to create and generate an income," MetLife head of advice strategy Jeffrey Scott says.

"This allows individuals to buy a house, a car, go on vacation, pay for school fees, invest, save for retirement, and possibly even give to charity."

However, as is the case with any wealth creation journey, you have to expect the unexpected.

According to the Australian Institute of Health and Welfare, there is over 60,000 Australians between the ages of 15 and 64 that are hospitalised each year due to falls.

Further, about 28% of all people between the ages of 15 and 64 suffer from a chronic condition, such as asthma, arthritis, diabetes, back conditions, or mental illness. Unfortunately, one in nine live with two or more chronic conditions.

To make matters worse, very few of them have a rainy-day fund tucked away to help see them through if they were to ever find themselves unable to work.

"There's approximately 20% of Australians who have about \$1000 in cash, but about 25% of the population wouldn't be able to maintain their lifestyle for more than a month and about 11% wouldn't be able to maintain it for more than two weeks," Scott says.

It's for this reason, income protection is so important, and Scott says it all comes down to two choices.

"They can believe that nothing bad is ever going to happen to them and that's a possibility. If that's the type of charmed life they have, then that's fantastic," he says.

"Otherwise, the best way to protect their most valuable asset is to either get a salary continuance policy or income protection policy, either as a standalone policy or through their superannuation fund.

Now, the income protection market has been through the ringer in recent years, with life in-

surers losing more than \$5 billion through the sale of DII to individuals.

However, recognising the need for income protection products, the prudential regulator and life insurance industry has worked together in recent years to ensure their ongoing feasibility.

October saw the introduction of significant reforms, including lowering coverage levels and stricter criteria around payouts and age.

The changes are the result of APRA's intervention to improve the sustainability of individual disability income insurance in December 2019.

APRA instructed insurers to overhaul their DII offerings, to ensure they would be able to continue offering them in the years ahead. As a result, we have made changes to MetLife Protect Income Cover.

The new product has three significant benefits, Scott explains.

The first is that MetLife will replace 70% of a person's pre-disability income for the duration of the policy, paid on a monthly basis and up to \$30,000 per month without income tiering. They also don't need to worry about paying premiums while receiving benefits. Premiums can also be waived for up to three months if a policyholder loses their job and the cover will continue.

Secondly, MetLife bases the benefit payment on their usual occupation at date of claim. Claim assessment also continues under Own Occupation definition throughout the life of the claim.

And, finally, clients can add on optional benefits if they choose, including replacing up to 90% of their pre-disability income for the first six months of the benefit period, or to include CPI increases if they're on claim. What this means is that a policyholder can build their insurance cover over time as their needs change.

Depending on the monthly payment, clients can also have superannuation contributions made on their behalf so their retirement savings can keep growing even if they're unable to work. This covers 100% of their contributions, up to a maximum of \$5000 a month.

Retraining and rehabilitation benefits are also now offered as part of the standard Income Cover at no additional cost, as is the Cover Pause feature.

And, in addition to all the new elements, MetLife also continues to offer some of the great benefits that were previously available.

For instance, all benefit periods remain the same at one year, two years, five years, age 65 and age 70, as do the waiting periods (30 days, 90 days, and two years).

The popular day one partial offer for all occupations also remains unchanged, meaning the policyholder does not have to be totally disabled during the waiting period when making a claim.

MetLife also offers its award-winning 360Health program which aims to provide expert medical support and guidance to customers and provides allied health services at no extra cost.

The offering, while recognising that living longer is important, focuses on ensuring quality of life in those extra years. It provides support for a range of factors, including mental, physical, social, and financial health. MetLife Protect policy holders, and their immediate family can access the 360Health program from the moment their insurance cover starts.

Research by MetLife found 66% of Australians would choose to live a shorter life at the expense of years impacted by serious illness, but only 20% believe good health is achievable for them. This is due to lack of motivation, time and the financial means.

MetLife 360Health aims to bridge this gap by providing access to expert information about health and wellbeing. It's part of the insurer's commitment to helping consumers "increase healthspans, not just lifespans".

The impact a lack of income as a result of being unable to work can have on a person's wellbeing is monumental, but this doesn't have to be the case.

At the end of the day, we all know that we need to expect the unexpected, but life is about living – not worrying about what might happen if something goes wrong. **FS**



The quote

Your biggest and most important asset is actually your ability to create and generate an income.



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