

Features

- The Advantages of Insuring Through Super – Part Two
- Macquarie Life Adds Tele-Interviews
- Upcoming Events

PIS Talking Risk



The Advantages of Insuring Through Super

Part two – The second in our two part series.

When insuring through super it's important to keep the following in mind:

Keep an eye on the annual super contribution caps

It's important to ensure that any concessional super contributions that your clients use to fund insurance premiums do not exceed their annual concessional contributions cap. This cap was lowered in the 2009 Federal Budget to \$25,000 each financial year for those under age 50. For those 50 and over, a transitional cap of \$50,000 each financial year will apply until 30 June 2012.

Penalty taxes are levied if annual super contribution caps are exceeded. For example, if the client exceeds their annual concessional contributions cap, an excess tax of 31.5% in addition to the standard 15% contributions tax applies. In addition, the excess contributions are counted towards the individual's non-concessional contributions cap.

If the client was also to exceed their annual non-concessional contributions cap, an additional tax of 46.5% would apply, making a combined effective tax rate of 93.5% on the excess amount.



Impact on retirement funding

For members nearing retirement, funding insurance premiums through super will reduce the amount they can contribute to their super savings due to the lowered contribution cap.

There can be tax implications for the payment of proceeds

For members receiving the proceeds of insurance funded through superannuation there are various implications:

- If life insurance proceeds are paid to a non-dependant and include a taxable component, the proceeds

will be subject to tax at either 16.5% or 31.5%.

- TPD insurance proceeds are taxed as a lump-sum superannuation benefit, with the amount of tax payable depending on the person's age and the tax components of the benefit.

Advisers may also recommend grossing up the sum insured to allow for any potential lump-sum tax. Even if grossed up for the potential worst-case scenario (ie the entire benefit is subject to lump-sum tax), it is still likely to be more cost effective to fund the grossed up amount through concessional super contributions, rather than outside of super.

Estate planning implications

There is the potential for proceeds to be paid to incorrect beneficiaries if a binding superannuation death benefit nomination is not made, is unavailable, or is not updated following a change in circumstances, eg after a marriage breakdown.



Upcoming Events

Risky Business Townsville | 23 November 2010

AFA Xmas Trivia Night Brisbane | 8 December 2010

Risky Business Brisbane | 16 December 2010

PIS Back to Business | 14 January – 2 February 2011
Regional dates available in the PIS Fortnightly Friday and Update

National Risk Road Show | 2, 3, 4 February 2011

AFA GenXt Road Show | February 2011

Recommending level premiums in super can provide long-term cost savings for your clients

There are many advantages to be gained by insuring through super, however it is important your clients have the right type of insurance to maximise their protection and their super savings.

Level premiums can provide genuine long-term cost savings to clients over stepped premiums.



By the time a client reaches age 55, stepped premiums may account for a large part of the contributions caps, leaving little to invest in the client's super account at the time when they most need to build up their retirement savings. By paying a higher premium initially through a level premium, the client is effectively 'pre-funding' the increasing cost of premiums later in life.

As the client on a level premium is paying less than they would otherwise pay on a stepped premium basis, this makes more funds available to the client to use for retirement funding purposes.

Information to remember

It can make good financial sense to package insurance within super as your clients may be able to benefit from the following:

Cost savings on premiums

Where premiums for life insurance are being funded through super contributions, the cost of insurance cover may be lower for:

- self-employed and unsupported people
- employees making salary sacrifice contributions

- those making eligible spouse contributions

Premiums for death, TPD and income protection insurance are tax deductible within a super fund.

Government co-contribution strategies for clients on lower incomes, the ability to use the co-contribution to assist with funding insurance through super may be a worthwhile strategy.

Increase in cashflow

The ability to fund insurance premiums from either compulsory super guarantee contributions or from the client's super account is attractive for many clients (freeing up funds for other purposes).

Tax benefits

Super benefits are tax-free if paid to a spouse or a dependant for tax purposes on death.

Salary sacrificing to super to fund insurance premiums reduces the client's taxable income and therefore provides additional tax benefits.

Source | AXA

Macquarie Life Adds Tele-Interviews

Macquarie Life has just launched its new tele-interviewing service, Macquarie LifeConnect, to make the application process for advisers and brokers easier. Macquarie LifeConnect has its own contact team, including qualified nurses, which will reduce the time required for data entry and administration tasks.



Advisers can expect to gain time through simpler and more efficient application processes, including enhanced online underwriting capabilities, more detailed and interactive questioning, and automatic integration of information into the Macquarie Life Online adviser portal.



Head of Macquarie Life, Justin Delaney, said, "Through the introduction of Macquarie Life-Connect, we are helping advisers streamline the insurance application service, by reducing the time spent on administration and client follow up, and increasing the amount of time advisers can spend doing what they do best, which is advising their clients."

"Tele-interviewing allows advisers to be kept up-to-date with the progress of their clients' applications online, integrating the information into the Macquarie Life Online adviser dashboard."

"The feedback we are receiving from advisers is that they are always looking for processes which enable them to work more efficiently and provide more transparent services to their clients. We believe that Macquarie LifeConnect successfully meets these needs."

"Advisers can choose between tele-interviews or an online personal statement, and each tele-interview can be tailored to each person's personal circumstances, making each call more efficient."

Source | Risk Minder