MCP INSURANCE

LIFE INSURANCE – REDUCE YOUR PREMIUMS

If you're an employee, paying for your life (and/or TPD) insurances monthly from your bank account, your healthy and you earn $80,000 per year or more, the following strategy may allow you to save on your current life and TPD insurance premiums.

If only one or more of these things apply, you can also save a substantial amount.

Step One: Pay for your Insurance annually. Paying for your insurances monthly means your premium is on average 6% higher than if you paid for it yearly. That's money in the insurance companies pocket instead of yours.

Step Two: Get rewarded for not being overweight. Does your insurance company reward you for being reasonably healthy? One insurance company, TAL, currently offer a 7.5% discount on your life and TPD insurance premiums if you're Body Mass Index (BMI) is in a healthy range of 19-28.

Step Three: Utilise Super. For the best saving of all, by paying for your life and TPD insurance premiums from your super and contributing extra pre-tax income (salary sacrifice) to cover the cost, you are effectively funding premiums pre-tax. If you earn $80,000 or above, that's a minimum 39% saving. The higher your tax rate, the greater the saving.

Here is an example (assuming $100,000 income, current monthly premium $166.67):

	Current Situation	How to save 47% on your premium	
Salary	$100,000	$100,000	
Yearly premium if paid monthly	$2,120		
Yearly premium if paid annually		$1,993	**Step One:** Pay yearly - 6% discount
Annual Premium	$2,120	$1,993	
Annual Premium with 7.5% healthy life discount	-	$1,843	**Step Two:** apply for healthy life discount - 7.5% discount
Salary sacrifice an extra amount (before tax super contribution)	$ -	$1,843	**Step Three:** Pay from your super and salary sacrifice extra to cover the cost - 39% discount
Assessable Income	$100,000	$98,157	
less tax	($25,347)	($24,628)	
Net Income	$74,653	$73,529	
Insurance Premium paid from net income	$2,120	$ -	
Net Income after insurance	$72,533	$73,529	
Extra annual disposable income **New effective annual net cost of insurance**		**$996** **$1,124***	**Final outcome** * 46.96% saving on original $2,120 annual premium

Some things you need to be aware of when holding your insurances through super:

- any contribution to super to cover the cost of the premium will be included as a concessional contribution – you will need to be careful you do not exceed your contribution cap;
- Death benefits payable to non-financial dependents will be taxed to the beneficiary; and
- TPD payments made from super may have tax deducted.

Conclusion

If you would like some assistance in determining what is right for you please get in touch, and we will help with a no cost, no obligation initial discussion.

DISCLAIMER: *This White Paper is of a general nature only and has been prepared without considering your financial needs, circumstances and objectives. While every effort has been made to ensure the accuracy of the information, it is not guaranteed. You should obtain professional advice before acting on the information contained in this publication.*

If you require further advice in relation to the above or business generally, please contact us.

More Information?

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