

# Prepare for Life



Issue 23 | October 2016

## IN THIS ISSUE

- Spring clean your age pension
- Finding the best cover
- Don't gamble with your life

# SPRING CLEAN YOUR AGE PENSION!

By Peter Kelly, Retirement Specialist,  
Centrepoint Alliance

If you are in receipt of an age pension from Centrelink, or a service pension from the Department of Veterans Affairs (DVA), every year in March and September your pension is adjusted to be in line with the highest of the following indicators: Consumer Price Index (CPI), the Average Weekly Total Earnings (AWTE) rates, and any pensioner and beneficiary living cost index increases.

At the same time both departments automatically update the value of the listed shares and units in managed funds held by pensioners to reflect the current market value. So – depending on the movement in the market your pension may increase, or decrease, as a result of these regular departmental reviews.

It's very important to make sure that the information being held by Centrelink and the DVA is always correct, and my suggestion is to never delay a review of this information.

Coincidentally; spring is here! And lucky for us it's the season famous for cleaning up your home, and now, your finances.



**“ Coincidentally; spring is here!  
And lucky for us it's the season  
famous for cleaning up your  
home, and now, your finances. ”**

Over the course of 12 months a lot can change. You may have sold, added, or altered your investments, or you may have even received some bonus shares!

All of these changes can have an effect on your entitlement – especially during March and September.

For example: if you have sold some of your shares for the purpose of going on a holiday and you have not notified Centrelink or the DVA, your pension may be deemed as 'incorrect' and you could in fact be receiving less than your correct amount.

Of course – the opposite can also happen. If you have received bonus shares and have not notified the appropriate department, you may have been overpaid.

Remember, both departments will raise an overpayment if you have been paid in excess of your entitlement, but they may not necessarily back pay any pension you could be owed as a result of an underpayment (if you fail to notify within the prescribed 14-day period).

If you are uncertain about what you should be doing, or what is the first step in this process, then please contact your financial planner so that we may assist you in updating all the necessary information to ensure you are receiving your correct pension entitlement.

Time to chuck on the plastic gloves and grab a broom! Your Age Pension depends on it.



# FINDING THE BEST COVER

By Katherine Ashby, Senior Product Technical Manager, BT Financial Group

---

**When purchasing life and disability insurance there are three different types of policies available for you to consider; group, retail, and direct. Each of these has both their advantages and disadvantages – which to the untrained eye – may not be immediately apparent.**

---

## Direct

A direct policy is one that you purchase from the insurer without the assistance of a financial adviser. These are the types of policies you often see advertised on television or receive in the mail.

Direct policies are generally more basic than retail policies. The amount of cover that can be purchased is lower and policy documentation is shorter. Often these policies can be attained with less onerous underwriting and no medical requirements. As there is very little underwriting involved, the insurer doesn't have the ability to assess and sort risk. This means premiums can often be higher than a policy distributed via a financial adviser.

Be wary of the fine print. Direct policies will often have more exclusions and limited terms and conditions. Terms and conditions look simpler, but this is achieved with tighter definitions and broader exclusions.

## Retail

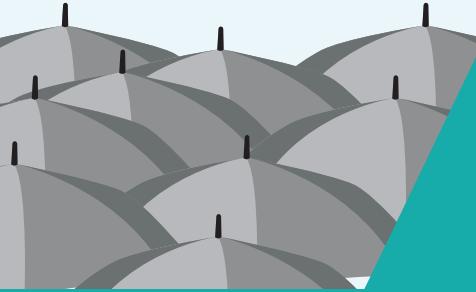
A retail policy is one which is distributed by a financial adviser and is otherwise known as an individual policy. Retail policies generally offer the most comprehensive cover available in the market along with the highest possible sums insured. Retail policies may be owned directly by the life insured (yourself), by another person, company, or trust. They can also be owned inside superannuation and include platform super funds, self-managed super funds (SMSFs), or through a separate super fund altogether.

Retail policies require a more extensive application process. This means it may take longer to put the policy in place and some medical tests may also be required.

The work required upfront when setting these types of policies up will benefit you as a policy holder in two ways. Firstly, you're paying premiums which reflect your personal risk, rather than that of an averaged-out risk of all policy holders. Secondly, once your cover is in force, you have greater certainty of claim. This is because retail policies will generally cover all sicknesses and injuries once your health history has been assessed and the insurer agrees to your cover.

If the insurer is not willing to cover you for certain conditions, they will issue an exclusion upfront.

The one point you need to keep in mind is making sure you disclose all relevant information to the insurer on your application. This is referred to as your duty of disclosure and is governed by the Insurance Contracts Act (ICA). The insurer can have the right to alter your policy, avoid any claim, and/or cancel your policy if you haven't told them about an issue that would have affected their decision when you applied for cover. So it is important to make sure you answer the application honestly!



**“ It is important to understand what you are paying for when it comes to protection. ”**

## Group

Group cover is, almost always, owned inside superannuation funds. Group insurance is owned by the trustee of the super fund and will usually provide default levels of automatic cover along with optional additional cover.

The default cover may exclude pre-existing conditions or may come with no exclusions. For additional cover, you will need to apply and be underwritten. Cover is generally set on a unit basis. This means each unit of insurance is worth a certain amount of cover and the cost stays the same over time. The downside is that for every year you get older, your insurance cover reduces.

As the cover is owned inside super, coverage is restricted to what can be offered under superannuation law. Any insurance owned inside super results in claim proceeds being paid into the super fund. The trustee of the fund then needs to decide if the claim can be released to you under one of a number of conditions of release.

Terms and conditions are set by the insurer in conjunction with the policy owner, the super trustee. The terms and conditions can change at any time. If you have cover under a group scheme, you will be notified of any changes. However, you don't have a say in whether or not you accept the changes, as they will automatically apply to you as a member of the scheme. This is one of the fundamental differences for group policies.

Another point worth noting is that the insurer of a group scheme can change. Super funds will generally tender for insurers every few years to try to get a better deal for their members.

In the past decade, group insurance has been quite volatile. Profitability has been up and down.

It is important to understand what you are paying for when it comes to protection. While a group policy was once a very cost-effective way to obtain cover, in many cases this price advantage you used to benefit from is no longer there.



# DON'T GAMBLE WITH YOUR LIFE

By Mark Teale, Retirement Specialist, Centrepoint Alliance

**Gambling in Australia is a multibillion-dollar industry. And while we are in the midst of spring racing season – it is more evident than ever.**

We spend over \$18 billion dollars per annum on all forms of gambling. This figure equates to \$1,500 per annum for every man, woman, and child in the country. State governments in Australia receive a windfall every year in the form of tax revenue of approximately \$5 billion, and the average annual revenue for every pokie (or electronic gaming machine) in Australia is \$59,700 – and in 2009 there were a staggering 198,300 machines across the country.

I am sure you will agree the figures are staggering, and what is even more frightening, the average Australian gambles more in a year than the average person in New Zealand, Canada, and the USA combined.

**“Let's imagine if the money that is being gambled away was saved instead for the purposes of retirement.”**

## So; why do Australians gamble so much?

It is certainly exciting and addictive. There is the ‘always-possible’ chance of winning money, and it also a social activity for many. For some it is a much-needed escape from the stress of work and family.

And I have to admit; my once-a-year wager on the Melbourne Cup is a lot of fun.

But for a growing number of people, between 80,000 to 160,000 Australian adults, it is a significant addiction, and continues to be a huge social problem.

The estimated social costs of this addiction is \$4.7 billion per annum and include consequences like suicide, depression, relationship breakdowns, poor work productivity, job loss, bankruptcy, and even criminal activity to maintain the addiction.

For me – the extent of someone’s addiction was clearly demonstrated when I was working at the Department of Social Security.

A widowed age pensioner who was quite well off and in receipt of a small age pension, slowly but surely depleted her hard earned savings by playing the pokies at her local club and losing in excess of \$200,000 over a five-year period. She originally went to the club seeking companionship after her husband passed away.



She certainly did not go there to develop a gambling addiction.

After all the research and reading I have done concerning the problem I now have concerns when I watch sport on television, and find myself confronted by advertisements which allow me to wager on nearly every aspect of the game. And I can do this without even getting out of my chair.

So my question is this: do we currently run the risk of making this problem worse? And with this in mind; increasing the spend required to alleviate this polarising social problem?

*Source: Data from Productivity Commission 2010 report on gambling.*

### YOUR PRIVACY

Your privacy is important to us. If you do not wish to receive information of this kind in the future, please contact your local office located adjacent.

### DISCLAIMER

The information contained in this document is of a general nature only and does not take into account your particular objectives, financial situation or needs. Accordingly the information should not be used, relied upon or treated as a substitute for specific financial advice. While all care has been taken in the preparation of this material, no warranty is given in respect of the information provided and accordingly neither Centrepoint Alliance Limited nor its employees or agents shall be liable on any ground whatsoever with respect to decisions or actions taken as a result of you acting upon such information.

Contact your local office for further information

ABN 68 126 525 737  
AFSL 316809

Suite 225, 20 Dale Street  
Brookvale NSW 2100

P: 02 9939 0702  
F: 02 9939 0706  
[info@mlfs.com.au](mailto:info@mlfs.com.au)  
[www.mlfs.com.au](http://www.mlfs.com.au)

  
**more4life®**  
FINANCIAL SERVICES