



Four types of insurance for the newly divorced

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Financial discussions during divorce tend to focus on dividing assets and cash, but managing your insurance is an area which can make a big difference for you and your family.

Over 40% of Australian marriages fail, with nearly half of these involving families with young children¹. While insurance protection may have been something that both parties had considered while married, it's no less important after the relationship has ended.

Insurance is about preparing for those unexpected situations which may make it difficult to care for yourself or manage your responsibilities, whether as the main caregiver or financial provider. These situations include temporary or permanent disablement, critical illness or death. Protection can be key when you are on your own, but when there are children involved, can also make a difference to their ongoing welfare and care. If you already have insurance, it can be important to reassess the level of cover you have to see if it is still adequate for your new circumstances.

There are four types of insurance cover you might consider taking out or reviewing, after a marriage or relationship breakdown.

1. Income protection insurance

Whether you are the main caregiver or financial

provider to your children, income protection can help you continue to provide stability and financial support in the event of temporary or permanent disability. In determining your level of cover, consider the financial contribution you make for your children, and/or the cost of someone to perform childcare and household duties.

2. Living insurance

Living insurance (also known as trauma insurance) can provide a lump sum payment for people suffering from one of a range of specified medical events such as cancer or a heart attack. This can be crucial to assisting with medical and accommodation expenses if you suffer from a serious illness or injury. In addition, a Trauma lump sum can help provide more flexibility with work choices, and the continued payment of family expenses.

3. Total and Permanent Disability (TPD) insurance

While people tend to be more aware of occupation-based TPD insurance which covers a situation where you would no longer be able to work, there are also options for homemakers. A payment from this type of policy can be used to hire a professional to perform normal household duties if the homemaker is unable to, as a result of permanent disability.

TPD insurance can be important in helping you manage your own needs, as well as supporting your children.

4. Term life insurance

Term life insurance pays a lump sum benefit if you pass away or suffer a terminal illness. If you have passed away, the benefit is paid to your nominated beneficiaries, if valid. It may be helpful to seek further advice on your beneficiary nomination. Where there are minor children involved, and you wish to ensure that there are ongoing financial provisions to cover their education, medical needs and care; you may need to allow for a testamentary trust in your will. The trustee of the trust will act in accordance with your wishes, as set out in the will, and can distribute money from the trust to benefit your children.

You could also use a Term Life payment to pay out a mortgage, so children are able to inherit and live in a

property debt-free.

Reviewing insurance cover

While the end of a relationship can be a stressful and difficult time for you and your family, reviewing and revising insurance cover so that it meets your new requirements can eliminate one area of concern for you – the ongoing needs of your children.

It can also be helpful to discuss financial protection with your former partner. This can provide comfort to both of you that your children will have continued security and financial support.

Speaking to a financial adviser can help you determine your new insurance needs and establish what policies may be suitable for you and your family.

Define your financial future. Allow for the unexpected. Request an appointment with a financial adviser.

1. Australian Institute of Family Studies – Marriage in Australia
(<https://aifs.gov.au/facts-and-figures/marriage-australia>), and
Divorce in Australia
(<https://aifs.gov.au/facts-and-figures/divorce-australia>).

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