



FUZION

INSURANCE

SECURING YOUR TOMORROW

UNDERINSURANCE



Research suggests only 33% of Australian women insure their life and income

Live your best life even if the unthinkable happens



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INTRODUCTION



Women make up over half of the Australian population and have a right for equality across all parts of life – from wages and career aspirations, to caregiving roles and even their superannuation balances. However, some sources say that true financial equality is more than a generation away from being fully realised. Change is being made and equality could be achievable in our lifetimes thanks to empowered females striving for a better tomorrow.

“When we liberate the economic potential of women, we elevate the economic performance of communities, nations and the world.”

- Hilary Clinton

There are many different women in the world, with varying financial needs depending on their families, community ties, work profile and relationship status. It’s also worth noting that financial status may change a number of times over the course of a woman’s life, so having a solid financial plan that supports these change scan be an essential tool in any woman’s toolkit. Financial change for the betterment of all women is occurring quite significantly at both work and at home. Women are challenging the traditional male-dominated workplace that has been the norm for many decades. Entrepreneurs, both male and female, are making strides in a country that’s driven by small businesses. Other women are contributing more to household expenses after taking control of their own financial futures.



Many more women are staying dedicated to taking care of their families on a full-time basis. In these instances, financial confidence can be a factor at the heart of this movement.

It's also exciting to see trends that show the younger generations of females – particularly millennials – believe financial fitness is just as important as physical fitness. The current issue, however, is that this financial agility isn't as widespread as it could be. There's still a 'gender superannuation gap' – when women reach retirement age, nearly 47% will have less super than men.

Another worry is the growing trend of underinsurance across all Australians. However, armed with the right knowledge and given strategies to thrive financially, women can take control of their financial future, close the super gap and protect themselves and their loved ones with the right level of insurance.

The state of underinsurance in Australia

Australia is a wealthy and prosperous nation, with recent data showing we are the richest people in the world according to median wealth, but there's a common problem that rarely makes the headlines: underinsurance. It's something we should all be concerned about, but most of us are too focused on other financial worries in our lives.

- ✓ The rising cost of living: 92.2%
- ✓ Not having enough money to cover unexpected emergencies: 74.8%
- ✓ The rising cost of commuting: 73.9%
- ✓ Increasing taxes: 66.2%
- ✓ The rising or prohibitive cost of getting into the property market: 56.3%

These issues only get worse when money is tight. According to a recent survey, 74.8% of respondents are "at least reasonably concerned with not having enough money for emergencies". It's not something we think about very often, but insurance is arguably one of the ways you can protect you and your loved one's way of life. It's time we addressed the issue of underinsurance and started having real conversations around how to get insured.



WHY IS INSURANCE AN IMPORTANT PART OF EVERY WOMAN'S FINANCIAL FITNESS?

When we think about 'insurance' generally, it's easy to consider items such as cars and houses. But as we've seen, many Australian's don't know exactly how much their loved ones would need in the event of their death or permanent disablement to make sure the family avoids financial strain. Many believe that just because they have a minimal level of life insurance will be enough, which has contributed to the underinsurance problem in Australia. More than half of Australians (58%) don't have enough life insurance cover for their loved ones to maintain their current standard of living. Shockingly, Rice



Warner data found there's a \$1.8 trillion underinsurance gap between what life insurance levels Australian families have and what life insurance levels they would need to maintain their current standard of living if affected by death or disability.

The problem with underinsurance

Most notably, research found the median level of insurance cover only met 61% of basic needs for life insurance, 16% of basic needs for income protection insurance and 13% of basic needs for total and permanent disability insurance. So, what's the solution? The first step is investigating the level of cover you actually need. This requires some research and keeping an eye on your policies, including reviewing your coverage level when there's a major change in your circumstances, such as purchasing a home, entering or ending a serious relationship, having a child and many more life events. Then it's about assessing your short and long-term financial needs and speaking to your provider to tweak your policy if required, so you are fully insured for any unexpected outcomes.

What is insurance?

Insurance is an arrangement by which an insurance company guarantees to provide compensation for specified loss, damage, illness or death in return for a regular payment that you make to your provider – called a 'premium'. Essentially, insurance is one way to protect yourself and your loved ones against unforeseen incidents that may impact your property, your income or even your life. How would you or your family be affected financially if you could no longer provide for or support those you love most? Life insurance can't stop the unexpected from happening, but it can reduce the financial impact on your loved ones.



HOW THE WORKFORCE CAN INFLUENCE UNDERINSURANCE

According to the Australian Bureau of Statistics, women made up almost half of the paid workforce in 2020 compared to 30% in 1966. With the participation and influence of Australian women in the workforce on the rise, it's important to reflect on how that may affect getting the right level of insurance for life or income.

Different health risks

With underinsurance a big issue for Australians (particularly women) in Australia, it's essential to check you have the right level of cover. According to research from the Financial Services Council (FSC) and KPMG Australia, statistically, women aged 45 and over are nearly twice as likely as men to become disabled from illness, and 94% more likely to make a disability claim due to sickness than their male counterparts.

Time out of the workforce

Another reason women may be unable to make a consistent financial contribution to their life insurance and superannuation is due to having and raising children. 85% of men, take less than four weeks' leave following the birth of their child, while most women choose to take a significant break from the workforce post-partum to be the primary caregiver. This can have a significant impact. Women are more engaged in the workforce than ever before (74% of women aged 25–64 are either working or looking for work compared to just 45% (four decades ago), yet there's a major underemployment gap for women with young children thanks to having to provide the major proportion of childcare.

Aside from 18 weeks paid parental leave from the government, there's a lack of continued support for parents, meaning they have to take unpaid leave or pay for childcare. Without money from their job, or with their money from work going directly to childcare costs, payments to insurance and superannuation can often fall by the wayside.



Additional cost factors to consider

When thinking about your insurance levels, there are a number of considerations to factor to ensure adequate coverage, notably for Australian women with families. You may want to check out a free life insurance calculator as well. Think about life insurance and income protection in terms of:

- ✓ The cost of childcare. Parents in Sydney, for example, are faced with some of the highest childcare costs in the country. The CBD and surrounding areas have average costs of \$150–\$200 a day.
- ✓ The cost of your child's education. This will depend on the type of school as well as the area you live in, with the average median cost over 13 years being different for public (\$68,727 in metro areas; \$57,994 in regional areas), Catholic (\$127,027 in metro areas; \$109,877 in regional areas) and independent schools (\$298,689 in metro areas; \$201,210 in regional areas).
- ✓ How much you would need to replace the income of a loved one who has to stop work (either permanently or temporarily) to take care of your children? With the average weekly wage of a full-time adult in Australia being \$1,659 gross, how much would that loss of funds impact their ability to pay for everyday expenses?
- ✓ How much would the loss of your income affect those you love most in terms of covering the essentials, e.g. mortgage repayments, credit card debt, education costs and more?
- ✓ Whether savings for your dependents would stagnate or diminish if you were to become permanently disabled or pass away.
- ✓ How much you should actually be covered for with life insurance. As mentioned, to help create an accurate figure, use a life insurance calculator. Life insurance calculator: <https://moneysmart.gov.au/how-life-insurance-works/life-insurance-claims-comparison-tool>



WHY ARE SO MANY WOMEN IN AUSTRALIA UNDERINSURED?

Australian women make a significant and growing contribution to the workforce, the community and the household, however they remain underinsured for life insurance compared to men. This mainly stems from a lack of understanding around the true value of life insurance in Australia, which explains the underinsurance gap that affects both men and women around the country. Women can also become underinsured if their personal circumstances change (as explored below), whether it's their health, career or household situation.

The statistics don't lie

The Real Concerns Index reveals that 33.5% of Australian people are worried about having a lack of insurance when unexpected emergencies arise. Women, who make up around half the population that was surveyed, and face additional challenges as outlined earlier, must have this as a concern.

According to results from a recent financial health index, more women are taking control of financial decisions at home. However, there is still a knowledge gap about life insurance. For instance, 89% of women are "at least jointly responsible for making major financial decisions for their households" and nearly half (48%) are key decision-makers. However, only 37% have any form of life insurance (compared to 46% of men) and women are less likely to have other coverage, such as Total and Permanent Disability or Income Protection policies.





Women's health needs are different from men's

On average, Australian females experience different health outcomes than Australian males. Compared with males, females have a higher life expectancy and are more likely than males to have multiple chronic conditions.

It's important that Australian women recognise that health issues can influence their requirements when considering life insurance. For instance, the latest report from the Australian Institute of Health and Welfare revealed a number of worrying figures about the state of women's health:

- ✓ **Only 2 in 5 Australian women are sufficiently physically active.**
- ✓ **1 in 3 Australian women exceed the single occasion risk for alcohol consumption.**
- ✓ **3 in 5 Australian women are overweight or obese.**
- ✓ **Nearly half (49%) of Australian women have at least one of the 10 selected chronic conditions.**

These statistics show that many Australian women may be at risk of developing serious health issues down the track. You can improve your overall health and wellbeing by understanding the issues you may be more susceptible to. The best way to start tackling these is to get going today – whether that involves a long-term exercise regimen, or simply getting outside for a long walk with your friends every couple of days.

The right level of insurance is important

Even if you have adequate insurance when taking out the policy, a number of influencing factors can cause that to become inadequate, without you even knowing it. For example, you may have taken out a home contents policy several years ago, but in the time since, new building codes have come into law to protect against the growing threat of bushfires – which can inflate building costs by 20% or more. If you haven't updated your policy for a number of years, your coverage may not be enough.

If you're unsure whether you have the right level of cover – whether it's life insurance, home and contents insurance or any other type of policy – then it's possible that you are already underinsured. To climb out of that underinsurance gap, get on top of your policy today and consider speaking to a financial advisor. Financial advisors can work with you to review your current living situation and your financial needs. Armed with this information, you will be in a better position to understand and apply for the insurance coverage you need if the unexpected were to happen.



WE ALL HAVE LIFE INSURANCE THROUGH SUPER, BUT IS THAT ENOUGH?

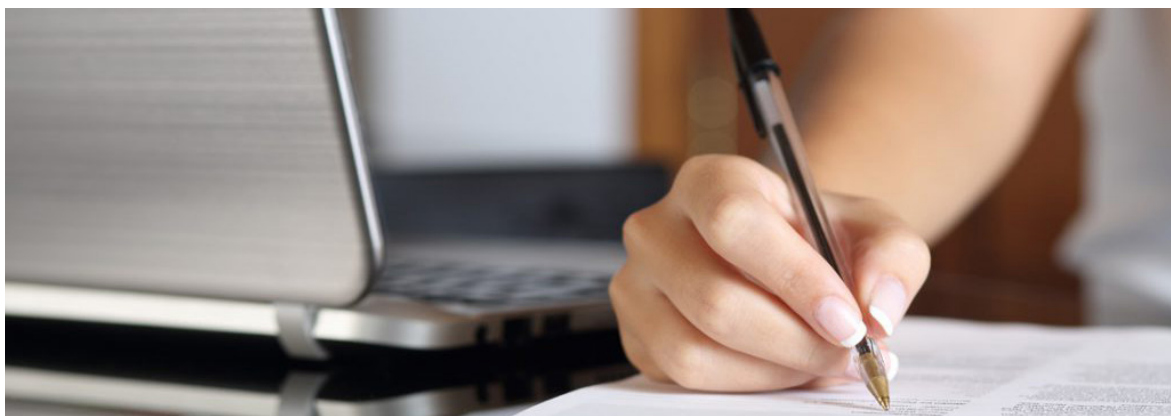
Did you know that most superannuation funds automatically provide a level of life insurance cover? That's great news, especially if you've never thought about getting life insurance before. However, consider checking that the life insurance policies through your super are sufficient for your needs. Depending on your superannuation fund, there may be several different insurance types bundled into your member policy. According to MoneySmart, these include:

- ✓ Life insurance (aka death cover): A benefit amount your chosen beneficiaries receive when you die, either as a lump sum or an income stream.
- ✓ Total and permanent disability (TPD): A benefit paid out when you become seriously disabled and are no longer able to work
- ✓ Income protection: An income stream for a set period of time when you can't work due to illness or temporary disability.

Even if you use a different superannuation fund to your employer's choice, are you aware of what's covered in the life insurance and income protection insurance?

Why your super's life insurance might not be enough

The bottom line is that the amount of a defaulted life insurance policy provided through your super may only provide a basic amount of protection. And for the vast majority of Australian women, that figure may not reflect the value you provide to your household. It's also important to note that women, typically, have much less in their superannuation balance than men. According to the Australian Human Rights Commission, the average super balance for women aged 60–64 was only slightly more than half of men's super balance: \$270,710 for men and \$157,050 for women.





Maybe you feel that the life insurance policy through your super is enough, or that because you have less super in your account that it doesn't matter if your life insurance cover is low. But this isn't necessarily true, and you could be caught out if you don't investigate your options.

You never know what might happen today, tomorrow or a year from now – but you can control whether you are financially protected against unexpected life events by ensuring you have the proper insurance coverage in place.

Review your superannuation provider's PDS. Then consider whether this policy offers enough financial protection for your circumstances. If not, it might be time to seek out an additional policy with a dedicated life insurance provide like Fuzion.



WHY IS LIFE INSURANCE IMPORTANT FOR YOUR FINANCIAL FITNESS?

For many women, caring for loved ones is one of the most important things in their lives. You want to protect those you love most in case anything were to happen that might affect their way of life or future finances. Yet life insurance isn't front-of-mind for many Australian women when considering their long-term financial plans. In fact, a Westpac Women Insurance Survey found that six in 10 women "find insurance complicated and do not have life insurance".

3 tips to help you overcome underinsurance

1. Due diligence: Research is key to familiarise yourself with the available products on the market. It can also be useful to read relevant insurance blogs or websites to clarify the common pitfalls of underinsurance and how to climb out of them.
2. Understand the real costs: You might think you know how much life insurance you need if the worst ever occurred, but did you know that according to Rice Warner, a typical middle-income family with two children needs \$680,000 of life insurance – yet the median level of cover in Australia is just \$258,000?
3. Find the right provider for your needs: Just because you've been with one particular insurance provider for a number of years doesn't mean they are still the best choice for your circumstances. No matter where you are in life – maybe you've left or re-entered the workforce, started a family, are preparing for retirement or just starting out your adult life – any major changes are a good time for you to review your policy.





Conclusion

There is an underinsurance gap facing women in Australia. Those women love most risk being financially affected if they were to pass away suddenly or become permanently disabled due to illness or injury. According to a recent survey 88.5% Australians are worried about the rising cost of living and how much we need to pay for daily expenses. Not only that, but 64.4% are consumed by the knowledge that living healthier is becoming too expensive. That can lead to concerns about not having enough to protect our loved ones financially if something happened to us. In order to protect those you love most against the unexpected, seek out the best insurance policies for your circumstances.

The ball is in your court.



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