



SPINIFEX
—PRIVATE WEALTH—

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**Our Risk Protection and
Insurance Philosophy**

Why we provide insurance solutions

- We believe that appropriate and high quality insurance provides the back bone to most of the financial plans we propose and implement. Even for our professional and higher-net-worth clients, they provide a valuable and necessary safety-net. To themselves and their families.

If the goals are to build retirement savings, paying down debt or accumulating wealth etc, in most cases this can't be done without a person's good health, their work and their ongoing income.

- We believe that our insurance recommendations allow clients to recover without financial stress which our clients value.
- We want to make sure that our clients are not forced to sell assets they don't want to due to financial hardship. It's also important that our clients families still achieve their lifestyle goals and are not forced onto government assistance.
- We believe it is our duty to highlight potential risks and provide a solution to mitigate those risks.

Who needs insurance as part of their financial plans?

- Anyone with debt
- Anyone with dependant children or partners
- Anyone that relies on their employment income to achieve their goals.
- Anyone who values their income.
- Business partners who want to ensure aa fair and orderly transfer of the business and/or its value upon their death or disability.
- Businesses who want to insure their key personnel
- Small business owners who want to ensure the continued viability of their business in the event of a disability.
- Anyone wanting to protect against the financial impact and costs of a serious illness, disability or death.

What insurance types do we offer?

Spinifex Private Wealth offers advice, implementation and claims assistance on personal and business insurances such as:

- Income Protection
- Business Expenses Cover
- Trauma Insurance
- Total and Permanent Disability Cover
- Life Insurance Cover (Death)

This is also the default order of priority in which we recommend them, particularly if not all can be afforded.

The reasons for this include that they are listed in order of likelihood of occurrence and the events covered under each policy. For example, Income Protection policies cover any and all health related conditions that keep you from working, not just major medical traumas and not just a permanent condition.

Income Protection / Business Overheads Philosophy

Income	Income Replacement	<p>Income Replacement Ratios (based on the clients total income including superannuation and add-backs)</p> <p>75% of the first \$320,000 50% of the next \$240,000 20% of remainder</p> <p>We see IP cover as the foundation of the insurance program around which other insurances are built. Therefore, we would also recommend the maximum cover available.</p> <p>Source – Client Budget</p>
Super	Superannuation Replacement	<p>Maximum available unless incorporated into above incomes already.</p>
Business Overheads	Replacement of fixed and ongoing business expenses	<p>We believe that sole trades, partners and owners of small businesses should have in place insurance that replaces most if not all business overheads that would continue in the event of their or a partners illness or disability. This ensures that one tragic event doesn't cause another by way of a business having to cease trading as it can't afford to pay its overheads in their absence.</p> <p>Some examples of these ongoing expenses typically include:</p> <ul style="list-style-type: none"> - Rent of premises - Leases (Cars, Equipment...) - Staff wages, Superannuation... - Insurances, Accounting/Bookkeeping - Other contractual obligations etc

Income /Business Expenses Protection Philosophy cont...

Funding

Income Protection policies will be owned and funded personally where possible, to:

- Maximise tax effectiveness by a personal tax deduction for premiums paid
- Maximise the benefits available to the client and
- To ensure speed in the claims process.

Where cash flow dictates that the client can not afford income protection outside the superannuation environment we will structure the policy so that a portion of the policy is owned within super and premium are paid out of the clients superannuation balance but with the additional benefits paid for and owned outside of super and owned by the client.

Stepped and Level Premiums

As a default, we will recommend their income protection premiums are level based on the long term financial exposure and long-term need for income replacement.

Waiting Period

Waiting period will depend on the individual client circumstances. For clients with substantial sick leave, holiday leave or savings in the bank, the waiting period will be set according to how long they can go without their employment income.

Benefit Period

Benefit periods will be set based on the retirement date for each client or the longest period available.

Income Protection Philosophy cont...

Contract types

The Premier/Plus version of policies is generally selected to provide the broadest and best possible coverage.

Additional Benefits

When recommending Income Protection we will generally also recommend the below optional benefits:

- Increasing claims benefit (to ensure benefits keep up with inflation, particularly in the event of a longer-term disability)
- Superannuation benefit (to ensure that retirement savings are continued to be accumulated)

MEDICAL TRAUMA Philosophy

<p>Recovery</p>	<p>Medical Expenses</p>	<p>We want to ensure that clients are not subject to additional stresses due to large costs of treating and recovering from their health trauma. Therefore we err on the side of more generous coverage. Our default is \$200,000 based on cost of cancer treatments given cancer makes up 63% of all trauma claims. As per NSW Cancer Council report (from 2007), average financial cost of cancer is \$114,000 while many are close to \$200,000. Rice Warner estimates actual medical cost of Cancer at \$125K medium care, \$180K medium-high care and \$380K high care.</p> <p>Sources – Rice Warner Actuaries December Risk Newsletter and NSW Cancer Council</p>
<p>Debt</p>	<p>Home Loan and other non-deductible debt</p>	<p>Our belief is that clients who have just suffered a major health event do not want to have to worry about repayments on their home loan while treating and recovering. Therefore, our default is to replace 100% of repayments for 2 years but driven by conversation with client and reference to their IP policy which is assumed to already be in place and replace a portion of their income.</p> <p>Source – Client Budget (Fact Find)</p>
	<p>Deductable</p>	<p>0-100%, depending upon:</p> <ul style="list-style-type: none"> - the nature of the deductible debt and its underlying asset - clients preferences in event of suffering a medical Trauma, - estimated taxable income of client/asset owner - and thus whether or not the client/asset owner would want the asset to generate net income for them or conversely if they would prefer/benefit from any tax deductions <p>Source – Client Assets / Liabilities (Fact Find)</p>
<p>Living Expenses</p>	<p>Income Replacement</p>	<p>Default is that IP policy is already in place and should be replacing a portion of income. If not, income would need to be replaced for at least 12 months, after which we assume that the client’s TPD cover should be paid out. In addition, medical expenses and debts have been allowed for as above. Additional income requirements will therefore need to be reviewed in light of possible eligibility for TPD after 6 months.</p>

Trauma Philosophy cont...

Spouses Income Loss

Special attention needs to be given to the spouse/partner of the trauma sufferer, whether or not they would like/need to take time away from their work/business to look after the trauma sufferer, their children or a combination. If so, that spouse's income may need to be replaced also for up to 2 years.

Funding of Trauma Insurance

Trauma insurance will generally always be funded by the insured individual.

Premium Structure - Stepped vs Level

We will generally recommend their trauma insurance premiums are level based on the long term financial exposure. Medical expenses makes up the large majority of the sum insured and cover is required long term.

Additional Benefits

When recommending Trauma cover we will generally also recommend the below optional benefits:

- Trauma plus (to ensure the widest range of trauma conditions are covered)
- Trauma reinstatement (to ensure that Life Insurance cover can be maintained)
- Premium waiver (to ensure that such Life Insurance cover can be maintained at no cost)
- Linked to Term Life and TPD if otherwise appropriate (to obtain multi-policy discounts)
- Child Trauma – maximum cover

TOTAL & PERMANENT DISABILITY (TPD) Philosophy:

Debt	Home Loan	100% - we believe the insured nor their family should not need to worry about debt on the family home nor other personal debt. Source – Client Assets / Liabilities (Fact Find)
	Other Non-Deductable	
	Tax-Deductable	0-100%, depending upon: <ul style="list-style-type: none"> - the nature of the deductible debt and its underlying asset - clients preferences in event of TPD, - estimated taxable income of client/asset owner - and thus whether or not the client/asset owner would want the asset to generate net income for them or, conversely if they would prefer/benefit from tax deductions Source – Client Assets / Liabilities (Fact Find)
Living Expenses	Expenses	We assume that IP cover is already in place for up 75% of income (until age 65/70). If additional income is required for living expenses (inc children’s education) above the IP benefit, then a lump sum is to be invested at 5% pa to fund this. Major expenses such as children's education may allow lower living expenses in the future when completed. Other living expenses to be to be covered for life expectancy. Source – Client Expenses Budget (Fact Find). These are then converted into a lump sum invested at 5% pa to generate the required ongoing income.
Disability Expenses	Home/Car Modifications / Moving Homes	The existing home may need to be modified to suit the disabled person. Ramps may need to be built, kitchen and bathrooms remodelled etc. Alternatively, client may prefer to sell their home and move to a more suitable accommodation, in which case moving/selling costs are incurred. Estimate of \$100,000. Source – our estimate. Client to review.
	Medical Expenses (Initial 12 months)	Firstly, we assume that the client would already/also have a trauma insurance policy in place to cover against medical costs of suffering a major medical trauma. However, the TPD may not qualify as a trauma event and as such, we believe that TPD insurance should include a similar amount for medical expenses of \$200,000.
	Ongoing medical expenses/care	We believe a prudent assumption should be made that being a total & permanent disability, ongoing professional care may be needed in the form of a care facility or care from a medical person/nurse. Unless a client believes otherwise, we assume a medial of care required of 4 days/week. A nurse is assumed to be paid approx. \$50K-\$80K pa. We assume \$60K pa or \$48K pa part-time.

TPD Philosophy cont...

Funding of TPD Insurance – TPD Definition

As a default, all TPD policies will be funded inside superannuation or using a 'split' TPD definition. As a clients superannuation is to provide for their retirement, we believe that insurance inside superannuation makes sense in case that retirement date is brought forward due to premature and permanent incapacity.

Insurance inside super also has the additional benefits of being a more tax effective strategy, enabling clients to receive discounts due to the tax deduction claimed by the fund and can ease the burden on clients cash flow.

When recommending insurance inside super we will discuss that clients increase their contributions so that their superannuation balance is not adversely affected.

When recommending TPD insurance inside superannuation we will also gross up the sum insured by 20% to allow for the potential tax liability.

Where available we always strongly recommend the use of a 'Own Occupation' definition for TPD. This will be held outside of the Superannuation environment. This should provide clients with a much better chance of being successful in a claim, should negate the need to negotiate with Superannuation trustees to release a TPD claim and may be received by the client free of taxes.

Asset Addbacks:

In deriving the amount of cover appropriate, we will automatically deduct Superannuation/Pension Fund balances from the previous needs analysis calculation, unless otherwise instructed by the client. Additional asset values may also be taken into account depending upon our discussion with the client.

TPD Philosophy cont...

Premium Structure - Stepped vs Level

As a default approach, we will recommend they split their insurance premiums between stepped and level based on their short and long term financial exposure. Medical and rehabilitation costs are often required long term and will be recommended on level premiums. Debt cover may be longer-term and thus either Stepped or Level premiums may be appropriate and subject to discussion with the client.

Education and income replacement costs will be recommended as stepped premiums as the need for this cover should decrease each year.

In all cases, we will however also consider premium projections to ensure that these provide clients with the optimal outcome over the appropriate insurance time frames.

Additional Benefits

When recommending TPD cover we will also recommend the below optional benefits:

- Life buyback (to ensure that Life Insurance cover can be maintained)
- Premium waiver (to ensure that such Life Insurance cover can be maintained at no cost)
- Linked to Life Cover (as this usually results in multi-policy discounts)

LIFE INSURANCE Philosophy:

Debt	Home Loan	100% - we believe the remaining family should not need to worry about debt on the family home nor other personal debt. Source – Client Assets / Liabilities (Fact Find)
	Other Non-Deductable	
	Tax-Deductable	0-100%, depending upon: <ul style="list-style-type: none"> - the nature of the deductible debt and its underlying asset - clients estate preferences - estimated taxable income of beneficiaries - and thus whether or not the beneficiaries would want the asset to generate net income for them or, - conversely if they would prefer/benefit from tax deductions Source – Client Assets and Liabilities (Fact Find)
Living Expenses	Expenses	<p>1) Children's Education – as per client budget and educational preferences, to end of schooling or tertiary education.</p> <p>2) Other Living Expenses - to age specified by client. Our preference is until spouse's life expectancy to provide greatest certainty. Excludes debt repayments.</p> <p>Source – Client Expenses/Budget (Fact Find)</p> <p>These are then converted into a lump sum invested at 5% pa to generate the required ongoing income.</p>
Final Expenses	Funeral & Legal	~\$30,000+ Sources: www.moneysmart.gov.au NSW Law Society, NSW Trustee and Guardian,

LIFE INSURANCE Philosophy cont...

Funding of Life Insurance

As a default and unless there is good reason otherwise, all life insurance policies will be funded inside superannuation. As a client's superannuation is to provide for their retirement, we believe that insurance inside superannuation makes sense as their retirement date is brought forward due to premature death, illness or injury.

Insurance inside super also has the additional benefits of being generally a more tax effective strategy, enabling clients to receive discounts due to the tax deduction claimed by the fund and eases the burden on clients cash flow.

When recommending insurance inside super we will generally always recommend that clients increase their concessional contributions so that their superannuation balance is not adversely affected.

Premium Structure - Stepped vs Level

As a default approach, we will recommend they split their insurance premiums between stepped and level based on their short and long term financial exposure. Funeral expenses and legal costs are required long term and will be recommended on level premiums. Debt cover may be longer-term and thus either Stepped or Level premiums may be appropriate and subject to discussion with the client.

Education and income replacement costs will be recommended as stepped or level premiums depending upon the time frames involved.

In all cases, we will however also consider premium projections to ensure that these provide clients with the optimal outcome over the appropriate insurance time frames.

NEEDLESTICK INJURY – Medical Professionals:

The Risk:

What would happen if you as a medical professional, would contract HIV, Hep B or C?

How would your professional association react? What about your practice partners or your patients? Would you be able to continue to practice as a Doctor or Dentist for example? What would that mean to the value of your practice? What would it mean to your ability to work and earn your Income?

The Solution:

In order to mitigate the financial risk around this scenario, we would typically recommend for medical professionals to take out insurance for Needlestick Injury.

This pays either an ongoing income stream or a tax-free lump sum of up to \$1m. This in turn should allow you to supplement your income, repay debt, extract equity from your practice etc.

SELECTING INSURERS and POLICIES:

Knowing what types and levels of cover you need or want is the first step.

The next is finding the right insurer and policies to be the solution. We do this by referring to our panel of preferred insurers and their selection of policies. Insurance companies get to be on our panel by fulfilling a strict list of criteria. These include:

- Organisational Strength and capital security.
- Commitment and dedicated to the insurance market in Australia, including to its customers and advisers.
- Quality of policies offered. Core features, supplementary features, options, flexibility...all as independently rated.
- Regular and automatic updating of policies to ensure they remain market-leading.
- Competitive premiums and stability of premiums over time.
- Support of advisers so that we can look after you.
- Claims paying. Claims are paid with a minimum of time and stress to the client, a minimum of fuss and clients are put before anything else.

Using a combination of in-house and independent external research, these are reviewed regularly and should a company no longer meet our high levels of quality then we may remove them as a recommended provider and potentially substitute them with others.

Insurance Reviews:

Frequency

- Clients that have insurance as part of their comprehensive plan may have their insurance reviewed each year as part of the annual review process. Insurance reviews will typically consist of the following:
 - A yearly review of the insurance needs
 - A 3-yearly review of the solutions utilised.
 - Earlier or interim reviews if deemed appropriate due to legislative changes or significant changes either in the client's circumstances and / or in the insurers / policies previously utilised.

Method

- Reviews will typically be conducted via a face to face meetings or if not practical then potentially by phone/email.

Claims:

Needless to say, there is no point in taking out insurance cover that doesn't pay when needed. Nor where the insurer makes it unnecessarily difficult and stressful to have a claim paid. We therefore take an insurer's claim handling process and record very seriously.

We hope you will never need to claim on a policy we arrange for you, but if you do, we will be there with you.

Our claim process is very hands on. It should reinforce the personal service we deliver. We want to be our clients first point of contact after diagnosis or injury. This way we can:

- be proactive and quickly get the process underway to ensure payment to our client's ASAP and with a minimum of stress on their part or the part of their family.
- provide a summary of potential core and ancillary benefits under policies
- if needed, we will visit you or your family and help in completing the claim forms and let your treating doctor know what to complete.
- we will then liaise with the insurer(s) throughout the claims process.

In the event a claim is not paid we will be the contact and communicate with the insurance company to get the reason behind the decision.

Cost of Advice and Service:

At Spinifex Private Wealth, we are and have been for many years advocates of a simple and transparent fee structure. That is, we charge professional fees for the advice and/or services we provide, either on a time basis or as a fixed-cost project. We do not generally accept any commissions.

Generally, as there is one exception to this, being in the field of insurances, where we can and generally do still accept to be paid an amount of commission from the selected insurer(s). An exception, which we would suggest is a positive one, as:

- it allows us to be paid for the extensive work that is typically involved and the value we will add for you,
- but often at no additional cost to you!

Very importantly however, please note:

- Generally, commission rates are very similar between insurers, and in any case,
- We would never let the fee structure influence our advice or get in the way of our duty of care to you.

It is simply a convenient method for us to be remunerated for our work but at no or minimal cost to you.

Contingency Fee Structure:

Please also note, that if we engage with you for insurance advice and services on this basis, it will also be on the basis of a 'contingency fee'. That means, that if we go ahead, spend time and undertake work for you on this and then insurances are not implemented, we will need to charge a minimum of \$2,200 incl GST to recover some of our costs. We think that is a very fair and reasonable gesture of good faith.

IMPORTANT WARNING:

This document has been prepared by Spinifex Private Wealth AFSL 240687,

It has been prepared merely as an educational and informational tool to describe a part of our business.

The information in this document contains only general information and does not take into account your personal objectives, financial situation or needs.

Therefore, it should never be construed as financial advice and never be relied upon to make personal financial decisions.

We recommend that you consult us for further information, in regards to how this may or may not apply to your own needs, goals and objectives and what if any actions you should take in regards to your financial affairs.

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