Life & TPD Insurance inside/outside super comparison table

	Life Insurance (non-business purposes)		TPD (non-business purposes)	
	Inside superannuation	**Outside of superannuation**	**Inside superannuation**	**Outside of superannuation**
Are the premiums tax deductible?	Premiums tax deductible to fund trustee Contributions made into the fund may be deductible to a contributing employer (eg salary sacrifice/SG) or to a contributing member (ie sole traders/partners or individuals that satisfy the '10% test'[1])	No	Premiums tax deductible to fund trustee Contributions made into the fund may be deductible to a contributing employer (eg salary sacrifice/SG) or to a contributing member (ie sole traders/partners or individuals that satisfy the '10% test'[1])	No
Are there restrictions on who can be nominated beneficiary?	Only SIS dependants[2] or the deceased's legal personal representative permitted	No restrictions	The proceeds will typically be paid, via the super fund, to the life insured/fund member	No restrictions[3]
Where are the claim proceeds paid?	Into the member's superannuation account and then on to SIS dependant(s)[2] as per valid binding nomination or if none, as per trustee discretion	To the policy owner or nominated beneficiary	Into the member's superannuation account	To the policy owner
Form of payment	SIS dependants can receive the payment as either a lump sum, or as a pension[4]	Lump sum	The fund member can elect for either a lump sum or pension[5]	Lump sum
How is the lump sum payment taxed?	If paid to a tax dependant[6], the entire lump sum is tax free If paid to a non-tax dependant (eg adult independent child): • Tax free component: tax free • Taxable component – element taxed: 15%[7] • Taxable component – element untaxed: 30%[7]	Proceeds generally tax free[8]	If the payment qualifies as a disability super benefit[9], the tax free component will be increased in recognition of the member's future service. The remainder of the lump sum payment will be classified as 'taxable component' and taxed depending on the age of the member[10]	Proceeds generally tax free[3]
How are the pension payments taxed?	Tax free, if either the beneficiary or the deceased (at time of death) are age 60 or over. Otherwise, the taxable component of the pension payment is assessable at the recipient's marginal tax rate less a 15% tax offset	N/A	Tax free, if age 60 or over. If under 60, the taxable component of the pension payment is assessable at the fund member's marginal tax rate (less a 15% tax offset if classified as a disability super benefit[9])	N/A

(Endnotes)

1 You cannot claim a deduction for personal superannuation contributions if you received 10% or more of your income (including salary sacrifice super contributions and reportable fringe benefits) from activities that resulted in you being treated as an employee under the superannuation guarantee law

2 A SIS dependant includes a spouse (including de facto and same sex), child of **any** age, financial dependant or interdependent person

3 Capital gains tax may apply if proceeds paid other than to the life insured or a relative of the life insured

4 Death benefit pension can only be paid to a surviving spouse, a child under 18, a child between 18 and 25 that is financially dependent, or a disabled child. Any other individual that is financially dependent or interdependent on the deceased at time of death may also qualify for a death benefit pension. Note risk-only superannuation products cannot pay death benefit pensions and by default can only pay a lump sum benefit to eligible beneficiaries.

5 Note a risk-only superannuation product would not be able to pay a disability super pension. The member would need to request a rollover of the proceeds into another super fund that can facilitate a disability super pension

6 A tax dependant includes a spouse (including de facto, former, or same-sex), child under age 18, financial dependant or interdependent person

7 Add Medicare levy unless death benefit is paid through the deceased's estate

8 No tax applies if either of the following is satisfied: (1) the deceased was the original owner of the policy or (2) the deceased acquired the interest in the policy for nil consideration

9 A disability super benefit is a benefit paid to an individual because he or she suffers from ill-health (whether physical or mental) **and** two legally qualified medical practitioners have certified that, because of the ill-health, it is unlikely that the individual can ever be gainfully employed in a capacity for which he or she is reasonably qualified because of education, experience or training

10 The taxable component of a superannuation lump sum benefit is taxed at a maximum of 20% (plus Medicare) if paid to a member under preservation age. If member is between preservation age and 59, the first $195,000 (2015/16) is tax free with the remainder taxable at a maximum of 15% (plus Medicare). The lump sum is tax free if paid to a member age 60 and over