

SMSF INSURANCE STRATEGY



Trustees have a legal obligation to consider holding insurance to provide cover for their members should serious illness or injury occur. Since 7 August 2012, trustees of self-managed super funds (SMSFs) must also consider and document the insurance needs of their members as a part of their investment strategy¹. This review should be done annually in case there are any changes to the circumstances of the fund and its members. The review should be documented and recorded in the annual trustee meeting minutes.

SMSF insurance strategy considerations

Australian Securities and Investment Commission's (ASIC) criteria for an appropriate insurance strategy, requires trustees to consider the following²:

- Existing insurance arrangements both inside and outside of the SMSF
- Age and health of the individual member
- Income, assets and liabilities of the individual member
- The impact of death or disability on members or beneficiaries' standard of living
- Nomination of beneficiaries
- Taxation of benefits
- Conditions of release
- Affordability of cover taking into account retirement goals
- Cost and tax deductibility of premiums

SMSF insurance strategy check

This quick and easy insurance check can assist with determining if insurance cover (inside or outside the SMSF) is appropriate and adequate.

Does the SMSF have an existing insurance strategy? Yes No

	Member 1	Member 2	Member 3	Member 4
Age				
Total annual income				
Total assets				
Total debts				
Number of dependents, including spouse or de-facto? ³				
Is the member the sole income earner for their dependents?				

¹ Section 4.09 (2(e)) Superannuation Industry (Supervision) Regulations 1994.

² ASIC Consultation Paper 216: Advice on self-managed superannuation: Specific disclosure requirements and SMSF costs, September 2013.

³ Spouses and de-facto relationships are both deemed 'spouse' in the SIS Act and are therefore classed as a dependent. Putting insurance outside super so it can bypass super and the estate is a consideration.

	Member 1			Member 2			Member 3			Member 4		
	Inside SMSF	Inside Super	Outside Super	Inside SMSF	Inside Super	Outside Super	Inside SMSF	Inside Super	Outside Super	Inside SMSF	Inside Super	Outside Super
Life Cover	Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
TPD Cover	Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
Trauma Cover	Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
Income Protection	Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
Accident Cover	Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			Amount: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		

SMSF insurance strategy matters

If the trustee answers yes to any of these SMSF insurance strategy matters, we suggest they meet with a risk specialist to review the SMSF’s insurance strategy. If you don’t have a risk specialist, we can assist with referrals.

Are any SMSF members the primary income earner for their dependents? Yes No

Do any of the members have non-tax dependent beneficiaries? Yes No
 If the beneficiary is a non-tax dependent they would pay significantly more tax in some circumstances.

Could the current standard of living of the SMSF member and/or their families be jeopardised if the member died or couldn’t work due to temporary or permanent disability? Yes No

Does the SMSF own any properties directly, eg: business premises? Yes No

Does the SMSF have any ‘limited recourse borrowing arrangements’? Yes No
 This is where the SMSF has borrowed money to invest (usually in property) and the only asset that the lending institution can use as collateral is the property that the loan has been taken out on.

Should a member die or become permanently disabled, will paying the member their entitlements jeopardise the SMSF’s assets? Yes No

Is the annual premium likely to be greater than the annual super contributions? Yes No

Do any of the SMSF members have any health issues that may affect the member’s ability to get insurance coverage? Yes No

For more information call AIA Australia on 13 1056 between 8 am and 6 pm (AEST/AEDT), Monday to Friday or visit aia.com.au

Important information

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