



Good oil: Scott Pape's five-year-old son casts an eye over a copy of his dad's new book at the printers.

Ensure you don't get a dodgy policy

THE royal commission into the financial services industry has moved from banks to insurance and has highlighted cold-calling and selling dud policies.

Noel Whittaker



insurance payments being trapped inside super until retirement.

Therefore, if you need occupation-specific TPD insurance you must set it up outside of superannuation.

This is not a new practice. I have been warning people for years that it's a basic financial principle to hang up the moment anybody rings you to try to sell you a financial product.

But insurance is a major tool in your financial welfare, so let's examine three common policy types.

Income protection

This insurance is to keep you going if you are unable to earn a living due to ill health or accident. For this reason, the premiums are tax-deductible if the policy is held outside super. The proceeds of any claim are taxable. There are two basic types of policy: one that replaces part of the income you are earning at the time you make the claim, the other that pays you an agreed sum in line with the policy wording. Most policies will pay no more than 75 per cent of your earnings, as an incentive to return to work.

There are often misunderstandings when a person is out of work, and then becomes ill, and tries to claim on the policy. They may receive nothing unless the contract included an agreed-sum clause. There is a

further complication if the policy is held within super, as policies are only allowed to pay out where the member has ceased, or temporarily ceased, employment due to injury or illness.

Total and permanent disability

The words "total and permanent" mean exactly what they say, and the fact that you are let go from one position because something happens in your life that makes you unable to work in that job does not normally entitle you to claim, unless your policy includes an "own occupation" clause.

An outdoor worker may have a serious injury, which precludes outdoor work in the future, but that may not stop them getting a job in a clerical role. Unless their policy included an own occupation clause the claim would be denied. Here is the killer: many people tick the TPD box when arranging insurance through superannuation, and think they are covered. But in 2014, legislation was passed making it illegal for TPD insurance taken out within superannuation to have an own occupation clause. The purpose of this was to prevent

Trauma

This insurance pays you a contracted sum on diagnosis of a serious illness. The policy cannot be held within super. It can be taken out on its own, but is often included with a life insurance policy. This is where confusion can arise. Suppose you took out a \$200,000 life insurance policy that included \$100,000 of trauma cover. If you subsequently got a serious illness and successfully claimed the \$100,000 trauma cover, the remaining life insurance left to be claimed would be just \$100,000. Again, take advice: a reinstatement option could be included, which would allow you to buy back the lost death cover.

The key take-home message here is to take advice before buying insurance. It's a complex topic, and there are many options available — it is definitely not a one-size-fits-all financial product.

Noel Whittaker is the author of *Making Money Made Simple* and other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions.

\$5000), and ME Bank pays a variable 2.85 per cent (no term, no minimum) if you move over to their Everyday Transaction Account.

Lower returns?

Sure, but each of these is backed by the Australian Government deposit guarantee for amounts under \$250,000.

For me, that's as risk-free as it comes.

Peer-to-peer lending is not.

If I were taking a risk, I'd rather do it by investing in good-quality shares that pay fully franked dividends.

The Barefoot Investor for Families: The Only Kids' Money Guide You'll Ever Need HarperCollins RRP \$29.95



photocopying it and mailing it in parts. The favour I am asking is this: could you donate a book to the jail so he can read it in one sitting rather than in dribs and drabs?

Barefoot responds: I've spent a lot of time in jails (teaching, that is).

Everyone deserves a second chance... and many people inside are parents.

So I've sent 20 copies of my first book, and 20 copies of my new book, to the jail library.

Good on you for helping your ex to help himself.

Jailhouse rock

Tammy asks: I am writing as I need a favour, please. My ex-partner (my kids' father) is currently doing time at Bathurst Correctional Complex in NSW.

Unfortunately, they won't let me send him a copy of your book, so I have been

ASK THE EXPERT

Send your questions to Noel Whittaker noelwhit@gmail.com or tweet @NoelWhittaker

Q I am 69 and get a Commonwealth Super pension. I also have about \$200,000 in another super account in the accumulation mode. My only property is a studio I've had for 20 years, but have only lived in for about two and wish to sell. Is it possible to contribute the proceeds of the sale into my super account?

A You have owned the property for more than 10 years and are eligible for at least a part capital gains tax exemption, so I know of no reason why you should not be eligible for the downsizing scheme. Proceeds must be placed in super within 90 days of settlement.

Giving back can make good business sense

THE thought of giving back to the community in some way appeals to many and often translates to donating cash to a charity or community organisation.

While this provides charities with precious funds to provide valuable services to the community, it just so happens there are other ways to give back through the workplace — via corporate volunteering programs. These are emerging in businesses of all shapes and sizes as they strive to have a positive impact on communities, portray their organisation as responsible and enhance employee satisfaction levels.

WORKPLACE MATTERS

Gary Martin



Organisations involved in corporate volunteering actively encourage employees to support a given charity or community group.

That can include encouraging employees to undertake volunteer work for a charity outside regular working hours, providing paid time-release for employees to volunteer within normal working hours, or even allowing employees to use an

organisation's resources to support a charity or group.

Corporate volunteering programs can range from a single employee offering support to an organisation of their choice, through to a more formal program, which may represent a significant partnership between a business and the charity or community group.

And there is a raft of benefits for organisations and employees who participate in corporate volunteering.

Organisations engaging in the programs often report enhanced employee satisfaction, engagement levels and retention, along with a more

positive corporate image in the business and broader community.

Equally, there are considerable benefits for employees. Many who participate cite the opportunity for increased knowledge and skills as key to their involvement. At the same time as being able to assist an organisation that does great work for the community, they are exposed to a new context. The learning that takes place in that context can be enormous.

Engaging in corporate volunteering programs outside of an individual's usual work environment allows volunteers to develop their leadership and

management capability and improve their communication skills. Participants of programs report a sense of personal achievement and increased personal and professional growth through their involvement.

Are you interested in encouraging your employer to participate in corporate volunteering?

If so you should encourage your management team to undertake due diligence on appropriate charitable or community organisations to maximise the success of a program — and perhaps put them in contact with Volunteering WA.

Several factors need to be considered, including alignment of the business' policy and procedures with that of the volunteer organisation. And then there are insurance issues, along with occupational health and safety matters.

Careful due diligence in selecting a partner volunteer organisation will ensure volunteering offers a raft of benefits for a business and its employees, as well as significant advantages for the partner volunteer organisation.

Professor Gary Martin is chief executive at the Australian Institute of Management WA