

How inflation impacts your life insurance – and how you can manage it

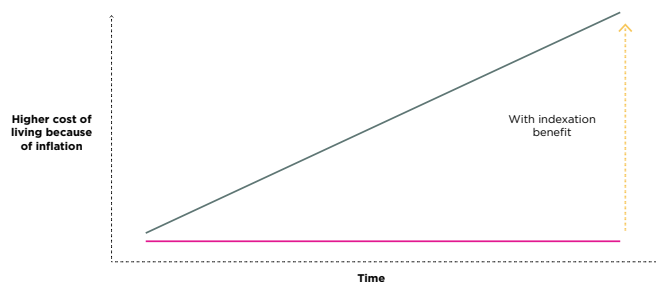
Inflation may mean you might not have enough cover in the future

Inflation occurs when the cost of goods and services keep going up. It reduces the value of money over time and means things will cost more in the future. Inflation has recently been at its highest level since the 1980's.

As life insurance is often held for a long time, the amount of protection that you are insured for under your policy at a particular point in time may not be enough in the future.

Your insurance may increase with inflation

Your insurance protection may include an 'indexation benefit'. This means that each year, your insurer increases the amount of protection to keep up with the higher cost of living. It also means that the cost of your insurance goes up.



You can make your cover cheaper if you need to

When the cost of living goes up, you might find it hard to afford the higher insurance costs. If you need to make your protection cheaper, there are some changes you can consider so that you remain protected, such as:

- reducing the amount of cover you hold,
- removing optional extra benefits,
- if you have Income Protection, reducing the benefit period (*how long your insurer pays you*) and/or increasing the waiting period (*how long you have to wait before your insurer pays you*), and
- Suspending your cover for a set period - but you will not be able to claim during this time.

Your financial adviser can help you identify which changes are appropriate for you.

The risk of not having any insurance protection

Australians insure their cars and houses without a second thought, even when times are tougher. While these are valuable possessions, they are not more valuable than you or your family. So, if you are questioning how much you pay for your life insurance, think about how having some protection is better than having none at all.