

When did you last review your life insurance?

A Step by Step Guide

5 simple steps to make sure your cover still works for you

Most Australians set and forget their life insurance. They take out a policy when they buy a home or start a family, pay the premiums faithfully, and never look at it again. The problem is that life changes constantly, and life insurance that was right for you five years ago may leave you significantly underinsured today or paying for cover you no longer need.

Reviewing your life insurance does not have to be complicated. Here is a simple step by step guide to doing it properly.

1 Gather What You Have

Before you can review anything, you need to know what you already hold. Pull together your current insurance schedules, which show the type of cover, the sum insured, the premium, and the policy owner. Check both policies held outside of super and any default cover sitting inside your superannuation fund. Many Australians have insurance in both places and do not realise it. If you cannot find your schedules, contact your insurer or super fund directly and ask for a current summary of your cover.

2 Check What Has Changed in Your Life

Insurance needs are driven by your personal circumstances. Ask yourself what has changed since you last reviewed your cover:

- Have you taken on a new or larger mortgage?
- Have you had children, or do you have more dependants than before?
- Has your income increased significantly?
- Have you started or sold a business?
- Have you married, separated or divorced?
- Have you paid down significant debt?
- Are your children now grown up and financially independent?

Any one of these changes can materially alter how much cover you need and what type is appropriate. A new mortgage increases your need for life cover and income protection. Children growing up and leaving home may reduce it.

***Cover that was right yesterday can become inadequate overnight.
The trigger is almost always a life event.***

3 Review Each Type of Cover Separately

Once you understand what you have, work out whether the amounts are still adequate. A rough framework to work from:

- Life cover should be enough to clear all debts plus provide for your dependants
- Income protection should reflect your current income, not what you earned when you took the policy out
- TPD should be sized to fund long-term care needs plus mortgage clearance
- Trauma cover is typically set at a level that covers out-of-pocket medical costs, lost income during recovery, and mortgage repayments for a period

If your income has grown substantially and your policy was taken out years ago on a lower salary, your income protection may now be covering a fraction of what you actually earn.

4 Check Where Your Cover Is Held

Cover held inside superannuation is funded from your super balance, which reduces your retirement savings over time. It also comes with important limitations. TPD inside super is typically restricted to the any occupation definition. Trauma cover cannot be held inside super at all. Death benefits paid through super may also be subject to tax depending on who receives them.

Cover held outside super is generally more flexible, offers broader definitions, and is paid directly to your nominated beneficiaries. Premiums for income protection held outside super are also tax deductible, which significantly reduces the real cost of the cover. Understanding where your policies sit and how they interact is an important part of any review.

5 Make Any Changes and Document Them

If your review identifies gaps, act on them. Do not wait for the next life event to trigger another review. Update your sum insured where it has fallen behind, and make sure your beneficiary nominations are current. An outdated beneficiary nomination can mean your insurance payout does not go where you intended.

Put a note in your calendar to review again in twelve months, or sooner if your circumstances change significantly.

Your Annual Insurance Review Checklist

- ✓ Locate all current policy schedules ie, both inside and outside of super
- ✓ Identify any significant life changes in the past 12 months
- ✓ Check each sum insured reflects your current income and debts
- ✓ Confirm your beneficiary nominations are current
- ✓ Review whether cover is held in the right structure
- ✓ Diarise your next review in 12 months

How Often Should You Review?

As a general rule, review your life insurance at least once a year and always when a significant life event occurs eg, a new mortgage, the birth of a child, a change in income, a new business, a marriage or separation. These are the moments when cover that was right yesterday can become inadequate overnight.

The Bottom Line

A life insurance review is not complicated. It takes an hour, a clear head, and honest answers to a few straightforward questions. The cost of doing nothing can be measured in the gap between what your family receives and what they actually need. If you are not sure where to start or what you have, a brief conversation can give you a complete picture in a short amount of time with no obligation and no jargon.

At Harbour Life Insurance, the approach is simple: education first, no jargon, and genuine support to help you make confident decisions when reviewing your cover.

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