

Your Mortgage is Your Biggest Liability. Are You Protecting It?

Buying a home is one of the most exciting milestones in life. It is also the moment most Australians take on the biggest financial liability they will ever have. Yet despite signing up to decades of mortgage repayments, many new homeowners give little thought to what happens to that debt if something goes wrong.

The day you take out a mortgage is the day your life insurance needs change overnight.

How Taking on Debt Changes Your Insurance Needs Overnight

Before you owned a home, the financial consequences of becoming seriously ill, injured or dying, while devastating, were largely limited to your income and savings. Once you have a mortgage, the stakes are much higher.

Your lender does not care what has happened to you. The repayments still need to be made. If you cannot make them, your family risks losing the home you worked so hard to buy.

This is why the moment you sign a mortgage is the moment you need to sit down and seriously review your life insurance cover. Not next year. Not when things settle down. Now.

Life Cover and the Mortgage. What is the Right Amount?

A common rule of thumb is to hold life cover equal to your outstanding mortgage balance plus several years of living expenses for your dependants. But the right amount is personal and depends on a number of factors:

- The size of your mortgage and how much is still outstanding
- Whether your partner works and could sustain repayments alone
- How many dependants you have and their ages
- Other debts and financial commitments
- Your existing assets and savings

The goal of life cover in this context is straightforward: if you die, your family should not lose their home. The payout from a life insurance policy should be enough to clear the mortgage and give your family time and financial breathing room to adjust to life without your income.

Income Protection. What Happens to Your Repayments if You Cannot Work?

Life cover addresses what happens if you die. But what about if you cannot work due to illness or injury, which is actually far more likely to happen during your working life?

Income protection insurance replaces up to 70 per cent of your income if you are unable to work. Your mortgage repayments do not pause because you are in hospital or recovering from surgery. Income protection ensures the bills keep getting paid while you focus on your recovery.

Total and Permanent Disablement. What if You Can Never Work Again?

Income protection covers a temporary inability to work. But what if the injury or illness is permanent? Total and permanent disablement cover, commonly known as TPD, pays a lump sum if you become permanently unable to work in your own occupation or any occupation, depending on the policy definition.

For a homeowner, a TPD payout can be the difference between keeping your home and losing it. The lump sum can be used to clear the mortgage entirely, fund ongoing care costs, make modifications to your home if required, and provide a financial buffer for your family going forward. Without it, a permanent disability can turn a manageable situation into a financial crisis very quickly.

Trauma Cover. Protection When a Diagnosis Changes Everything

A serious medical diagnosis does not always stop you from working immediately, but the financial impact can be immediate and significant. Trauma insurance, also called critical illness cover, pays a lump sum on diagnosis of specific conditions including heart attack, stroke, cancer and a range of other serious illnesses.

Unlike income protection, a trauma payout does not depend on whether you are able to work. It is paid on diagnosis, giving you access to funds at the exact moment you need them most. That money can be used to pay down the mortgage, cover out-of-pocket medical costs, fund rehabilitation, or simply give you and your family the financial breathing room to focus on recovery without the added stress of financial pressure.

Given that one in two Australians will be diagnosed with cancer in their lifetime, and that heart disease remains the leading cause of death in this country, trauma cover is a practical response to the realities of life.

The Four Covers Every Homeowner Should Review

- ✓ **Life Cover** — clears the mortgage and provides for ongoing living expenses for your family if you die
- ✓ **Income Protection** — replaces your income if you cannot work to help maintain your current lifestyle
- ✓ **TPD Cover** — lump sum if you can never work again to help with the mortgage and ongoing living expenses
- ✓ **Trauma Cover** — lump sum on diagnosis of a serious illness to help cover out-of-pocket medical costs

Taking the First Step

Buying a home is one of the best decisions you will ever make. Protecting it is just as important as making the repayments. If you have recently purchased a home or are about to, now is the time to review your life insurance cover. A short conversation can give you a clear picture of where you stand and what steps, if any, you need to take.

At Harbour Life Insurance, the approach is simple: education first, no jargon, and genuine support to help you make confident decisions about your life insurance options.

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