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Women make financial decisions at home but knowledge gap about insurance persists

Women are taking charge of making financial decisions at home, but many still feel they don't know enough about life insurance and remain underinsured.

The results of the latest BT Australian Financial Health Index show that women are taking the reins when it comes to their own and their family's financial situation: 89 per cent of women are at least jointly responsible for making major financial decisions for their households, while 48 per cent are the key decision-maker. However, 30 per cent of women admit they could be better informed about insurance, compared to 20 per cent of men.¹

Furthermore only 37 per cent of women own any type of life insurance compared to 46 per cent of men. Females are also less likely to have cover for life, trauma, income protection and total permanent disability (TPD) insurance than their male counterparts.

Despite being less likely to have life cover, women's attitudes about the importance of life insurance are similar to those of men: 38 per cent of women agree that *'life insurance is something everyone should consider carefully no matter what their situation'*, which is nearly on par with the corresponding proportion of men (39 per cent).

Katherine Ashby, Senior Product Technical Manager, Life Insurance at BT, said: "Life insurance is as essential for women as it is for men. And having a good grasp of what types of insurance are relevant for your situation can be even more crucial for women than men, as typically women go through different life stages – from when they enter the workforce, through to when they take potential career breaks to raise children and then return to paid employment."

According to Ms Ashby, advisers have a key role to play in closing the knowledge gap between men and women. Her top 5 tips for advisers who are discussing life insurance requirements with female clients are:

1. Lock in level rates when the client is younger

Many insurers offer insurance policies that are tailor-made for graduates or newly qualified professionals. These policies often allow higher benefit limits on both lump sum and income protection without the need for a financial assessment, meaning cover can be put in force to insure the income the individual is expected to earn in the coming years.

A key benefit to setting up insurance for life insurance at a younger age is it can be easier to have the policy underwritten. It can also be cheaper; for example, you may be able to lock in level premiums at the rates charged for a 25-year-old.

¹ On a five point scale where 1 is 'not very knowledgeable' and 5 is 'extremely knowledgeable', 30% of women rate their knowledge as 1 or 2, compared to 20% of men. Furthermore, 27% of women agree that they have a good understanding of how much life insurance should cost them, compared to 35% of men.

For media enquiries contact

Caroline Regidor
First Degree PR
02 8003 4467
0419 989 800
caroline@firstdegreepr.com

Lisa Parrett
BT Financial Group
0432 933 796
lisa.parrett@btfinancialgroup.com

2. Find out how parental leave and ceasing work impact cover

Most insurers do not treat maternity leave as unemployment, unless the insured has ceased work entirely with her employer.

Life and trauma cover are generally unaffected by periods of unpaid leave or exiting the workforce, as these cover types are not linked to employment.

However, some policies, particularly those linked to employment, might be affected by a change in a client's work situation. For example, income protection policies can remain in force, but the applicable definition may vary. After the individual has been unemployed or on leave for 12 or more months, a claim may be assessed against her ability to perform any occupation, rather than her own.

3. Look into specific cover for stay-at-home parents

The cost of replacing someone to provide childcare, transportation, household cleaning and cooking, along with family management, can be higher than replacing employment income. To ensure household help can be funded in the event of disability, stay-at-home parents (men or women) should consider taking out home duties TPD or home duties income protection policies.

4. As always, read the fine print when choosing cover

While home duties TPD or home duties income protection may be suitable for many people, the definitions for these policies are generally more difficult to meet than occupational TPD or standard income protection policies. Home duties TPD and home duties income protection definitions usually require that the insured cannot perform all of their household duties, including cooking, cleaning and childcare. Therefore, if an occupation-based TPD (Any or Own) and/or a standard income protection policy are already in place, consideration should be given to retaining these policies, especially if the client may return to work at a later date.

5. Consider keeping the policy in place if your client postpones retirement

Australians are living and working longer than ever before. Traditionally, disability insurance policies have ended around age 65, with only life cover available from that date. However many continuation options are now available for professionals working longer.

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About the BT Australian Financial Health Index

The BT Australian Financial Health Index is in its fifth year and covers Australians' attitudes and behaviour across a broad spectrum of financial needs. The Index provides insights from a comprehensive analysis of the financial wellbeing of Australians – their financial situation, managing finances, saving and spending, retirement and super, insurance and investments. The Index is compiled from surveying over 4,000 (18+) Australians. The data was weighted to ensure representation of the Australian population in accordance with census data provided by the Australian Bureau of Statistics.

The latest BT Australian Financial Health Index canvassed the responses from 4486 Australians in November 2016.

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