



Insurance

Child trauma insurance

Aon Hewitt Financial Education Series

Child trauma insurance (also known as child recovery insurance, or child critical illness cover), provides you with a lump sum should your child suffer one of a list of specified medical conditions or procedures. The list of conditions covered will vary between insurance companies and the policy selected.

Children's trauma insurance is designed to ease the financial pressure on families. Child cover is attached to either a life cover or trauma insurance policy on a parent or legal guardian's life. Your financial adviser can help you determine if this type of insurance is appropriate for your family's needs.

There are many different aspects to insurance and you can tailor a package that suits your needs as well as your budget.

Policy definitions

After determining the level of cover, the policy definitions are the most important factor to consider. In many cases child trauma will not cover as many different conditions as adult trauma. You need to review not only the number of conditions covered, but the specific definition pertaining to each of those conditions.

What can the funds be used for?

You can use the insurance proceeds for any purpose. For example, you could use the funds to pay for your child's medical expenses or rehabilitation. Alternatively you could reduce your working hours to allow you to spend more time with your child, and use the funds to help make up the difference between your new and old salary. Some families use the money to pay for a holiday during this stressful time.

Tax payable

The premium is not tax-deductible, however the proceeds will be received tax-free.

Continuation option

Some policies provide a continuation option, which means that after your child turns a particular age, the policy will convert to a standard adult policy.

Example – Benefit of trauma cover

George and Mary have a 7 year old son, Jack. Everything was going well until Jack started feeling tired and unwell. They went to their GP who ordered some tests, and Jack was unfortunately diagnosed with leukaemia.

Fortunately the family had met with their financial adviser who had recommended \$50,000 of child trauma insurance attached to George's policy. Upon diagnosis, their financial adviser took care of the claims process and George and Mary received \$50,000. This enabled them both to take time off work to spend time with Jack during his illness and hospital visits. When his cancer went into remission there was even enough left over for a family holiday.

Aon Hewitt Financial Advice Limited | ABN 13 091 225 642 AFSL No 239183

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This document, including all tax and super calculations, has been prepared using legislation in place as at the 1 July 2016.