

Serious illness and the chink in your financial armour

If you have income protection insurance and private health cover you may think you are in a strong financial position to face a serious illness. But the truth is quite different.



Consider the case of Kathy*, a 41-year old self-employed marketing consultant, married with two young sons. She was healthy, active, and, with death cover, income protection and private health insurance in place, she thought she was well protected against any eventuality.

Kathy knew the missing piece in her protection portfolio was trauma insurance. But with income protection and private health cover in place, she wondered did she really need it?

It turns out she did.

In November 2009, Kathy was diagnosed with breast cancer. Two rounds of surgery followed, then chemotherapy and radiotherapy, and then the reconstruction surgeries.

At the end of the day, Kathy wasn't just a few hundred dollars out of pocket, or even a few thousand. After Medicare and the health fund had paid their parts, the gap costs came to tens of thousands of dollars.

'For example, my out of pocket costs for radiotherapy were about \$2,000 after Medicare and my health insurance had kicked in. The out of pocket cost I was quoted for reconstruction surgery was \$10,000. And to pay for a year of Herceptin¹ – a drug that has been shown to reduce the chance of breast cancer coming back by 52% compared with chemotherapy alone – I would have had to pay something like \$80,000' said Kathy.

'That's nearly \$100,000 in out of pocket costs. Of course

when your life is at stake you naturally don't question the cost, you spend whatever it takes, provided you have the money in the first place.'

'After your life has been touched by serious illness, you become aware of how precious the happy times with your loved ones really are.'

Kathy says that she would love to spend more time with her children and to scale back her work, but the reality is that she just can't afford to.

'A big city mortgage and day to day basics are expensive, and that's before all the medical bills are accounted for.'

'If I'd had trauma insurance when I was diagnosed, it would have given our family that financial cushion to allow me to work less. To have a lump sum payout in the bank would get rid of that everyday financial stress, and the one thing you really need to do once you've been seriously ill is to avoid stress.'

But what about income protection?

During the chemotherapy and radiotherapy treatments I was never able to work at more than 50% capacity, so certainly my income protection helped to replace some of my lost income (although the 75% limit means you are always behind compared to if you were working as normal). But the big gap is obviously all the unexpected out of pocket expenses, which were simply astronomical.

Ironically, Kathy's financial adviser had previously encouraged her to take out trauma cover.

'I was busy and felt on top of the world and I just didn't make it the priority it should have been. Eventually I applied, but I was diagnosed with cancer within a few weeks, so my cover hadn't kicked in.'

'I really hope that I can stop other people making the same mistake by telling my story. If you don't have a large amount of cash set aside to cope with something like a serious illness, don't put it off. Just talk to your adviser straight away. This is not something that only happens to other people and the payout could make all the difference to you and your family.'

Trauma cover

Trauma cover is designed to pay a lump sum in the event that you suffer one of the pre-defined traumatic events, which generally include cancer, heart attack, bypass surgery and stroke, plus many other conditions. This lump sum can help you meet the many out of pocket costs you can be faced with in the event you suffer a traumatic condition, and – by reducing the financial and emotional stress you may otherwise face – can ultimately improve your recovery.

For information on trauma insurance, contact your financial adviser.

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¹ 'Winning the War On Cancer' by Lori Miller Kase, published in Readers Digest, October 2006.