

Sales & Marketing Update

19th Edition June 2005



TOWER in Australia performs strongly with your support

[Find out more](#)



7 Essential Tips for End of Financial Year Planning

By Carly O'Keefe, Manager, Sales Marketing – Superannuation

With the end of the tax year in sight, it may be time to start to contact clients to determine if you can implement certain financial planning strategies that will provide them with tax relief and additional benefits.

[Find out more](#)



Facts & Fiction – Female Insurance Rates

By Jodi Murray, Manager, Sales Marketing - Insurance

The days of inequality between men and women are fast disappearing in today's society. Women have achieved an equal footing in all aspects of life including employment opportunity, income and education. However, there will always be some fields where conclusive research deems it impossible to offer equality. One such field is personal insurance and in particular, income protection.

[Find out more](#)



Crisis Insurance for our Children

– Marketing Tools – Client Letters

TO COME

[Find out more](#)

[Back to index](#)

TOWER in Australia performs strongly with your support

Hello everyone

On 19 May I was particularly pleased to be able to present TOWER's half yearly report to the media and the market. As you know, it was my first in the new role.

I say I was particularly pleased because the numbers were relatively good for both TOWER as a group and for TOWER in Australia. As you are probably aware TOWER as a group reported a 66% increase in profit for the six months to 31 March, this year. The TOWER net operating profit after tax for the period was NZ\$20.1 million compared to NZ\$12.1 million in the previous period.

TOWER in Australia was a major contributor to that result. I want to thank you for your support of TOWER in enabling us to deliver that.

TOWER in Australia is performing very strongly with its continued focus on being the leading provider of risk insurance with complementary investment offerings. David Callander is, as you know, the CEO for Risk in Australia while Grahame Evans will soon be taking up the role of CEO Investments.

We at TOWER love this risk business. Our risk performance in Australia is very pleasing. We are growing our position in the market and we are determined to see the overall market for risk products grow. It is a double-shot program for growth.

We are growing market share for Term Life risk sales at more than double the market rate and have been able to do that while keeping a tight control on costs. For the six months to 31 March, our overall in-force premiums increased 16% and we have been able to lower the level of policy lapses.

TOWER is very financially sound with capital solvency levels well above statutory levels.

We think it is a great story and one reflecting a lot of hard work and achievement.

TOWER in Australia is performing because of its partnership with you, its advisers, and through delivering the right products and service to meet your needs and those of your customers.

The performance of TOWER Limited, and that of TOWER in Australia is being recognised. Standard & Poors recently put a positive outlook on the company with the expectation that continued improvement may see it further upgraded in the future.

This is all good news, but it doesn't mean sitting back and relaxing. There is more hard work to do and that is what you expect of us. We must continue to deliver to your expectations.

I want to thank you for your support of TOWER. We look forward to working with you going forward.

An issue I raised at both the media and market announcements was the high cost being imposed on the industry through parts of FSR and how this is preventing many middle Australians from getting good, financial and risk insurance advice.

It is great to hear that the Federal Govt is now looking at this issue and flagged changes to FSR to make it simpler and easier for all. That can only be good news. The extra work for advisers, loss of productivity and reduced access for Australians to good advice because of FSR worries us. We look forward to improvements in FSR.

Making it easier for people to get advice and to buy insurance will be a big step forward in dealing with the under-insurance problem. Under-insurance is a social problem and must be dealt with for the good of the country. Insurance helps give people and their dependents choices and good quality of life at times of extreme need. That is a really valuable contribution to society.

The Government has, reportedly, started to recognise it as a potential problem especially when those who are uninsured, have to fall back on the welfare system to see them through difficult times.

It is always sad to hear of anyone suffering a critical illness. There has been much media coverage in the past few years of high-profile people being struck down by cancer or heart problems. It does, however, help to remind the community of the risks and reinforces in my mind the benefits that can come from having critical illness insurance.



Jim Minto
TOWER Group CEO



Jim Minto
TOWER Group CEO

[Back to index](#)



Carly O'Keefe

Strategy Watch

– 7 Essential Tips for End of Financial Year Planning

By Carly O'Keefe – Superannuation Marketing Specialist

With the end of the financial year in sight, it may be time to start to contact clients to determine if you can implement certain financial planning strategies that will provide them with tax relief and additional benefits.

The financial planning strategies outlined in this article can be used this financial year and in the future and are aimed at:

- lowering an individual's taxable income through available tax deductions;
- providing an individual with tax rebates to reduce their tax liability; and
- controlling the receipt of income to lower an individual's tax bill.

1. Contribute to superannuation and receive a tax deduction

Individuals that are self employed, unsupported or substantially self employed may be able to claim a tax deduction when they make a contribution to a complying superannuation fund. For such individuals if they are eligible to receive the Government Co-contribution it will automatically disallow them from being eligible to claim a tax deduction for their superannuation contribution.

The amount of tax deduction that these individuals are able to claim (if eligible) is equal to the lesser of:

- 100% of the first \$5,000 plus 75% of the contribution that exceeds \$5,000; and
- their aged based limit (as shown below).

Age Required	Aged Based Limit	Contribution to receive the maximum deduction
Under 35	\$13,934	\$16,912
35 – 49	\$38,702	\$49,936
50 and over	\$95,980	\$126,307

In order to claim a tax deduction for this financial year the Trustee of the superannuation fund must receive the contribution by 30 June.

2. Contribute to a spouse's superannuation account

When a spouse or defacto makes a contribution to their spouse's superannuation account they may be eligible to claim a tax rebate if their spouse has assessable income and reportable fringe benefits of less than \$13,800. The actual amount of the contribution that can be made by a spouse is unlimited. However, the maximum tax rebate that can be claimed by the contributing spouse is capped at \$540 per annum. The amount of the tax rebate that can be claimed will depend on the amount of the contribution and the receiving spouse's assessable income.

In order to claim the spouse contribution tax rebate for this financial year the Trustee of the superannuation fund must receive the contribution by 30 June.

3. Income protection

Individuals who pay for income protection will generally be able to claim the premiums as a tax deduction. If possible the individual may pay premiums in advance (eg pay yearly premiums) which could result in a higher tax deduction to claim this financial year. The amount of the premiums paid in this financial year could be claimed as a tax deduction for this financial year.

4. Prepayment of deductible interest expenses

In many cases individuals who pay interest on investments that generate assessable income will be able to claim tax deductions for that interest expense. Generally, for a given financial year they will be able to claim a tax deduction equal to the amount of interest paid in that financial year. For those that wish to increase the tax deduction they can claim for this financial year, they may be able to prepay up to 12 months of interest expense in advance.

[Click to continue](#)

[Back to index](#)

5. Deferral of income

In many cases individuals are not able to control the amount of income they receive. However, if they are able to they should at least consider the impact of waiting until 1 July to receive that income, as this additional income will be included in the income of the following financial year.

Examples of types of income that could be deferred may include

- proceeds from insurance bonds where profits are assessable as income;
- withdrawal of an ETP; and
- proceeds from an investment where a capital gain has been made.

6. Deferral of superannuation benefits

For those individuals that are intending to withdraw funds from their superannuation account or commence a pension, it may be beneficial to wait until 1 July (ie the next financial year). If they adopt this strategy they will have a higher reasonable benefit limit and ETP tax free threshold to use which may result in both a reduction of excessive benefits and a reduction in ETP tax payable.

7. Make a personal contribution to receive the Government Co-contribution

For individuals that have a total income (ie assessable income plus reportable fringe benefits) of less than \$58,000 they may wish to make a personal non-deductible contribution to superannuation so they can receive the co-contribution payment from the Government.

For those eligible to receive the maximum co-contribution, they will receive \$1.50 for every \$1 they

contribute to superannuation, up to a maximum of \$1,500. Individuals who have a total income of \$28,000 will be able to claim the maximum co-contribution. The maximum co-contribution will decrease by 5 cents for every dollar over the \$28,000 threshold until the co-contribution cuts out fully for people with total income of \$58,000 and above.

Whilst not all of these strategies will be appropriate for all of your clients, you should start to think about those clients that would benefit from each strategy and arrange a time when you can discuss the merits of adopting such a strategy.

We have also compiled some marketing lead letters that you may be able to use for a mail out to certain clients. If you would like more information about any of these strategies or you are interested in obtaining the marketing letters please contact your sales manager in your state.



Marketing Letter 1

ABC Financial Services
88 Kene Street
Melbourne VIC 3000

June 1st, 2005

Private & Confidential

Mr. Bill Simpson
224 Main Street
Melbourne VIC 3000

Dear Bill

OBTAIN TAX RELIEF WHEN CONTRIBUTING TO SUPERANNUATION

Did you know you could reduce your tax bill by contributing to your superannuation?

I am writing to advise you of an opportunity that may enable you to reduce your tax bill and save for your retirement at the same time, which you can take advantage of this financial year and in the future.

Our records indicate that you currently have superannuation with XYZ Superannuation Fund. In addition to ensuring that you still have the superannuation product and investment selection that best suits your needs, it may be worth discussing how also making a contribution to your superannuation can benefit you.

How does this work?

You will be entitled to receive a tax deduction when you make a contribution to your superannuation fund. For 2005 you will be able to claim 100% of the first \$5,000 contribution and 75% of additional contributions up to a total of \$10,000. This will reduce the amount of your tax bill in a proportionate way to reduce the amount of income that is taxed.

It is also important to note that contributions to superannuation are generally taxed at only 15% (as opposed to the 30% that would be levied on up to 4.5% marginal taxation plus Medicare levy). Therefore, this opportunity can bring you an immediate benefit!

What do I do now?

No immediate action is required on your part. I will call you in the next few days to see can we arrange your superannuation details to ensure that you can get the most from your contributions. In the meantime, if you have any questions, please contact our office on 03 9676 8888 Monday to Friday 9.00am-5.00pm.

I look forward to discussing this opportunity shortly.

Yours sincerely

Michael J Ford
Authorized Representative - ABC Financial Services

Marketing Letter 2

ABC Financial Services
88 Kene Street
Melbourne VIC 3000

June 1st, 2005

Private & Confidential

Mr. Bill Simpson
224 Main Street
Melbourne VIC 3000

Dear Bill

OBTAIN TAX RELIEF WHEN CONTRIBUTING TO SUPERANNUATION

Did you know that you could lower your tax bill when you make a contribution to your superannuation account?

I am writing to advise you of an opportunity that may enable you to reduce your tax bill and help your superannuation for their retirement at the same time, which you can take advantage of this financial year and in the future.

Our records indicate that you currently have superannuation with XYZ Superannuation Fund. In addition to ensuring that you still have the superannuation product and investment selection that best suits your needs, it may be worth discussing how also making a contribution to your superannuation can benefit you.

How does this work?

This opportunity will involve you making a personal contribution to your superannuation fund. This may enable you to receive a tax rebate if you choose to contribute to your superannuation fund. If your assessable income and reportable fringe benefits are less than \$18,000, you could be eligible to receive a tax rebate of up to \$1,500. This rebate can be used to reduce your tax liability and your superannation's assessable income and reportable fringe benefits, your total assessable tax liability up to \$540. This means you could reduce your tax bill by up to \$540.

What do I do now?

No immediate action is required on your part. I will call you in the next few days to see can we arrange your superannuation details to ensure that you can get the most from your contributions. In the meantime, if you have any questions, please contact our office on 03 9676 8888 Monday to Friday 9.00am-5.00pm.

I look forward to discussing this opportunity shortly.

Yours sincerely

Michael J Ford
Authorized Representative - ABC Financial Services

Marketing Letter 3

ABC Financial Services
88 Kene Street
Melbourne VIC 3000

June 1st, 2005

Private & Confidential

Mr. Bill Simpson
224 Main Street
Melbourne VIC 3000

Dear Bill

TOP UP YOUR SUPERANNUATION TO RECEIVE THE CO-CONTRIBUTION

Did you know that you could receive a 150% return on contribution you make to superannuation?

I am writing to advise you of an opportunity that may provide you with increased retirement savings, that you can take advantage of this financial year and in the future.

Our records indicate that you currently have superannuation with XYZ Superannuation Fund. In addition to ensuring that you still have the superannuation product and investment selection that best suits your needs, it may be worth considering topping up your superannuation so you can receive the Government Co-contribution.

How does this work?

If you are eligible to receive a Government co-contribution when you make a personal contribution to your superannuation fund, if your assessable income and reportable fringe benefits are not more than \$58,000, you may be eligible to receive an additional \$1,500 when you receive your contribution. The co-contribution that you receive will reduce by 5 cents for every dollar of your assessable income and reportable fringe benefits that exceeds \$58,000, until the co-contribution cuts out completely at \$88,000.

What do I do now?

No immediate action is required on your part. I will call you in the next few days to see superannuation details to ensure that you can get the most from your contributions. In the meantime, if you have any questions, please contact our office on 03 9676 8888 Monday to Friday 9.00am-5.00pm.

I look forward to discussing this opportunity shortly.

Yours sincerely

Michael J Ford
Authorized Representative - ABC Financial Services

Marketing Letter 4

ABC Financial Services
88 Kene Street
Melbourne VIC 3000

June 1st, 2005

Private & Confidential

Mr. Bill Simpson
224 Main Street
Melbourne VIC 3000

Dear Bill

OBTAIN TAX RELIEF WHEN PURCHASING INCOME PROTECTION INSURANCE

Did you know that you could lower your tax bill when you take out income protection insurance?

I am writing to advise you of an opportunity that may enable you to reduce your tax bill and provide you with security protection insurance at the same time, which you can take advantage of this financial year and in the future.

Our records indicate that you currently have life insurance cover. In addition to ensuring that you still have appropriate life insurance cover, it may be worth considering income protection insurance to ensure that you can maintain your current lifestyle should you become unable to work.

How does this work?

This opportunity will involve you making a contribution to your superannuation fund. This may enable you to receive a tax rebate if you choose to contribute to your superannuation fund. If your assessable income and reportable fringe benefits are less than \$18,000, you could be eligible to receive a tax rebate of up to \$1,500. This rebate can be used to reduce your tax liability and your superannation's assessable income and reportable fringe benefits, your total assessable tax liability up to \$540. This means you could reduce your tax bill by up to \$540.

What do I do now?

No immediate action is required on your part. I will call you in the next few days to see can we arrange your superannuation details to ensure that you can get the most from your contributions. In the meantime, if you have any questions, please contact our office on 03 9676 8888 Monday to Friday 9.00am-5.00pm.

I look forward to discussing this opportunity shortly.

Yours sincerely

Michael J Ford
Authorized Representative - ABC Financial Services

[Back to index](#)

Facts & Fiction – Female Insurance Rates

By Jodi Murray, Manager, Sales Marketing - Insurance

Is equality always possible?

The days of inequality between men and women are fast disappearing in today's society. Women have achieved an equal footing in all aspects of life including employment opportunity, income and education. Even in domestic roles the imbalance is gradually changing.

However, there will always be some fields where conclusive research deems it impossible to offer equality. One such field is personal insurance and in particular, income protection.

Many of you will have noticed that female income protection rates are generally higher than male rates, even when risk factors such as age and occupation are the same. Is that fair? Are women being discriminated against?

It is time to separate the facts from fiction.

Fundamentally, the occurrence of higher premium rates for female insurance products is not driven by a biased attitude toward women, or an effort at cross subsidization of a company's business. The fact is that females have a greater propensity to claim on insurance policies, and once on claim, are likely to stay there for a longer period of time than their male counterparts.

What experience tells us

An examination of claims data over an extended period provides evidence of the need to charge higher rates for female policies. Specifically, there are two key areas of claims experience which provide the best explanation.

1. Claim incidence rates

Claim incidence rates refer to the expected proportion of lives insured, which are not currently disabled, that will commence a claim at a given age. A high claims incidence rate results in a larger expected proportion of claims costs, which consequently requires a higher premium to be charged.

2. Claim termination rates

Claim termination rates indicate the expected proportion of claimants, who are currently disabled, that will recover and cease claiming benefits at a given age and claim duration. A low termination rate results in less claimants recovering and longer average claim periods, therefore

requiring higher premium payments to cover the increased expense to insurers.

The incidence rates have a slightly greater impact on premium pricing than termination rates. However, in both areas the experience of insurers internationally has been that females have less favourable experiences when compared to males.

Credible and conclusive research

The most recent Australian study into pricing factors is the Report of the Disability Committee conducted by The Institute of Actuaries of Australia in 1997. This study analysed the combined incidence rates and average claims duration of 17 life offices during 1992 and 1995.

The report confirms a significantly worse experience for females. The overall incidence rates for females were 138% of male incidence rates. When analysed over different occupation and waiting period categories, female incidence rates were almost always worse than the corresponding male category.

The study also found longer average claim durations for females. In aggregate the average claim duration for women was 131 days compared to 110 days for men. The data analysed reviewed cause of claim and occupation, and the results demonstrated an experience for females which was almost always worse than males.

An interim report of the same Committee was produced in 2000. This study reviewed the period of 1995 to 1998 and reported similar relative female incidence rates as the 1997 report. Australian insurance companies will also rely on their own claims data, overlaying industry research with this experience and consequently determining varying premium rates. Each company's premium rates will also reflect differing definitions of disability, underwriting and claims practices, generally speaking however, they will all still arrive at a higher rate for females.

In order to address client concerns a rational explanation of the facts and a focus on the overriding need for cover is required. To assist in this process TOWER have published a client leaflet which explains the above information in simple terms. To obtain your copy or additional sales information contact your TOWER Sales Manager today.



Jodi Murray

[Back to index](#)

Crisis Insurance for our Children

– Providing parents with the financial means when its needed most

INTRO TO COME



How would you cope if your child suffered a medical crisis?

Most parents would give everything they had to help their child overcome a serious medical crisis. There would be no shortage of emotional support and care, but there may be a limit to the treatments you could afford to help promote recovery and relieve suffering. This doesn't need to be the case! There are simple, economical options available to provide you with instant financial resources that could make all the difference to your child's medical situation.

There is a lot of talk in today's insurance marketplace about the importance and value of crisis insurance. It is seen not only as a means of maintaining financial independence but also as a resource empowering people to adjust their lifestyle to cope with major medical traumas.

Crisis insurance revolutionised financial planning in the 1990's by making it affordable and achievable for ordinary people to create a substantial capital reserve that could be drawn upon in the event of a specific range of medical conditions being diagnosed. This meant freedom to choose the best treatment options and the financial means to "re-invent" a lifestyle that was debt free, stress free and focussed on enjoying life. Since then it has become a highly desirable and practical form of insurance for thousands of Australians.

There is however, a segment of the population who cannot make the decision to insure themselves against such catastrophe; our children. Until recently, these most vulnerable members of our society were unable to secure the financial assistance available to the adult world.

The reality of child's crisis

No family can escape the grim fact that children are not immune from serious medical conditions and accidents. During 2002, in New South Wales alone 201 children were

diagnosed with cancer.¹

For a parent, dealing with a child's illness can be emotionally more traumatic than suffering themselves. It is therefore imperative that you explore any option available which may reduce at the very least the financial strain associated with such an event.

The relief of child's crisis insurance

Several Australian insurance companies understand the potential impact of a child's illness or injury on the finances of a family and offer cover, specifically designed to help financially protect a child's welfare. Parents can take the option of insuring their children against specific childhood illnesses in addition to their own crisis insurance.

Child's crisis insurance may provide parents with the financial means to:

- adjust their work situation;
- gain access to the best medical care;
- make home alterations; and
- provide recreational facilities.

More than just an 'accident plan'

Many parents will be familiar with the school injury and sports plans that were available during our childhood. Child's crisis insurance is a far more sophisticated and comprehensive form of cover. In addition to cancer, a child's crisis policy may pay a lump sum upon the diagnosis of conditions such as benign brain tumour, blindness, chronic kidney failure, coma, encephalitis and meningitis, major head trauma, major organ transplant, severe burns or in the event of terminal illness and death.

Your children, your choice

In a culture that expects freedom of choice in every area of life, it is comforting to know that you have the choice of protecting the welfare of your children.

[Back to index](#)

BRIANNA'S STORY

Brianna was a seemingly healthy, happy four year old when her parents Ken and Kylie noticed a gradual loss of appetite and listlessness. They consulted their family doctor and were referred to a specialist children's hospital for further tests.

Ken and Kylie's worst fears were confirmed when Brianna was diagnosed with leukaemia.

The months and years ahead delivered some extremely difficult times for the family, but each was met with a determination to fight the disease every step of the way.

Coping and living with the disease

Brianna was in and out of the children's hospital many times during the next three years as chemotherapy was administered, side effects were treated and tests were undertaken to determine the progress of treatment.

As the family lived in a community more than two hundred kilometres from the hospital, it became a major upheaval each time a hospital visit was required. The post treatment implementation required at home also required a high degree of time, care and attention from Ken and Kylie.

Kylie chose to leave her job as a shop assistant in order to take care of Brianna and to provide home schooling once she reached school age. Although this was a substantial financial sacrifice, it was one that Kylie and Ken felt was in the best interests of Brianna's recovery.

The difference a children's crisis plan made

Fortunately Ken and Kylie contacted their insurance adviser when Brianna was born and updated Kylie's crisis insurance plan to provide protection for Brianna. The cash lump sum paid upon Brianna's diagnosis meant that:

- Kylie could leave her job and remain at home to care for Brianna;
- during hospital visits, Ken and Kylie could afford hotel accommodation allowing them to be close to the children's hospital;
- the family were able to take a holiday to Disneyland; and
- Ken was able to buy the materials to build an adventure playground at home to keep Brianna occupied during hospital stays.

Did you know?

- In 2002, 201 children in NSW were diagnosed with cancer.¹
- In 1998, 1264 children between the ages of 0-15 were admitted to The Children's Hospital in Westmead NSW. 7 died and 60 were classified as major traumas.²



- In 1998, 141 children were admitted to The Children's Hospital in Westmead NSW for burns and other injuries from fire, flames and smoke.²

Handy Hints?

- Discuss children's crisis insurance with your financial adviser. They can clarify the amount of cover required, the nature of illnesses covered under the plan and the circumstances in which a claim may be made.
- Use family or children's benefits paid from the Department of Social Security to fund the premiums for child's crisis insurance.
- If you are already setting money aside in a nest egg for your children, consider redirecting some to fund child's crisis premiums. The proceeds in the event of a claim can be invested for early fulfilment of the savings plan, leaving your regular savings contribution free for other purposes.
- If grandparents want to make a regular contribution to their grandchildren's welfare, suggest that they direct the money into child's crisis premiums or a combination of savings and child's crisis.

Want more information?

Speak to your insurance adviser today to find out how you can protect your financial future. If you do not have an adviser please call TOWER on **1800 226 364** or visit us at www.toweraustralia.com.au

¹(Cancer Council - Cancer in NSW Incidence and Mortality 2002).

²The Children's Hospital Westmead 1998 Trauma Admissions Report.