



What is Total & Permanent Disability Insurance?

Total & Permanent Disability (TPD) insurance pays a lump sum on the insured becoming permanently disabled due to illness or accident.

Most families are carrying significant financial risk should the unexpected happen. The big question you have to ask yourself is: 'Would your family be able to maintain their lifestyle if you could no longer earn an income due to you becoming permanently disabled?' If your answer to this question is no, you need to consider transferring that financial risk to an insurance company.

What is TPD insurance typically used for?

If you become permanently disabled, a TPD insurance payout can help free you and your family from financial worry by paying for things such as:

- Meeting medical, pharmaceutical, specialised therapies and rehabilitation costs not covered by your health fund
- Paying for a carer
- Funding modifications to your home that may be necessary due to permanent disability (e.g. replacing stairs with ramps)
- Repaying debt
- Topping up your Income Protection policy payments
- Using your payment to create a cash reserve to boost your retirement savings.

Why TPD definitions are important

Most TPD policies generally offer one of two definitions, either 'own occupation' or 'any occupation'. An 'own occupation' definition means your claim will be paid if you are unlikely to ever return to your own occupation, which is the one you were engaged in at the time of the injury or illness.

An 'any occupation' definition means your claim will be paid if you are unlikely to ever return to any occupation that you may be suited to by experience or education. An 'own occupation' definition is usually preferable, however its premiums are higher, and this option is not available for all occupations.

Where should your TPD insurance be held?

You can hold TPD insurance in your name, or in your superannuation fund. Both options have pros and cons.

For example, holding TPD insurance in your name means that the payout may usually be directed to you quickly and with certainty, and free of tax.

However, you cannot obtain a tax deduction on the annual premiums you pay.

Conversely, if your TPD insurance is held in your superannuation fund, paying your annual premiums via employer or self-employed superannuation contributions can provide you with an effective tax deduction on the cost of insurance. In addition, because your superannuation fund pays those premiums, it means you have cover without eating into your family budget. So, this option is usually the more affordable for most people.

However, the legislation governing superannuation funds provides a strict definition of 'permanent disability' and superfunds can only pay a claim according to an 'any occupation' definition (as described).

The Facts

- 5.5 million** Approximately 1 in 5 people live with disability*
- 1.4 million** Australians have a profound or severe disability requiring assistance with core activities #
- 10,000+** Stroke affects approximately tens of thousands of Australians each year, with thousands of new cases and hospitalisations annually ^

Leading cause Musculoskeletal conditions, neurological disorders, and cardiovascular disease are among the leading causes of long-term disability in Australia **

* AIHW – Survey of Disability, Ageing and Carers 2022, released 2023
AIHW SDAC 2022, released 2023

^ Stroke Foundation Australia, Stroke Statistics 2024 update; AIHW Stroke Snapshot 2023

** AIHW Australian Burden of Disease Study 2023 update