Macquarie Life

Superannuation optimiser definition of TPD

With Macquarie Life's *superannuation optimiser*[1] TPD definition, your clients can have the flexibility and security of an *own occupation* TPD definition but with certainty of access and the added ability to claim a tax deduction.

The *superannuation optimiser* definition of TPD is a way of structuring *own occupation* TPD cover so that part sits under a super policy and part sits under a non-super policy.

Allocation of cover between the super and non-super policies

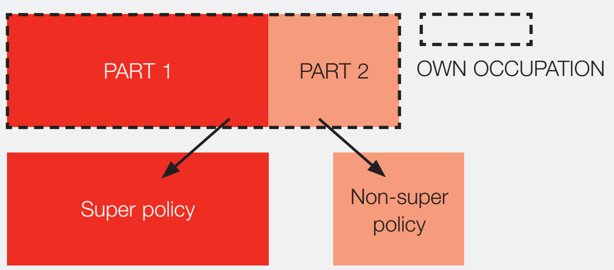
Typically, the definition of *own occupation* TPD is comprised of two parts:

i) *any occupation* cover plus

ii) some additional cover for situations where a client cannot perform their *own occupation* but could continue to perform *any occupation*.

Under the *superannuation optimiser* definition, the cover is separated out into the two distinct parts with the first part held under a super policy and the second part held under a non-super policy.

The split of the two parts of the premium cost is approximately 2/3 *any occupation* and 1/3 *own occupation* cover.



- *any occupation* and
- meets SIS definition of permanent incapacity[2]

Super component

- *own occupation* and
- not meeting super component

Non-super component

Under the super policy:

- The cover under this policy contains the *any occupation* definition of TPD with an additional requirement that the insured person also meets the SIS definition of permanent incapacity, the latter definition being applied as if Macquarie Life was the trustee of the relevant super fund.
- The majority of claims that meet the *any occupation* definition will also meet the SIS definition of incapacity, however there may be a small number of cases, usually relating to loss of limbs, which do not meet this definition and these would be assessed under the non-super policy.
- The overlay of the SIS definition of permanent incapacity is designed to eliminate the issue of the benefit being trapped within super.

Under the non-super policy:

- The cover under this policy is the remaining part of the *own occupation* definition of TPD that is not covered under the super policy, that is:
  - the additional component of cover provided under the *own occupation* definition, ie unable to perform their *own occupation*, but do not satisfy the *any occupation definition*; or
  - meets *any occupation* definition but not the SIS definition of permanent incapacity, the latter definition being applied as if Macquarie Life was the trustee of the relevant super fund.

[1] Terms in *italics* have a special meaning and are explained in the glossary at the end of the FutureWise and Super Protector product disclosure statements.

[2] With the definition being applied as if Macquarie Life was the trustee of the relevant superannuation fund.

Allocation of the premium between the two policies

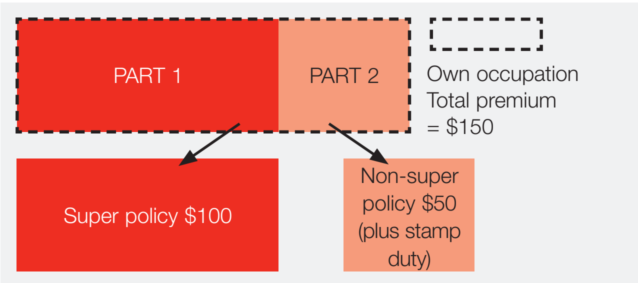
In the same way that the cover definition is separated into two components, the total premium is split into two parts, and is payable to the policy specifically relating to the cover that is held under that policy.

Under the super policy:

- The premium paid is essentially the *any occupation* TPD premium.
- Because the circumstances in which benefits are payable are aligned with super laws, the premium will be tax deductible for the super fund trustee.

Under the non-super policy:

- The amount paid to the non-super policy is the additional 50% loading that is charged for taking the *own occupation* option.
- Some stamp duty is attracted under the non-super policy due to the Flexible Linking structuring.
- It specifically relates to the additional component of cover provided in addition to the *any occupation* definition (broadly, being unable to perform *own occupation* but still able to perform *any occupation*).
- The premium must be paid from a non-super source.



Assessment and payment of a claim

- It is important to note that there is no overlap in definitions of the cover held under the two policies and a benefit is only ever payable under one of the policies at any point in time.
- The benefit is not split and the full sum insured is paid either under the super policy or the non-super policy (unless a TPD Advancement benefit is payable, in which case only part of the benefit is payable but again wholly under the super policy or non-super policy).
- If the claim meets the TPD definition under the super policy, the full sum insured is paid to the Trustee of the super policy and subject to super laws and super taxation.
- If the claim meets the TPD definition under the non-super policy, the full sum insured is paid directly to the policy owner of the non-super policy and is not subject to super laws or super taxation.
- A claim under one policy reduces the sum insured under both policies. This results in a net outcome which is the same had the client held a single amount of *own occupation* TPD.

Summary

- The cover held under each policy contains a distinct and separate component, with a premium that relates only to the cover held under that policy.
- In theory, either of the components could be held on its own without the other part and the outcome in terms of premium, benefit payment, taxation and superannuation access would be the same.
- There is no cross subsidy or value shifting of the allowable deduction versus the taxation outcome on the benefit paid, as the benefits under each policy are distinct and separate, as are the premiums paid to each policy.

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