

# Terminal Illness Implications

## Making a Claim

### What cover is provided to legalsuper members?

Most members of legalsuper have default cover for both Death and Total and Permanent Disability (TPD) when they meet eligibility. When a member is diagnosed with a terminal illness, and they are likely to pass away within 24 months they can apply to receive an advanced payment of their death cover (limits apply).

If a member doesn't have death cover, they can access their superannuation account balance early in these circumstances.

### Why might I consider lodging a claim for a terminal illness benefit?

If you are eligible to access a benefit from your superannuation due to terminal illness, the amount you receive can be tax free. You might then utilise this amount to make your life more comfortable and to consider your estate planning.

In contrast where a member passes away death benefits are tax-free when made to Tax dependents, which include your spouse, children under 18, those financially dependent\* on you and those in an interdependent relationship with you.

If a death benefit is paid to persons who are not tax dependents this could mean that a tax rate of 15% (plus the medicare levy) might apply on the taxable component (taxed element) and a rate of 30% (plus the medicare levy) might apply on the taxable component (untaxed element).

It is therefore important to consider who might be receiving your benefit should you pass away when determining if you will be making a terminal illness claim.

\* It should also be noted that how the Tax office defines financial dependency can differ to how it is defined for superannuation purposes in some circumstances.

### Consider updating your Binding Death Benefit nomination

To have greater certainty as to who receives your superannuation benefit if you pass away before a Terminal illness claim is finalised you may wish to make or update a Binding Death Benefit Nomination to ensure you decide how your benefit is shared between your dependants and/or legal personal representative if you pass away. Where you have not made a valid binding nomination the Trustee will decide who receives your benefit and in what proportion. It is therefore important that you consider what's right for you and update your nomination as your circumstances change.

### How can I lodge a claim for a terminal illness?

If you have insurance cover, you have the option of lodging a claim online or by requesting physical copies of the required claims forms. You will then need to have these completed and returned.

If you lodge online, the insurer will be able to assess your claim earlier and may be able to better assist you through the process.

If you don't have insurance cover and want to access your superannuation account balance, you can request the necessary forms for your circumstances. You will need to have these completed and returned for assessment.

### What happens if I delay making a claim?

Discussing your medical condition, whether it is terminal and how soon you might pass away is not an easy conversation. Having this discussion early could impact the amount you or your family might receive in the event of a successful claim.

To be assessed as suffering a terminal illness requires both your medical doctor and a specialist in the field of your medical condition to certify that you are likely to pass away within 24 months (and an insurer assessment where death cover is present). The date that is used by the insurer to determine any insured benefit is the latest certification date provided by the doctor and specialist.

Given most members have cover that changes as they age this means that delays in obtaining a doctor's certification might impact the insured amount payable.

For some ages your death cover will increase on your next birthday whereas for others (particularly if you are older) it will decrease as you age.

It is important to understand the implications so you understand potential outcomes.

## Understanding the implications of delaying a claim

### Case Study

Steven has been diagnosed with a terminal illness. He has two adult children who are not tax dependents. He is reluctant to discuss how long he has left with his doctors as it is a difficult situation to process. He knows he will fight his diagnosis and hopes he will beat the odds. When initially diagnosed Steven had an insured benefit of \$120,000. Eventually Steven has the difficult conversation with his doctors a little later when he is ready. In the intervening period he has had a birthday, and his death cover has reduced to \$110,000. Steven then gets his two doctors (one being a specialist in the field) to complete the relevant forms and is certified as terminally ill when his cover is \$110,000.

Additionally, Steven has lodged his terminal illness claim close to death and unfortunately, he passes away before the claim is finalised. As Steven has passed away and has no tax dependents the Trustee determines to pay the benefit to Steven's two adult children, and they are subject to tax of 15% (plus the medicare levy) on the taxable component (taxed element) and a rate of 30% (plus the medicare levy) on the taxable component (untaxed element).

### \* Key information to note



- When you are paid a Terminal Illness Benefit that is equal to your death cover, any death and TPD cover will cease.
- If you have Group Salary Continuance (GSC) cover, you may also be able to lodge a claim for that cover even when you are also lodging a claim for a Terminal Illness Benefit.
- All insurance claims are subject to assessment and approval by the insurer and the full definition of terminal illness can be found in the *Employer Sponsored Super & Personal Super Additional Information PDS*.

### Need more information?



For further information, please refer to the *Employer Sponsored Super & Personal Super Additional Information* guide available at [legalsuper.com.au](https://legalsuper.com.au)

## We're here to help

If you have any questions, please don't hesitate to call us on **1800 060 312** between 8am and 8pm AEST/AEDT Monday to Friday or email us at [mail@legalsuper.com.au](mailto:mail@legalsuper.com.au)



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