Should you buy life, TPD and income insurance through your super fund?

YES

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First, I'll say that pros and cons exist for having your insurances inside or outside super, and the great thing is you don't have to have 100% in either. However, because I'm on one side of the debate, I'll provide three key reasons for holding your insurance cover through your fund.

Easy access

Most funds provide death, total and permanent disablement (TPD) and income protection cover. Some funds – and Intrust Super is one – also provide cover for members automatically. This helps because you don't have to remember to "opt in", and therefore the cover is there if you need it. In contrast, setting up personal insurance cover outside super can involve a lot of paperwork and in many cases can require medical checks to be carried out or records to be provided.

Affordability

Due to the bulk-buying power of a fund, insurance premiums in super are usually better value. Not only are the premiums more competitive but they are paid directly from your super account.

All the contributions that make up your balance (super guarantee, salary sacrifice, government co-contributions and personal contributions) can help pay for the premiums. This means they are not coming out of your back pocket and they don't strain the household budget. The payments are also automatically deducted, making them much easier to manage, so it's less likely the policy will lapse.

Tax treatment of premiums and benefits

Death benefits are generally tax free if paid to valid dependants and TPD benefits are tax free if the person insured is over age 60. In addition, some super funds pass on an insurance premium tax deduction to you, which in turn offsets the super contribution tax, increasing your super net benefit.

NO

ROY AGRANAT

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The purpose of super is to save for retirement; therefore, any money spent on insurance in super will reduce the ultimate retirement account. This is becoming a greater issue now that the maximum concessional cap is $25,000 a year.

With the significant increase in premium rates in recent years, particularly for disability cover offered under superannuation, the perceived cheaper cost of cover offered by super funds in the past is no longer a compelling reason.

Insurance benefits consisting of life, TPD and income protection offered by a super fund are conditional on being a member of the fund and there is no scope to take over cover in your personal capacity should circumstances change in the future. Personal policies do not have this restriction and the insured has the flexibility to make changes.

If health changes and there is a desire to no longer hold the cover in superannuation, there is usually no opportunity to retain the cover in your personal capacity. A personally held policy does not have this restriction.

The renewal of cover is not guaranteed and the super fund has the right to terminate the policy or change the definitions at any time. A personal policy is guaranteed renewable and the insurer cannot change terms and conditions.

In the case of disability, in some cases the super fund could require the insured to "re-skill", which means you're not insured for your own occupation. This isn't the case with a personal policy.

The only funding option under superannuation is stepped premiums, which means the cost of cover increases each year as you get older. Personal cover allows the insurer to choose stepped or level premium funding options to assist with the long-term management of insurance costs and needs.

During times of unemployment, even a short period, you could find yourself uninsured if holding disability insurance in super. The consequences can be devastating if while unemployed you were disabled due to sickness or injury and could never return to work. Personal cover will allow you to remain insured, in many cases for up to 12 months on your own occupation definition.