

Smart Wealth Protection Strategies

Protect the Homemaker

If your spouse is predominantly the homemaker and child carer, they should also ensure they have sufficient insurance.

By using this strategy, you could:

- cover medical expenses that could arise if your spouse suffers a critical illness, dies or becomes totally and permanently disabled, and
- pay for additional expenses, such as childcare, nursing or housekeeping.

Case study

Nicholas is married to Rebecca, who is taking time out of the workforce to look after their twin three-year-old boys.

Nicholas is employed, earns a pre-tax salary of \$100,000 pa (or \$73,553 pa after tax) and has already arranged a comprehensive package of insurances for himself. However, they hadn't recognised the importance of insuring Rebecca and the financial impact of this oversight hit home when she was diagnosed with breast cancer.

During the three years it took Rebecca to make a full recovery, they spent a total of \$92,400 on childcare¹ and help around the home, as outlined below.

Commitments	Amount (pa)	Number of years	Total Amount
Full-time childcare	\$33,600 (\$70 per work day over 48 weeks for two children)	2 (until they start school)	\$67,200
After school care	\$6,000 (\$75 per week over 40 weeks for two children)	1	\$6,000
School holiday care	\$4,800 (\$300 per week over eight weeks for two children)	1	\$4,800
Housekeeping (part-time cooking and cleaning)	\$4,800 (\$100 per week for 48 weeks)	3	\$14,400
Total			\$92,400

Also, things were particularly tough in the first two years, where these costs amounted to \$38,400 pa. This represents a little over 50% of Nicholas's take-home pay, leaving him with little money to pay the mortgage and meet their day-to-day living expenses.

The financial impact of Rebecca's critical illness could have been reduced (or eliminated) if, after speaking to a financial adviser, she had taken out Critical Illness insurance to cover these and other costs.

1 Net of Government rebates and benefits.

Note: This case study highlights the importance of speaking to a financial adviser to make sure your spouse has enough insurance to cover medical, childcare and housekeeping expenses if something should happen to them. A financial adviser can also address a range of potential issues and identify other suitable protection strategies – see Tips and traps.