LIFE & TPD INSURANCE INSIDE/OUTSIDE SUPER COMPARISON TABLE

HEALTHIER, LONGER, BETTER LIVES

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The table below compares the key factors to consider when owning life and TPD insurance inside/outside of superannuation.

	Life Insurance (non-business purposes)		TPD (non-business purposes)	
	Inside superannuation	**Outside of superannuation**	**Inside superannuation**	**Outside of superannuation**
Are the premiums tax deductible?	Premiums tax deductible to fund trustee. Contributions made into the fund may be deductible to a contributing employer (e.g. salary sacrifice/ SG) or to a contributing member (e.g. personal deductible contributions)	No	Premiums tax deductible to fund trustee. Contributions made into the fund may be deductible to a contributing employer (e.g. salary sacrifice/SG) or to a contributing member (e.g. personal deductible contributions)	No
Are there restrictions on who can be nominated beneficiary?	Only SIS dependants[1] or the deceased's legal personal representative permitted	No restrictions	The proceeds will typically be paid, via the superannuation fund, to the life insured/fund member	N/A
Where are the claim proceeds paid?	Into the member's superannuation account and then on to SIS dependant(s) as per valid binding nomination or if none, as per trustee discretion	To the policy owner or nominated beneficiary	Into the member's superannuation account	To the policy owner
Form of payment	SIS dependants can receive the payment as either a lump sum or as a pension[2]	Lump sum	The fund member can elect for either a lump sum or pension[3]	Lump sum
How is the lump sum payment taxed?	If paid to a tax dependant[4], the entire lump sum is tax free If paid to a non-tax dependant (e.g. adult independent child): Tax free component – tax free Taxable component – element taxed: 15%[5] Taxable component – element untaxed: 30%[5]	Proceeds generally tax free[6]	If the payment qualifies as a disability superannuation benefit[7], the tax free component will be increased in recognition of the member's future service. The remainder of the lump sum payment will be classified as 'taxable component' and taxed depending on the age of the member[8]	Proceeds generally tax free[9]
How are the pension payments taxed?	Tax free, if either the beneficiary or the deceased (at time of death) are age 60 or over. Otherwise, the taxable component of the pension payment is assessable at the recipient's marginal tax rate less a 15% tax offset	N/A	Tax free, if age 60 or over. If under 60, the taxable component of the pension payment is assessable at the member's marginal tax rate (less a 15% tax offset if classified as a disability superannuation benefit[7])	N/A

1 A SIS dependant includes a spouse (including de facto and same sex), child of any age, financial dependant or interdependent person.

2 Death benefit pension can only be paid to a surviving spouse, a child under 18, a child between 18 and 25 that is financially dependent however the pension must be commuted by the time the child turns 25, or a disabled child of any age. Any other individual that is financially dependent or interdependent on the deceased at time of death may also qualify for a death benefit pension. Note a risk-only superannuation product cannot pay a death benefit pension however the beneficiary can request to rollover the proceeds to another superannuation fund that can pay a death benefit pension.

3 A risk-only superannuation product cannot pay a disability superannuation pension. The member would need to request a rollover of the proceeds to another superannuation fund that can pay a disability superannuation pension. Whether the member requests a lump sum withdrawal or decides to rollover the proceeds to another superannuation fund, the proceeds may be converted into a tax-free component in recognition of the member's permanent disability prior to their assumed retirement age. However this tax-free uplift is not automatic and must be requested by the member before they make a lump sum withdrawal or rollover to commence a disability superannuation pension.

4 A tax dependant includes a spouse (including de facto, same-sex or former spouse), child under age 18, financial dependant or interdependent person.

5 Medicare levy also applies unless death benefit is paid to the deceased's estate.

6 Proceeds received are not subject to income tax. Further, capital gains tax will not apply to proceeds if either of the following is satisfied: (1) the deceased was the original owner of the policy or (2) the deceased acquired the interest in the policy for nil consideration.

7 A disability superannuation benefit is a benefit paid to an individual because he or she suffers from ill-health (whether physical or mental) and two legally qualified medical practitioners have certified that, because of the ill-health, it is unlikely that the individual can ever be gainfully employed in a capacity for which he or she is reasonably qualified because of education, experience or training.

8 The taxable component of a superannuation lump sum benefit is taxed at a maximum of 20% (plus Medicare levy) if paid to a member under 60 years of age. The lump sum is tax free if paid to a member age 60 and over.

9 Proceeds received are not subject to income tax, however, capital gains tax may apply if proceeds are paid to someone other than the life insured, or a relative of the life insured.