

South Australia Society and Environment and Mathematics Framework

Module 6 Financial services and systems



Financial Literacy
Curriculum Resource
2008 Revised Edition

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Introduction

The Commonwealth Bank has been supporting education for more than 70 years, since the introduction of school banking in 1931. In 2003, we strengthened our commitment to education through the establishment of the Commonwealth Bank Foundation.

The Foundation seeks to encourage developments in education, particularly the financial literacy skills of young Australians, and aims to create awareness, skill and understanding of the benefits of a more financially literate community.

By helping our young people understand money management, we will empower them to take effective decisions to achieve their financial goals.

With this in mind, we are pleased to announce the availability of a national financial literacy curriculum resource which has been developed to support the teaching of financial literacy in the classroom.

Developed by a National Steering Committee comprising representatives across a broad range of state and territory education departments, sectors and professional teachers' associations, the curriculum materials have been designed to support the teaching of financial literacy in Years 7 to 10.

This practical and relevant curriculum resource has been designed to be easily incorporated into a number of subject areas and has been mapped to the curriculum in each state and territory.

There are twelve modules covering:

- Earning an income
- Spending and saving
- Consumer decisions
- Consumer protection
- Buying a car
- Financial services
- Managing finances
- Consumer awareness
- Personal investment
- Planning and running a business
- Impact of technology
- Economics of everyday finance

The resource materials can be easily downloaded via the Commonwealth Bank Foundation's website www.commbank.com.au/foundation

We hope you find this resource a valuable tool to use in your classroom.

The Commonwealth Bank Foundation Team



Module 6: Financial services and systems

Background scenario

The case studies are developed around two families: the Drivers and their relatives the Fullbricks; as well as their friends and workmates. The Cooper family lives next door to the Drivers: the families are close friends. Bob and Nancy Cooper have two children, Laura and Max. Bob works with Laurie Driver at the trucking company, while Nancy is a stay at home mum.

Laura is a Year 10 student, while Max is in Year 9 at school. Their cat Tuppence is also (sometimes) in residence.

Teacher notes

This topic will examine the following issues:

- financial skills needed for independent living;
- how to access the financial services industry;
- financial services available to individuals;
- the purpose of social security and who can access social security; and
- consequences of good and poor financial decisions (short- and long-term) for individuals, families and the wider community.

Stimulus material provided:

- H.6.1 Types of insurance services.
- H.6.2 Home building insurance policy.
- H.6.3 The Coopers' home contents.
- H.6.4 Private health insurance: FAQs.
- H.6.5 The rental bond.
- H.6.6 Bankruptcy.

There are also general teacher notes available at the beginning of each unit.

Key terms and definitions

Bankrupt	A person is declared bankrupt by court order where they are unable to pay their debts. The court order includes having their affairs managed by a trustee who can sell their assets to pay debts.
Centrelink	A government agency that provides the Australian community with a wide range of services in the one place.
Income	Money received during a certain period; mainly as wages or salary, interest, rent, dividends, social security.
Insolvent	Liabilities exceed your assets, what you owe exceeds what you own.
Insurance	An agreement made between the insurer and the insured where the insured pays a "premium" in return for possible future reimbursement for loss.

Medicare	A basic national health insurance system.
Mortgage	An amount of money borrowed to buy a property, where the property, or other property, is security.
Premium	A regular payment made to an insurance company in return for its promise of reimbursement against losses.
Rent	Payment made for the use of property.
Rental bond	A rental bond is an amount of money paid by a tenant as a form of security for the landlord against any future breaches of the tenancy agreement.
Social welfare payments	A range of payments and benefits that are provided by the government for different people in our society for a range of reasons. These are often means tested and linked to income levels.
Tenant	Person who pays rent to use or occupy land, a building, or other property owned by another person.

Task 1: Insurance

Teacher notes

Before beginning this task, you may like to search for a list of suggested Internet sites of insurance companies for Task 1A that are suitable for use in class. When students are examining insurance policies, you will need to ensure that a range of companies and types of policies are covered by the class. Students will be asked to complete a home contents insurance calculation online. The calculator can be found at <http://www.gio.com.au>. From the roll-out menu on the left of the page, select “home insurance”, then “calculators”, then “contents insurance calculator”. Students will need to fill out the form for the Cooper family for which they will not have enough information. You will need to review the form before completing the task to provide students with a list of the Cooper family’s home contents that you believe is suitable for your class.

Scenario

Bob and Nancy don’t need to take out house insurance because they are renting. They need more information about home contents insurance before they can make a decision. Bob wants to cancel their private health insurance as they have hardly ever made any claims, except for Laura’s braces. They didn’t use private health insurance when Max broke his arm. Bob thinks it is a waste of money to have private health insurance when Medicare covers them.

Student activities	Standards
<p>Task 1A. Insurance for personal needs</p> <ol style="list-style-type: none"> 1. Read <i>H.6.1 Types of insurance services</i> and record in a table the types of insurance, their purpose and the costs involved. Additional information, if necessary, can be found at http://www.fido.asic.gov.au by entering “Protecting yourself, your family and your property” as a search. 2. Search the website of an insurance company and examine two different insurance policies they offer. <p>Task 1B. Home insurance</p> <ol style="list-style-type: none"> 1. Home building insurance Study <i>H.6.2 Home building insurance policy</i> to examine the house (or home building) insurance. Explain why the Coopers do not need house insurance, with reference to items in the policy. 2. The Coopers do not know how much home contents insurance they should have and how much it will cost them. Use the information on <i>H.6.3 The Coopers’ home contents</i> to help you complete this task. You will need to: <ol style="list-style-type: none"> a. Go to GIO’s website at http://www.gio.com.au. From the roll-out menu on the left of the page, select “home insurance”, then “calculators”, then “contents insurance calculator”. b. In pairs complete the calculation. What is the estimated value of the Coopers’ home contents based on the 	<p>Society and Environment - Social Systems</p> <p>4.11 Identifies factors that should be analysed by consumers, producers and governments regarding their decisions about goods and services, including people’s work.</p> <p>Mathematics</p> <p>Number</p> <p>4.8 Applies appropriate computational tools and strategies to proportional situations involving integers, and rational numbers.</p> <p>5.8 Uses computational tools and strategies fluently and can estimate appropriately.</p>

- information you have?
- c. Select “Get a quote” once you have completed the calculation and complete the form to get a quote for the cost of insurance premiums for the family.
3. Apply what you have learnt about house insurance and home contents insurance. Survey your family.
 - a. Does your family have house insurance and home contents insurance?
 - b. What cover (amount in dollars) is provided by each and how much does this cover cost?
 - c. Undertake home contents insurance calculations for your own situation.
 - d. According to the calculations you have made, decide if your family is overinsured, underinsured or adequately insured on their home contents.
 4. Based on what you have learned so far about insurance, write a letter to the Cooper family advising them on why they should, or should not take out home contents insurance.

The Cooper family is shocked at how much home contents insurance will cost after completing the online calculator, including everything they own in their home. They decide that since they live in a quiet, safe area, with very few (if any) burglaries, they will not take out home contents insurance.

Task 2: Health insurance

Scenario

The Cooper family has decided to cancel their private health insurance, because they can't afford it. They need you to find out what the difference will be for them between having private health cover and using Medicare.

Student activities	Standards
<p>Task 2A. Health insurance options</p> <ol style="list-style-type: none"> 1. Go to the Medicare website http://www.medicare.gov.au Click on "For Individuals then on the "Medicare and you" tab, then on "What Medicare covers". Read through the list of things that Medicare does and does not cover. 2. Now go to the ATO website http://www.ato.gov.au From the roll-out menu on the left side of the page select "For Individuals" and click on "Individuals home page", then on "Medicare levy". What is the Medicare levy? Using the Medicare levy calculator, answer the following. How much will Bob need to pay if he earns: <ol style="list-style-type: none"> a. \$20,000 a year; b. \$50,000 a year; c. \$100,000 a year; d. \$150,000 a year. <p>Remember that Nancy earns no income, they have two dependent children and they no longer have private health cover.</p> 3. Use the information on <i>H.6.4 Private health insurance: FAQs</i> and the information on the ATO website on the 30% rebate for private health insurance (use the search engine on the site to look for "private health insurance rebate") to examine the issues relating to private health insurance. Further information on private health insurance is available as a downloadable booklet, <i>Insure, not sure</i> from http://www.phiac.gov.au 4. Using what you have learned about Medicare and private health insurance, participate in an informal class debate addressing the following statements. <ol style="list-style-type: none"> a. You don't need private health insurance because you can rely on Medicare. b. It is unfair that Bob should have to pay a higher Medicare levy when he earns more money because he has no private health insurance. c. The 30% private health insurance rebate is a good incentive for everyone to have private health cover. 	<p>Society and Environment - Social Systems</p> <p>4.11 Identifies factors that should be analysed by consumers, producers and governments regarding their decisions about goods and services, including people's work.</p> <p>Mathematics Number</p> <p>4.8 Applies appropriate computational tools and strategies to proportional situations involving integers, and rational numbers.</p> <p>5.8 Uses computational tools and strategies fluently and can estimate appropriately.</p>

Task 3: Lifestyle decisions

Teacher notes

For Task 3A, students will be required to refer to current local rental listings. Depending on Internet accessibility in your school, you may choose to do this online, or by asking students to bring in copies of local newspapers and real estate agent notices. You may also want to set a price range for the rental property that is appropriate for your local area.

Scenario

The Cooper family has had some bad luck. A kitchen fire has resulted in their home and everything in it being badly damaged by fire and water. They will need to find another property to rent and will have to replace most of their possessions.

Bob's income covers the rent, food and day-to-day living expenses. The savings that they have will be needed to pay for the bond on their new rental property and the two to four weeks rent that is usually required in advance. They are not sure if they will get the bond back on their previous rental property because of the fire.

The Coopers also decide to take out a personal loan to replace their possessions lost in the fire. The Cooper family think they should seek advice from a financial planner on the best type of loan to meet their needs.

Student activities	Standards
<p>Task 3A. Renting</p> <p>How do you go about renting a property?</p> <ol style="list-style-type: none"> Use a real estate rental property website or local newspapers and real estate agent brochures to choose a house that you think will be appropriate for the Cooper family, remembering that at the time of moving in they must pay for a bond and some rent in advance. <ol style="list-style-type: none"> Describe the features of the house chosen. Why have you chosen this property? (Compare with other members of the class). How much bond is payable? Calculate how much it will cost the Coopers to move into a new rental property based on the property you have chosen. Read <i>H.6.5 The rental bond</i>. Discuss as a class: "Bonds are just another way for landlords to get rich." Using the Internet, research a tenant agency in your state. Examples include: Tenants Union of Victoria, Tenants Advice Service Inc. WA or NSW Office of Fair Trading. Using the following subheadings, write a brief 200 word report on a tenant agency providing information for someone who doesn't know anything about renting. Include: <ul style="list-style-type: none"> the name of the organisation 	<p>Society and Environment - Social Systems</p> <p>4.10 Analyses differences between political, legal and social systems and people's rights and responsibilities, using personal and other examples.</p> <p>Mathematics</p> <p>Number</p> <p>4.8 Applies appropriate computational tools and strategies to proportional situations involving integers, and rational numbers.</p> <p>5.8 Uses computational tools and strategies fluently and can estimate appropriately</p>

- contact details
- role of the organisation
- type of information, services and assistance provided for tenants.

Task 3B. Getting the right financial advice

Choosing a quality licensed financial adviser or planner is important. According to the Australian Securities and Investments Commission (ASIC), these are the top seven tips in choosing a financial adviser and checking your financial plan:

- deal only with a licensed advisory business;
 - pick the adviser with the strongest qualifications, experience or integrity;
 - ask questions until you really understand;
 - if you feel uneasy, it's OK to walk away;
 - make sure your financial plan suits your needs and personality;
 - when you get a good plan, stick to it; and
 - keep all your paperwork.
1. Search <http://www.asic.gov.au> for "Don't kiss your money goodbye". Break up into three groups and develop a presentation (e.g. multimedia, PowerPoint, poster, brochure) on one of the three tips. Negotiate with your teacher which one. Your presentation should outline the information in a clear and concise manner and give examples.

Task 3C. Borrowing money

1. Go to <http://www.infochoice.com.au> Select "Personal loans", then "Browse all" for personal loans. From your state or territory visit one each of the websites listed for a bank (e.g. The Commonwealth Bank) and a non-bank financial institution (e.g. Wizard Home Loans or a credit union).
2. Assume the family will need to borrow \$20,000. Complete a table like the one below by comparing one loan from each of the institutions selected that may lend the Cooper family the money. Write an explanation for each term.

Provide an explanation of each feature for 2 different financial institutions.		
Features	Financial institution 1	Financial institution 2
Name and type of loan		
Duration of loan		
Principal repayment and interest on loan		
Loan application & establishment fees & charges		
Interest rate		
Any other costs		
Security for the loan		

Society and Environment - Social Systems

4.10 Analyses differences between political, legal and social systems and people's rights and responsibilities, using personal and other examples.

Task 4: Social security

Teacher notes

If possible, this task may be supported by having a representative from your local Centrelink office visit the class to discuss the role and purpose of Centrelink in the community. Before beginning this task, you may like to visit your local Centrelink office to gather brochures on a number of payments available. Otherwise, the Centrelink website (<http://www.centrelink.gov.au>) has information on payments. Task 4B asks students to look at making a claim for Youth Allowance. If need be, you can download the forms and photocopy for use in class.

Scenario

At a family picnic Bob plays a game of touch football with other family members. He is crash tackled by his son Max. Bob badly injures his knee. He reluctantly sees a doctor who gives him the bad news that his knee will need reconstructive surgery. Until this happens he will not be able to drive his truck. The Cooper family manage to pay living expenses, rent and their loan repayments for the first month out of Bob's sick pay, they miss paying loan repayments and some rent in the second month, once Bob's sick leave runs out. They have trouble buying food in the third month. They decide to investigate the possibility of getting government assistance.

Student activities	Standards
<p>Task 4A. Health insurance</p> <p>Review the health insurance information developed in Task 2.</p> <ol style="list-style-type: none"> As Medicare will cover Bob's operation, what disadvantage is he at, by not having private health insurance? Identify what courses of action he could follow now. What health insurance would have covered all Bob's hospital bills along with after care, such as physiotherapy? (less excess payments?) Analyse the cost of different options for the Coopers. Explain why health insurance decisions are made according to individual circumstances. <p>Task 4B. Social security</p> <p>Laura and Max have decided to investigate whether they are eligible for Youth Allowance. They are going to need your help.</p> <ol style="list-style-type: none"> Visit the Centrelink website http://www.centrelink.gov.au At the top of the page click on "A-Z". Scroll down to find the information on Youth Allowance. Find the information about how to make a claim. Make a list of all the things Laura and Max will need to do to make a claim for Youth Allowance. 	<p>Society and Environment - Social Systems</p> <p>4.10 Analyses differences between political, legal and social systems and people's rights and responsibilities, using personal and other examples.</p> <p>Mathematics</p> <p>Number</p> <p>5.8 Uses computational tools and strategies fluently and can estimate appropriately.</p>

Task 5: Financial counselling and bankruptcy

Teacher notes

Task 5B looks at bankruptcy. Bankruptcy is very complex and is addressed under federal legislation. Recent amendments include “Personal Insolvency Agreements”. This section of work focuses on the effects of bankruptcy on the life of the bankrupt rather than the process of being declared bankrupt. Many people are unaware of the lifelong consequences of being declared bankrupt. 80% of bankruptcies are not business related.

Scenario

The Cooper family have been relying on their credit cards to meet basic needs such as paying for food and bills since Bob injured his knee and hasn't been able to work. Creditors are now chasing them for missed loan and credit card payments as well as unpaid rent. The family urgently needs financial counselling.

Student activities	Standards
<p>Task 5A. Financial counsellors</p> <p>The Cooper family speak to a financial planner to help get a loan to consolidate their debt. They are advised that they really need to see a financial counsellor as they are in dire financial circumstances.</p> <p>Using the website, http://www.fido.gov.au, address one of the questions below. The teacher will ensure all questions are covered by the class. The two following documents from this website will be particularly helpful when answering these questions.</p> <ul style="list-style-type: none"> • “Consolidating debts: what to watch out for” - Find this by entering “consolidating debt” into the search function of the website. • “7 other ways to manage your debt” - A link to this document is at the bottom of the consolidating debts document. <ol style="list-style-type: none"> 1. What are the differences between a financial planner and a financial counsellor? 2. Will consolidating their debt solve the family's problems? Explain. 3. Is a financial institution likely to lend them money in their current situation? Why/why not? 4. How can the financial counsellor help the Cooper family? 5. What are some other actions the Cooper family could take to improve the dire financial situation they are in? <p>As a class, share and discuss what you have learned from the above questions and develop a class PMI (pluses, minuses and interesting chart) on the Cooper family decision to try and consolidate their debts.</p>	<p>Society and Environment - Social Systems 4.10 Analyses differences between political, legal and social systems and people's rights and responsibilities, using personal and other examples.</p> <p>Society and Environment - Social Systems 4.11 Identifies factors that should be analysed by consumers, producers and governments regarding their decisions about goods and services, including people's work.</p>

Task 5B. Bankruptcy

Over time the Cooper family's financial situation does not improve, even though they continue to receive financial counselling and support and really try hard to pay off their significant debts. They are eventually declared bankrupt.

What are the consequences of being declared bankrupt on the Cooper family?

1. Use the Insolvency and Trustee Service of Australia website at <http://www.itsa.gov.au> to develop definitions of "insolvency" and "bankruptcy" and the legal differences between these two situations.
2. Examine the information on *H.6.6 Bankruptcy* to discuss, in small groups, the impact of the family's bankruptcy on the following.
 - Laura wants to take out a student loan to help her out once she gets to university.
 - Laura wants to get a job in an accounting firm.
 - Will Bob and Nancy Cooper be allowed to start up the small business they are planning?
 - Bob has found a short term well paying job overseas, to help with the small business start up costs. Bob has a passport he applied for 5 years ago.
 - Will Bob's superannuation be affected by his being declared bankrupt?
 - Nancy would like to go and visit her elderly mother overseas, so she needs to apply for a passport.
 - The Cooper family have been given written notice to move out of their rental property. They need to find a new place to rent.
 - Bob has received a small inheritance.
 - Nancy has a very valuable antique diamond ring left to her by her grandmother. What will happen to the ring during bankruptcy procedures?
 - When applying for a job does someone who has been declared bankrupt have an obligation to tell his or her new employer?
 - Would the bankruptcy trustee sell Nancy's car worth \$1,500 and Bob's two-year-old truck?
 - How long will Bob and Nancy's bankruptcy be recorded and held against them in financial situations?
3. As a class, or in groups, discuss the effect bankruptcy has on a person's ability to:
 - obtain a mobile phone;
 - buy a new car;
 - get a personal loan or mortgage;
 - obtain a credit card or store credit;
 - travel overseas;
 - gain employment; and
 - run for local council, state or federal parliament.
4. Use the following quote from a brochure for people experiencing financial difficulties, to undertake a formal or informal class debate.

"Bankruptcy enables ordinary people to get out of debt, to get back on their feet, to be able to get on with their lives. Bankruptcy brings peace of mind."

H.6.1 Types of insurance services

Nathan Driver discusses insurance with his neighbour Laura Cooper.

Nathan: Laura, let's see how much we now know about insurance.

Laura: Okay you're trying to test me. Insurance is the cost of the risk people are prepared to pay to meet their financial problems. You have to pay a certain premium to an insurance company to have them share the cost of risk. I wish I had known that six months ago!

Nathan: What do you pay insurance on?

Laura: Depends on what you have. Things like: a car, computer, mobile phones, house or home contents.

Nathan: Good. Hey. I know many different types of insurance. I can tell you. Well, let me think... They are: health insurance, travel insurance, car insurance, house insurance, life insurance, income protection insurance. There is insurance for nearly everything. It's good but like you said it has a cost. Remember when Royce had to pay \$1,500 for his car insurance? Also, you must be careful when you take out an insurance policy. You must work out all the costs and do your homework first. In other words, compare the cost, the amount of cover and type of service you need from different insurance companies.

Laura: Yes, remember that there are many costs involved in an insurance policy, the cover you take, the premiums you pay on a yearly or monthly basis, the excess you pay for a claim. Gee, it all adds up!

Nathan: My dad just bought me a cool new mobile phone with wireless Internet and a built-in video camera. It's worth \$1,000. He insured it for 12 months in case it gets stolen. He's paying \$20 for insurance on top of the monthly access fee. It's worth it for protection.

Laura: Well, remember how I told you that my aunt had a car accident and it was her fault. You know what? My aunt's car plus the other person's car got fixed as well, and my aunt only paid a \$350 excess. Then when she broke her leg, the health insurance company paid for most of the bills and physio as well. The insurance companies picked up the majority of the costs in those two situations. But not everyone can afford insurance.

Nathan: The car accident...That must be comprehensive car insurance, right? The insurance company repairs or replaces the cost of both cars. I sure hope I can afford to pay the insurance that I think I need.

Laura: Sure thing. If only we had the benefit of hindsight. Or maybe a time machine.

Nathan: You watch too many movies!

H.6.2 Home building insurance policy

What we cover: Insured events

The insured events you are covered for: Earthquake, including subsidence and landslide cause by earthquake.

But not for: Loss or damage caused by tidal waves, tsunami, high tide or other actions of the sea.

The insured events you are covered for: Storm and rainwater, including storm water run-off from areas surrounding the site, or water escaping from any water main or drain. Storm means violent wind (including cyclone or tornado), thunderstorm or a heavy fall of rain, snow or hail.

But not for: Loss or damage caused by water entering your home due to a defect in your home, unless where you could not reasonably be expected to be aware of the defect.

The insured events you are covered for: Lightning and thunderbolt.

The insured events you are covered for: Fire (burning with flames).

But not for: Loss or damage where there is no flame, for example, cigarette burn marks or scorch marks.

The insured events you are covered for: Explosion.

But not for: The cost of repairing or replacing the item that has exploded.

The insured events you are covered for: Sudden and unexpected impact of any motor vehicle, aircraft, watercraft or space debris, object falling from a motor vehicle or aircraft, animal or falling tree.

But not for: Loss or damage caused by any animal kept at the site or a domestic animal. Nor a tree or part of a tree being lopped by a contractor engaged by you.

The insured events you are covered for: The actions of wildlife and birds that enter a fully enclosed structure (such as a residence), which cause damage as a result of impact, scratching, tearing or soiling.

But not for: The loss or damage caused by wildlife or birds which you keep at your home.

The insured events you are covered for: Theft, burglary, vandalism and malicious acts, including actual or attempted persons who are not living at your home or who enter your home without your consent.

But not for: Loss or damage caused by the tenant or person given consent to enter.

The insured events you are covered for: Riot, civil commotion or labour disturbances.

But not for: Loss or damage caused if you participated in the event.

H.6.3 The Coopers' home contents

The following information will help you fill out the contents insurance calculator on the website <http://www.gio.com.au>

- The Coopers live in a single storey three bedroom house. It is in pretty good condition but it is 40 years old. It is a brick house on foundations with a corrugated iron roof. There are locks on all the windows and doors.
- They have a reasonably sizeable quantity of furniture in their house but it is not over crowded, their furniture is average or middle of the range in terms of value.
- The house has one bathroom, but has an extra toilet out the back next to the laundry.
- There is a separate kitchen with a sunroom coming off it and a combined lounge/dining area.
- There is also a garage and a garden shed for all the tools and equipment Bob has for work.
- On top of standard furnishings in the house they also have a computer and printer worth \$2,000.
- Bob has three top class CB radios worth \$1,600.
- Nancy has an antique pearl necklace that she has inherited from her great grandmother worth \$3,000.
- Laura has been saving money from her part-time job and has just bought two surfboards: one long board worth \$650 and one short board worth \$400.
- Max has been playing golf with his uncle who just gave him his old set of clubs worth \$700.
- Nancy's birthday (as the oldest member of the house): 28 June 1965.
- The family haven't made any recent insurance claims on their other policies or been in trouble with the police. They have never had contents insurance before.
- When filling out the form, the home will be located in whatever suburb/town you live in.

H.6.4 Private health insurance: FAQs

Why have Private Health Cover?

Medicare only covers you for hospital and medical expenses in a Public Hospital as a Public (Medicare) Patient. You have no choice of doctor and will probably be treated in a shared ward. There may be substantial waiting lists for your treatment. Public Hospitals are struggling to cope with demand and there are currently thousands of Australians waiting for treatment. At a Private Hospital, you have choice of doctor and prompt access.

What exactly is Hospital Cover?

As the name suggests, Hospital Cover will cover some or all of your expenses while you are in hospital. How much is covered depends on your level of cover, the procedure or care given and the hospital you choose to stay in.

What is Dental/Ancillary Cover?

Ancillary Cover (known as Extras) is separate to Hospital Cover. Covers items not found in Hospital Cover this can include extra treatment such as dental, optical (glasses and contact lenses), physiotherapy and chiropractic among others.

How do I make a claim?

Some health care providers will swipe your health care card and your health insurance company will settle the bill instantly. Otherwise, you can present your receipt and/or account for the treatment to your nearest health insurance provider's office or mail a completed claim form and your account/receipt to your provider. Private health insurance may have some limits on what can be claimed.

What are waiting periods?

If you are new to health insurance or increasing your cover then waiting periods will apply to benefits. Waiting periods are usually two months, but can be more for more serious conditions. You cannot claim expenses for pre-existing medical conditions during the waiting period.

Who can my family membership cover?

Family memberships cover you, your partner, and your children under the age of 18 years. Your family membership also covers your student dependants who are under the age of 25 years, unmarried, full time students at a school, college or university.

What is the Medicare Levy Surcharge?

The Medicare levy surcharge is a fee on individuals and families on higher incomes who do not have private patient hospital cover. The surcharge is 1 per cent of your income in addition to the normal 1.5 per cent Medicare levy.

What is an excess?

An excess is the amount you have to pay before your health insurance will pay the rest. It is approximately \$250 per year.

What will private health insurance cover?

- accommodation - shared and private room (where available);
- theatre;
- delivery suite;
- intensive and coronary care;
- same day treatment;
- surgically implanted prostheses; and
- medical gap.

H.6.5 The rental bond

Nancy and son Max visit a real estate agent. They have quite a few inquiries about renting a house. Max has been learning about 'independent living' at school and is also interested to find out more. Nancy is more concerned with getting a roof over their heads and the costs involved. They meet Ivan, the rental property manager.

Nancy: Ivan, it has been a while, we've rented the house next door to the Driver's for several years now. What should we know?

Ivan: OK Nancy. Where do we start? Well... first of all you have to pay a rental bond.

Max: What is a rental bond?

Ivan: A bond is an amount of money paid by the tenant as a form of security for the landlord. This is in case the property is damaged or the tenants don't pay rent.

Nancy: Gee, I hope we get the bond back from the house that burnt down, how much would a bond be now?

Ivan: It depends. It is usually about four weeks rent, although it can be more if the property is fully or partially furnished.

Nancy: Four weeks rent? Why that would be at least \$1,000. That's a lot of money! We need a lot of money to get back on track since the fire.

Max: Mum, we could get a place with cheaper rent then the bond will be less.

Ivan: The landlord's interests need to be protected. The bond also covers accidental or deliberate disappearance of property, outstanding debts attached to the property – such as the water bill, and if the tenant doesn't treat the property as they are supposed to or leave it in the state agreed.

Nancy: It sounds like the landlord can easily take our bond money if we accidentally spilt something on the carpet or something silly like the house burning down.

Ivan: No. Keep the state of the property as nearly as possible in the same condition as set out in the original condition report; fair 'wear and tear' is acceptable.

Nancy: Well Max, you and your sister had better be careful. That's a lot of bond money we can lose. Ivan, How does it work?

Ivan: Well, you will need to have a bank cheque made out to the Rental Bond Board, (or its equivalent in each state). At the end of tenancy, after the final inspection, a claim form should be filled out and signed by the landlord or agent and also signed by the tenant. If the property is not kept in good condition, the landlord can claim against the bond for the repairs and you may end up forfeiting all or part of the bond money.

Nancy: Oh, dear! There's not much to inspect, I don't think we will get our bond back now after the fire. Thanks for your help Ivan.

H.6.6 Bankruptcy

Bankruptcy is the legal procedure for a person (or company) who cannot pay their debts.

To apply to become bankrupt a person lodges a Debtor's Petition, a Statement of Affairs and an acknowledgement that they received and read the Prescribed Information Booklet (from the Federal Government) with the Insolvency and Trustee Service Australia (ITSA). After their acceptance, a person becomes bankrupt within one day. Bankruptcy proceedings usually take three years but can be extended to a maximum of eight years if a person fails to cooperate with their trustee.

Effects of bankruptcy

- Property in the bankrupt's name is sold, except:
 - Items required for work such as tools, machinery or books, if worth less than a prescribed amount
 - most household contents (limit of one TV and one VCR)
 - personal possessions
 - personal jewellery such as wedding rings (if they are very valuable they may be sold by the trustee)
 - motor vehicle for personal use and worth less than a prescribed amount
 - some other types of property, e.g. insurance and superannuation.
- Part of the bankrupt's income may be paid towards the debts if it is greater than an amount set by law.
- The bankrupt's passport may have to be surrendered and have their travel restricted.
- The bankrupt is not permitted to obtain credit above a limit set by law.
- The bankrupt's credit rating is affected and a note of the bankruptcy is kept on a state-based public record for 5 or 7 years and with ITSA permanently.
- Suppliers of goods and services who are aware of the bankruptcy may impose additional requirements. For example, it may be difficult to rent, or to get a telephone connected without paying a bond.
- Property received during the bankruptcy (e.g. lottery winning, gifts) can be taken by the trustee to pay debts.
- Some industries exclude bankrupts from employment e.g. some finance industry jobs
- A bankrupt has some legal obligations and can be prosecuted for breaching them.
- Some debts are not cancelled by bankruptcy, such as:
 - penalties and fines imposed by courts
 - damages from accidents, unless the sum of damages has been fixed by court order or agreement before the bankruptcy
 - some student loans and debts
 - child support debts
 - debts incurred by fraud.
- A creditor who is owed more than \$2,000 may apply to a court to have a person declared bankrupt. If successful that person becomes involuntarily bankrupt.

A bankruptcy can be annulled (cancelled before the normal three year period) if:

- there is payment in full of all creditors' and trustees' fees and expenses
- an offer made to creditors to finalise debts is accepted
- a court orders the bankruptcy annulled.

This material has been adapted from information from Legal Aid Queensland website:

<http://elo.legalaid.qld.gov.au/Category/Civil/Debt/bankrupt.htm>.