

Permanent Impairment

Quick reference for IVA members and veterans' advocates

What the determination decides, weekly against lump sum, the three consequences the election turns on, the timing, and the advocacy boundary. Figures are illustrative and rounded. Client examples are de-identified.

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THE ESSENTIALS

Permanent impairment, in six lines

- Compensation for the permanent effects of accepted conditions. It is not income replacement.
- Impairment points and a lifestyle rating drive the rate. Both are reviewable and frequently understated on the first pass.
- Payable weekly, or converted to a lump sum in whole or in part. That conversion is an election, not a preference.
- The lump sum is the weekly amount multiplied by an age based actuarial factor. It is arithmetic, not an offer to be negotiated.
- Weekly permanent impairment payments cease on death. Converted capital does not.
- It interacts with incapacity payments, an SRDP election, superannuation and income support. It is never a standalone decision.

NUMBERS TO CARRY IN YOUR HEAD

Key figures and mechanics at a glance

ITEM	POSITION	WHY IT MATTERS
Rate driver	Impairment points plus lifestyle rating	Both are contestable against the medical evidence on the file.
Payment forms	Weekly periodic, lump sum, or a part conversion	A part conversion is available and is routinely overlooked.
Lump sum method	Weekly amount × age based actuarial factor	Younger veterans receive a higher multiple, not a better deal.
Tax treatment	Compensation is tax free	Do not compare it gross against taxable incapacity payments.
On death	Weekly payments cease. Capital forms part of the estate	The single most commonly missed consequence of the election.

ITEM	POSITION	WHY IT MATTERS
Interaction with SRDP	Periodic permanent impairment offsets the SRDP rate	A conversion decision here changes the arithmetic there.

THE ELECTION

The three consequences it turns on

CONSEQUENCE	WHAT IT ACTUALLY DOES
Mortality	Weekly payments stop on death. Capital stays with the household.
Debt	The same capital against a non deductible debt can beat the weekly yield, guaranteed.
Inflation	A fixed weekly amount erodes in real terms across decades.

ASK FIRST

Three questions before any election conversation

- Who depends on this money? A partner, dependants or a survivor position changes the weight of the mortality point.
- What debt is in the household? A non deductible debt at a rate above the weekly yield is a live factor.
- How long is this expected to run? Age and health decide whether the actuarial factor is generous or optimistic.

Name the three. Do not answer the question. Refer.

TIMING

The statutory deadline and the practical sequence

WINDOW	WHAT IT IS	WHAT THE ADVOCATE DOES
PI election period (statutory)	The lump sum election generally must be given to DVA within six months of receiving the determination notice (MRCA s78), subject to extension and review provisions. Leaving the election unsigned does not stop this clock.	Confirm the actual deadline on the notice itself and with DVA. Diarise it the day the letter lands.
Advice before signature (practical)	Our working sequence: advice obtained and the advice decision recorded before the election is signed and returned. Advice is not mandated, but it is the clearest evidence of an informed decision.	Ask the veteran to hold the signature, refer the advice out at arms length, record the decision and its date, then have the election signed and returned inside the statutory period.

WINDOW	WHAT IT IS	WHAT THE ADVOCATE DOES
Advice reimbursement	DVA may reimburse financial advice on PI elections up to a statutory maximum of \$3,397.18 where the eligibility criteria are met.	Raise advice early. Eligibility, funding and any personal cost are confirmed in writing before work begins.
Twelve month SRDP offer	Where an SRDP offer follows, the election expires twelve months from the letter date, with limited extension powers (MRCA s201).	Record letter date, date received and calculated expiry separately. Review at three, six and nine months.

Determinations do not arrive on notice. A matter can sit for months, then move in a fortnight.

THE BOUNDARY

Same knowledge, different statement

THIS IS ADVOCACY	THIS IS FINANCIAL ADVICE
"Here is what this determination and the conversion factor are doing."	"Once the factor applies you will be better off taking the lump sum."
"Weekly payments cease on death. Capital does not."	"Given your health I would take the lump sum."
"This election is permanent and there is a decision window."	"Given your age I would elect now."

CONFLICT MANAGEMENT

The arms length test

QUESTION	PASSES
Who benefits from the referral?	Nobody but the veteran, and it is documented.
How many options did they get?	More than one where available, in writing.
Who made the recommendation?	A licensed adviser, and the advice is on the file.
Can the veteran see it?	Disclosed in writing before the referral.

DOCUMENTATION

The file note that does the work

- What the veteran was told, in the words you used, not a summary.
- What you explicitly did not advise on, named specifically.
- The referral: who, when, on what basis, what was disclosed and what alternatives were offered.

- The decision window and the date the veteran was told it.

A note written after a complaint arrives is worth little. Written the same day it is the defence.

REFERRAL

How and where to refer to a qualified financial planner

STEP	WHAT TO DO
When	As early as possible once the determination arrives, while the election period is running, and again the day any SRDP offer arrives. Advice reimbursement may be available; confirm eligibility before work begins.
Who	An adviser on the ASIC Financial Advisers Register, authorised for superannuation and retirement income, with demonstrated MRCA, DRCA and VEA experience. Ask them to explain an offset calculation, and ask for the Financial Services Guide.
How	Offer more than one name where you can, in writing, and let the veteran choose. Record why you referred. Take no fee, commission or reciprocal arrangement.
What to send	With written consent: the determination and every enclosure, impairment points, incapacity payment history, superannuation invalidity correspondence, household income, debts and assets, dates of birth.
Then	Stay on the file, continue the advocacy, and diarise the statutory deadline.

DE-IDENTIFIED CLIENT FILES

Three elections that looked like a cash flow preference

THE FILE	THE CHOICE ON PAPER	WHAT WAS ACTUALLY TRUE	RESULT
Mortality risk	\$240 per week, or about \$215,000 lump sum.	Severe chronic conditions, married. Weekly payments cease on death, and matching the lump sum needed about 17 years.	Elected the lump sum. Capital preserved for the household.
Debt offset	\$185 per week, or about \$310,000 lump sum.	\$450,000 non deductible mortgage at 6.5 per cent. Interest avoided about \$20,150 a year against a \$9,620 weekly yield.	Elected the lump sum against the loan. About \$10,530 a year ahead.
Actuarial tables	\$85 per week, or about \$175,000 lump sum.	Age 26, single. Beating the lump sum in raw dollars required outliving the actuarial average, before inflation.	Elected the lump sum. Capital retained, with inflation protection.

In each file the advocate named the mechanism and referred. No recommendation was required of the advocate.

YOU CAN AND SHOULD

Inside the advocacy role

- Explain the determination, how points and the lifestyle rating were applied, and what to ask.
- State that weekly payments cease on death and that the lump sum is actuarially derived.
- Give the deadline early, and confirm every significant call in writing the same day.

YOU MUST NOT

Where advice begins

- Say which option leaves this veteran better off. That is personal financial advice.
- Recommend lump sum against periodic, or advise on investing, debt or super strategy.
- Refer to a single adviser with no alternative, no disclosure and no file note.

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