

It will never happen to me ...?

We all hope the nasty things won't happen to us, but what if something did? These people held the same belief until...

Patrick started his own business servicing computers last year after working for a major company for many years. He loved the freedom and control it gave him. Unfortunately a truck ran into his car and he received a severe whiplash injury. He couldn't work for two months and the loss of income made life hard for his young family. He didn't think to arrange income protection insurance to replace the sick leave he had with his ex-employer.

Paul and Sue worked hard to reduce their mortgage and once they had some equity in their home they used it to borrow to buy an investment unit. It was tenanted and had the potential for long-term capital growth. Sadly, Paul died suddenly from a stroke. On a reduced income Sue couldn't afford to keep paying the interest on the investment loan. The unit had to be sold quickly at a loss. They did not think to increase Paul's life insurance when they borrowed for the unit.

Karen is successful in business and prides herself in managing her personal finances well. She has a well-diversified portfolio of property and shares. Last year she contracted breast cancer and her work was disrupted with tests and hospital treatment for over five months. She has now recovered but the medical bills made a severe dent in her finances so she was forced to sell some excellent shares at short notice. Karen did not know that trauma insurance would have paid her a lump sum if she was diagnosed with a critical illness.

Three important lessons can be learned from these cases.

Firstly, the unexpected can happen to anyone.

Secondly, take the time to review your insurance arrangements at least once every year. If there are changes in your circumstances – new job, new loans, family changes, etc – arrange a meeting with your adviser.

Thirdly, talk to an expert. There are many different choices of insurance and it pays to have a specialist analyse your needs and find the most cost-effective solution for your circumstances.

Review your insurance policies

The last few years have been tough for insurance companies. Rising claims have squeezed their profitability. As many people have discovered, premiums on many types of policies have increased over recent years. Many insurance companies have also been tougher on claims assessment.

Each time you review your insurance check your coverage and make sure you have told the insurer all the information they need to know. The last thing you want if you need to make a claim is that you're not covered because you inadvertently didn't disclose all the facts.

Checklist

1. Does your income protection policy still reflect the income you are currently earning?
2. Will your house insurance pay you enough to rebuild your house?
3. Will your life insurance pay off all your debts and be able to support your dependants if you can't work?
4. Has your car been modified in any way?
5. Have you recently installed security devices or extra locking systems on your home that could reduce your premium?

6. Have you installed a \$15,000 home theatre and forgotten to add it to your contents policy?
7. Did you know that undertaking "high risk activities" such as skydiving or hang-gliding could void your life insurance policies?

This list is not complete but it's enough to get you thinking. Arrange a review with your financial adviser for a complete analysis of your insurance needs.

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Important Information

The information and any advice do not take into account your personal objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it.
