

SUMMER 2008
IDENTIFIER



Making your own luck

Welcome to the early summer edition of Identifier.

Everything looks a little rosier when the sun shines. It's been a testing year, but the warmer weather and longer evenings have provided us all with a welcome boost. And as we wait for the economic situation to improve, with fingers crossed, it's a great time to be making our own fortune. There's a lot we can all do to give ourselves the best chance of success, whether it be our health, wealth or long-term happiness in question.

In this issue, you can read about how adjusting your cover to the CPI can pay dividends at times like these; about the importance of getting checked for sunspots – and getting covered while you're still healthy; and how an honest assessment of your lifestyle and responsibilities can help you decide if your insurance cover is sufficient.

Have a safe and enjoyable summer.

Lyn Bell - Lyn Bell & Associates www.soundfinance.co.nz

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To link or not to link?

Did you know that most life insurance companies offer you the option of linking the amount of cover you have on your benefits to the Consumer Price Index (CPI)? This means that, for each year that the rate of inflation increases (indicated by the CPI), the amount of cover for which you are insured will increase at the same rate.

For example: If you take out life cover of \$100,000 in the year 2008, and then claim on that cover in the year 2038, if your cover isn't linked to the CPI then you will still have only \$100,000 (which is certain to be worth less than it is today). However, if your cover is linked to the CPI, it would have increased to \$242,700 had the CPI averaged 3% per annum over those 30 years.

One thing to consider is that if your cover is linked to the CPI, your premiums will also be linked and will therefore increase each year that the CPI increases. Nevertheless, this option is something to think about in these times, when we are experiencing higher-than-normal inflation.





Are you covering, or carrying risk?

Most people insure their cars and properties against damage and loss, but many neglect to insure their lives and livelihoods. Even those who have thought to protect their lifestyles may not have the levels of cover they need. When was the last time you assessed the risks to you and your family?

Life insurance products (sometimes known as 'risk' insurance) are designed to provide a backup plan to hold things together when life turns an unexpected corner.

These products can pay either a lump sum or monthly payments to the beneficiary in the event that the insured person dies, or suffers a critical illness or an illness or accident that prevents them from earning their usual income and maintaining their lifestyle and financial commitments.

So, can you afford not to have insurance?

THINK ABOUT THESE SCENARIOS...

You or a family member needs to go to hospital to have a major operation (perhaps for breast cancer or a heart bypass) – would you be prepared to wait on the public health system for treatment, with little choice regarding the hospital care you would receive?

Yes No

You are unable to work for six months due to illness or injury – do you have enough savings to see you through without damaging your long-term financial goals?

Yes No

You or your partner suffers a life-changing and traumatic event, such as a diagnosis of cancer, a heart attack or stroke, and makes a slow recovery – would you have enough savings to live on during recovery and adjustment without adding financial stress to the situation?

Yes No

You die suddenly leaving your partner and children behind – would they cope financially without an insurance pay-out?

Yes No

If you have answered 'No' to any of these questions, then you are likely to be 'carrying' some level of risk or, in other words, be underinsured. Doing a lifestyle check with an insurance adviser will show whether you have the right kind of insurance for your stage of life. We can help you understand the risks you are carrying, and provide advice on how best to manage these risks within your budget.



Give yourself the best chance of recovery

Many people who have life cover and health insurance also choose to provide themselves with the added security of critical illness and/or income protection cover.

This is for the simple reason that we're living longer than we used to – and with ongoing medical advancements, the chances of a lasting recovery following serious illness like cancer, stroke or a heart attack are increasing.

While this is good news, the cost of rehabilitation can have a huge financial impact on you and your family. Critical illness protection is designed to help you during such periods of recovery. This form of cover provides a lump-sum payment should you suffer a specified critical illness, and is ideal for paying immediate living expenses – alleviating the burden of debt and helping you with your recovery.

If you want to protect yourself and your family against the unexpected, and give yourself the best chance of a full recovery should this ever happen to you, talk to us today about the benefits of critical illness cover.



Did you know...

Two in five men and one in four women, between the ages of 30 and 64, suffer a critical illness

47% of heart attack patients will be alive one year later

78% of stroke patients will be alive one year later

60% of cancer sufferers will survive at least five years after diagnosis.

Source: General Cologne and Re Australia, 2002



Once burnt, twice shy...

Why it's better to be safe than sorry

With the exception perhaps of the farmers, most people will be hoping for the same sort of summer we enjoyed last year. However, with the summer sun comes the obvious and potentially serious risk posed by prolonged exposure to UV rays – skin cancer.

New Zealand has one of the highest rates of skin cancer in the world, and skin-related health issues account for an increasing number of insurance claims.

For Kiwis who spend, or have spent, time in the sun, it really is a case of 'it's better to be safe than sorry'. Over-exposure to UV rays is the cause of over 90% of all skin cancer*, making prevention and early detection of skin cancer key health goals.

Every New Zealander needs to be aware of the risks, to take the necessary measures to protect themselves, and to be vigilant in checking for sun spots or, better still, having a professional do the checks for them.

At highest risk are those who:

- Have a family history of skin cancer/melanoma
- Have a large number of moles
- Have pale skin, which burns rather than tans
- Are aged 50 or more and have solar keratoses.

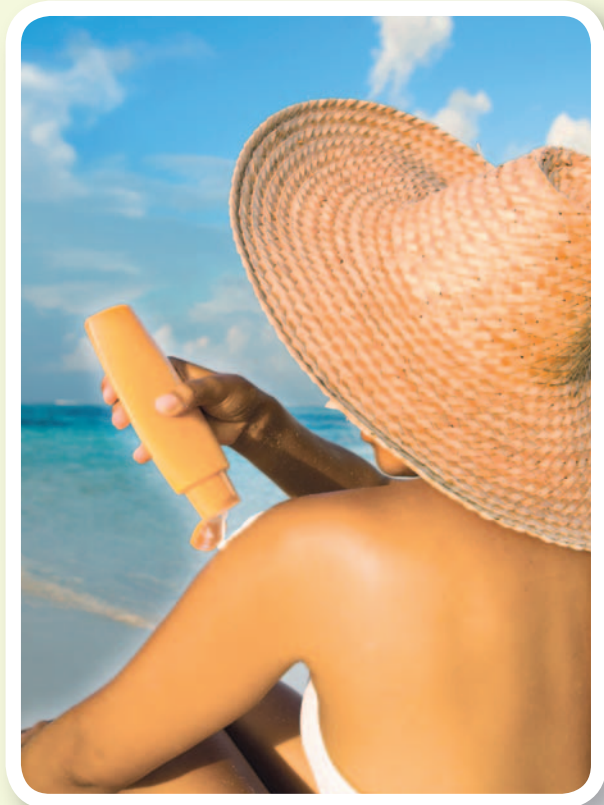
Exposure before the age of 20 is a particularly strong risk factor for melanoma. If diagnosed, skin cancer can often require surgery, aftercare and careful monitoring. This can be costly.

If you were to suffer a skin cancer without having health insurance in place, you would find yourself uninsurable for this condition when you do wish to take out insurance. This is known as a 'pre-existing condition'. This would mean that you would have to reach into your own pocket for the ongoing treatment of this condition even with insurance.

So if you or your family spends time in the sun, and especially if you are in the 'high-risk' category, always think of your safety first and stay protected. Slip on a shirt, slop on sunscreen and slap on a hat.

**FOR MORE INFORMATION ON HEALTH INSURANCE,
CONTACT US TODAY.**

*www.sunsmart.org.nz



- Skin cancer is by far the most common form of cancer affecting New Zealanders
- More than 300 New Zealanders die from skin cancer every year – one of the highest death rates in the world
- The vast majority of skin cancers are preventable
- Skin cancer costs the New Zealand health system about \$33 million a year, making it one of the most expensive cancers.

Source: www.sunsmart.org.nz

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The US crisis – what it means to you

The financial meltdown in the US has dominated news headlines this year. It started with the so-called 'sub-prime' housing crisis where many struggling homeowners walked away from their home loans, a great number of which had been 'packaged up' and sold to investors around the world. With these 'packages' declining in value, investors, including many Wall Street investment banks, suffered large losses. In the case of the Wall Street investment banks, these losses resulted in their share prices collapsing, which in turn resulted in their having to be rescued by US government agencies and, in some cases, led to receivership.

The failure of a growing number of finance companies has also been big news in New Zealand. While initially the failures appeared to be the result of poor management, the lack of confidence emanating from the 'sub-prime crisis' meant that many otherwise well-managed finance companies were caught up in what became a crisis of confidence. Investors became reluctant to take the risk of reinvesting their funds as they matured. This effectively 'starved' these companies of the money they needed to repay other investors' funds as they became due.

At the same time, many of these finance companies' borrowers were not able to repay their loans on time because they could not sell the properties they had developed. Many finance



companies could not survive this 'double whammy' and opted for an orderly wind-down to try to repay the maximum possible to their investors.

So, what do these things mean to you – as a personal investor in New Zealand?

The most powerful change is likely to be a shortage of money to borrow, at least compared to the flush lending period of the past five years. This change will be felt in international markets where New Zealand banks typically raise a sizeable proportion of the funds they provide for mortgage borrowers in New Zealand. This will mean that banks and other mortgage providers will be more selective in whom they lend to and, when they lend, it may well be on tighter terms.

This tighter lending market will be the same for business borrowers making it harder for them to expand and take on more staff. Also, for some businesses, the demise of most of the finance companies has severely reduced the sources of plant and equipment finance, making it more difficult for them to stay competitive by buying the most efficient machinery.

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