

WINTER 2009

IDENTIFIER



Hibernate... or get ahead?

In the middle of a recession, and in the depths of winter, understandably there is a temptation for many people to hibernate and to some degree put their lives on hold. This is a natural inclination, but one which is unlikely to pay dividends. For where there is short-term discomfort and uncertainty, there is also the opportunity to get ahead, put your house in order and prepare for the better times ahead. So, are you making the most of the 'down' time? In this issue of *Identifier*, you'll find information to help you get the best deal when fixing your mortgage, advice on keeping healthy by exercising during the colder months, a guide to protecting your income with the right insurance products and lessons for investors looking to the future.

Lyn Bell

Make your life easier at claim time

There's enough stress at claim time without having to deal with endless paperwork and questions from your insurance company. So here are six simple steps you can follow to make your life easier should you have to make a claim.



1. **Know your policies** – We all agree that insurance policy documents don't make great bedtime reading. However, it's important to set aside some time to read them thoroughly, so that you have a good understanding of what you're covered for. It may help to make a shortlist of the different companies with whom you have insurance and their contact numbers. It's surprising the number of people who can't remember who their insurer is, or what they are insured for, at claim time. And if you're not sure how your policies cover you, get in touch with your adviser.
2. **Have a back-up plan** – Copies of your policy documents are required at claim time, so easy access to these will speed up your claim process. It's a good idea to make sure that someone else in your household or family knows where all of your documents are kept, so that if anything happens to you they can act promptly on your behalf.
3. **Act quickly** – Phone your insurance company as soon as the event has occurred. You will need to complete a claim form or obtain additional information, so making immediate contact will help get the ball rolling. Most insurance companies will have an 0800 number and many operate extended business hours.
4. **Online forms** – Can't find a form? Use the insurance company's website or call them on their 0800 number. Most will have claim forms to download, saving you time and getting your information into the queue quickly for claims processing.
5. **Information overload** – Give as much information as possible on your claim form. This will save delays later on if the insurance company needs to get back to you for missing information.
6. **Tell your adviser** – Let your adviser know what has happened. They can offer advice and, if necessary, will liaise with the insurance company on your behalf.



The long and the short of it...

The continuing economic downturn, and the latest movements in home loan rates and the cost of lending mean choosing a mortgage term requires careful consideration.

It's a decision that must reflect not only market fluctuations and trends, but also a borrower's future personal circumstances.

Of course, the only certainty about the future is that it is uncertain. However, easier monetary conditions should continue to provide favourable terms for some time to come.

At the time of writing, the official cash rate (OCR) had plummeted to 2.5% – its lowest rate since its introduction in 1999.

This perceived 'bottoming-out' triggered a rush to fixed-term mortgages, which in late March fuelled an increase in longer-term rates. Consequently, the Reserve Bank has moved to arrest the trend and assure borrowers that interest rates will remain low for an extended period of time, leaving the door open to still more OCR cuts.

While short-term mortgages have the potential to go a little lower still, for longer-term rates, the upward drift has already started.

The choice of fixing versus floating will remain a trade-off between the certainty of long-term fixed rates and the low debt-servicing costs of short-term fixed and floating rates in the immediate future.

In broad terms, borrowers have the following options:

- Remain floating while the rate is lower to see what happens to rates over the coming months
- Fix for a medium term (e.g. two to three years) to get some certainty at a relatively low rate
- Take the certainty of a long-term rate, even if it isn't as low as it was recently

Splitting borrowing across terms is one way to hedge your bets and achieve a combination of flexibility, certainty and low cost of servicing the debt.

If you need help to make this important decision, contact your home loan adviser.

Sources:
New Zealand Mortgage Magazine (31 May 2009)
Independent Financial Review (28 May 2009)



Beat the winter blues with exercise

With the colder weather and shorter days, it's all too easy to neglect our normal exercise routines – but it's important to stay fit and active all year round, to maintain our physical and mental wellbeing. And that doesn't mean having to stay indoors.

All that's required for winter-time workouts is a little more planning. If you like to exercise outside, keep the following tips in mind:

- Dress for the conditions. It's a good idea to wear layers, so you can remove an item or two, if you get too hot. The layer closest to your skin should be breathable, and the top layer wind and water resistant. Avoid sweating too much and getting chilled. Don't strip off when you get inside, but allow your body time to adjust.



The importance of protecting your income



Just because your health suffers a setback, your financial wellbeing doesn't have to. When illness or an accident leaves you unable to work, income protection can protect you and your family from the financial consequences.

There are a number of insurance products designed to alleviate your financial concerns should you suffer an illness or accident that prevents you from working. Consider the following options available to you and your family:

Critical illness insurance pays a lump sum on the occurrence of a defined critical condition covered by your policy. Examples of these include serious cancer, heart disease and stroke. With this type of policy, you can save money by combining it with your life insurance policy.

Income protection provides a monthly income if you are unable to work due to sickness or injury. Policies can include a number of features that can be used for rehabilitation or occupational retraining. Some occupations cannot be covered by income protection – if this affects you, choose a policy that will insure you in the event of your being disabled as a result of one of a specified number of critical health events. Many insurers are now offering income

protection for the newly self-employed, which requires no financial records.

Permanent disablement protection pays a lump sum in the event of total and permanent disablement, such as paraplegia and quadriplegia, caused by accident or illness. Choose a policy that's right for you, as some are available for individuals with businesses, and others for individuals with families.

Business expenses protection pays the owner or partner of a small business a monthly benefit to cover the continuing expenses incurred should the owner become totally disabled. This monthly business income can be paid according to a pre-determined timeframe.

Locum cover provides funds to help your business maintain operation if you become totally disabled. It reimburses the costs of replacing you, either permanently or with a locum, and it also provides cover for eligible business overheads.

If you were out of action for an extended period, would you be able to maintain your current lifestyle and still cover expenses such as:

- MORTGAGE REPAYMENTS
- MEDICAL EXPENSES
- DAILY LIVING EXPENSES
- INSURANCE PREMIUMS
- HIRE PURCHASE PAYMENTS
- A PLANNED HOLIDAY
- BUSINESS OVERHEADS
- CHILD CARE
- SCHOOL FEES
- RETIREMENT SAVINGS

- Be sure to warm up properly. Colder temperatures can make your muscles tight, leaving you more prone to injury.
- Drink plenty. It's just as important to stay hydrated when exercising in winter, even though you might not feel as thirsty.
- Lighten up. If possible, exercise outdoors during daylight hours. Make use of your lunch break if you can. If you have to work out when it's dark, be sure to be seen and stay safe – especially when running on the road.

If you'd really prefer to stay indoors, however, you have a number of options:

- Join a gym. Be sure not to get cold after your workout.
- Set up a gym at home. It needn't be expensive. A few dumb-bells, an exercise ball and a skipping rope are all you need for a varied workout.
- Visit the local pool. As well as swimming laps, try water aerobics or aqua-jogging for a low-impact, high-intensity workout.
- Take the stairs. Always use the stairs during work hours. If you have stairs where you live, they can also provide a great exercise workout routine.

For further information, got to www.about.com

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Lesson for investors – tomorrow is another day...

It's human nature that, as investors, we tend toward the belief that the current market conditions are more than likely to prevail. The latest news is always foremost in our minds and can easily cloud our judgement.

So, when the news is dire, as indeed financial market results have been over the past year or so, investors are inclined to assume that the negative investment climate will continue.

This, of course, becomes a self-fulfilling cycle, as most investors adopt the 'mood of the moment' and are proved to be right. Sometimes when markets really get carried away we hear some commentators describe this phenomenon as a 'new paradigm' or some such thing. In other words, investors have suspended all common sense, and forgotten about the lessons of history!

This partly explains why investment markets tend to 'overshoot' both on the high side and the low side. When enough people believe that today's conditions will continue ad infinitum, the weight of opinion weighs so heavily on markets that they reach extreme highs and lows.

Getting caught up in this behaviour can be costly. We can buy investments when they are over-priced and conversely, sell when the prices are at the cyclic low.

To avoid these costly errors, it can help to seek advice from a dispassionate and knowledgeable third party. Your financial adviser can provide a 'voice of reason' based on observations of markets through these extreme cycles and

sound a warning bell when you are tempted to 'go with the flow' without sound justification.

We all need to resist our normal human impulses, in order to retain our objectivity and make the right decisions for the long-term success of our investment portfolios.



The information contained in this publication is general in nature. It may not be relevant to individual circumstances.

Before making any investment, insurance or financial planning decision, you should consult a professional adviser. Copies of our disclosure statements are available on request, free of charge.

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