



Quest for winning tickets in the tough lottery of life

Disaster lurks around every corner, but the wise family can take measures to guard against sudden loss of income. ROB STOCK details 10 ways to look after loved ones if the worst happens and the money tap turns off.

Debt collectors do not care if your children go barefoot and hungry. Don't give them power over your family.

LIFE IS a lottery and no family is totally secure.

But although no one can be wrapped in cotton wool – speeding cars cross centre lines, firms go bust, husbands run off with their secretaries – families can minimise the impact of bad luck.

These precautions have little meaning for singles, but when babies come along, responsibilities change.

The line between success and failure can be a fine one for families.

Auckland city missionary Diane Robertson said the main factor bringing families to the City Mission was loss of income through illness, accident or unemployment, combined with no insurance.

But there's more to family protection than paying the premiums on a swag of insurance policies, and families owe it to themselves to take simple measures so if the worst happens, those left behind can cope.

Here are 10 measures families should consider.

Many cost money, but reviewing insurance, including shopping around for cheaper premiums and ditching policies you no longer need can free the money to provide protection in areas where you have none.

DEBT SLAVERY: Kiwis are carrying around \$11 billion in interest-bearing, non-mortgage debt. Even Richard de Lautour, chief executive

of Instant Finance, which lends cash to people to buy anything from cars to holidays to TVs, thinks many people have lost the plot and are in debt up to their eyeballs. Some things like a home are worth going into debt for, but never risk the family's future for non-essential debt, and never borrow against the home to secure a loan for a luxury purchase such as a holiday or boat. Debt collectors do not care if your children go barefoot and hungry. Don't give them power over your family.

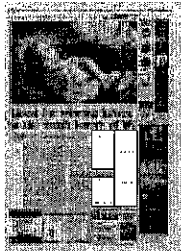
COVER UP: It's one thing leaving your husband or wife to cope with grief and young children if you die. It's quite another if you also leave debts and no life insurance policy. Trauma insurance and total and permanent disability provide "living" insurance which means cash should illness or accident strike. For sole breadwinners, income protection is worth considering. It is expensive, but without it a sudden accident or illness could reduce the family income to zero overnight. Take care not to over-insure, though. Every dollar spent on premiums reduces your ability to save.

WILL POWER: Each year, about four in every 100 people who die do so without a will, says Public Trust. That means a whole lot of needless bureaucracy and uncertainty for survivors, and leaves the courts to split up your assets. But getting a will is simple, and everybody 18 and

over can have one. A lawyer can do it for a small fee, or the Public Trust will do one for about \$150. You can even buy DIY guides and do it yourself. Whoever makes your will, take care to read and understand it. Legalese can allow mistakes to creep in unnoticed. Some people think having a will is tempting fate. Not having one certainly is. While you are at it make sure you keep family paperwork up to date and tidily filed, and share the money responsibility, so should you or your partner die, the survivor isn't left floundering.

GO PRIVATE: About 1.3 million of us have health insurance, says the Health Funds Association. A heart bypass costs up to \$28,000 for those not willing to wait for the state health system, and a serious cancer operation can cost up to \$26,000 plus recovery costs, so it's no wonder so many people choose to pay a little every month. But take cover only for the things you can't afford to pay for. For most that's surgery and hospital treatment. Why pay premiums for things you can manage like visits to the doctor?

HOME SECURITY: Many people don't have house insurance. The Insurance Council says that the huge rural floods of 2004 revealed that in some small communities, about 40% of homes were not insured. And on the subject of risk protection, it goes without saying



that there should be a fire extinguisher on each floor, and smoke alarms in every room.

STORE UP FAT: Bears understand storing up fat for when times are hard. Heads of families should also. Everybody needs an emergency fund so they can survive for at least six weeks without having to borrow should they lose their job. That includes covering living expenses and all debt payments. That's short-term fat. Long-term fat involves saving so you are not a burden on your children when you get old. Some say that unless you are saving at least 15% of your salary you are not doing enough. Who saves that much? Not many, says AMP. Its Superwatch survey from September last year showed only 37% of working Kiwis were saving for their retirement. Develop your plan on www.sorted.org.nz, the Retirement Commission's plain English website.

TRUST IN TRUSTS: Assets sheltered in a well-managed family trust are protected in some situations which can easily impoverish families. If you are sued, assets in a trust can escape the

attention of the courts. Trusts are particularly important to have set up before second marriages, so assets in the bloodline are safe if things turn sour. Pre-nuptial agreements are also an option. Setting-up costs depend on the complexity of the trust, but expect the price to start at \$1000 for the most basic self-administered trust.

CONSIDER A FUNERAL PLAN: If having a will is tempting fate, what about signing up for a funeral plan? These are life insurance policies to pay for the send-off you always dreamed of so no one else has to. Manchester Unity is one seller of such plans. It offers pre-paid plans where buyers pay one premium and are covered for life. An 18-year-old wanting \$1000 for their funeral would pay a one-off premium of \$206, but wait until you are 55 and you'd pay \$541. Others with funeral plans include Save & Invest and Sentinel.

ENDURING POWER OF ATTORNEY: This gives a designated person power to handle your affairs should you become unable to do so. No one knows how many old people are mistreated by relatives, often

scheming to get mum or dad's cash. Better to leave clear instructions on what you want to happen should you no longer be able to make decisions for yourself. But EPAs are not just for the old. Don't assume that if you suffer an injury or illness that leaves you incapable of managing your affairs, your other half could call the shots for you. An EPA will give them that power. Your lawyer can draw one up for you, as can organisations such as Guardian Trust and Public Trust.

HAVE EGGS IN MANY BASKETS: Do not put all your eggs in one basket. New Zealand is a small country dependent on agriculture. In the event of some natural disaster, such as foot and mouth breaking out here, those who had some money in overseas assets such as US, European and Asian shares would fare better than those who owned assets only in New Zealand. It's also good to back more than one horse. If all your cash is in property, or it's all in finance companies, one shock could see you instantly become much poorer.



Well-covered ... don't worry, Catherine Emma, Dad's got all the answers for a safe and secure financial future.

Photo: Phil Doyle