



# Financial Insight

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With compliments from your TOWER Adviser

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## Welcome to the Summer Edition of Financial Insight

Many people find financial planning confusing and hard to understand. In order to assist our readers to better understand financial planning, the benefits of professional advice, investing and protection, we have developed this newsletter.

Having knowledge about investing and protection before you implement a wealth creation or protection strategy can provide the insight and advantage needed to achieve investment success.

By consulting your financial adviser, you can assess and understand your personal situation – and then implement strategies that will help achieve your individual lifestyle goals and objectives.

Your financial adviser will take into account many factors, such as your capacity to save, lifestyle and retirement objectives, taxation requirements, economic environment – including your acceptance of risk. Then, depending on your needs, provide professional advice on budgeting, investment and planning.

With a structured financial plan and strategy, you will achieve your wealth creation and protection goals.

### Picture Yourself – it could be you!

It may have taken years to get here, but finally you can see some light at the end of the tunnel. You are at last getting on top of the mortgage and the kids are approaching independence. Maybe now you can start to really get ahead financially, but don't take the risk of relying on your income alone.

#### Jack and Shirley's Story

Jack and Shirley had always dreamed of a European vacation. Initially it was going to be before they had children, but then the twins came along and everything changed.

They sold their two bedroom apartment and upgraded to a larger house with a mortgage to match. Instead of saving for airfares and tours, they were suddenly pouring money into the house.

After eight years and two more children, Shirley went back to work part time as an architect. Jack was making around \$130,000 and progressing well up the corporate ladder. The extra money enabled them to put a bit more into the mortgage and eventually borrow against their equity to buy a little holiday house on the coast.

They never let go of their European dream and on their 18th wedding anniversary Jack and Shirley made a pact to take the trip once all the kids had finished school. Shirley eventually returned to full time

contract work and was earning similar money to Jack.

#### Then their world came crashing down

A few years later, just as lifelong dreams were becoming reality, their world came crashing down. Shirley was diagnosed with breast cancer and following surgery began a long battle with chemotherapy. She couldn't work and the holiday house was sold to help pay the bills.

Shirley suffered depression after the treatment – Jack would have loved to treat her to that European holiday. Such a trip was now out of the question. Losing Shirley's income also meant taking the kids out of private school and scaling down to one car.

Before the cancer Jack and Shirley had considered talking to a financial planner, but the pressure of work and raising a family had always distracted them from taking action. Paying a little extra off the mortgage and saving for their trip had taken priority over any long term plans.

#### inside

Picture Yourself – it could be you ....1

Cancer Prevention ..4

An adequate retirement income? .....5

Exercise is more than just burning fat! .....5



### Picture Yourself – it could be you! (Cont)



#### What could they have done differently?

A suggested personal insurance strategy would have included:

- Life insurance cover of at least \$500,000 to extinguish the mortgage should either die prematurely. Additional requirements such as funeral expenses, ongoing income and education costs should also be considered.
- Total and permanent disability insurance equivalent to life insurance cover, so that if either were permanently disabled they could extinguish the mortgage.  
Additional requirements for refurbishments, ongoing medical expenses and home care should also be considered.
- Critical illness insurance to assist in mortgage repayments and the cost of medical treatment and time off work if either suffered a major medical condition such as cancer.
- An income protection plan would have replaced 75% of Shirley's income during her time off work and would continue to pay her while she was unable to work.

#### A predictable future

No one plans to get sick, injured or to die prematurely, but you can plan to provide a cash cushion if you or your family are ever unfortunate enough to be affected by these events. It's all about retaining control of your financial independence even if you lose the ability to earn a living through your own efforts.

#### The four pillars of protection

You can effectively and economically immunise your financial future against these risks using a combination of four basic types of cover.

- Income protection insurance to provide a replacement monthly income if you are temporarily sick or injured.

- Critical illness insurance to provide a lump sum of cash if you or your children are diagnosed with one of many specified medical conditions, such as cancer, heart attack or severe burns.
- Total and permanent disability insurance to provide a lump sum of cash if you become totally disabled and are unable to work ever again.
- Life insurance to provide a lump sum of cash upon death or terminal illness.

A combination of these insurances can give you the financial resources to maintain or adjust your lifestyle and ensure that you are able to independently care for yourself and your family with confidence and dignity.

#### Did you know?

A recent sample survey of families with household incomes or joint assets (excluding family home) of over \$50,000 found that only:

- 50% had life insurance coverage
- 21% had crisis cover
- 18% had income protection cover

This means a large percentage of relatively affluent people are leaving themselves exposed to the very real risk of income loss and the associated inability to service debts, such as a mortgage.

This compares with 84% of the same sample who insured their car comprehensively and 88% who insured their home and contents<sup>1</sup>.

#### Handy hints

- Don't underestimate your "human life value"! Even modest incomes can multiply up to hundreds of thousands of dollars in potential losses over a working life, if you die or become seriously disabled.
- A financial planner can help you calculate what cover you need to adequately protect your lifestyle.
- Don't think that earning two incomes provides the same security as having adequate insurance cover. Insurance planning underpins your lifestyle and any investment plans you have to fund your future and the good things in life.
- Securing insurance may become more difficult as you get older as health conditions may prevent you from getting the cover you need. Take action now to secure cover and secure lifestyle in the future.

**Want more information? Speak to your insurance adviser today to find out how you can protect your financial future. If you do not have an adviser please call TOWER on 1800 226 364 or visit us at [www.toweraustralia.com.au](http://www.toweraustralia.com.au)**

1. Australia Scan : Quantum Market Research, 2004



## Cancer Prevention

At least one in three cancer cases are preventable and the number of cancer deaths could be almost halved by the implementation of effective cancer prevention programs.

More than 15,500 cancer deaths each year are due to smoking, sun exposure, poor diet, alcohol, inadequate exercise or being overweight.

Following is simple advice that will help you to reduce your risk of some common cancers.

*The Cancer Council Australia advocates for a concerted and comprehensive national approach to the prevention of cancer.*

### Avoid tobacco smoke

The most important preventable cause of cancer is smoking - which directly causes more than 11,000

new cases of cancer each year. That is 12.5% of all new cases of cancer.

More than 7,800 deaths every year are caused by cigarette smoking.

Quit smoking - your health and your budget will benefit.

*If you are a non-smoker, limit your exposure to other people's smoke.*

### Protect your skin

Australia has the highest rate of skin cancer in the world with around 374,000 Australians treated for a non-melanoma (non-life threatening) skin cancer, and more than 8,800 diagnosed with a melanoma each year.

Over 1,300 Australians die from skin cancer each year.

It is important to protect yourself from the sun when ultraviolet (UV) radiation levels are high.

The Cancer Council Australia recommends you use all of the following sun protection measures:

- Stay in the shade, especially between 10am and 3pm, when UV radiation is at its strongest
- Wear a hat that protects your face, neck and ears
- Wear sun protective clothing
- Use a broad spectrum, SPF 30+ sunscreen to skin left exposed and reapply every 2 hours, and
- Wear close-fitting sunglasses to protect against eye damage.

Protect your face, but don't forget the rest of your body.

The most common sites for the deadliest form of

skin cancer, melanoma, are the lower legs for women, and the upper back for men.

### Have a healthy diet and exercise regularly

In Australia, more than 25% of cancer cases and more than 7,600 cancer deaths are attributed to obesity, physical inactivity, poor diet and drinking alcohol.

Overall, these factors account for almost 19% of the total burden of all injury and disease in Australia, including type 2 diabetes, cardiovascular disease, hypertension, arthritis and some cancers.

### Early detection

Every woman who has ever had sex should have a Pap test every two years.

Be on the lookout for any changes to your breasts. If you do notice any change, talk to your doctor as soon as possible.

If you are over 50, have a regular mammogram.

Women aged 50 to 69 are eligible for free two-yearly mammographic screening.

Be aware of the signs of bowel cancer: bleeding or a change in usual bowel pattern persisting for more than two weeks.

If you have any unusual bowel symptoms, see your GP immediately.

Men, check for any changes (a lump or anything unusual) in your testicles. Talk to your doctor if you notice anything or have any concerns.

Check your body for suspicious spots.

See your doctor if you have any new skin spots, or a spot that has changed in size, colour or shape.

If detected early, skin cancer has a 95% cure rate. The earlier a skin cancer is reported to your doctor, the more likely treatment will be successful.

### Possible cancer warning signs

- Unusual discharge or bleeding
- Any unexplained change in toilet habits
- A lump in the breast, neck, armpit or anywhere else in the body
- New skin spots, or a spot or mole that has changed in size, colour or shape.

If you have any of these symptoms you should talk to your doctor without delay.

Source: Cancer Council Australia [www.cancer.org.au](http://www.cancer.org.au)



## An adequate retirement income?

**We are living longer. Women now have an average life expectancy of 82 years and men 77 years.**

These figures are projected to increase to at least 86 years for women and 81 years for men over time. This means that young people need to plan for at least 20 years in retirement.

Many of us want to be active in our "retirement", and be able to afford to undertake a range of activities. The expectations of baby-boomers and future retirees are likely to be higher than those of their parents or grandparents.

Research commissioned by The Association of Superannuation Funds of Australia (ASFA) clearly indicates that there is an increasing and stark gap between expectations and the reality of what is actually being saved.

- Eight out of 10 estimate that the minimum annual income personally required in retirement will be \$20,000 pa or over, and
- About 6 in 10 feel that they will need \$30,000 or more.
- Baby-boomers have higher expectations with around 7 in 10 estimating that they will need \$30,000 or more in retirement.

Expectations are likely to increase with future generations. However, the single age pension currently provides \$12,700 p.a.\* An amount that sits around the poverty line.

A level of 9% SG for someone on average earnings of \$45,000 after 30 years employment will provide a lump sum of \$167,000 and about \$21,100 p.a in retirement income – this includes a part-pension.

Around \$355,000 would be needed to achieve an income of \$30,000 pa.

Awareness of this gap is patchy.

ASFA research indicates that 4 in 10 Australians realise that they are not currently saving enough to meet their retirement income goal.

Another 3 in 10 are not saving enough but do not realise that they fall within this category.

For most people a savings target of at least 12-15% of salary over 30 years might be appropriate, depending on your circumstances.

A much higher rate is needed if you have less time in the workforce, or who are currently of mature age without a substantial accumulation, are in and out of the paid workforce, or find that they must retire earlier than expected.

As well, the more income in retirement you want, the more you will have to save.

For low to middle income earners the government co-contribution will supplement retirement savings and encouraging further savings.

An enhanced co-contribution would have an even bigger impact.

**So contact your Professional Financial Adviser today and discuss your retirement plans while time is still on your side.**

Source: The Association of Superannuation Funds of Australia Ltd [www.superannuation.asn.au](http://www.superannuation.asn.au)

\*This amount is based on Centrelink rates as at September 2005. This rate is subject to change.



## Exercise is more than just burning fat!

**There is no shortcut to staying healthy these days.**

Healthy living requires a commitment to regular exercise, as it is a necessary part of keeping fit.

Walking and jogging are great activities as their aerobic benefit helps to boost the body's metabolism and burns any extra calories that would otherwise be converted into fat.

In addition, regular exercise strengthens your heart and provides other benefits including stress relief – it also makes you feel better about yourself.

Workouts at the gym on high-tech equipment can help with a get fit programme, but they are not the only options available to us.

You can enjoy great health benefits simply by doing those activities that interest and are most fun to you. It can be swimming, dancing, bike riding, or something as simple as walk in the park or around the block at home.

The key is to keep moving – even seemingly insignificant activities such as taking the stairs instead of the escalator can make a real difference to your overall wellbeing and health!