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Life insurance through the ages

Whoever said, ‘the more things change the more they stay the same’, was dead wrong when it comes to life insurance. While protection against adversity is always wise, your actual needs change as you move through different ages and stages of life.

From when you take your first job and go out into the world, life insurance in all its many forms has a role to play.

Life insurance falls into four main categories:

- Income protection - Pays a monthly benefit if you are unable to work due to sickness or injury
- Trauma - Pays a lump sum for a specific injury or illness
- Total and permanent disability (TPD) - Pays a lump sum if you are permanently unable to work
- Death - Pays a lump sum if you die or become terminally ill.

Shifting needs

Life insurance is like a bell curve – you need a low level of cover when you are setting out in life, growing to a high level in your middle years when your responsibilities and debts are at their peak and then possibly dropping back when you retire.

The need for cover is ultimately about ensuring you have sufficient financial back-up should something go wrong. While superannuation offers most Australians some form of life insurance, it is generally a basic level of cover and may need topping up outside super.

Each stage of life has its challenges, whether you are young and single, just married, starting a family, empty nesters or retiring. Whenever a major event occurs in your life, such as marriage or the birth of a child, you need to consider whether you have the right cover for your current needs.

Young and single

When you are starting out in life you may not need life cover, but what would happen if you were injured in a car crash and couldn’t work for six months? What happens when your sick leave runs out? How would you pay your rent, car loan, utility bills and basic living expenses? That’s when income protection insurance can be a lifeline.

Just married

Once you are part of a couple you naturally want to protect each other’s wellbeing. If something happened to either one of you it could put tremendous strains on the other person. This is even more likely if you have bought a home and are saddled with a mortgage.

Life insurance, income protection and trauma insurance can all help you protect your lifestyle. And both partners should seek cover because both are contributing.

Starting a family

Once children come on the scene, the need for life insurance is even greater. If something were to happen to you or your partner, then the financial burden could be significant. Who would look after the children? Could they stay at the same schools? Could your partner pay the mortgage on one salary?

Income protection, life insurance, trauma insurance and total and permanent disability should all be considered. Once again, it's important to make sure both partners are covered – even if one isn't working, the costs associated with childcare and household tasks can be considerable.

Empty nesters

Just because the children have left home doesn't mean you don't still need access to money should something occur. Sure, you are probably at the peak of your earnings, but many empty nesters still have a mortgage. Even if you don't, why put at risk all the wealth you and your partner have worked hard to build up for your retirement? Life insurance can help you protect these assets.

Retirement

Once you are retired, your need for life insurance may diminish. At this stage of life, you will probably have paid off your mortgage and your children are likely to be independent. As a result, insurance cover might just be a means to leave an inheritance for your children. Or you might want to have a policy to provide for your funeral.

Life is forever changing, as are your insurance needs. It is not a one-size-fits-all.

Call us if you want to discuss how to shape your insurance to meet your current needs.



How to plan a gap year for grown ups

It's not just school leavers who dream of a gap year. Those of us who've been working for a decade or two (or more) may also long for a real break from career and commitments.

It does not even need to be a year – just enough of an extended break to reset and to take stock of what's important to you. There's the opportunity to learn new skills or another language, explore different cultures or do a road trip around Australia.

By planning ahead and making sure your break is not going to derail future financial goals, taking an extended period off work can be achievable.

Dare to dream

Start by finding an idea that might work for you. There are a host of websites that can help you to plan your adult gap year. They will provide tips and tricks for travel and where to find work (paid or volunteer).

You might consider:

- Setting off around Australia. Taking off on an extended trip you can take the time along the way to really get to know parts of the country you've never seen. You could camp, caravan or stay in quirky country motels along the way.
- Chasing the sun. Research affordable countries in warmer climates and set up in a beach shack. You will need to check rules on tourist visas.
- Becoming a backpacker. There are plenty of cheap but comfortable accommodation options around the world to allow you to prolong your time away.
- Taking a long walk. You can find much-loved and ancient tracks in Australia and around the world to expand your horizons. From the Great Himalayan Trail in Nepal – to Spain's Camino De Santiago, or one of Australia's iconic walks such as the Heysen Trail in South Australia.

The importance of planning

Once you have established what your break will involve, work out a budget that takes account of the costs you will continue to incur (such as mortgage or loan repayments, insurance, utilities, car registration and rates) as well as your best estimates for accommodation, food, travel and spending money for your destination(s).

Don't be daunted by an amount that may appear unachievable at first glance.

Work out how to save on costs when travelling. Some ideas include:

- Living like a local. Try swapping your house with someone in another part of the world. House swap websites match up homeowners looking to live in different places for varying periods of time. Alternatively, you could rent out your home while you are away and/or sign up to a housesitting website.
- Working differently. Your gap year might be more about doing something different than taking it easy. Find organisations and websites – such as <http://workaway.info/> and <http://wwwoof.com.au/> - that cater for working travellers. You could choose to work on farms around the world in return for food and board for example.
- Becoming a digital nomad. If manual labour isn't your thing, you could pack your computer and hook up to one of the many digital work websites – such as <http://digitalnomadsworld.com/>, <http://upwork.com/> or <http://fiverr.com/>. Many countries now encourage this trend by offering digital nomad visas.

Then, with your costs under control, and a clear goal in mind, it's time for a savings plan.

You will want to reduce your current living expenses as much as possible to maximise savings and think about setting up a direct debit to a high interest savings account. Check the <https://moneysmart.gov.au/saving/savings-goals-calculator> to see how much you will need to save every month.

If you have more than a few years to plan your gap year, you could look into some longer term savings and investment options such as shares, exchange-traded funds (ETFs), or term deposits.

While a gap year is exciting, planning ahead financially is essential to ensure you don't fall into debt.

You also need to carefully consider how this could affect your long-term financial goals. You probably won't be making super contributions, so this may impact your super balance and retirement plans.

If you'd like to take time off in the future, contact us today to ensure that taking a break from earning an income won't impact your future financial security.

Keeping yourself accountable

At the end of the day, we are accountable to ourselves - our success is a result of what we do -
CATHERINE PULSIFER

It can be both empowering and a little uncomfortable to think that we are responsible for our successes – and failures. Being willing to accept the consequences of our actions, choices or behaviours is not always easy.

We've all at some time or another played the 'blame game'. It's so easy to look outward and blame others for our problems, hardships or the obstacles that are getting in the way of us achieving our goals and dreams. For example, it's the company's fault that I keep getting passed over for that promotion, my team at work is holding me back, my partner is not being supportive enough of me.

The reality is there are always external forces at play that impact our lives and focussing on these external forces takes away our personal accountability.

What does it mean to be accountable?

Being personally accountable means taking responsibility for one's own actions (or in some cases – lack of action!). It's maintaining an ongoing commitment to yourself and what is important to you.

Here are a few ways you can become more accountable.

1. Remove the roadblocks

It all starts with your mindset. Choose to consciously embrace an accountable approach and recognise that you are the architect of your destiny.

That means letting go of the excuses and recognising them for what they are - roadblocks that are holding you back from taking responsibility for your own actions.

2. Set goals

It helps to know what you are trying to achieve – whether that be in your career, relationships or personal life. Take the time to set concrete goals, jot them down, and have a plan of how you will achieve them and in what timeframe.

Start by setting yourself smaller goals as they will be easier to achieve in the beginning. Setting goals (even if they are small ones) and achieving them allows you to prove to yourself and others that you can and will hold yourself accountable.

3. Create your own opportunities

Accountability empowers you to be in control of your actions in your personal life and career. You can create your own opportunities rather than passively allowing life to happen to you.

Being accountable is about fulfilling your obligations to yourself as well as to others, so when you achieve what you've been aiming for, take time to recognise these milestones and celebrate them.

4. Take responsibility for your decisions

Embrace the 'good, the bad - and the ugly' and accept the consequences of your actions, choices and behaviours, be they positive or negative.

Revel in the positives, but don't be afraid to admit and own up to your mistakes. One of the most powerful ways we learn is through making mistakes and taking responsibility for them.

That means acknowledging that there is a problem, identifying your role in it and proposing a solution to minimise or eliminate the chances of it happening again.

5. Learn from your mistakes

To reach your potential it's necessary keep extending what you are capable of and taking risks and that means making mistakes. Don't beat yourself up but think of what you would have done differently and what you've learned from the experience.

6. Ask for help

The road to success does not have to be a lonely one. An accountability partner can be someone who shares your goals and supports you to keep your commitments or maintain progress on a desired goal.

Having an accountability partner has been proven to increase your chances of success to an astonishing 95% if you have a specific accountability appointment with a person you've committed to.

So, if you are wanting to be more accountable to your own success this year don't go it alone – make a time for a chat with us and we can work with you to help you achieve your goals and dreams.

i <https://www.afcpe.org/news-and-publications/the-standard/2018-3/the-power-of-accountability/>

We hope you enjoyed our quarterly newsletter Prepare for Life.
Please contact our office if you would like to discuss anything in this edition.
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