

# RodneyGibson

## FINANCIAL SERVICES PTY LTD

### Timely Tips

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## Protecting Your Biggest Asset – You!



You have worked to give yourself a good income, and your income is going to play a big role in your lifestyle, and that of your family for a long time to come.

It sounds like something you would want to protect, right? But underinsurance is an issue facing an alarming number of Australians, from all walks of life.

The insurance we are talking about is life insurance – the most common forms of which are death cover, total and permanent disability (TPD), trauma insurance and income protection insurance.

Life insurance isn't just about protecting your family financially if you die. It's also about protecting your lifestyle if you get sick or injured. So if you can't work for a while, or ever again, you have got a financial back-up plan.

#### Insurance for business owners

Self-employed individuals add another layer of financial responsibility to the equation.

But despite their significant insurance needs, many small business owners are also failing to protect themselves and their families with adequate insurance.

According to a 2006 survey<sup>1</sup> by the Investment and Financial Services Association (IFSA), less than half of

small business owners feel they have adequate cover.

If they know they are not properly covered, why aren't they doing something about it?

One of the reasons is that there's a perception that insurance is too expensive.

But think about the sort of money you would lose if you couldn't work for a few months. Or worse, if you could never work again. It certainly helps put the cost of insurance into perspective.

#### It could even reduce your tax bill

Income protection insurance is one of the most relevant types of cover for professionals – including the self-employed. It can replace up to 75% of your income if you can't work because of sickness or injury.

In the IFSA survey, 95% of small business owners said they were aware of what income protection was, but 56% thought it was too expensive.

So cost is obviously a big reason for the lack of protection.

But the fact that 47% of respondents did not know that income protection premiums were tax-deductible shows there's a lack of understanding around how much insurance actually costs.

Business expenses insurance – which covers fixed business expenses like rent, electricity and non-income producing staff wages if you can't work because of sickness or injury – is also tax-deductible.

So if you run a business, you can combine these two types of policies to

cover your work and personal expenses and potentially reduce your tax bill.

#### Get the cover you need

The best way to find out the types and amount of cover you need is to speak to a financial adviser. They can help you get the right cover, and make sure it's structured in a way that makes it as cost-effective as possible.

<sup>1</sup> Investigating Income Protection insurance in Australia' – IFSA, July 2006.

Source: Asteron

## Maximising Your Income



Since March 2009, both international and domestic markets have begun to show the tell-tale signs that a slow recovery is taking place. Mid-July has presented Australian markets with promising performances, with the S+P 200 closing above 4000 for the first time since December 2007 and property prices holding up reasonably well.

Despite this good news, those who rely on a regular income to get by are doing it tough, particularly the self funded and semi-self funded retirees.

## Did you know?

A comfortable retirement lifestyle currently costs a couple in Australia just over \$50,000 per annum. To fund this lifestyle to age 95, you will need \$1,000,000, assuming no reliance on the age pension.

Source | Financial Demographics

Not all that long ago they could simply put their money in a high interest paying savings account and receive a very attractive return on their money.

Now, however, those accounts that were paying 7% or 8% are paying interest of around 2% to 3%.

Recent research of over 50 year olds conducted by CoreData reveals startling results. As a consequence of the current global financial crisis, one in four self-funded retirees has, or intends to re-enter the workforce. The study also found that of those surveyed, one in two have seen the value of their investments fall by 25% or more, and fewer than 15% of retirees and pre-retirees (those planning to retire within the next five years) had not suffered any loss due to the investment market turmoil.

So, for those of us affected by a fall in the value of our investments or our superannuation, what are some of the strategies we should be considering to shore up our wealth and generate sufficient income to live on?

### Review your current position



In times of uncertainty, it is important to check on how your investments are going. Spend some time with your financial planner and have them

conduct a full review of your present situation. From that, they can then determine what changes, if any, to your strategy or investment portfolio need to be made.

### Don't panic



Many investors, having gone through tough times may decide that they have had enough and just want to sell their investments and put the money in the bank. Don't...at least not without seeking good financial advice beforehand. It may be appropriate for some to sell down certain assets and either hold the proceeds in cash, or invest the money elsewhere. However, remember that selling assets may result in a 'paper loss' being crystallised, and fees or charges may apply, along with potential taxation consequences.

### Look for opportunities to save

As it is now the start of a new financial year, perhaps it is a good time to re-examine the household budget and look for areas of potential savings. This applies to both retirees and to pre-retirees.

Those receiving a pension from their superannuation fund may be able to reduce the level of income being drawn thereby preserving more capital.

### Sell unwanted assets

Many people have assets that are surplus to their current requirements – the holiday home the family is too busy to use, the boat or caravan that hasn't been used for years, the second car that is only used on rare occasions. Perhaps it is time to consider letting someone else have enjoyment out of the things we no longer use, and turn those assets into much needed cash.

### Accessing Government income support



For many retirees, the age pension may not have been available to them simply because of the level of financial resources they have available. However, with a fall in the value of many investments, and a reduction in the level of income being paid on many investments, it might be an appropriate time to revisit entitlement to income benefits such as the age pension. For those who are already receiving a part pension, a review may result in a higher benefit being payable.

There are a number of things we can do to help manage our income during these times. Everybody's situation is different but with a bit of creative thinking, and some appropriate financial advice, we can improve our situation and look forward to more fruitful financial times ahead.

*Source: Professional Investment Services*

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