

## Xmas Greetings from the team at CFS

Xmas greetings from the ever changing team at CFS. Firstly I would like to welcome Sandra who will be joining Jenny and sharing the administrative duties. Secondly I would like to thank all of you out there who politely turned down Jenny and Sandra's suggestion of a meeting to discuss things financial, from health insurance to KiwiSaver and all things in between; it certainly is great that many of you know so much about the tax and investment rules and policy changes!

Seriously though, please have a great Xmas break, don't be too reckless, and if you haven't had a chat with us in the last couple of years please have a chat in the new year, we may be only able to save hundreds of dollars, but it could be thousands!

We also have a new coffee machine in the office; so don't be afraid of just dropping in!

## Why have a level premium?

Many years ago, in aviation, the accountants used to ask before buying aircraft, shall we pay up front, or pay over the life of the product? Essentially the new price is expensive but very little maintenance cost because of warranties and newness, while the second hand cost was far less but the high maintenance costs as well as the down time with the aircraft unavailable for use, came with a large bill!

Similarly personal insurance has the same conundrum, shall I implement a policy with a **level premium**, a cost that remains the same for a specified length of time; for 10 years, until age 65, 70 or even 100, or shall I pay a rate that increases each year I get older. **At CFS our answer to this is how long do you require the insurance and how much of the insurance do you require?**

Of all the personal insurances, health, serious illness, income protection, physical death and commercial death, only one is a certainty, physical death. One could be led to believe through

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## Paternal Confidence

A retired insurance agent, now in his mid 70's, about to receive anesthesia is on the operating table awaiting surgery. He insisted that his only son, a renowned surgeon should perform the operation.

The old man signaled to speak to his son. "Yes, Dad, what is it?" asked the son.

"Don't be jittery son, perform your best, and never forget that if it fails, if something should happen to me, your mother will live with you and your wife for the rest of her days."



# Why have a level premium? continued

the popular press that such insurance is therefore an absolute requirement, but the truth is some of us do not need it at all. After all if we have no loved ones financially affected by our death then there is no reason to have such insurance.

For those that do require such insurance, called life insurance (marketing brilliance coined this term, after all who wants to discuss **death insurance!**), the actual amount of cover will change as you go through life; married with young children and a mortgage, the amount of financial security will be far greater than married with independent children and no mortgage. Therefore while it may be considered a good idea to have a life insurance policy with a **level premium** because at some stage you will make a claim, the actual amount of cover most likely reduces with age, and to have paid

a higher cost for an unnecessary amount of cover will be financially painful.

Other policies are very different; policies such as income protection and serious illness, offer financial assistance to you if you cannot earn an income or suffer a specified serious illness respectively. These policies provide replacement cash or lump sum cash to assist recovery, and ward off the grim reaper! Unfortunately these policies become more expensive as we age, exponentially from our 50s on, so if we haven't locked in a **level premium**, it becomes a constant discussion each year, do we really need the policy, especially as we enter the age bracket where chances are we will encounter health problems, or do we hope for the best!

I would like to say that this is an unintentional by-product of competition

brought about by the various insurance companies, but I'm not so sure. The two most powerful universal laws, the power of self interest and the power of unintended consequence, are always at play and it is hard to imagine an insurance finance director not pointing out the obvious profit motive; keep the premiums low for under 50 year olds, when relatively few health problems are encountered, but start hiking the costs after this age when many health problems will be encountered!

Many CFS clients have an annual discussion or even a biennial review, but for those who are happy with their insurance and have been for many years, it may well be time to have that discussion. A discussion costs nothing, inaction could cost a fortune!

## Hunting

A successful business man took his lawyer bear hunting. While the lawyer made himself at home in the cabin, the businessman went out scouting for signs of bears.

He soon found a huge bear, shot at it but only wounded it. The enraged bear charged toward the businessman, who started running for the cabin as fast as he could. He ran pretty fast but the bear was just a little faster and gained on him with every step.

Just as he reached the open cabin door, he tripped and fell flat. Too close behind to stop, the bear jumped over him and went rolling into the cabin.

The man jumped up, closed the cabin door and yelled to his friend inside, "You skin this one while I go and get another!"



## Golfing quotes

Golfer: "Think I'm going to drown myself in the lake."  
Caddy: "Think you can keep your head down that long?"

Golfer: "I'd move heaven and earth to break 100 on this course."  
Caddy: "Try heaven, you've already moved most of the earth."

Golfer: "Do you think my game is improving?"  
Caddy: "Yes sir, you miss the ball much closer now."

Golfer: "Do you think I can get there with a 5 iron?"  
Caddy: "Eventually."

Golfer: "You've got to be the worst caddy in the world."  
Caddy: "I don't think so sir. That would be too much of a coincidence."

Golfer: "Please stop checking your watch all the time. It's too much of a distraction."  
Caddy: "It's not a watch - it's a compass."

Golfer: "How do you like my game?"  
Caddy: "Very good sir, but personally, I prefer golf."

Golfer: "Do you think it's a sin to play on Sunday?"  
Caddy: "The way you play, sir, it's a sin on any day."

Golfer: "This is the worst course I've ever played on."  
Caddy: "This isn't the golf course. We left that an hour ago."

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