

# Your money Your future



Financial Planning newsletter



## Are you fully covered?

Who would look after your family if you were injured, or even died?  
How would your family cope if you lost your income?

Given the risks we face 24 hours a day, 7 days a week, personal insurance can prove invaluable.

Many of the comprehensive insurance products available these days can provide cover when you need it most:

- **Life insurance** helps your dependants cope financially after you die. The lump sum payment can be used to help pay off the mortgage, funeral costs and other debts.
- **Trauma recovery insurance** can help you cope financially with the effects that a trauma would have on your life, removing the financial stress and paying for any changes you may need to make to your lifestyle. Your lump sum payment can also pay for recovery costs, including rehabilitation, home modifications and a carer.
- **Total and permanent disability coverage** provides you with a lump sum payment to help you cope financially with a total and permanent disability.

- **Income protection insurance** can help you meet your living expenses if you have to stop work due to illness or injury. With payment of up to 75 per cent of your income, you can continue to meet your financial commitments and pay for other day-to-day expenses.
- **Business expenses insurance** can help your business cope financially with your inability to earn an income because of sickness, or injury. The regular payment your business receives during the agreed period can help pay for employee salaries, business loan repayments and the day-to-day running of the business.

For more information on obtaining the right insurance, please call us today. We can help you determine the type of insurance and the level of cover that's appropriate for your circumstances and lifestyle.

### Did you know:

- When it comes to heart attack, stroke and other cardiovascular diseases, the most recent Heart Foundation statistics show that cardiovascular disease affects more than 3.5 million Australians. According to the Heart Foundation, 1.4 million Australians are prevented from living a full life because of disability caused by the disease.\*
- Over 60 per cent of cancer patients will survive for more than five years after diagnosis, during which time the need for financial protection will be paramount.\*\*

\* Heart Foundation, 2008, ([http://www.heartfoundation.org.au/Hear\\_Information/Statistics.htm](http://www.heartfoundation.org.au/Hear_Information/Statistics.htm))

\*\* 2 Cancer in Australia 1998. Australian Institute of Health and Welfare



Empire Consolidated Holdings Group Pty Ltd

**Blue Horizon Partners**

*Consult - Create - Community*

36 233 402 680

Corporate Authorised Representative

Blue Horizon Partners  
C3, 118 Railway Street  
WEST PERTH  
WA 6005

**Sarah Ryan** DFS

**Sarah Wood** DFS

**Anthony Dermer** DFS

Phone: 08 9322 9199

Fax: 08 9322 9122

Email: [info@bluehorizonpartners.com.au](mailto:info@bluehorizonpartners.com.au)

Web: [www.bluehorizonpartners.com.au](http://www.bluehorizonpartners.com.au)

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## Protecting the true value of your business

Many small business owners understand the importance of protecting the tangible assets of their business, but often the business' most vital assets are its key people.

In most small businesses, a great deal depends on one or two people who attract clients, generate income and keep the business running day to day. The ongoing success of the business often depends on these individuals and there can be serious consequences if they're unable to work.

### Covering your key people

An illness, injury, disablement or death affecting a key person can threaten the ongoing viability of a small business. This loss can also create issues for business partners and beneficiaries should proprietary issues or financial obligations arise.

### Ensure your business stays afloat

The knowledge that a pre-agreed amount will be provided should something happen to you, or another key person, can give you peace of mind.

Different types of insurance can help you protect your business and your family in important ways should misfortune strike:

- Keeping your business afloat – business expenses insurance can help you meet your share of the business overheads during periods of disability.
- Covering your debts – life, total and permanent disability (TPD), and trauma insurance can help you repay any debts that could force an urgent or premature sale of your business in the event that you suffer a critical illness or injury.
- Protecting your income – income protection insurance can ensure that your family does not suffer in the event that you're unable to continue running your business and earn an income.

Remember that any changes to your personal circumstances may require changes to your level of cover.

### Sue and Olivia's story

Sue and Olivia enter into a business together, Floral Delights Pty Ltd. They're so busy setting up the business, that they don't consider putting a funded buy-sell agreement in place, thinking that they'll get around to it 'sometime in the future'.

Two years later, the business is worth \$3 million when Olivia dies unexpectedly. Sue wants control of the company as she will now do all the work and doesn't want to share 50 per cent of the profit with Olivia's husband, Tom. Tom agrees and is happy to sell the shares in the business he has inherited from Olivia.



Unfortunately, Sue and Tom are unable to agree upon the price of the shares – Tom wants more than Sue is willing to pay. Sue is unable to get financing from the bank with Olivia gone, so Tom looks into selling his shares to an outside party.

He is unsuccessful in selling his share of the business and is now forced to work with Sue in the business. Sue resents Tom being part of the business, since he has no expertise in the industry.

The business doesn't thrive as the way it used to when Olivia was alive, so revenues and profit levels decline more.

Both Sue and Olivia should have purchased life, TPD and trauma policies in conjunction with a written buy-sell agreement for an

amount that represents the agreed value of the shares in the business.

The policy would have provided Sue with the \$1.5 million required to purchase Tom's shares, and given her the sole right to run the business and draw profits.

If you would like more information on protecting your business, please contact our office. We can help determine the most appropriate types and level of insurance to suit your circumstances.

## Insuring against a cancer shock

**Cancer is a devastating illness – not just for the person who suffers from it, but also for those around them.**

When cancer strikes, money is usually the last thing on anyone's mind, but once the dust settles, the financial stress caused by cancer can be much greater than expected and may even lead to new problems.

### Sarah's story

Working as a primary school teacher in regional New South Wales meant that Sarah led a hectic life. At age 46, with two small children and a class of Grade 4s during the week, there was rarely a dull moment.

Sarah had visited her local doctor for a pap smear. Three days after the screening test, her GP had called to say the test had returned an abnormal reading and that she was referring Sarah to a specialist gynaecologist in Sydney.

The following week, Sarah took a day off work and drove to Sydney. The specialist arranged for a biopsy and explained that the results would reveal whether cancer was present.

The result confirmed the presence of abnormal cells on her cervix with a 'CIN 3 grading'. The specialist explained that this was a pre-cancerous growth that had been picked up at a very early stage.

Sarah would need a minor operation to remove the area where abnormal cells were present, followed by pap smears every six months for the first two years. If the results were normal, she'd then have check-ups annually. The good news was that she'd more than likely make a complete recovery.

A year before Sarah's initial screening, she'd discussed her insurance needs with her financial adviser. Her adviser recommended a Trauma Insurance Plus Plan with a sum insured of \$200,000.

Once Sarah was diagnosed with the early stages of cervical cancer, she notified her insurer and received a lump sum payment of \$20,000\*. The insurance payment meant she didn't have to worry about taking time off work or the cost of travelling to and from Sydney for appointments, allowing her to focus on her treatment and getting better.

\* The sum insured (benefit) is \$200,000, so Sarah would be entitled to claim 10 per cent of the benefit (\$20,000) for this trauma event, based on having purchased a Trauma Insurance Plus plan.



With rapid improvements in modern medicine, many people who suffer a trauma such as cancer, heart attack or stroke can expect to survive and recover to live long into the future.

Trauma insurance can step in to provide a financial helping hand and help you to maintain the quality of your life, in the event that you suffer a traumatic event.

For further information about trauma insurance to suit your needs, please call our office.

## A guide to reducing your household expenditure and saving our planet

**Global warming is one of the most persistent problems of our time. It can be tempting to do nothing – after all, what can any one person achieve?**

While it's up to governments to grapple with energy policies and emissions trading schemes, you can make a difference by making some simple changes to your daily routine. And the good news is that helping to save the planet can also save you money.

### Did you know...

#### You can reduce your energy usage by:

- buying energy efficient appliances. All whitegoods now come with an energy star label – an international standard for energy efficient products. For example, the running costs of an energy efficient washing machine can be up to 25 per cent less than other machines over its lifetime.
- turning appliances off at the power point and potentially saving up to \$100 a year.
- installing solar panels and taking advantage of the \$8,000 Federal Government rebate.
- installing fluorescent light bulbs. By using just one 15-watt fluorescent bulb instead

of a 75-watt standard bulb, you could save about \$10 a year on your energy bill. That may not sound a great deal, but a household with 20 lightbulbs for example, could save up to \$200 a year.

#### You can help save water by:

- installing a free water-efficient showerhead and saving up to 21,000 litres of water a year – that's up to \$100 a year on your water bills.
- installing water-saving products like rainwater tanks and greywater systems while taking advantage of incentives such as the National Rainwater and Greywater Initiative, which offers rebates of up to \$500.

#### You can save money on petrol and keep fit by:

- taking public transport, walking or cycling to work – the train generates 14 grams of carbon per kilometre, compared with up to 270 grams in a car. The cost of running



a normal car per year is between \$5,200 and \$16,000, compared with, for example \$1,800 for a typical yearly public transport ticket in Melbourne.

Directing money that you have saved from adopting energy efficient practices into your investments may contribute to a more financially secure future for you and your family.

## Where is your cash stashed?

**More than 645,000 Australians have money sitting in unclaimed cash. Are you one of them?**

There is currently more than \$564 million in unclaimed money lying lost or forgotten in government coffers, and the Australian Securities and Investments Commission (ASIC) is encouraging all Australians to search the ASIC database.

It's free to search the database and if any of the money is yours, there is no cost involved in claiming it back.

Unclaimed money generally ends up with ASIC and the Commonwealth Government after it has lain dormant for more than seven years in accounts with insurance companies, banks, building societies, credit unions or friendly societies. It also includes money from company takeovers or from companies that have been unable to contact shareholders for six years.

According to ASIC, the pool of lost money comprises amounts ranging from \$1 to as much as \$990,000 – with the latter amount sitting unclaimed in a Commonwealth Bank account in Western Australia. Thousands of Australians are reunited with millions in



lost money each year – including one lucky person who found a massive \$3.1 million in a forgotten deceased estate – but there are still millions more to be claimed.

### How to find missing money

Log on to ASIC's online database at [www.fido.gov.au](http://www.fido.gov.au) and type in your name or call ASIC on 1300 300 630.

If you find money you think may be entitled to, just lodge a claim to prove it's yours or that you're the beneficiary.

No matter how small the sum, it's worth taking a few minutes to see if any of the unclaimed money is yours. For more information or assistance with claiming, please contact our office.

## Avoid chasing returns – keep your end goal in sight

**You don't drive looking through the rear-view mirror – nor should you invest by looking backwards at past returns.**

Investors often fall into the trap of allocating their funds based on the recent outstanding performance of a particular investment.

In the same way objects in the rear-view mirror appear closer than they really are, our perception of recent performance is able to be magnified out of proportion. But in the investment market, past performance is no reliable indicator of future success.

### Chasing – hard work for less return

Imagine you had \$10,000 to invest in January 1988. Establishing a well-diversified portfolio would mean that your investment increased in value to \$51,768 by December 2008.<sup>1</sup>

Alternatively, you could chase returns by investing in whichever asset class produced the best results the previous year. Your investment would be valued at \$37,074 over the same period, without even taking into account the costs of switching.

### The only certainty in investing is change

Changing economic conditions affect the performance of companies. Share price fluctuations affect the performance of managed funds with market-linked investments. And the overall performance of a particular asset class can be affected by local or international financial trends.

Sometimes less obvious events have implications on an investment's value. For example, what if a successful financial team leaves for another investment house, causing the leading fund manager to fall back to the pack?

### The past – a roadmap for the future?

While past performance shouldn't be ignored completely, it doesn't give us the complete picture of an investment's future performance. You also need to look at the underlying quality of the investments that make up your portfolio.



Rather than concentrating exclusively on a company's recent share price, look at factors that might affect future performance such as its earnings outlook and overall sector trends.

We can help you take a 360-degree view of the investment landscape and expand your horizons. If you have any queries about your investment strategy, please contact us.

<sup>1</sup> Source: Mercer, Bloomberg, Iress. Data as of 31 December 2008.