

Women's Wealth

Specialist financial planning for women by women!

Issue 2 - 2009

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Looking after what really matters

There is no compromise when it comes to protecting your family, and we would all like to think that we will always be there for our family.

However, have you ever stopped to consider the consequences if something completely out of your control was to impact your ability to fulfil these goals? What if your ability to earn an income was suddenly taken away? It's hard to imagine anything more financially devastating than losing your ability to earn an income, however it is not hard to imagine the practical consequences of you or your family being unable to pay the mortgage and/or accommodate to the change in lifestyle. You may have to rely on savings, but how long will these savings last?

Even though it may seem unlikely, the reality of serious illness, injury and death can have devastating consequences. Here are some examples:-

Young, single and starting out

Emily, aged 26 was financially independent and enjoying an active social life which included team sports and doing well in a new career. Emily loved her apartment that she was renting but was focused on saving for a deposit for her first home.

One night, on her way to a friend's house, Emily was involved in an unfortunate accident

where she was hit by a speeding car at a pedestrian crossing. Emily suffered a broken arm which required surgery and ten weeks off work in order to make a full recovery. With such a long recovery time, Emma needed to ensure she could meet her rent and living expenses, along with having some additional funds to cover her medical costs and rehabilitation. This saw her having to rely on her savings. What would it have cost her for income protection?

Cost of income protection

| | |
|------------------|------------|
| Salary: | HK\$25,000 |
| Sum insured: | HK\$17,500 |
| Monthly premium: | HK\$ 553 |

Please be advised that the calculations of the sum insured is based on 70% of the individual's income up to age 65 with a waiting period of 30 days.

Young families

Nick, aged 34 and his wife Anne, aged 30 had a three year old son Ben, and another baby on the way. Nick had also just been promoted to a senior management role, and Anne was a primary school teacher but stopped working six months ago when she experienced weakness and fatigue during her pregnancy.

Unfortunately, due to the many summers spent at the beach, Nick identified a suspicious skin lesion on his leg which was

Myth Buster



Myth:

Is gold an indication of the state of the economy?

Truth:

The price of gold going up or down is not a leading indicator as to the strength or weakness of our economy. It is a barometer of fear that exists in the marketplace. Things the market fears are: war, famine, natural disasters, and market panics.

Source | Horwath Financial Services

diagnosed as a melanoma. Fortunately, it was found relatively early and after it was surgically removed he was required to undertake a six week period of radiation treatment. Following this treatment, Nick required some extra recovery time and returned to his job on a part time basis. With a second baby on the way and the general day to day expenses of taking care of his family, he was fortunate to have purchased an income protection policy which enabled him to replace up to 70% of his income and support his family.

Cost of income protection

| | |
|------------------|------------|
| Salary: | HK\$45,000 |
| Sum insured: | HK\$31,500 |
| Monthly premium: | HK\$ 853 |

Please be advised that the calculations of the sum insured is based on 70% of the individual's income up to age 65 with a waiting period of 30 days

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Look after what really matters continued ...

Mature singles and couples with no dependants

Jen, aged 32 and Brad, aged 31 met while at university. Over the next eight years Brad and Jen's careers progressed. They quickly paid off their mortgages and made other investments in the sharemarket.

One day whilst running late for a meeting, Jen noticed that she became breathless quite quickly and felt faint. Jen consulted her doctor who recommended she see a specialist cardiologist. After a series of tests, Jen was diagnosed with cardiomyopathy. As a result of her illness, Jen decided in conjunction with her doctor and employer to take six months off work.

A month later due to massive cut backs within his company Brad lost his job. Having no dependants Brad and Jen didn't think it was necessary to purchase insurance. How would they replace their lost income and cover expenses if Jen needed further treatment?

Cost of income protection

| | |
|------------------|------------|
| Jen's salary: | HK\$30,000 |
| Sum insured: | HK\$21,000 |
| Monthly premium: | HK\$ 699 |
| Brad's salary: | HK\$45,000 |
| Sum insured: | HK\$31,500 |
| Monthly premium: | HK\$ 832 |

Please be advised that the calculations of the sum insured is based on 70% of the individual's income up to age 65 with a waiting period of 30 days

Fortunately through effective planning you can create a more predictable and financially secure future.

No one plans to get sick, injured or to die unexpectedly, however you can plan to provide an alternate source of income if you or your family are ever unfortunate enough to be affected by such an event. Income protection is about taking control of your financial independence even if you lose the ability to work.

Contact your Horwath Financial Services financial advisor today for more information and to discuss your needs.

Source | Horwath Financial Services.

Free MPF Audit

Mandatory Provident Scheme (MPF) returns have suffered enormously through the recent economic downturn, and last year posted the worst performance in eight years.

Over the last year in particular, the MPF has been under heavy criticism. The main areas of controversy are fees, returns and service levels.

MPF providers have been pressured to reduce fees and to provide more investment choice, but so far relatively slow progress has been made.

There is a large variation between schemes

Horwath Financial Services has reviewed the fees, charges and fund selection across all publicly available MPF schemes and can report that there is a large variation between schemes and some schemes are extremely expensive, comparatively.

The impact of charges

Even a seemingly modest 1% annual management fee could devour around 23% of the retirement benefits accumulated over a 40 year period, assuming a 5% annual investment return. People generally are unaware of the impact of these expenses on the overall performance, particularly when it is compounded over 30 to 40 years.

Investment choice is important

There is a wide variation of investment choice between schemes, with some schemes offering only around six in-house funds, whereas others offer, say, 12 funds including third party managers. Consequently, investment performance varies a great deal, irrespective of underlying charges.

Take advantage of a free MPF audit

Horwath Financial Services now offers a free audit of your MPF scheme and undertake to make a recommendation based on the suitability of your scheme, taking into account the range of funds and the schemes appropriateness to your firm after assessing benefits, fees, charges, returns, administration, reporting, service and support.

For a copy of our Free MPF Audit booklet, or to arrange a meeting to discuss this further please contact us today.

Source | Horwath Financial Services

Wisdom of Great Investors...

Avoid Self-Destructive Investor Behaviour

Chasing the hot-performing investment category or making major tweaks to your long-term investment plan can sabotage your ability to build wealth. Instead, work closely with your financial advisor to outline your long-term goals, develop a plan to achieve them and set the expectation that you will stick with that plan when faced with difficult periods for the market.

Be Patient

Though periods of short-term volatility for stocks are to be expected, it is crucial to bear in mind that historically stocks have rewarded patient, long-term investors.

Source | Wisdom of great investors - Davis Advisers



For more information about how we can help you gain control of your finances, please contact **Ofra Ou** and **Lavina Tharani** at:

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