

HOW GOOD IS YOUR FUTURE PLAN? - Allistar Walker



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Many of us say we have a 'plan' for our lives, but do we really? Many people I come across in my every day work as a mortgage and insurance planner say they have a plan for their lives, but it turns out it is something in their heads but there is nothing written down. Admittedly, by writing stuff down we feel more challenged or tested and may not want to hassle ourselves like this, excusing any inaction by vowing that 'life is sweet like it is'. The fact is if it is not written down there is no real 'plan'.

So, what should we look for when designing our own personal life plan? Firstly it is pertinent to look at what are the threats to your plan for a successful and fulfilling like ie what can go wrong?

- You could lose your job
- You could have an accident or illness
- You could lose money on an investment
- Storms, earthquakes or tsunamis could destroy property you own
- Your partner could die, get sick or leave you.

You know the sort of things that could happen as they may already have happened to you or you have seen friends have problems.

Your Plan should encompass Insurances, Savings & Borrowing, Your Will, and Estate Planning.

Often it is useful to have professional help to put your Plan together, as they may help identify risks and strategies that you would not be aware of. A little bit of time and money spent early on in the process may save any problem developing in the future.

Insurances fall broadly into two basic categories of life/disability and property. Typically there are four steps to follow in your risk management process:

1. Identify the risks
2. Evaluate the risks
3. Treat the risks – develop your plan around these
4. Monitor the risks and tweak your plan as you go along.

Borrowing can be an aspect of our lives which, if not properly planned, can ruin your dreams and aspirations. Ask yourself when are you going to clear debt, how much of your income is being spent on servicing debt, have you negotiated the best terms for your debt?

Savings could be in the form of KiwiSaver or a Super fund, a share portfolio or a property portfolio. For the latter, a soundly structured debt or mortgage regime is essential. There are two things one needs to achieve to retire successfully.

1. A mortgage free home
2. Sufficient savings or capital to live off.

Clients of ours in their early thirties will shortly have a rental income of \$80,000 pa coming in off three properties. Sure at the moment there is a large debt against these properties, but by the time they are sixty, they will have that same income coming in relative to its spending power today. That is the income is inflation indexed and the loans will be repaid fully. This is not achieved without a plan and the will and help to carry it out.

Does your plan achieve a similar outcome?

Estate Planning. I am often surprised at the number of people who do not have a will or know what an Enduring Power of Attorney is. A Will makes your wishes clear cut and prevents any delay in distribution of your assets.

If you have joint property or bank accounts in your name, the lack of a Will prevents your partner from being able to do anything with the property or access the bank accounts.

An Enduring Power of Attorney appoints someone to take care of things for you should you become incapacitated.

Trusts are an integral part of estate planning because they are both flexible and legally solid. Your affairs may be simple and a Trust may not be appropriate. If you are in business for yourself or have reasonable assets, a Trust could be the most appropriate structure.

Many professionals such as ourselves will not charge for an initial consultation, usually up to an hour. This could help clarify what you need to do to achieve all you want from life.

Allistar Walker is a Senior Fellow of Financial Services Institute of Australasia and an accredited mortgage/insurance advisor. His full disclosure is available at www.mortgagehelp.co.nz or he can be contacted at 410 6023 and enquiry@mortgagehelp.co.nz.