

FINANCE COMPANIES, PROSTATE CANCER AND EQUITY RELEASE - Allistar Walker

03/09/10

There is so much to write about on the Financial and Insurance front at the moment that it is hard to choose which topic should take precedence. Firstly there has been the recent failure of South Canterbury Finance, the adolescent child of an eccentric and outstandingly popular man. Then we have one bank becoming the first bank to enter into Equity Release Mortgages (Reverse Mortgages), against a background of a soft economy where loan interest rates are drifting, and a definite pause is expected before they finally proceed on their inevitable upward journey. This month is Blue Ribbon month, created to cut prostate deaths in this country from 600 per annum to 300 per annum or less. The disease grabs hold of us males by taking advantage of our homophobic fears of a certain digital experience and 'mate, I'm no whimp, I only go to the doctor when I'm really unwell.' Yeh, right; When we're nearly dead and it's too late for a rescue package. Against this background of economic uncertainty and male tardiness, reputable finance advisers, mortgage and insurance brokers and financial planners are all in the process of going through mandatory re-training to bring their skills to a uniformly acceptable standard. Minister of Justice, Simon Power, is overseeing this whole procedure, which ultimately will bring the processes of your broker or adviser under greater scrutiny. For those of us that claim to be excellent and qualified advisers, this is not a major issue, but for some; well they could fall by the wayside.

Let's have a brief look at some of these issues.

Finance Companies lend money to business and individuals plugging a gap that the banks, as first class lenders, don't fill. Because they lend in areas which may be higher risk or of higher maintenance cost, they charge higher interest rates. Higher interest rates, while attractive to investors, often mean higher risk. This failure underlines how difficult it is for uninformed investors to make decisions. Indeed there was even a paucity of accurate information available to advisers from the ratings agencies. Let's face it; once again most people got carried away by emotion and a feeling that recessions, depressions and slow growth were a thing of the past. Think again, know what you are doing with investment and above all be restrained about putting all those golden eggs into the same basket – there could be unseen holes in the weaving.

Reverse Equity Mortgages could become more flavoursome now that many people have seen their wealth dive from losses in finance companies, property development companies or simply selecting the wrong shares. We broker this product served up with a clear warning – don't take out one until you can't see any money left in the drain and the older you are the better, preferably well beyond 70.

Prostate Cancer and bad stuff in general is something none of us want, but how many of us take measures to protect ourselves and our loved ones by:

1. Paying attention to lifestyle and health issues.
2. Adopting a risk protection programme via an insurance policy that compensates your extra expenses and loss of income if your life turns upside down.

However rather than an ad-hoc approach to which insurances you take, it is better to go through the process of an overall review of your financial position, with an adviser who has a grasp on debt and wealth management as well as risk management covered by insurance. There will usually be a range of solutions from which you can pick what suits you, to provide an answer that best reflects your medium to long term goals and needs. For instance we always offer a plan with clear options and reasons why. This can be waived by you if you feel certain you know what you want.

Finding that Adviser – 5 questions you could ask:

1. What is your experience and do you revisit your educational standards?
2. What are your qualifications and background and what professional organisations do you belong to?
3. How does your service work?
4. Do you have any testimonials?
5. Do you research your products and offer a choice?

Care has been taken to ensure that any information is accurate. No liability is accepted for its use. Enquiries are welcome. 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.