

LIFE IS A RISK!

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Risks are a part of life; most individuals live under the false impression thinking "It won't happen to me." And hence do not take adequate measures to prepare themselves against the uncertain future.

Know that simple planning can go a long way in protecting you and your family from several hardships in life. Of course, the emotional and mental trauma of an event can never be quantified or protected but you can definitely protect yourself against the financial hardships that usually accompany such situations.

The first risk that most people are subject to is risk of Procrastination. It is never a convenient time to sit down and develop a plan for your financial life; and as the years slip away, the power of compounding is lost and never can be replaced. That is why it is so important to start today to develop a plan.

Even with a financial plan, there are risks that can derail you. The first risk that comes to mind is that of an untimely death. Sickness, natural calamities, accidents and so on, resulting in the untimely death of the breadwinners is a traumatic experience for the family of the dependents. You can secure your family by buying adequate life insurance. Two things are important here -- how much insurance you buy and which policy.

As far as the type of policy goes, get a term policy! This is the cheapest life insurance available to cover pure risk. Don't look for returns from your life insurance policy, therefore don't buy investment-inefficient cash value policies such as whole life, universal, and variable policies.

As to the amount of coverage, that is a personal matter and depends on who is depending on you for support. Single people or young married couples have a much smaller need than when you bring a child into the equation. If you have no one who is relying on you for support, you have no need for life insurance. For young married couples, enough to cover a couple years of your earnings may be sufficient. But, with children, your needs expands to a 20 plus year commitment.

Another risk factor is loss of income through disability; this risk is more likely to occur than an untimely death. This is why you need to have disability insurance to protect your earning power. Although you usually have some coverage through your employer, you may need to add additional coverage through a private insurer. Review the definition of disability, there are several and some are more stringent to qualify than others, they vary from "your own occupation" to "any job".

Social Security disability is the most stringent using "any job", and disability must exist for 5 months and expect to last for more than 12 months.

The risk of ill health is an issue; while advances in science and technology have been able to increase the average life expectancy, change in lifestyle has resulted in several new medical problems coming up. Cases of heart attack, diabetes among others have gone up considerably and so have the expenses associated with them. Everyone knows that Medical Insurance is necessary to cover major medical expenses, but exercise and a healthy lifestyle can help to insure your health.

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Q. What is all the talk about longevity?

A. Longevity is how long you are expected to live; the age when 50% of all people are still living. Life and Long Term Care Insurance providers use these numbers to price their policies. Financial Planners use them for retirement planning. Usually you hear "a child born today", expects to reach age 77.6. But, the longer you live, the longer you are expected to live. A 65 year old male has a 50% probability of living to age 85; a female to age 88; furthermore the 25% probability is age 92 and 94 respectively. To compound our planning, with a couple both age 65, there is a 50% chance that one of them will be living at age 92; and at least one has a 25% chance of living to 97.