

# Life Policy ownership and changes

The last month has seen media comment on both the effects of cancelling insurance policies without due consideration for the consequences and also the large number of New Zealanders who don't have a current Will.

Lets look at these individually.

Whilst the recent disaster in Canterbury focuses on the absolute need to have replacement insurance cover on your home to rebuild to the current size along with comprehensive contents and vehicle cover, **it is also important to insure your largest asset which is you and your ability to earn an income.**

Many clients who begin to struggle financially look at their outgoings and say there is far too much going out in insurance premiums.

Some policies may seem superfluous and extravagant but how many people have a slow agonising death which can leave their family in a precarious financial position? Life insurance is only paid out on death or in many cases terminal illness with 12 or less months to live. If a serious illness drags on, trauma and income protection cover would provide funds to cover ongoing living expenses and essential mortgage payments.

The recent media comments focussed on an individual who cancelled their most essential cover but sought no guidance on the consequences that could arise in later life. Shortly after cancelling they had unforeseen medical circumstances that prevent them from working again but much to their disappointment, they had no relevant insurance cover. Reinstatement of their other policies is unlikely due to the new health complications.

If your health has deteriorated since your current policies were issued you should always think twice before making any changes or cancelling a policy.

The other media focus has been on the lack of current Wills in New Zealand.

Many people underestimate their personal worth and Life Insurance policies often make up a large portion of estates. A Will should always reflect your current personal situation and provide for those you are legally obliged to provide for. The lack of a Will means on death you are Intestate and it can take considerable time and money to untangle your affairs. The estate may also not be paid to those that you would prefer to receive it.

In one media case in September 2010, the man had prepared a Will in his youth when he owned little. Upon his death in his mid 40's the estate, funded substantially with life insurance payouts, is worth nearly \$2m and is being paid to one parent. This has caused a small family feud and unnecessary anguish.

Are you aware of how an Intestate estate is handled as there are many scenarios? A major one is if there is a spouse or partner and also direct descendants, the spouse or partner will receive all the personal chattels, the first \$121,500 of the estate and a one third share of the remaining property. The other two thirds go to the direct descendants.

Putting this scenario into context, if a life policy is solely owned, it is distributed through the owners estate. If there is no Will, the first \$125,000 would go to the spouse and the spouse and remaining children would split the balance. Would your spouse require the full life insurance payout to clear debt and to provide for their ongoing living costs?

Life policy ownership can easily be changed and you should speak with me soon to discuss your options.

You should also speak with your legal professional to review your Will and Enduring Powers of Attorney to ensure they reflect your current financial and personal circumstances.

## *This months essential check list...*

- *Is the size of your home noted correctly on your insurance policy?*
- *Is the ownership structure of your life insurance policies correct?*
- *Are your Will and Enduring Powers of Attorney current?*

I am available to discuss your insurance, home loan and investment needs in what is a difficult time for many of us at the moment so please feel free to contact me if you have any questions. My personal email is [denis@thorner.co.nz](mailto:denis@thorner.co.nz) or ph 04 528 8088.

I look forward to hearing from you soon.

Kind regards

*Denis*

*A copy of my disclosure statement can be downloaded from [www.thorner.co.nz](http://www.thorner.co.nz)*



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