MONEY MATTERS.

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MATRIX
PLANNING SOLUTIONS

STAYING IN TOUCH.

In days gone by it was infectious disease that presented the greatest threats to health and long life. With medical advancements over the last century, it is now the "modern day" illnesses that present the most prominent dangers. In this edition we take a closer look at two of the biggest menaces; stroke and mental illness.

Stroke is up with cancer and heart disease in terms of its impact in society. National Stroke Week is coming up in September and this plays an important role in raising the awareness about the causes, symptoms and prevention of this debilitating disease.

Mental illness has thankfully come out of the shadows in recent years and is now well recognised as having widespread impact on the community. Mental illness sufferers also now receive much fairer treatment when being assessed for life and disability insurance and we take a closer look at how this change has come about.

Other stories in this edition include a look at how you can access extra income during retirement based on your home equity and the importance of having a risk contingency plan when creating an investment strategy.

Let us know if you would like to explore more.

Regards,

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BOOST RETIREMENT INCOME.

How can you access extra cash in retirement beyond your super and pension? Here is one idea that some may find useful.

Once we finally cease work and earned income stops, most of us will be reliant on our super and investments to fund our retirement income, with some help from a full or partial age pension. But what if we have an unexpected need or opportunity arise and need some extra cash beyond our budget? It could be for a new car, a special holiday, medical emergency or just spoiling the grandchildren.

Accessing home equity

If you are over 60, one possibility for obtaining a cash boost is to access the equity you may have in your home via a reverse mortgage. This financial instrument allows you to borrow money using the equity in your home or investment property as security. There are no income requirements to qualify, although lenders must still take a responsible approach and assess the borrower's situation before offering the loan.

Interest is payable just like a normal mortgage, although repayments are optional and can be left to compound until you eventually decide to sell, at which time the loan and interest must then be repaid.

Proceeds of the loan can be taken as a lump sum, a regular income stream, or a line of credit, depending on what suits your purposes.

While reverse mortgages have some attractions, they do represent a significant long term commitment and you need to consider the impact may have on your family relationships and stress levels. There may also be impacts on your pension entitlements to be considered.

Pension Loans Scheme

If you only have a relatively small need for extra income, another option may be to apply for the Pension Loan Scheme. These are offered via the Department of Human Services and the Department of Veterans' Affairs and offer an economical way to top up your age or veteran's pension. The interest rate is generally significantly lower than commercial equity release loans.

Proceed with caution

Before entering into any arrangements like this, it is wise to seek advice from your Matrix adviser to help assess if it is right for you and to ensure that you are fully aware of the risks and responsibilities involved.

LIFE INSURANCE AND MENTAL HEALTH.

Thanks to concerted public campaigns, the awareness of mental health in our society has increased greatly in the last decade or so. This change is also being reflected in the way life insurers are dealing with the assessment of applicants who have a history of mental health issues.

The personal and financial cost of mental illness in our community is staggering, but fortunately it is now receiving the recognition it deserves. The statistics paint a sobering picture:

- on average, 1 in 5 women and 1 in 8 men will experience some level of depression[1]
- an estimated 45 per cent of people will experience a mental health condition in their lifetime[1].

Greater awareness and acceptance also means that sufferers are more likely to seek treatment for their condition and the stigma surrounding mental health is gradually dissipating.

Changes in the insurance industry

The positive developments in mental health awareness over the last decade or so have also extended to the way mental illness is treated in the life insurance industry. In days gone by, anyone disclosing a mental health condition on their personal statement was given a wide berth by insurers. The difficulties in assessing and quantifying the risks meant that insurers generally opted to play it safe and decline cover.

These days, there is a much more open attitude toward mental illness and insurers are seeking to underwrite mental illness in the same way as they would for other health conditions. Rather than taking a blanket approach of declining cover based on a history of mental health issues, there is a willingness to treat each case on its merits and insurers are now far more likely to offer cover at standard rates.

Balancing responsibilities

Insurers have a responsibility to both their policyholders and shareholders to ensure that they are careful in what risks they take on. This is essential for the viability of their business. Having said that, it is equally important that they honour the Disability Discrimination Act, which compels them to assess risk without prejudice. This means that if they do decline to take on risk it must be justified by a reasonable and relevant assessment of all information and based on statistical and actuarial data.

Insurers will, therefore, take several factors into consideration, including the seriousness of a person's mental health condition, its impact on their lifestyle, the success of any treatment, management strategies and any ongoing symptoms. The terms offered by different insurers may still vary depending on each company's premium rates, product features and underwriting philosophy, but acceptance at standard rates is now quite common. If standard rates cannot be offered, then cover may still be available with increased premiums or with certain medical conditions excluded from cover.

Full disclosure helps ensures reliable cover

The law requires an applicant to disclose all the information that may affect their application for life insurance. It is essential that this is done to avoid issues down the track with claims. If the applicant has complied with full disclosure and the insurer decides to accept the application, the insurer is then bound to honour the insurance regardless of any change in health that may subsequently occur.

Growing mental health awareness

The change in attitude within the insurance industry is one part of the continuing effort to give mental health the attention that it deserves. Thanks to the advocacy of organisations such as Beyond Blue and Mental Health Australia, attitudes and perceptions on mental health are changing for the better. Mental Health Week, which runs from 8th to 15th October this year, also plays a major role in raising the profile of mental health, promoting awareness and equipping people with helpful assistance. For more information visit **www.mentalhealthcommission.gov.au/media-centre/events**

1. Australian Bureau of Statistics. (2008). National Survey of Mental Health and Wellbeing: Summary of Results, 2007.

THE MISSING LINK IN FINANCIAL PLANNING.

Creating an investment portfolio with the potential to build some genuine financial independence can be a stimulating journey, but your personal insurance must be part of your strategy.

The idea of creating financial independence and a comfortable lifestyle through a successful investment portfolio is a compelling one. The missing link in many financial plans, however, is a contingency strategy that will help you protect the lifestyle you have now and the financial freedom you are trying to build for the future. Most importantly, a solid risk strategy is essential for helping to protect the welfare of those closest to you.

The self-completing financial plan

When you start creating a financial plan the fundamental first step is to be clear about your goals. The lifestyle you want to enjoy, the places you want to go and the things you want to own. These goals are what gives your plan direction and motivates you to take the steps to get there.

The fundamental purpose of a risk protection strategy is to make sure that your plan is instantly self-completing if the income that feeds your financial plan is suddenly cut off. In other words, if your ability to fund your investment strategy is taken away by a temporary or permanent illness or injury, then you still have the independent resources to fund your goals using a combination of the right types of personal insurances.

Setting up your risk contingency strategy

In the same way that you set up an investment strategy by defining financial goals and quantifying the money you need to achieve them, your insurance planning also needs to be based goals for the lifestyle you want for you and your family if the worst happens. The home you want to live in, the lifestyle items you want to own, the ongoing income you want to ensure a comfortable life and the experiences you want your family to enjoy.

Once the dollar amounts are identified you can then create an insurance strategy that may include a combination of:

- life cover that will pay a lump sum on premature death or terminal illness
- total and permanent disability cover that will pay a lump sum if an injury or illness permanently prevents you from working again
- trauma insurance that pays a lump sum upon diagnosis of a range of major medical conditions, and
- income protection that pays an ongoing monthly income for short or long term periods of illness or injury.

Integrating into your financial plan

When setting up a financial plan and deciding on what savings allocations you will be making toward your financial growth, for a lot of people it simply makes good sense to have a proportion of that amount diverted toward funding your insurance strategy. The investment and insurance components will go hand in hand to create an integrated plan that helps ensure your goals are achieved.

Your Matrix adviser has the skills and research capabilities to assess your insurance needs and recommend the most effective and economical options to put your plan into practice.

"A risk protection strategy ensures your financial plan is instantly self-completing."

RAISING STROKE AWARENESS.

Stroke and other cerebrovascular diseases account for 1 in 18 deaths in males and 1 in 12 deaths in females, making it one of the most significant diseases in Australia[1].

In 2013 there were 51,000 strokes causing about a $5 billion loss to the economy, $3 billion in lost productivity and $1 billion in lost wages[2]. Almost 440,000 Australians now live with the effects of stroke and this number is predicted to rise rapidly[3].

What is it and what causes it?

Stroke occurs as a result of an interruption of blood supply to the brain, due to a blocked or burst artery. The lack of oxygen to the brain causes brain cells to die, which can affect the function of various parts of the body.

High blood pressure is the most important known risk factor for stroke and this can be addressed by improving diet, regular exercise and keeping weight under control.

Be aware of the signs

The signs that someone is having a stroke are neatly summed up in the acronym; F.A.S.T.

- Facial drooping - usually on one side.
- Arm weakness - an inability to raise the arms fully
- Speech difficulties - slurring
- Time - if stroke is suspected call emergency services or go to the hospital immediately.

Some additional symptoms can also occur in women, including loss of consciousness, weakness, shortness of breath, disorientation, nausea and even hiccups. These symptoms are often not recognised as being caused by stroke, which may delay treatment and increase the damage done.

Stroke week raises awareness

National Stroke Week runs from 12 - 18 September to raise awareness and encourage preventative action. The theme "Speed Saves" underlines the importance of swift action. For more information, visit the Stroke Foundation's site at www.strokefoundation.com.au.

1 Australian Bureau of Statistics: Causes of Death, Australia, 2014
2 Deloitte Access Economics 2013, The economic impact of stroke in Australia.
3 Deloitte Access Economics 2014, Impact of stroke across Australia.

MARKET UPDATE.

CASH

Cash rates keep falling in Australia, with another interest rate cut in May. It seems likely that this will not be the last rate cut with the RBA widely expected to cut again possibly in August.

BONDS

Fixed interest markets recorded strong returns for the year. The economic environment remains supportive of bonds, with modest levels of economic growth and low inflation. Fixed interest yields around the world are very low, in some cases negative, and it would seem likely that future returns will be more muted.

AUSTRALIAN SHARES

Australian shares end the financial fairly flat but certainly experienced some volatility over the prior 12 months. A strong rally in the last quarter helped Australian shares recover after the falls experienced in the first few months of the year.

For the full year market returns have been fairly flat. Valuations in the share market are not overly demanding, but the economy and share market face some headwinds from a slowdown in the Chinese economy, Australia's largest trading partner.

INTERNATIONAL SHARES

International shares end the financial fairly flat but certainly experienced some volatility over the prior 12 months. A strong rally in the last quarter helped international shares recover up after the falls experienced in the first few months of the year. The US share market was one of the better performers, European and some Asian share markets experienced negative returns. Emerging markets struggled but look very attractively valued.