# February 2021

It’s February, the kids are back at school and the nation is getting back to business. It’s still not business as usual, but with the vaccine rollout about to begin there is a growing sense of optimism.

There was a sense of relief on the global economic front in January as Joe Biden was sworn in as US President. Financial markets rallied on expectations of more US government financial stimulus and a stronger focus on containing the COVID-19 health crisis. There were also positive economic signs from our other major trading partner, China where a V-shaped recovery is underway. China’s economy grew by 2.3% in 2020, the best performance of any major economy even though it was China’s slowest growth since 1976.

In Australia, there are also signs of a cautious economic recovery. Consumer confidence hit a 14-month high in January, due to our success in dealing with the pandemic and supporting jobs. The ANZ-Roy Morgan consumer confidence rating hit 111.2 points, just below its long-term average of 112.6. Unemployment fell from 6.8% to 6.6% in December, a time when businesses typically hire casual staff for the Christmas-summer holiday rush. Retail trade fell 4.2% in December but was still up 9.4% over the year. Inflation remains weak, with the consumer price index (CPI) up 0.9% in the December quarter and also up 0.9% in 2020 overall. The exception is house prices, up 3% in 2020. This was reflected in the value of new home loans which rose 5.6% in November due to record low interest rates and government policy initiatives. The Aussie dollar finished the month slightly lower at US76c.

## In this issue


## Mind the insurance gap

**At a time when many people have been focused on their family's health and livelihood, having adequate life insurance has never been more important. Yet the gap between what we need and what we have, has been growing.**

Life insurance is all about ensuring your family can maintain their lifestyle if you were to die or become seriously ill. Even people who do have some level of protection, might discover a significant shortfall if they had to depend on their current life insurance policies.

That's because 70 per cent of Australians who have life insurance hold relatively low default levels of cover through superannuation.

### Default cover may not be enough

The most common types of default life insurance cover in super are:

- **Life cover** (also called death cover) which pays a lump sum or income stream to your dependents if you die or have a terminal illness.
- **Total and permanent disability** (TPD) cover which pays you a benefit if you are disabled and unlikely to work again.

If you have basic default cover and are part of what is considered an "average" household with no children, then it's likely you only have enough to meet about 65-70 per cent of your total needs. The figure is much lower for families with children. Indeed, a recent study by Rice Warner estimates that while current levels of insurance cover 92 per cent of death needs, they only account for a paltry 29 per cent of TPD needs.[i]

Such a shortfall means that you and/or your family would not be able to maintain your current lifestyle.

### A fall in cover

The Rice Warner study found the amount people actually insured for death cover has fallen 17 per cent and 19 per cent for TPD in the two years from June 2018 to June 2020. This was driven by a drop in group insurance within super which has fallen 27 per cent for death cover and 29 per cent for TPD cover.

This was largely a result of the introduction of the Protecting Your Super legislation. If you are young or your super account is inactive then you may no longer have insurance cover automatically included in your super. You'll now need to advise your fund should you require cover.

It may make sense not to have high levels of cover, or even insurance at all, when you are young with no dependents and few liabilities – no mortgage, no debt and maybe few commitments. But if you work in a high-risk occupation such as the mining or construction industries, or have dependents, then having no cover could prove costly.

Another reason for the fall in life insurance cover has been the advent of COVID-19. With many people looking for cost-cutting measures to help them through tough times, insurance is sometimes viewed as dispensable. But this could be false economy as this may be exactly the time when you need cover the most.

There is also the belief that life insurance is expensive which is certainly not the case should you ever need to make a claim.[ii]

### An appropriate level of cover for you

It is estimated that an average 30-year-old needs $561,000 in death cover and $874,000 in TPD cover. As you and your family get older, your insurance needs diminish but they are still substantial. So a 50-year-old needs approximately $207,000 in death cover and $499,000 in TPD.

These figures are just for basic cover so may not meet your personal lifestyle. When working out an appropriate level of cover, you need to consider your mortgage, your utility bills, the children's education, your daily living expenses, your car and your general lifestyle.

It's also important to consider your stage of life. Clearly the impact of lost income through death or incapacity is much greater when your mortgage is still high, your children are younger, and you haven't had time to build up savings.

While having some life insurance may be better than nothing, having sufficient cover is the only way to fully protect your family. So why not call us to find out if your current life and TPD cover is enough for you and your family to continue to enjoy your standard of living come what may?

Now more than ever, in these uncertain times, you may find that you too are significantly underinsured and need to make changes.

i https://www.ricewarner.com/new-research-shows-a-larger-underinsurance-gap/
(All figures in this article are sourced from this Rice Warner report.)

ii https://www.acuitymag.com/finance/confusion-around-life-insurance-leaves-australians-vulnerable-nobleoak

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## Extending that holiday feeling

**Does the summer break already feel like so long ago? If that holiday glow and relaxation didn't last as long as you wanted, you're not alone.**

New research indicates that the mental health benefits of a holiday unfortunately fade quicker than a tan. The study found that it takes us just three days to get back into our normal level of stress.[i] Fortunately, there are ways you can hold onto that holiday feeling all year round.

### Incorporate holiday habits

Morning sleep-ins, days spent outdoors in the sun, having long chats with family and friends, enjoying delicious food and drink, not being tethered to your phone – no wonder we feel more relaxed on holiday than we do in our day-to-day lives!

While most of us don't have the luxury of sleeping in and turning up to work when we feel like it, you can incorporate some of your holiday habits into your regular working week. This can be as simple as taking regular breaks and scheduling in some outdoors time, whether it's finding a park near the office, or going on a bush walk on the weekend. You might also like to opt for a screen-free day and instead pick up a book or have a board game night.

### Take smaller breaks

Your leave allowance and financial situation may only permit you to take a small time away from work, but rather than just focusing on long holidays, try to also take regular breaks.

This could be weekends away or even just a day spent in a different town close to where you live, acting as a tourist and exploring the area. Just a day of adventuring will add some novelty into your schedule and allow you to unwind without needing to take an extensive period of leave or to travel far.

### Rethink your workday

Rethinking your workday can improve your productivity. If you have the flexibility to do so, you may find changing your hours can have a positive effect on your productivity and motivation. For example, if you're someone who struggles to get going before mid-morning, starting work later can have you feeling fresher and more alert.

It can also help to split your day into 90-minute windows to allow you to focus on a set number of tasks.[ii] Doing so can improve your efficiency and give you more free time as a result.

## Reduce stress

We all know that excess stress is bad for us, but it can be near impossible to remain relaxed and care-free. Being on holiday and away from our regular lives can provide insight into what we are stressed about.

If the constant beep of notifications on your phone grates on you, having phone-free time can help. Maybe you feel under pressure at work or have an unmanageable workload – can you discuss these concerns with a colleague, boss or HR? A cause of stress can even be not having enough to do and being unsure of your purpose, in which case it could be helpful to reach out to a mentor or life coach for guidance. Whatever it may be, identifying your stressors will help you work towards reducing them.

## Develop a positive mindset

Hand-in-hand with being more relaxed is having a positive mindset. Our holidays give us much to feel grateful for, such as the freedom of movement and access to beautiful locations, which we may have taken for granted pre-COVID-19.

In our everyday lives, rather than pining for that next holiday, think about what you are grateful for. This focus on gratitude and positivity makes it much easier to enjoy the day-to-day, and may lead you to adjust your priorities to reduce stress and improve your overall happiness.

*We hope you all have a happy, prosperous and fulfilled year and we're here to help if you need a hand. Enjoy your present, with a positive mindset.*

i https://www.businessthink.unsw.edu.au/Pages/Rest-and-rejuvenate-why-your-summer-holiday-may-not-have-done-the-trick.aspx

ii https://lifehacker.com/why-we-should-rethink-the-eight-hour-workday-515742249

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