

Golden Eggs, a Goose and an Insurance Adviser

Imagine for a moment..... During a shopping expedition to Malacca one day, whilst seeking interesting local antiques, a shopkeeper offers to sell you a very special goose. He explains that once a year, every year, this goose will lay a golden egg of great beauty and considerable value. In fact selling one egg each year will provide adequate income for you and your family. You buy the goose out of curiosity (your children wanted a pet anyway!) and take it home not expecting anything but droppings and goose eggs. However to your surprise, a few weeks later as the shopkeeper predicted, your goose lays an 18 carat golden egg right there on your kitchen floor.

Question: do you go out and insure the egg or the goose that lays them?

Whilst this analogy may be decades old, as financial advisers, we never cease to be amazed how many clients are more concerned about protecting their 'eggs' rather than protecting their ability to produce more. Most of us are very quick to insure our latest purchase, whether that be a car, a house or the new 60" Plasma TV taking pride of place in the living room. However data shows that well over half of all households are significantly under protected against the loss of their 'goose' – the main income earner.

This is possibly because death and life insurance are considered morbid subjects that we would all rather ignore. The fact remains that we will all die at some point – the only question is whether your family will have been adequately provided for.

When discussing insurance with clients we are often told "my company provides four times income on death so my family will be OK". To put this into context if you were unable to work ever again would four times your current salary be enough to support you and your family for the rest of your lives? Hence by under insuring the main income earner the family risks a significantly reduced standard of living.

As a rule of thumb we suggest that married couples without children should insure the main income earner for ten times the annual salary, and where they have children this figure rises to fifteen times the annual salary. These multiples may just be sufficient to provide for continuity of standard of living for the surviving family.

Equally important is income protection in the event that illness or disability means that you are unable to work again. In such circumstances your outgoing costs are actually likely to rise as you require specialist medical care. Generally it is possible to protect up to 75% of your current income up until the age of 65.

If you are in any doubt about the adequacy of your current level of insurance coverage please contact Infinity Financial Solutions. Our qualified consultants will assist you in calculating the appropriate level of cover for your circumstances and recommend suitable plans to meet any shortfall.

Insurance should not be viewed as an added financial obligation: to the contrary, it is the best means of meeting the obligations you already have!

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