

MackKay

ON MONEY

BY FINANCIAL ADVISER CHRIS MACKAY

Who is bigger? Mr Bigger or Mr Bigger's baby? Mr Bigger's baby of course! Why? Because he is a little bigger! Groan. As a youngster, this was a favourite family riddle and I never tired of it despite the fact I knew that "Bigger" wasn't actually a real surname. Imagine my delight when a year or so back at a seminar, I was fortunate enough to meet a Kiwi bloke, who in his spare time had won a trans-Atlantic rowing race and pulled a sled to the South Pole, by the name of Kevin you guessed it Biggar. Close enough spelling I reckon. A nice bloke and a great motivator. His photo is on my wall of fame.

Next question. What is bigger and better? Getting a crappy critical illness or being on the receiving end of a serious medical condition and having no dough or getting a crappy critical illness and at the same time picking up a pile of tax free cash? A no brainer really eh?

Do you recall the name of the South African doctor who did the world's first human heart transplant operation and his patient? The surgeon's name was Professor Christiaan Barnard and his patient was 54-year-old grocer Louis Washkansky. It was on December 3, 1967 in a nine hour operation assisted by his brother, Dr Marius Barnard and a team of 30. Washkansky survived the operation and lived for 18 days. A month later on January 2, 1968, another heart transplant operation was performed on Philip Blaiberg, who survived for 19 months. A guy called Dirk van Zyk got a new ticker in 1971 and survived over 23 years.

Brilliant Wellington born heart surgeon Sir Brian Barratt-Boyes pioneered New Zealand's first heart transplant at Green Lane Hospital in 1987. There have since been over 240 done.

I've got a good mate Alan Power, who scored the 147th NZ heart in 2003 and has since won two gold and two silver medals for New Zealand at the World Transplant Games and the Australian Transplant games,

in tennis and golf. Without Christiaan and Marius Barnard pioneering heart transplants, who knows what would have happened to him? And who would believe that yours truly would be able to crow that on the court he had demolished an international tennis gold medallist on several occasions?

Incidentally, NZ has one of the lowest organ donor rates in the world. We apparently need more people to offer their organs should the situation arise. We have lots of patients on waiting lists for all sorts of organs, not just hearts. So we all should be discussing it with our families but hoping like heck, it will never happen. I'm reliably informed that politicians should go on the donor list for all organs but hearts. Doctors have never been able to find one when a parliamentarian is cut open. Just kidding. Actually it's the brain they can't find!

Cardiothoracic surgeon, Dr Marius Barnard, who was Christiaan's right hand man, eventually went into politics and was elected to the legislature on an anti apartheid platform, according to Wikipedia.

Sometime during his busy medical and political career, Marius realised that medical advances were saving people's lives, but these folk were dying financially. He could give a dying man a new heart and save his life but he couldn't save the man's bacon or his house from a mortgagee sale.

There's only two sources of income.

Capital at work or man/woman at work.

Generally speaking, 95 per cent people don't accumulate enough capital to generate ongoing income until they are of retirement age. Some do it earlier. A few like Terry Serepisos do it, then undo it. Some inherit it. Some win Lotto. Some become head of a Government Department and accumulate a bundle. Remember John Allen, now head of MFAT, the guy who seems to be singlehandedly demolishing our Foreign Affairs capabilities. He previously was the head postie making a cool million bucks a year. That's 1.67 million standard envelopes delivered at 60 cents a piece just to cover his pay cheque. But as a rule, you've got to be working 35, 40 or 45 years and regularly saving a good percentage of your income from the start of your earning years, in order to be debt free and to have a large chunk of capital to see you through your retirement years.

If you get crook with a critical illness or injury, like a heart attack (and/or need a re-plumb), a serious cancer, a stroke, become a paraplegic, get MS or Parkinson's plus a whole lot of other lurgies, then it can certainly put a fiscal dent in your financial and retirement planning. We know that serious sicknesses are one of the major reasons for bankruptcy and mortgagee sales.

Surveys tell us that most people haven't got more than a few weeks income available in ready savings, and this is what Marius

Barnard knew and understood too. He started lobbying insurance companies in South Africa and suggested that they offer a policy which would pay out a lump sum if a policyholder suffered from what has become the big four: heart attack, coronary artery bypass surgery, stroke or serious cancer. Eventually some enlightened actuary (think an accountant without the charisma!) reckoned it could be done and a new insurance product was spawned.

I embraced this new product when it hit New Zealand and apparently I'm now a bit of an international expert on it. That's what I'm telling my mother anyway. By the time this magazine will be published, I will have returned from the US in early June where I will have presented to the annual meeting of the Million Dollar Round Table, the Premier Association of Financial Professionals. I spoke in Toronto at a similar meeting in 2000 and at the inaugural World Critical Illness conference in Vancouver in 2003, where incidentally Dr Marius Barnard was also a keynote speaker.

Critical Illness or Trauma policies have changed and improved over the years. Nowadays, around 40 serious conditions are covered. Companies who deal with brokers seem to be at the forefront of upgrading definitions and wordings. Some banks' policies usually aren't so flash.

Authorised Financial Advisers (AFAs) should have access to research to help determine the most appropriate product for a given budget.

The other service an AFA should be providing and which a bank teller or an online product purchase won't be able to deliver on, is the advocacy process.

You need to be dealing with someone who is going in "to bat for you" and who knows the system. I was recently talking to a senior executive from Rothburys, the largest NZ owned fire and general brokerage and in which I'm a Wellington Branch shareholder. He said that anyone in Christchurch who dealt with a broker and who had a claim in with an insurance company at the moment was having a rough time. However he went on to opine that those who were direct insurance company clients and had a claim in, were having an absolutely horrendous time. Who is working for them? Nobody. They have no advocate.

We've had three examples of this advocacy role in the past few months. Two Terminal Illness claims which went through very smoothly because of our involvement and which could have potentially had problems, and one Trauma claim (our 38th in total)

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where my client didn't realise he could get a potential payout. He wouldn't have had a claim if he was dealing with many of the companies either and most certainly wouldn't have if he hadn't talked to me!

If you know someone with any debt, ask them "what do you want to lose if you suffer a major trauma; your house or your mortgage?"

I'd opt for getting the mortgage paid off and preferably having another six to 12 months living expenses taken care of. I reckon that option is the bigger and better one!

These are generalised comments only and should not be taken as personalised advice. A disclosure Statement is available on request and free of charge.

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