

NEAREST & DEAREST

The cost of caring for a seriously sick loved one can be exorbitant... so having a plan in place could be a lifesaver, says Finance Editor Susanna Stuart



Families and money. It can be a messy combination, especially when the unexpected crops up. And when money matters become enmeshed with issues of the heart, it can be even more difficult to cope, as best-selling American author Lionel Shriver shows in her new novel.

So Much for That centres on Shep, who sells up his business with plans of stealing away to an island with his family for a life-changing experience. But it is his dreams that are stolen instead when his wife Glynis reveals she has been diagnosed with an aggressive cancer.

Shep and Glynis then seek legal remedy against the causes of the cancer and face up to the awful knowledge that their lives will never again be the same. Treatment for the cancer is expensive, and the outcome is uncertain.

The financial burden gets worse as Shep also has to foot the bill for his father's private hospital costs. His retirement fund, which starts off at around US\$700,000, quickly dwindles away. In typically vibrant style, Shriver has tapped into the anguished debate that America has recently had about the role of the state in providing medical care. Through her character, Shriver dissects the way our society sits on the precipice between wealth and risk, between greed and

self-preservation. It's a great read, and for me the theme resonated because I see clients who are facing similar issues.

One couple's expectation of a long and happy retirement has had to be re-scripted. The drug that will slow down a degenerative nerve condition is not funded by the government. Unfortunately the high cost of the drug will make a dent into their retirement savings. The spouse is quite a bit younger and will be left with less financial security.

Another couple, also with a significant age gap, has arrived at the moment where she wants to go into a retirement village but he doesn't. Their wealth, such as it is, is about to be chewed away by the cost of the licence to occupy.

Another retired couple has a daughter who is draining funds because of crippling debt brought on by a medical crisis. Should they help her or should they be keeping their nest egg for their own aged care?

With our ageing population, risks of cancer or heart disease become significant. And the costs of care are climbing. How far would we really go, how many sacrifices could we really afford if our partner was put on life support? Of course most of us would prefer not to talk about these possibilities. But why wait until there's a crisis?

CONSIDERATIONS AND POSSIBLE SOLUTIONS:

- What sort of retirement are you planning? What if you or your partner needed health assistance? Think about beefing up your retirement fund to cater for the unforeseen. It's not enough to rely on NZ Super. Paid out by the government from age 65, the entitlement is just \$15,000 net per annum for a single person; \$23,000 net per annum for a couple.
- How much should you set aside for yourself and your future care – and to what degree should you be helping other family members? It's not uncommon in Asian societies for families to pool resources to help parents in need.
- Should we expect any inheritance? With people living longer, do not be surprised if your inheritance is whittled away by aged care and healthcare costs.
- What if your loved one is sick and needs full-time care before age 65 yet you need to continue to work? Your best strategy is to have income protection insurance during your working life.

HAVE YOU HEARD?

A WINDFALL

Come October 1, many of us will get extra money in our pay packets courtesy of the recent tax cuts. The personal income tax rate will be lowered as outlined in this chart.

	Before	From October
0-\$14,000	12.5%	10.5%
\$14,001-\$48,000	21%	17.5%
\$48,001-\$70,000	33%	30%
Over \$70,000	38%	33%

An employee on \$65,000 will get just under \$2000 extra a year. For spendthrifts, the GST increase to 15% will take away some of the tax cut benefit but for savers it's a very real boost.

KIWISAVER ON THE UP

It's great to see the amount of savings in KiwiSaver has more than doubled. The total invested in March 2009 was \$2642 million – swelling to \$5489 million a year later. If you haven't joined yet, you should take advantage of the incentive still on offer for those over 18. Your contributions will be matched by the government up to \$1040 a year – that's about \$20 a week. You will also receive a kick-start payment of \$1000 – tax-free!