MONEYTALKS

Susanna Stuart examines life insurance and why we should determine our individual worth

HERE TODAY, GONE TOMORROW

After the September 11 attack that brought down the World Trade Centre in New York, US Congress set up a central Victim Compensation Fund hoping it would prevent an unseemly scramble for money. It didn't. In many cases, family members sued each other for their share of the pay out. Were they being greedy, or were they somehow able to put a value on their lost mother, father, sibling or partner?

According to sociologist Viviana Zelizer in her book *The Purchase of Intimacy* (Baker & Taylor, $39), the Victim Compensation Fund had to work out an equitable value for compensation, and the formula used was to calculate the loss of earning of the individual who died, and to award an individual's family a standard payment for the survivors' pain and suffering.

Viviana says the question of compensation also took on a moral dimension. Debates broke out over why families of highly paid executives should get more compensation than the families of office workers. And if a spouse qualified to get compensation, what about a fiancée? And what about estranged spouses – still married but no longer together? Where do you draw the line? Later, claims were looked at on a case-by-case basis, because the loss-of-income formula missed out another ingredient: the value of the individual in, say, helping care for sick parents.

Then the debate widened. Families of victims of the Oklahoma Bombing and other terrorist attacks questioned why families of the 9/11 victims should be compensated, but not the families of other tragedies.

There's something really uncomfortable about these questions but they are asked every day. They're asked by hospital boards when they weigh up their budgets, by governments when road improvements are being considered, and by you and I when we take out life insurance.

Life insurance is your own victim compensation fund, underwritten by you and designed to protect the people who depend on you. Over the years I have dealt with clients on the receiving end of a life insurance pay out, and in every case they have been extremely grateful and relieved that their partners had considered their needs. Indeed, most of these clients were mothers with young children who were not ready to return to full-time work.

Putting a value on your life is undoubtedly a wise move.

protect your family

- When considering life insurance, first figure out the needs of those who depend on you – how much money is required to keep them afloat if you are unable to? A standard formula involves looking at either your lifetime income, or at your family's annual spend.
- For an easy calculator, visit www.insurancelink.co.nz.
- Opt for term life insurance as it provides a lump sum in the event of death, and at a reasonable cost. Some policies pay out early if you're diagnosed with a terminal illness.
- Review your life insurance cover every year.

MAKINGCENTS

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Q I'm confused about all the benefits of KiwiSaver. What are the latest incentives?

Meredith, Timaru

A The Budget in May introduced some extra sweeteners. In addition to the $1000 government kick-start, no tax on employer contributions and up to $5000 for a deposit on your first home, the extras now include:

- The government will match your contributions (which must be 4% of your salary) dollar for dollar up to $1040 each year (for anyone aged 18-64).
- From 1 April 2008, compulsory contributions by employers start at 1%, increasing to 4% by 2011. These will be offset by a tax credit.
- The tax rate on fund investment earnings will be reduced to 30% (visit www.kiwisaver.govt.nz).

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