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PIS Timely Tips



Investment Insight – Don't panic



We live in an uncertain world. Natural disasters can strike at any time. Terrorism poses a lingering threat. Economies and markets are often affected by these sudden tragedies however, as we saw in the global financial crisis of 2008, every now and then they have crises of their own. The losses sustained in events like the 2008 share market tumble still live in the minds of many investors.

So how should investors approach these events – unexpected economic, political or natural calamities – that strike at the value of investment markets?

The answer is remarkably simple. Stay calm. Don't panic. History tells us that events, however catastrophic, are soon swamped by the longer-term trend.

With the benefit of hindsight we know that a whole range of events – the 1987 crash, the Asian currency crisis, the Russian bond market default and the September 11 destruction of New York's World Trade Centre – all become blips on the long-term ascent of share markets. In time, there is no doubt the global financial crisis of 2008 will also be consigned to a footnote in economic history.

It is important for investors to think long term when crisis strikes. There is compelling evidence that panic is bad for your wealth in the short term.

As a guide, let's see what happened in the past.

After the terrorist attacks in New York on 11 September 2001, US markets stayed closed until 17 September. In the five days following the re-opening, the S&P500 index fell 11.6%. In a warning against short-term panic, legendary investor Warren Buffett said, "Whatever you thought about the stock market before the World Trade Centre is what you should be thinking now".

As usual, he was right. By 15 October 2001, the S&P500 and the NASDAQ indices were back near their 10 September levels. Investors who panicked simply crystallised losses rather than protecting capital.

More recently, in 2008 the global financial crisis saw the Australian share market lose 39% of its value. Many investors panicked and sold when shares were at their lowest point. But the following year, in 2009, Australian shares rose by 38%. Those investors who had bailed out faced real rather than 'paper' losses, as well as missing out on the lion's share of the rebound.



Share markets do react, often sharply, to crisis. Yet they tend to snap back quickly as investors reassess the real economic impact of these events. Economics, nature and human nature being what they are, will undoubtedly face other market-mauling crises in the future.

But we know that over the long-term, the effect of this crisis will fade.

Source | BT

Leanne's Story – The value of trauma insurance

A year ago, Leanne had never even heard of myeloma. But when she finally found out that this rare form of

Did you know?

On 16 July 2010 at 11:14:50 AM (Canberra time), the resident population of Australia was: **22,388,338**.

This figure is based on the estimated resident population at **31 December 2009** and assumes growth since then of:

- One birth every 1 minute and 47 seconds
- One death every 3 minutes and 44 seconds
- A net gain of one international migration every 1 minute and 54 seconds, leading to
- An overall total population increase of one person every 1 minute and 13 seconds

Source | Australian Bureau of Statistics

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List of services:

- Wealth accumulation
- Superannuation/rollovers
- Retirement planning
- Mortgage elimination
- Shares and property
- Fixed interest and cash
- Tax planning
- Finance services
- Home mortgages
- Business planning
- Risk insurance
- Corporate superannuation
- Corporate services

blood cancer was what had been making her sick for over 12 months, she soon came to realise just how serious it was. Thankfully, she was covered.

Leanne and her husband Tony took out their trauma cover insurance a decade ago, at the suggestion of their financial adviser. But when competing financial priorities started to mount, it seemed something had to give.

“We’d actually been thinking about cancelling my insurance just before I was diagnosed” Leanne said. “We had a lot of expenses at the time, and the budget was looking pretty tight.”

In hindsight, the decision to hang on to their cover proved an extremely valuable one.

“Obviously we hoped we’d never need life insurance. But in the end, we didn’t really know – so we thought it was better to keep it just in case something happened. And it did.”

That ‘something’ was a diagnosis of multiple myeloma – a rare blood cancer that causes the body to produce malignant plasma cells at the expense of normal ones, which can severely weaken the immune system.



Aged only 47 at the time, Leanne was told the news.

“I think we spent most of that day crying on and off – trying to get our heads around the idea.”

With so much on their mind, the couple didn’t think to check their Trauma policy insurance for a couple of months.

“It got to the point where we were struggling financially to pay for things.”

“Then we remembered we had this policy. We weren’t sure whether it covered what was happening to me.”

It did. Leanne’s adviser supported her through the claims process. And shortly after submitting the claim she received the payment.

“I felt very relieved. It was one part of my life I didn’t have to worry about – with all the pressure of worrying about doctors’ bills, and travelling back and forward.”

Treatments Leanne has undergone included thalidomide, steroids, and intravenous chemotherapy. She’s also had some of her stem cells harvested – which one day may be treated and transplanted back into her body in the hope of kick-starting her immune system. Eventually she may have to undergo a bone marrow transplant from a donor.

Leanne has coped with the change in lifestyle by seeing the counsellors at the hospital, staying positive as much as possible, and by relying on the family for their support.

“My family’s been wonderful, and that’s helped me through a lot,” she said.

“One of the most valuable things is the feeling that you’ve got a support network around you, and not just feeling like you’re going through it alone.”

She also credits the insurance payout for helping her explore a wide range of treatment options.

“The insurance gave me the freedom to make decisions that we might not have been able to make otherwise. It also let me concentrate on getting treated and staying as well as possible.”



Leanne remains extremely thankful that she and Tony made the decision to take out trauma cover and with regular reviews with their adviser, their insurance remained right for them.

“No one ever thinks they’re going to need it. But it’s just nice to know that there’s that security there if something happens. It makes your life so much easier.”

Source | ING

Your local adviser is:
Sensible Financial Planning (08) 8387 7010

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