

IS INCOME PROTECTION FOR ADULT KIDS A GOOD IDEA?

We are always hearing about how important it is to insure our own lives and income, but what about insuring our children's?

How would your adult child and their family survive financially if an accident or an illness prevented them from earning an income for an extended period of time?

Income protection, TPD and trauma insurance are often not a consideration to a young family in today's financial

climate with many struggling with mortgage repayments, education spending and increased living costs.

But what would be your role if your child and their family were suddenly without an income? Without adequate insurance how would they cope?

What if you had helped your child to buy his or her first home and that child suffered a long term-illness or disability? How would that affect you if they couldn't make the repayments?

Case study

Alan and Joanne's married son Tim was in a car accident, sustaining a spinal injury that prevented him from working for two years. Unfortunately, Tim did not have income protection or accident insurance.

The bank foreclosed on his mortgage and Tim and his young family were forced to move in with Alan and Joanne. Eventually, Tim recovered and was able to return to work.

Aside from the emotional impact on Tim and his family, Alan and Joanne's retirement plans were seriously compromised. Joanne's health deteriorated due to the extra stress caused by of the situation and she was diagnosed with severe depression.

What could Alan and Joanne have done differently?

They could have asked Tim if his income was protected in the case of an unforeseen illness or injury. Learning that the young couple was allocating all spare cash to the mortgage, the parents might have offered to help pay for adequate insurance cover.

Even if you are not in a position to contribute to the cost of their insurance, raising the issue with your adult children and encouraging them to talk to a financial professional could be some of the best guidance you could ever give them.

For more information, contact your Fiducian financial planner.

