

17 November 2015**Media Release****New Zealand households are two to three times more likely to have a vehicle insured than their most valuable asset – their ability to earn an income**

Newly released polling on the impact of long term illness on incomes reveals that more than 1000 families a week (54,800 a year) experienced a sickness event that meant a main income worker was off work for 3 months or more.

The polling funded by the Financial Services Council (FSC) shows around half (47%) of employed 18-64 year olds can't survive for more than a month after using up their sickness and annual leave before suffering a significant drop in income when unable to work after sickness.

An average family needs \$683 per week to make up for a main income earner in the household not being able to earn because of sickness. For a family with dependent children the maximum Job Seeker Allowance (previously the sickness benefit) is \$340 a week.

The survey found that most people (51% of 18-64 year olds) did not know that a partner's income of \$30,000 or more would preclude them receiving all or part of the Job Seeker Allowance. One in five New Zealanders thought wrongly, that ACC covered all long term sickness not just those related to long term work place exposures.

The FSC has sponsored the Mind the Gap seminar being held today in Auckland, to help inform New Zealanders of their financial vulnerability in the event of long term illness preventing employment and earning an income and what can be done about it.

Back in 2010 the FSC commissioned Massey University to identify the under insurance gap in New Zealand. They concluded that income protection insurance was the personal insurance product most people needed but were the least likely to hold. The industry responded by introducing simpler products and better explanations of the benefits. Coverage of income protection has gone up from about 20% to now 26% of households in this latest survey, said FSC CEO, Peter Neilson.

In comparison, around 80% of households have a vehicle insured, 70% have home and contents coverage and 60% have their home insured.

Part of the explanation comes from many people not realising that their lifetime income is their most important asset. An income of just \$50,000 a year over 40 years comes to \$2 million, much more than the value of most homes. Unprompted, when asked what is their most valuable asset, most (45%) of Kiwis (18-64) say it is their home. Kiwi's also typically underestimate their likelihood of being off work for a long period caused by sickness. Most New Zealanders (60%) think they have about the same or greater likelihood of being off work long term following an accident rather than following sickness. In fact for the population as a whole you are 2.2 times

more likely to be off work for 6 months or more from sickness compared with an accident. For the 18-64 year olds it is 1.8 times more likely.

The new polling is a bit of a wakeup call and helps partly explain the relatively low take up of income protection insurance by only 26% of households. These key facts will be distributed to people who work alongside those living with long term illness. Health workers, social workers and budget advisers will be able to give good advice based on this evidence. We hope they will also start a conversation at the Mind the Gap seminar and in the wider community about how we can protect the financial security of families when a main earner has a long term illness that prevents employment.

Some families will cope by using social security benefits, ACC, previous savings or by selling assets. For others, income protection insurance that maintains most of your income following sickness will be needed, concluded Peter Neilson.

Over the last 5 years only 1 in 8 of the households struck with long term illness had income protection insurance in place when it happened. The income gap following sickness needs filling and income protection insurance is one of the means of doing so, concluded Peter Neilson.

For more information please contact Peter Neilson, CEO FSC, on 021 395 891 or Tim Marshall, Communication by Design, on 021 902 850

About the Financial Services Council

The Financial Services Council (FSC) was established in 2011 to represent the interests of the New Zealand financial services industry and the financial well-being of all New Zealanders. The FSC has 21 member companies and 17 associate members. Members manage more than \$80 billion in savings and provide financial services to more than 2.5 million New Zealand investors and policyholders. FSC members help New Zealanders achieve long term financial security by providing products and services which build wealth, prepare them for retirement and provide financial protection against unexpected health events.