



MONEY DUE REWARDS:



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Avoiding Mortgage Stress

"Mortgage Stress" seems to be a growing problem in Australia – particularly in the large cities where property prices are high. It generally happens when a person or couple pays big money for their "dream home", but then finds difficulty in meeting the repayments. In the 1980's, it was caused particularly by the high interest rates of the Keating era. In the present time of economic uncertainty, it seems likely that loss of employment in some industries may create a new breed of "stressed out" mortgagees.

Before we become too gloomy, however, let's take a look at some actual figures on the causes of mortgage stress in Australia. The following figures were obtained by Genworth Financial, a mortgage insurer, based on its hardship claims:-

Cause of Mortgage Stress	% of Cases
Illness or Injury	38%
Unemployment	15%
Loss of Income	15%
Maternity Leave	11%
Relationship Breakdown	4%
Over-commitment	2%

Surprisingly, while unemployment does rank high on the list, it clearly runs a very distant second to illness or injury. Over-commitment only accounts for a very small percentage of claims.

The significance of these figures is that while many cases of mortgage stress are perhaps unavoidable, more than half could actually be prevented by taking appropriate action beforehand. With proper financial budgeting and planning, maternity leave and over-commitment should not take us by surprise. More significantly, however, we should consider the appropriate use of insurance to cover the possibility of serious illness or injury. It is a lot more likely than many people think.

If you have a significant home mortgage debt, and do not have any "Sickness & Accident", "Trauma" or "Life" insurance, you are really leaving yourself open to the possibility of losing your home at the worst possible time, if struck by some unfortunate illness or injury. "Sickness and Accident" insurances are policies designed to replace your income if you are unable to work for a period due to illness or injury. It could mean the difference between continuing your mortgage payments or defaulting. "Trauma" policies provide a lump sum if you contract certain specified illnesses, and could potentially enable full repayment of a mortgage loan if this occurred. A "Life" policy, on the other hand provides a payment to your beneficiaries if you die.

The experts are telling us that we are facing some tougher times in the near future. During such times, some people will be tempted to reduce or cancel their insurances in order to save money. Such an action would be quite short-sighted, however, and could leave them vulnerable if their health gives way for some reason. Speak to a financial advisor if you would like to find out more about protecting your home and family from the grim possibility of unexpected health problems.

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