

INSURANCE COVER – A VALUABLE ASSET FOR YOUR FINANCIAL WELLBEING

Have you considered what your financial position would be without insurance cover? If you had to deal with financial loss or difficulty, could you cope?

It's true that curveballs happen – often without warning. Unexpected events can come at a cost: emotionally, physically and financially. In building ourselves a good quality of life there are risks, and they can affect any of us at any time.

Here, we explore how having enough insurance cover can help to protect you financially when a risk becomes a reality.

DEFINING INSURANCE AND UNDERSTANDING ITS PLACE IN FINANCIAL WELLBEING



WHAT IS INSURANCE?

Insurance acts like a bridge between risk and protection. The insurance industry has built up a suite of financial products that offer short-term and long-term solutions to protect against all kinds of risk. These products offer financial protection against loss, damage, theft and ill health – all of which can have a negative impact on your wellbeing.

By managing these risks through insurance products, we have financial security and peace of mind in times of difficulty. And you don't have to add the risk of getting into debt to manage the financial impact of adverse events. This helps to build a strong position of financial wellbeing – both for you and those closest to you.

It's wise to work closely with a trusted adviser. This helps to make sure that you always have the right combination of cover, for the right amount. Not having the right amount of cover can be almost as devastating as having no insurance cover at all.



WHAT CAN INSURANCE HELP YOU TO PROTECT?

01 | Protection for the things you love

- Your car
- Your home and home contents
- Your personal items
- A business

02 | Protection for the people you love

- Health and wellbeing cover for yourself and loved ones
- Life cover – severe illness, disability and income protection

03 | Protection on the move

- Travel insurance



INSURANCE COVER IS A CRUCIAL PART OF FINANCIAL PLANNING

Insurance gives you a solution when unfortunate events happen – whether it's something small, like a damaged cellphone screen or tyre puncture, or something life-changing, like a bad car accident or being diagnosed with a serious illness.

Insurance helps you be prepared for the unexpected – the things you can't predict or don't know will happen for certain – which will make all the difference when you could end up facing a potential financial crisis. You'll be able to achieve better financial resilience and security when you need it most.

These days, insurers design product suites that cater for all known risks as thoroughly as possible. This includes add-on benefits that can be adapted, mixed and matched to suit your unique goals. Not every person needs every product on the market, so it's wise to identify and prioritise your needs and goals at every stage of your life. This will help you decide what cover you need, and how much will give you enough security if the worst should happen. This cover could be for your car, home or business. Or it could protect you and your loved ones financially if you have a severe illness, become disabled or lose your income, and when you pass away.

A qualified financial adviser can guide you on what's available and how best to structure your financial plan to include all the cover you could benefit from the most. Your plan needs to be flexible so that it can match your needs and goals as they change, and you should review it often. An adviser is well-equipped to help with this.



FINANCIAL ADVISERS CAN:

- Give you a detailed, professional evaluation of your needs
- Assess your budget and income
- Put together a thorough list of your needs and goals
- Identify potential gaps in your cover, based on current risks and possible future risks
- Give you options for financial products that meet your needs and your pocket
- Help you compare products so you can make an informed decision.



HOW UNDERINSURANCE – OR NOT HAVING ENOUGH COVER – CAN AFFECT YOUR FINANCIAL WELLBEING

Many South Africans are unfortunately underinsured, insufficiently insured or not insured at all. The implications of this can be far-reaching when it comes to financial security.

This gap will happen if you:

- Can't stretch your income to include cover
- Don't understand how insurance cover works and how it can work for you and your loved ones
- Don't fully understand any policies you already have
- Don't keep your policies up to date or check your cover regularly to make sure they still cover your needs.

Neglecting a policy can upset the apple cart too. For instance, if a homeowner starts renovations to the family home without telling their insurer - which is what they should do, under the terms of their home insurance policy - their claim may not be paid in full, or at all, if there's damage to the house because of the renovations.

If the insured value of items on your policy (the value the items are insured for) is less than the current value, you could be paid out much less than you expected or need. You would then be your own 'insurer' for the balance. This could be more than you can afford, which means you must take on debt - and that would put strain on your overall financial wellbeing.

Here's how these scenarios could affect your financial wellbeing:

- You have to downgrade your lifestyle significantly to finance your needs.
- You must apply for loans or increase your credit card debt, which builds up interest and causes financial strain.
- You eat away at your retirement savings (pension, provident or retirement fund) to fund a need.

All of these will weaken your financial resilience and could place you in greater financial difficulty. This will have knock-on effects on your quality of life now, in the short term and even well into your retirement years.

Working closely with a financial adviser to build a resilient financial portfolio can help to ease these burdens. Your financial adviser will help to make sure that you don't underestimate what you need, or how much you may need, at the time you need it most. And they'll guide you on taking out comprehensive cover, for a full range of short-term and long-term risks, that can be adapted to your needs and goals.

This document is meant only as information and should not be taken as financial advice. For tailored financial advice, please contact your financial adviser.

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