

# Buying financial wealth at any life stage

## YOUR INCOME NEEDS TO OUTLAST YOU

As we grow old gracefully through life we all go through various life stages. Just some of these include starting out – when we are young and adventurous and with potential exceeding wealth in most cases, moving into the family stage and then retirement. Life stage designed portfolios have become popular in retirement funding plans and investments and for many seem a logical way to look at our lives when we plan our finances. And while they may not be cut and dried and well defined for many individuals – the issues we face in each stage can be useful when looking at the financial risks we face and what appropriate protection to take against those risks.

Long term insurance is about protecting our main asset – income production. Speaking at a recent Liberty Life Risk Focus presentation, Professor Stephen Jurisich said that in order to maximise your future income asset you need to know more about your life, and in turn what each life stage may bring.

Prof Jurisich identified four life stages – starting out, family, empty nest and retirement. Another could be added before starting out – preparing for the future – and in this stage Jurisich said you need to worry about the things you are doing for your children. “An income asset does not just happen – and it is not the same for every person.”

An income asset comes from education and training and skills development.

The main risks to income are disability, medical expenses, dread disease, death and longevity - and the extent to which these can affect assets can change from lifestage to lifestage.

Those in a starting out phase are more likely to face dread disease, or disability as their main risks to income, in a family stage disability, death, medical expenses and dread disease can affect income and these are similar for the empty nest stage. In retirement – medical expenses and longevity become the higher risks.

“Longevity is a very real risk,” said Jurisich, “very often people underestimate how much they need.”

And while the past year may not have improved our mortality risks – what with things like flu pandemics and air disasters – the good news on the flu front is that modern medicine has gotten better at understanding viruses and better at treating the complications. In addition there is a new vaccine for meningitis, a derivative of red sea coral could help fight cancer, epigenetic therapy could be used to treat cancer and there is a possible new drug to combat MDRT (multi drug resistant TB – one of the downfalls of the overall health status of South Africa.) All this means longevity is even more of a risk and the risk to income and wealth is not so much death but more disease and medical expenses.

And as far as disability goes there is an increase in claims due to stress and depression, we are in an economic crisis and that means these types of claims increase. And, according to Jurisich, an increase in temporary disability. In these cases it is also more difficult for those who go off work to return to work.

And to protect against

retrenchment consider a premium waiver. “Don’t lose your protection at the very time you need it.”

How do you prioritise your protection spend?

Jurisich looked at the five Maslow hierarchy needs – physiological (basic needs eg food), safety, social, esteem and self actualisation. Financially these translate into the need for medical expenses (physiological), the need for income protection and potentially dread disease (safety), family protection for example life cover and education protectors (social), wealth creation (esteem) and wealth preservation (self actualisation.)

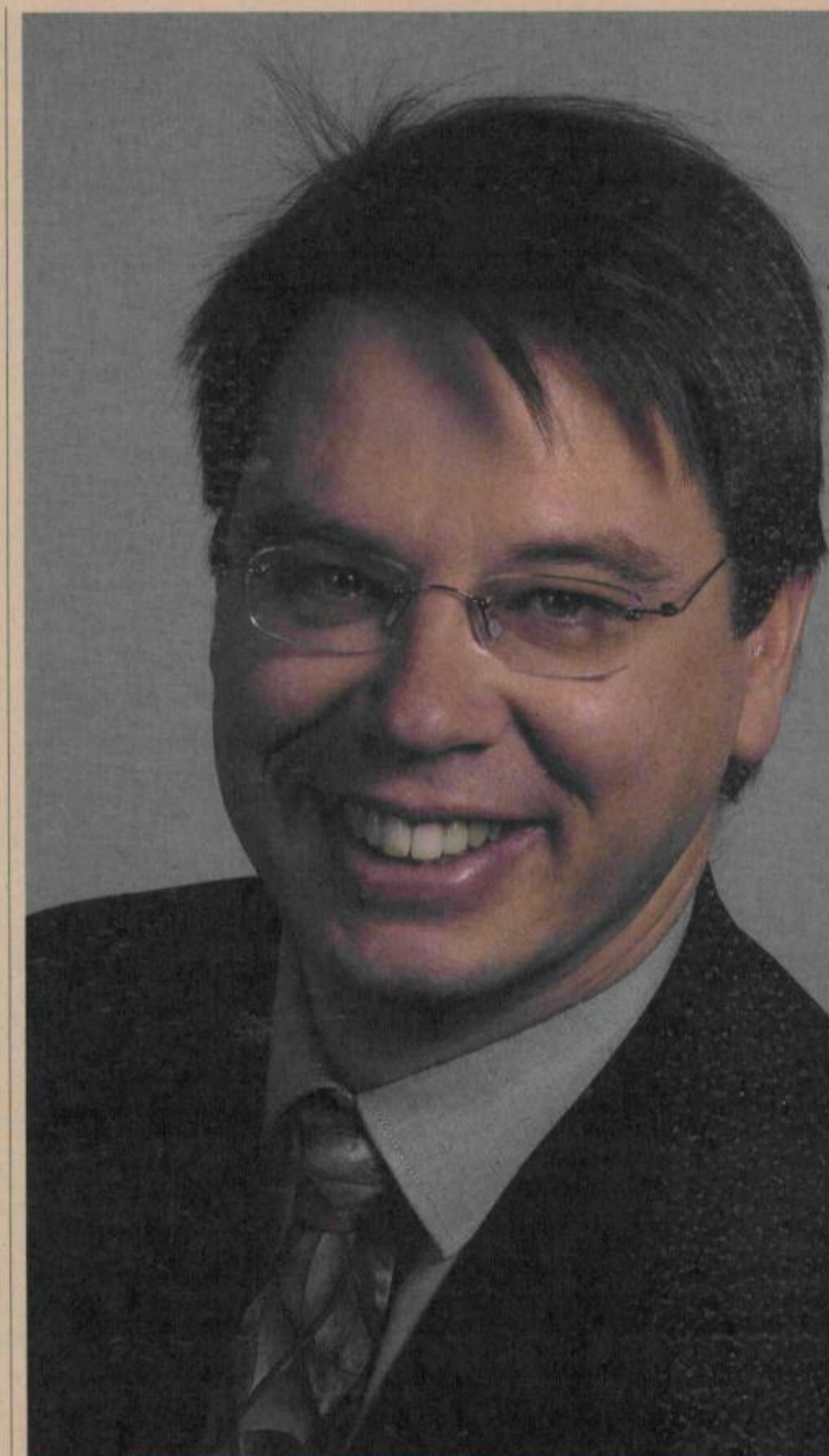
While acknowledging that not one size fits all – Liberty has prioritised the following:

Starting out life stage: the need is for income protection and medical expenses

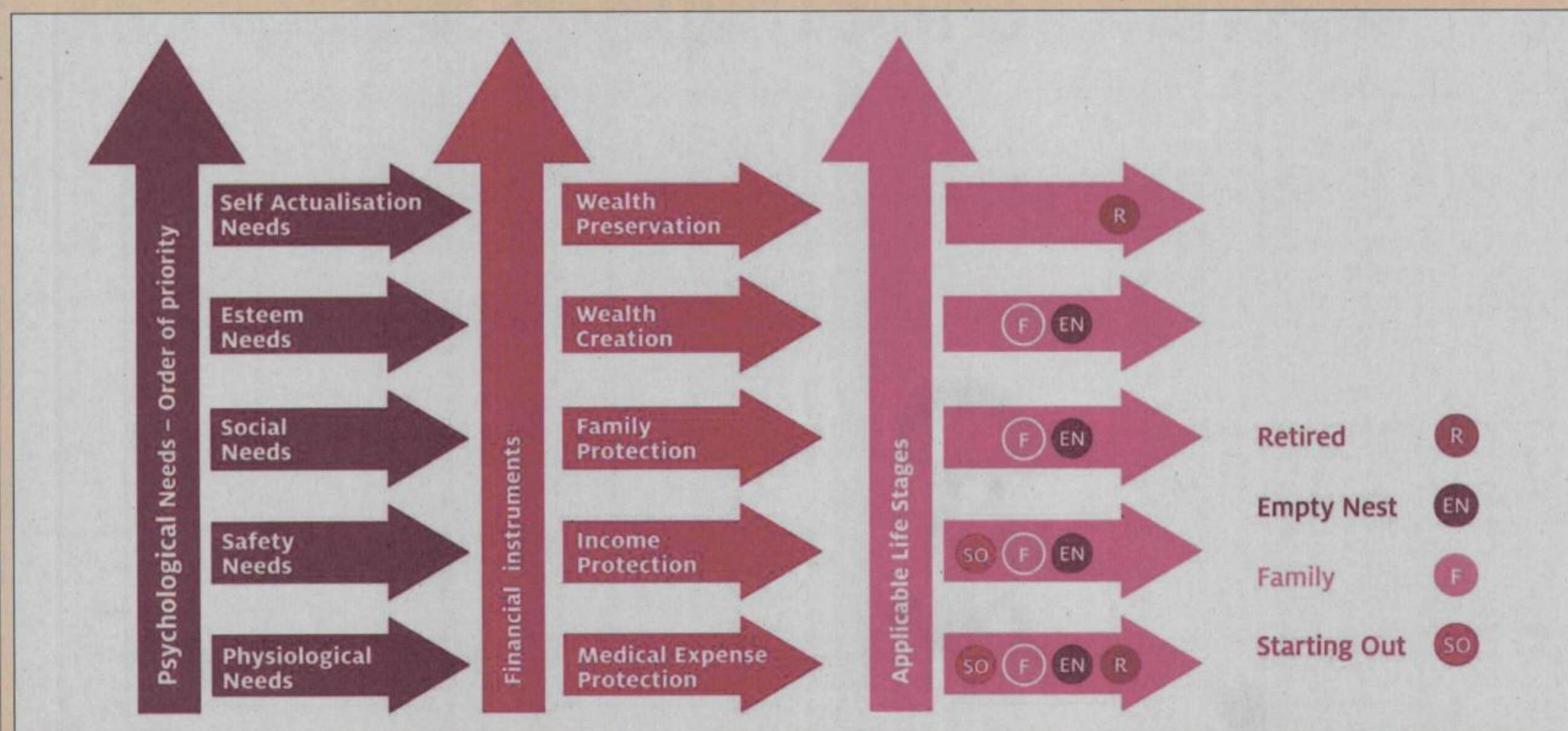
Family life stage: the needs are for income protection, medical expenses, family protection and wealth creation

Empty nest life stage: the needs are for medical expenses, wealth creation, income protection and possibly to a lesser degree family protection

Retirement life stage: wealth preservation and medical expenses.



Prof Stephen Jurisich: Don't lose your protection at the very time you need it



Life stage needs and protection required