

**DID YOU KNOW?**

- \* You stand a one-in-eight chance of suffering a disability before the age of 65
- \* Men are twice as likely to become disabled than women
- \* Most South Africans are grossly underinsured when it comes to life cover

The kind of life cover you choose and how much it costs will depend on your income, age, occupation, health and life stage.

Life cover for a young person costs less than that for an older person. Look at this example:

A 25-year-old administrative worker who earns R10 000 per month and spends R148 per month on basic life cover could expect R500 000 to be paid out to his beneficiaries. But a 40-year-old with the same job who earns the same salary would have to pay R204 per month for the same basic life cover to get the same payout on his death.

If you increase the amount paid out in the event of a death, your monthly premium would go up too. For example, a 40-year-old nonsmoking manager with a degree who earns R42 000 per month and wants life cover worth R1,5 million would have to pay R338 per month.

Generally, life cover costs less if the person covered is young, has no dependants and lives a non-risky life.

Before you buy life cover you should consult a financial adviser or approach more than one company for quotes and see which kind of cover suits you best. You can get cover from around R70 per month.

**\* Disability cover**

If you suddenly develop a severe illness and find yourself bound to a wheelchair, you won't be able to work anymore.

"Your ability to earn an income is your greatest asset and critical to your lifestyle," says Neelan.

What will happen to you and your family if you lose your income? If you're injured in an accident or suffer a heart attack, you'll have to pay for your recovery and rehabilitation along with your living expenses.

Research shows South Africans are underinsured by about R6 trillion for disability and only 25 out of the 10 000 who are disabled manage to return to work.

"There's an extensive range of disability benefits on the market that are simple to understand and flexible enough to adapt to your changing needs," says Neelan.

Some policies pay out a lump sum when you submit a claim while others pay out a percentage of the total benefit each month for a period of time.

For example, the 25-year-old administrative worker mentioned above who takes out life cover worth R500 000 can include disability cover in his policy.

This would push up his monthly premiums from R148 to R238 per month, but it's a small price to pay for a R250 000 lump sum and R7 500 per month if he's disabled.

**\* Dread disease cover**

Severe illness or dread disease cover is a benefit that pays out money once you have been diagnosed with a specified illness such as cancer, diabetes, heart attack or stroke.

Some products pay out a lump sum while others will give you a percentage based on the severity of the illness.

People who are HIV-positive can get life cover from certain life insurers including AllLife, Sanlam and AltRisk. In general, the products are more expensive than those available to healthy individuals.

AllLife, a company which offers affordable life cover for HIV-positive people, has various products and the cover is comparable to that for any chronic disease.

People with HIV can pay as little as R100 per month for cover of R100 000 and the premiums increase as the cover increases. Clients need to monitor their CD4 counts, go on ARVs if needed and take care of their health. For an AllLife policy with cover under R500 000 you have to fill in a medical questionnaire. For cover over R500 000 you will need to go for a full medical examination, which will be paid for by the insurer.

Charl Saunderson, a financial planner for HIV Sure Life Insurance in Upington, confirms the premiums for HIV-positive people are higher than normal. "A 40-year-old who wants life cover for R1 million will spend about R400 a month on insurance while an HIV-positive person will spend between R1 000 and R1 500 per month," he says.

**INVESTING YOUR MONEY**

The second part of planning your life financially involves investing your money so that it works for you. You can do this by joining a stokvel, buying unit trusts or putting money in interest-earning bank accounts.

How you do it will depend on how much money you have to invest. Don't be discouraged if don't have thousands to invest. Start small and take it from there.

You can get investment advice from your bank, a financial adviser or consultants from investment companies, but here are some ideas to get you going:

- 1. Education fund.** You should put money away for your children's education. Remember that the greater return you require on your investment, the longer you'll have to invest. You could also invest in shares (you'll have to invest online or use a stockbroker), buy unit trusts or property. You can speak to your bank or a financial adviser for the products that best suit your needs.
- 2. Retirement annuity.** With these kinds of products you usually save the same amount every month and you will be paid out when you are 55 or older. A third of your investment will be paid out in cash and the balance must be reinvested in a product that will pay you a monthly pension. The cash payout may be taxable.
- 3. Endowment policy.** An endowment policy from a life assurance company is just like a savings plan. You undertake to save a fixed amount for a fixed period and you have a choice as to how you want to invest it. Your money is either paid out (usually tax-free) or you can leave it to grow further.
- 4. Money market account.** This works the same way as a fixed-term deposit. You deposit your money into the account and earn interest on the money for as long as it remains invested.
- 5. Unit trusts.** Unit trusts are a flexible way to save and invest as you can stop the investment at any point without a penalty. Your money is available immediately but it's advisable to regard unit trusts as a medium- to long-term investment. You can pay a small monthly sum, ranging from as little as R20 per month to a single lump sum, depending on the unit trust.

The important thing to remember about planning for your financial future is to update your portfolio regularly to see if it still meets your needs, which will change as your life changes.

Then watch your portfolio grow, slowly but surely. You won't regret it. □

**HOW TO CHOOSE A FINANCIAL ADVISER**

When choosing an adviser, ask about experience, qualifications, which product houses are represented, areas of expertise, whether he's licensed with the Financial Services Board and how his fee structure works.

You can find a financial adviser checklist at [www.findanadviser.co.za](http://www.findanadviser.co.za) or fax 086-608-6876.

You can also visit the Financial Planning Institute of SA website at [www.fpi.co.za](http://www.fpi.co.za) or contact them on 086-100-0374. Another option is the Financial Services Board on 0800-110-443 or visit the website at [www.fsb.co.za](http://www.fsb.co.za)

