



FIN-ED
FINANCIAL EDUCATION

PART **3** OF 8

DISABILITY COVER – PROTECTING YOUR FUTURE EARNINGS AND FINANCIAL INDEPENDENCE

A permanent disability can change your life in an instant. Disability cover helps protect your income, your family and your future.



Protect today.
Secure tomorrow.



PROTECT YOUR
INCOME



PROTECT YOUR
FAMILY



PROTECT YOUR
FUTURE



STAY ON TRACK
TOWARDS YOUR GOALS

Disability Cover – Protecting Your Future Earnings and Financial Independence

In the previous article, we discussed how your ability to earn an income is often your most valuable financial asset and why Income Protection Cover is designed to protect that income if illness or injury prevents you from working.

However, what happens if the impact is permanent?

What if an accident, illness, or medical condition leaves you permanently unable to perform your occupation or earn an income?

This is where Disability Cover plays a critical role.

For many individuals and families, a permanent disability can be financially more devastating than death because the financial consequences may need to be funded for decades.

Understanding Disability Risk

Most people insure their homes, vehicles, and possessions because they understand the financial consequences of losing them.

Yet few people consider the financial impact of losing their physical or mental ability to work.

A permanent disability can affect:

- Your ability to earn an income
- Your ability to manage a business
- Your retirement savings goals
- Your family's financial security
- Your long-term lifestyle

In many cases, expenses actually increase following a disability while income decreases.



What Is Disability Cover?

Disability Cover typically provides a lump-sum payment if you suffer a permanent disability that meets the insurer's claim criteria.

The purpose of this payment is not to replace your monthly income. That is generally the role of Income Protection Cover.

Instead, Disability Cover provides capital that can be used to address the long-term financial consequences of a permanent disability.

Think of Disability Cover as a financial rescue fund designed to protect your future.

Why a Lump Sum Is Important

A permanent disability often creates expenses that many people never anticipate.

Examples include:

- Settling outstanding debt
- Home modifications
- Vehicle modifications
- Ongoing medical expenses
- Rehabilitation costs
- Specialist equipment
- Professional care assistance
- Funding future living expenses

These costs can amount to hundreds of thousands or even millions of rand over a lifetime.

A lump-sum disability benefit provides immediate access to capital when it is needed most.

A Practical Example

Consider a 42-year-old business owner earning R80,000 per month.

He suffers a serious stroke and is no longer able to manage the business or continue working.

The consequences may include:

- Loss of future income
- Reduced business value
- Outstanding home loan

- Children's education costs
- Additional medical expenses

Without disability cover, the family may be forced to:

- Sell investments
- Liquidate assets
- Reduce their standard of living
- Delay retirement indefinitely

With appropriate disability cover, the lump-sum benefit can help settle debt, create an investment portfolio to generate future income, and provide financial stability during a difficult period.



Disability Cover vs Income Protection

One of the most common misconceptions is that these two covers perform the same function.

They do not.

Income Protection Cover

Provides a monthly income when illness or injury affects your ability to work. Its purpose is to replace lost earnings.

Disability Cover

Provides a lump-sum payment when a permanent disability occurs. Its purpose is to provide capital to deal with long-term financial consequences.

Both covers are important and often complement one another.

Income Protection protects monthly cash flow.

Disability Cover protects long-term financial security.

How Much Disability Cover Do You Need?

The amount of disability cover required will vary from person to person.

Factors often considered include:

- Outstanding debt
- Home loan balances
- Future education costs
- Retirement funding requirements
- Current assets and investments
- Family responsibilities
- Future income replacement needs

The objective is to ensure that a disability does not permanently derail your financial plan.

Disability Cover for Business Owners

Business owners often have additional risks.

If the owner becomes permanently disabled:

- Business income may decline
- Key client relationships may be affected
- The value of the business may reduce
- Succession plans may need to be accelerated

For many entrepreneurs, disability cover forms a critical part of their overall business continuity strategy.



When Is Disability Cover Most Important?

Disability Cover is often most important during your wealth-building years.

Typically, between ages 25 and 60, individuals are:

- Building careers
- Raising families
- Paying off debt
- Saving for retirement
- Growing businesses

This is also the period during which future earning potential is usually at its highest. As a result, the financial impact of a permanent disability can be particularly severe.

The Cost of Doing Nothing

Many people assume that a disability will never happen to them.

Unfortunately, accidents and illnesses do not discriminate.

A serious disability can occur because of:

- Cancer
- Stroke
- Heart disease
- Motor vehicle accidents
- Neurological conditions
- Musculoskeletal disorders

The financial consequences can last a lifetime.

The question is not whether you expect a disability to occur. The question is whether your financial plan could survive one if it did.

Reviewing Your Cover Regularly

As your circumstances change, your disability cover requirements should also be reviewed.

Life events such as:

- Marriage
- Purchasing a home
- Having children
- Starting a business
- Approaching retirement

may all affect the amount of cover required.

A regular review ensures your cover remains aligned with your financial goals.

Final Thoughts

Building wealth is important.

Protecting that wealth is equally important.

A permanent disability can have a profound impact on your income, lifestyle, and long-term financial security.

Disability Cover helps provide the financial resources needed to adapt, recover, and maintain financial independence when life takes an unexpected turn.

While we cannot always control what happens to us, we can prepare for the financial consequences.



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