FIN-ED
FINANCIAL EDUCATION

Personal Financial Management Series

PROTECTING YOUR FINANCIAL FUTURE

The Insurance You Actually Need

PROTECT WHAT MATTERS.
Secure your loved ones and your future.

MANAGE LIFE'S RISKS.
Be prepared for the unexpected.

PRESERVE YOUR WEALTH.
Protect what you've worked hard to build.

PLAN WITH CONFIDENCE.
The right cover today creates a stronger tomorrow.

Insurance doesn't build wealth.
It protects the future you're building.

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Reading Time: 5-6 minutes

Protecting Your Financial Future

The Insurance You Actually Need

Most people enjoy talking about investments, retirement planning, and building wealth. Far fewer enjoy discussing insurance.

Yet while investing helps you build wealth, insurance helps protect it.

One unexpected event—a serious illness, disability, accident, or death—can undo years of financial progress. The purpose of insurance is not to make you wealthy. Its purpose is to ensure that a financial setback does not become a financial catastrophe.

Insurance is one of the cornerstones of a sound financial plan because it provides protection for both you and the people who depend on you.

The challenge is understanding which types of cover are truly important and how much protection you actually need.

Why Insurance Matters

Every financial plan is built on assumptions.

We assume we will continue earning an income.
We assume we will remain healthy.
We assume we will live long enough to achieve our financial goals.

Unfortunately, life does not always go according to plan. The loss of an income, a serious illness, or the death of a breadwinner can place enormous financial strain on a family.

Insurance exists to transfer these risks from the individual to an insurer in exchange for a relatively small monthly premium.

In many cases, the financial consequences of not having insurance can be devastating.

Life Insurance

Life insurance provides a lump-sum payment to your beneficiaries upon your death.

The purpose is not to enrich your family but to ensure they can maintain financial stability if you are no longer there to provide an income.

Life cover is particularly important if you have:

- A spouse or partner who depends on your income.
- Children who require financial support.
- Outstanding debts.
- A home loan.
- Business obligations.
- Estate liquidity requirements.

When considering life cover, ask yourself:

"If I passed away tomorrow, would my family be financially secure?"

If the answer is no, life insurance should form part of your financial plan.

Disability Cover

Many people insure their homes, vehicles, and possessions but fail to insure their ability to earn an income.

For most individuals, their **future earning capacity is their greatest financial asset.**

Disability cover provides a lump-sum benefit if an illness or injury leaves you permanently unable to work.

This benefit can assist with:

- Medical costs.
- Debt settlement.
- Lifestyle adjustments.
- Ongoing financial security.

The likelihood of becoming disabled during your working career is often higher than many people realise, making disability cover an important consideration.

Income Protection

While disability cover generally provides a lump sum, income protection cover is designed to replace a portion of your monthly income if you are unable to work due to illness or injury.

This is often one of the most valuable forms of insurance because it protects the cash flow that supports your lifestyle.

Your monthly expenses continue regardless of whether you can work.

Income protection can help cover:

- Household expenses.
- Bond repayments.
- School fees.
- Medical costs.
- Everyday living expenses.

Without income, even substantial savings can quickly be depleted.

Severe Illness Cover

Medical advancements have improved survival rates for many serious illnesses.

While this is positive, surviving a major illness often comes with significant financial costs.

Severe illness cover (sometimes referred to as dread disease cover) provides a lump-sum payment upon the diagnosis of specified serious conditions such as:

- Cancer.
- Heart attacks.
- Strokes.
- Major organ failure.
- Certain neurological conditions.

The benefit can be used for medical treatment, lifestyle adjustments, loss of income, or any other expenses that arise during recovery.

Medical Aid and Gap Cover

Medical expenses represent one of the largest financial risks faced by many families.

Medical aid helps cover healthcare costs, while gap cover assists with shortfalls that may arise between what healthcare providers charge and what medical schemes pay.

Without adequate medical cover, a serious medical event can place significant strain on personal finances.

Choosing the correct medical aid option depends on factors such as:

- Family size.
- Age.
- Health status.
- Budget.
- Anticipated healthcare needs.

A periodic review ensures that cover remains appropriate as circumstances change.

Insurance for Business Owners

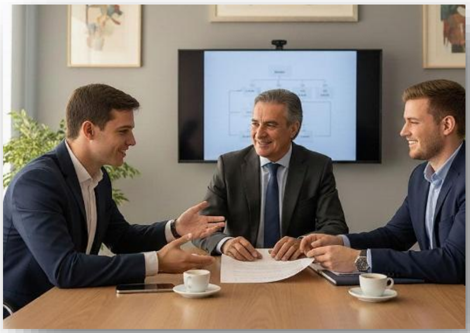
Business owners often have additional insurance considerations.

The success of a business is frequently linked to the health, skills, and involvement of key individuals.

Important business-related insurance may include:

- Key person insurance.
- Buy-and-sell agreements.
- Business assurance.
- Contingent liability cover.

Without proper planning, the illness or death of a key individual can have serious consequences for both the business and the owner's family.



Avoiding Over-Insurance

While insurance is important, more cover is not always better.

Over-insurance can result in unnecessarily high premiums and place pressure on monthly cash flow.

A proper financial planning process should determine:

- Which risks need to be insured.
- The appropriate level of cover.
- Which risks can reasonably be self-funded.

Insurance should be tailored to your circumstances, financial obligations, and objectives.

The goal is adequate protection, not excessive protection.

Reviewing Your Cover Regularly

Insurance is not a set-and-forget product.

Life changes constantly.

Events that may justify reviewing your cover include:

- Marriage.
- Divorce.
- The birth of a child.
- Purchasing a home.
- Starting a business.
- Receiving a promotion.
- Approaching retirement.

As your financial position changes, your insurance requirements may also change.

An annual review helps ensure that your protection remains aligned with your needs.

The Cost of Not Being Protected

Many people view insurance premiums as an expense.

A more useful perspective is to consider the financial consequences of not having cover.

A relatively small monthly premium may protect against a financial loss that could amount to millions of rand.

Insurance is not purchased because you expect something to happen. It is purchased because you cannot afford the financial consequences if it does.

Building a Strong Financial Foundation

Wealth creation and risk management go hand in hand.

A strong financial plan typically includes:

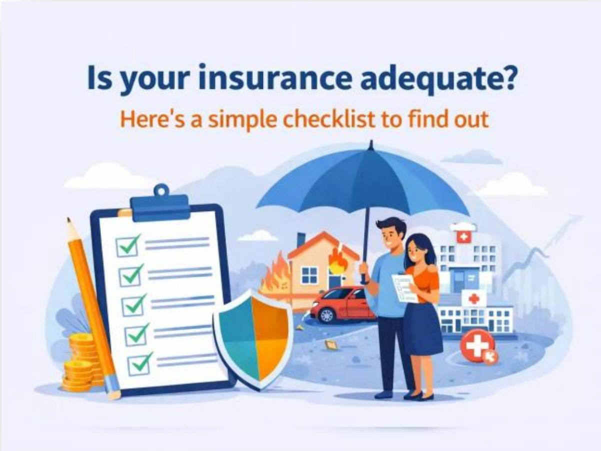
- An emergency fund.
- Debt management.
- Savings and investments.
- Retirement planning.
- Appropriate insurance protection.

These elements work together to create financial security and peace of mind.

The objective is not simply to build wealth, but to ensure that wealth remains protected when unexpected events occur.

Key Takeaways

- Insurance protects your financial plan from unexpected events.
- Life cover helps protect your family and dependants.
- Disability and income protection cover safeguard your ability to earn an income.
- Severe illness cover helps manage the financial impact of major health events.
- Medical aid and gap cover assist with healthcare expenses.
- Business owners often have additional protection requirements.
- Insurance should be reviewed regularly as your circumstances change.
- The purpose of insurance is not to create wealth but to protect it.



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