



# INSURANCE COVER A VALUABLE ASSET FOR YOUR FINANCIAL WELLBEING



## FINANCIAL WELLBEING

*Have you considered what your financial position would be without cover from insurance? If you experience financial loss or difficulty, could you cope?*

It's a reality of life that curveballs happen – often without warning. Unexpected events can also come at a cost: emotionally, physically and financially. While we're building a good quality life for ourselves, risks exist around us, and can affect anyone 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 getting into debt to manage the financial impact of these events doesn't become another risk to deal with. This helps to build a strong position of financial wellbeing – both for you and those closest to you.

## 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](#)
- Your pets

### 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 cover gives you a way to put things right when unfortunate events happen, whether it's something small, like a damaged cellphone screen or tyre puncture, or a dramatic life-changing event like a severe 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 – especially when you're facing a potential financial crisis as a result.

The financial support on offer helps you to achieve better financial resilience and security when you need it most.

These days, insurers design product suites to cater for all known risks as thoroughly as possible. This includes add-on benefits that can be adapted, mixed and matched to suit individual goals and priorities. 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 with enough security if the worst should happen. This cover could be for your car, home, business or health. Or it may be there to 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 help to guide you on the details of what's available and how best to structure your financial plan to include all the cover you could benefit from the most. Frequent reviews of your plan are strongly recommended, as your needs will change throughout your life. Your financial plan needs to be flexible enough to match your needs and goals as they change. An adviser is well-equipped to help with this process.

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 both current risks and possible future risks
- Give you options for financial products that meet your needs and your pocket
- Help you compare these products so you can make an informed decision.

It's wise to work closely with a trusted adviser. This helps to ensure 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.



## 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 it's still enough for your needs.

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

Neglect of a policy also affects the insured value (the value something is insured for on your policy). If the insured value is less than the current value, the insurer may pay out much less than you expected, or need. You are then your own 'insurer' for the balance. This could be more than you can afford, which means you have to take on debt – and that puts 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 because you didn't have enough cover.
- You 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 the above weaken your financial resilience and can place you in greater financial difficulty. This has 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.