

## **LOWER INTEREST RATES AFFECT YOUR LIFE COVER AND PROVISION FOR YOUR DEPENDENTS**

In a recent article in the Business Day, Bryan Hirsch pointed out that Life Assurance is one of the most overlooked aspects of financial planning.

It appears that many South Africans may have too little Life Insurance, which will cause their dependents untold hardship and leave them unable to maintain their current standard of living. Its overall importance tends to diminish as people build up their wealth. Many high net worth individuals reach the threshold where Life Cover is no longer necessary to provide funds for the family. This does not mean that they should overlook the necessary liquidity required to cover estate duty. Most people have a serious need for Cover because their realisable asset bases (as opposed to lifestyle assets) are too small to provide adequately for financial dependents. Adequate Life Cover insures continued maintenance of life and living standards and also covers any debt owed at the time of death of the insured.

With the decreasing interest rates, individuals should use the opportunity to increase their life cover. Simply put, this is because the payout to the beneficiaries will not accumulate as much interest, or as high a return as when the interest rates were so much higher. What about the increased costs of living, especially education? The amount of cover must provide for inflation.

With so many new advancements and additional benefits which have enhanced Life Cover offerings; it is not even necessary to include Life Cover. For example, a single, high earning individual may not need Life Cover as there are no dependents involved, but they will need to consider such things as Disability Cover, Critical Illness Cover and Income Protection.

When considering new life style cover products, take the following into consideration:

- Life cover costs
- Escalations
- Premiums

Before cancelling an existing Life Cover policy, ensure that you have been accepted for the new one and that each and every 'I' has been dotted and 'T' has been crossed.

Each person's circumstances are very different, but spouses should sit down together and evaluate how much cover is required.

The question is: 'Are you still confident that your Life Cover is adequate?'

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