INVESTMENT REPORT

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BRENTHURST
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# RISK COVER … WHY IT IS SO IMPORTANT

## THIS BUILDING BLOCK IS A KEY PART OF ANY FINANCIAL PLAN

**Despite regular media coverage and active advertising around risk issues, many investors are unsure about why risk cover is important or how it fits with a financial plan. We asked our in-house experts Andre Basson and Leslie Greyling for their insight.**

## 1. WHY IS RISK COVER CONSIDERED AS AN IMPORTANT COMPONENT OF AN OVERALL FINANCIAL PLAN?

**Life cover** is the main aspect of long term risk cover as it provides for the financial needs of dependants. However, it is by no means the only consideration and should be included in a financial plan for other eventualities, such as:

✓ **ESTATE DUTY**: Estate duty tax can be a significant amount depending on the value of an estate. Securing insurance will ensure that beneficiaries do not have to settle this tax from the estate's assets.

✓ **CAPITAL GAINS TAX**: CGT is another fact of life that needs to be considered in any financial plan, especially for estate planning requirements for which risk cover may be suitable.

✓ **PERSONAL AND CONTINGENT LIABILITY:** The ideal is to reduce debt as quickly as possible. However uncertain future events, such as the unexpected death of the main income provider can leave a family in a financial crises if no provision is made.

✓ **INCOME PROTECTION:** Your ability to generate an income might be one of your biggest assets. You can insure this with an income protection, which will pay out should an event cause you to become permanently or temporary disabled.

## IN THIS ISSUE

*"Risk cover is considered as an important component of an overall financial plan"*

***Andre Basson***
***Brenthurst Wealth***

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## 2. IS LIFE COVER REQUIRED BY ALL INDIVIDUALS?

Life cover remains a critical part of an overall financial plan, however to a lesser extent for financially independent individuals with no dependants.

**Business owners or entrepreneurs** should also consider risk cover to provide for share buy-outs in case of the death of a business partner. This is a typical inclusion in most buy and sell agreements.

Further, businesses should also consider **KEYMAN ASSURANCE** of key individuals to ensure continuity within the company. This also secures the viability of the business for prospective buyers or employees, as an employee who's absence through death or disability will have a material effect on the future of the business.

## 3. WHAT ARE THE TAX IMPLICATIONS OF A LIFE POLICY PAY-OUT?

Payment from a life policy is tax free if paid directly to the nominated beneficiary. If there is no beneficiary it will pay to the deceased estate. **If the estate is above R 3,5 million there will be estate duty tax of 20%. If the estate is above R 30 million the duty will be 25%.**

## 4. WHY IS DREAD DISEASE & DISABILITY COVER RECOMMENDED?

Even if a severe illness or disorder can be medically treated, risk cover might still be needed to assist with adjustment to life changes. This type of insurance is not designed to replace medical aids (in order to pay hospital bills), but to adjust to new living conditions or provide for costs not covered by a medical aid.

## 5. SHORT TERM INSURERS OFTEN WARN AGAINST 'UNDER INSURANCE' OR EVEN 'OVER INSURANCE'.

**How is the appropriate cover determined?**

If a **Financial Needs Analysis** is done on a regular basis over insurance can be avoided. However, existing cover must be reviewed when **life changing events** occur, such as career changes, getting married or divorced, purchasing of property, or the birth or a baby, etc.

**Under insurance actually happens more often**. An individual will need to look at his / her total "gross professional income" – this includes cost to company benefits and bonuses paid by an employer. In the case of business owners, the individual will need to look at personal expenses paid by the business.

# PLAN FOR LIFE'S UNCERTAINTIES TODAY

Life insurance is one of the pillars of personal finance, deserving of consideration by every household. With proper information, you can simplify the decision making process and arrive at the right choice for you and your family.

Before purchasing a life insurance policy, consider your financial situation and the standard of living you want to maintain for your dependents or survivors. You will want to review these needs periodically as your family circumstances change. It's imperative that you consult with a financial advisor in order to find the best cover for your requirements and ensure that you are not paying excessively high premiums or are under covered.

**To discuss any risk related matters and to include RISK COVER in an overall financial and investment plan, consult Brenthurst risk executives in association with our accredited financial advisor to devise an investment plan suited to your individual requirements, circumstances and goals.**

Brenthurst offers an independent insurance broking service and source best possible quotes from various insurance companies, ensuring clients receive the most suitable product for his/her individual requirements.

## ➲ INTRODUCING: ANDRE BASSON (Western Cape)

### BCom Hons, Advanced Postgraduate Diploma in Financial Planning (Cum Laude)

**ANDRE BASSON is based in Brenthurst Stellenbosch and Tygervalley office.**
He attained a B.Com from the University of Stellenbosch, finishing top of his Financial planning class. His postgraduate studies include a B.Com Honours degree and a Postgrad Diploma in Financial Planning from Stellenbosch University.

Andre also completed his Advanced Postgrad Diploma in Financial Planning (Cum Laude) from the University of the Free State. Previous experience includes practicing as a financial planner at Sanlam.

He has a passion to help clients take ownership of their financial affairs, generate solutions and grow long term wealth.

**Andre is accredited at the FPI and can assist clients in matters pertaining to risk cover, investments, retirement and estate planning.**

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## ➲ INTRODUCING: LESLIE GREYLING (Gauteng)

**LESLIE GREYLING joined Brenthurst Wealth May 2018.**

**Leslie is a Registered Financial Planner and has 21 years' experience in the Financial Services Industry with 14 years as an Independent Financial Advisor.**

She is a member of the FPI and accredited by the Council for Medical Schemes. Leslie is fully qualified to give advice on all aspects of risk cover, including personal and business assurance.

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