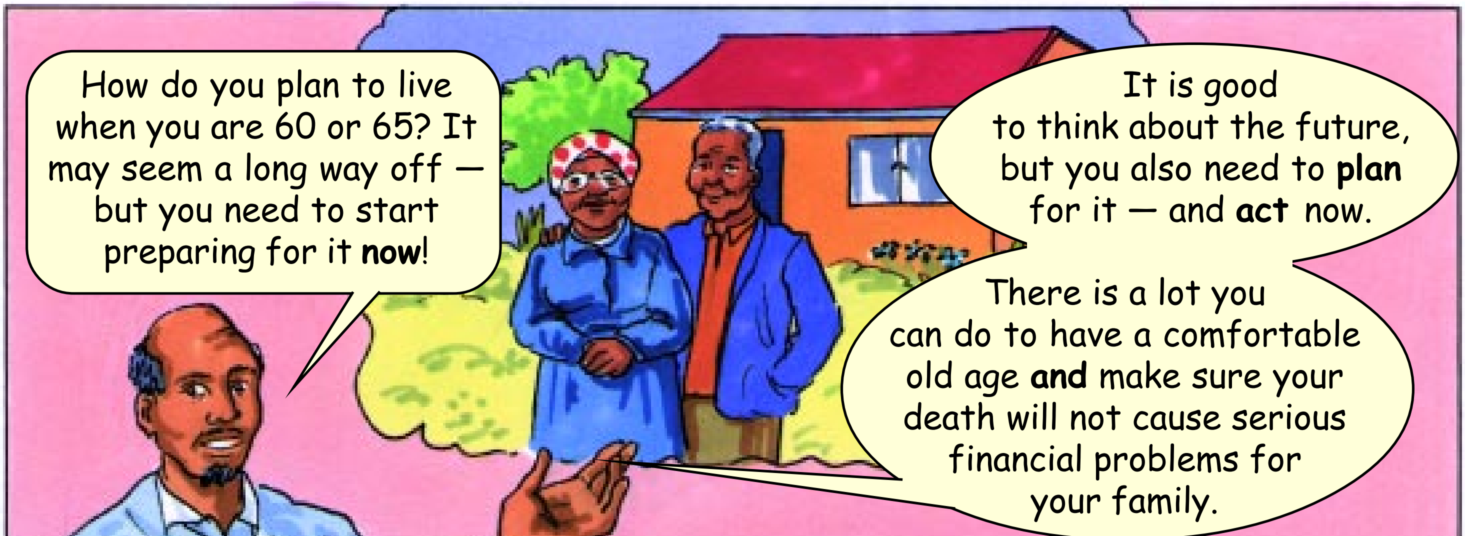
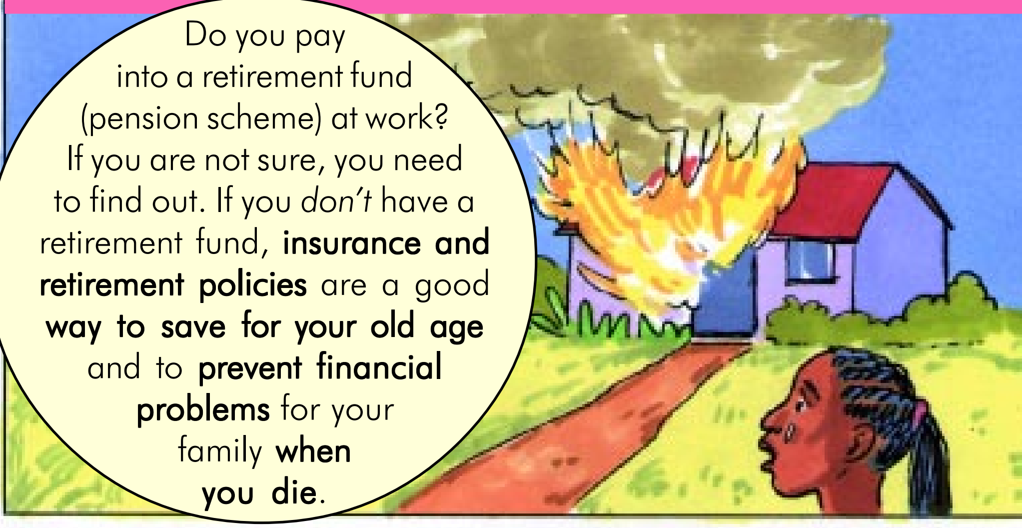
Plan for your future retirement and insurance

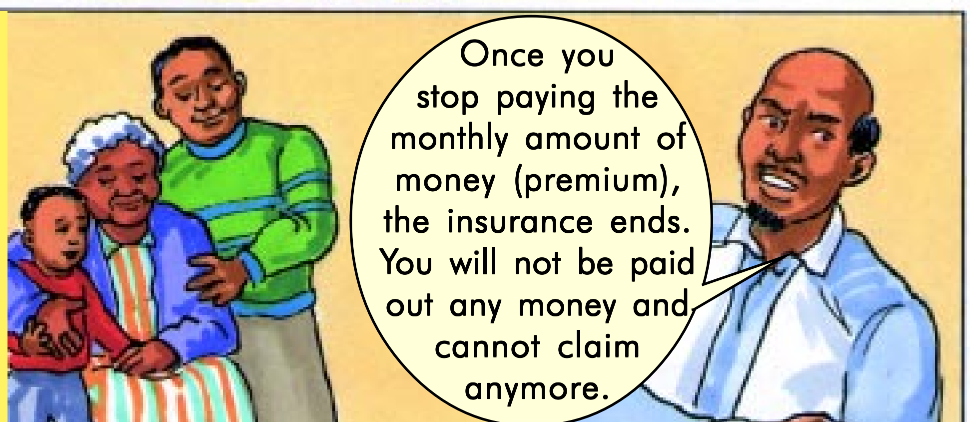


Do you understand insurance policies?



There are two kinds of insurance policies. Long-term insurance covers the more important events in life, such as death, retirement and disability. You pay a premium (an instalment) every month so that you will get money back when you are a certain age.

Short-term insurance insures your possessions (e.g. your household goods) against things that may happen, like fire, theft or damage. You pay a monthly amount of money and you will be able to claim the value of the goods only if they are stolen or damaged.



Let us learn as much as we can about retirement and insurance policies. Knowledge is power!

Long-term insurance

Choose the type of long-term insurance that suits your needs best. **Life insurance** and **funeral policies** provide for your family **after your death**, while an **investment type of insurance** (e.g. retirement annuity, endowment) provides you with either **an income** when you are **old** or a **lump sum** on the date your policy is paid out.

Life insurance policies

You may die suddenly. What will happen to your family? Who will pay for rent, food, schooling etc.?

With life insurance you insure your life, usually for a lump sum **(such as R100 000) which is paid out to your family when you die. Your monthly payment is called a** premium**. Some life insurance policies include** disability cover**. This means that if you become unable to work, a lump sum or a monthly amount will be paid out to you.**

Watch out!

The lump sum, say R100 000, may sound like a lot of money now, but check what it will be worth in twenty years' time. Prices are rising all the time and we cannot buy the same things for R20 today that we did 10 years ago. Our money buys less each year. In 10 years' time, your R100 000 may only be worth the same as R50 000 today!

Check that the life insurance you have suits your needs:

- **Some types of policies are cheaper than others.**
- **Some pay out a lump sum, others a monthly amount.**
- **Some life insurance policies include disability cover.**

Watch out!

Funeral policies make sure your family will not have to find the money for your burial when you die — or they will help you give your loved ones a proper burial.

Many unregistered companies offer funeral insurance which may be worthless. Check that your funeral policy is from a company that is registered with the Financial Services Board (FSB).

(See contact details on back cover.)

Check for any exclusions (special conditions) that may prevent the policy from being paid out, e.g. "no pay-out within the first year" etc. and don't buy more policies than you need.

Funeral policies

Someone you care for may die and you will need money for a funeral. Where will you find it?

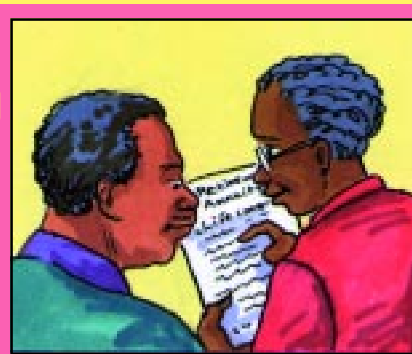
With a funeral policy, you pay a monthly premium **and receive a** lump sum **of money on the death of the person you have named in the insurance policy. If you have a funeral policy for yourself, your family will get the money.**

Not everybody has a retirement fund where they work, and the government's old-age pension may not be enough to live on comfortably. Yet people often do not plan properly for their old age. Retirement policies give us the security of knowing we will get some money when we reach a certain age (or after paying for a period of time). The younger you are when you start to save for your old age, the better off you will be.

Retirement annuities

A **retirement annuity** is really a type of saving — a bit like having your own pension scheme! You pay a **monthly premium** and then, when you reach a certain age, you get a payment **every month for the rest of your life**.

Watch out!



Retirement annuities (sometimes called RAs) are a *good investment*. They allow you to plan for an income in your old age. Some RAs also include life cover. (An extra amount is paid out to your family when you die.) *Check* with a financial adviser whether this applies to your retirement annuity. Make sure you understand what the benefits are as they *may not be enough* to provide for your needs when you retire.

Watch out!

Because *endowment policies* are paid out as a lump sum, you could be *tempted to spend all the money at once* and you will end up with nothing! If you want to have an income for the rest of your life you *must invest* the money. Ask your insurance company for more information on the choices that are available to you when the maturity date is reached, and be sure you understand these choices clearly.

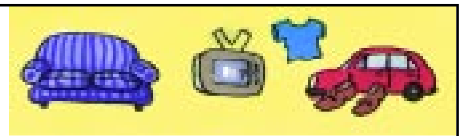
Endowment policies

As with retirement annuities, you pay a monthly premium until a certain *age*, which establishes the *maturity date*. The big difference is that an *endowment policy* often pays out *all* the money in *a single amount* when the maturity date is reached. Then it is up to *you* to invest it wisely so you can draw an income from it every month. Some endowment policies also include life cover which means that your family will be paid out a lump sum if you die before the policy matures.

Don't buy more long-term insurance than you really need.

Short-term insurance

Short-term insurance insures your possessions — the things you own — like your car, your cellphone or your furniture against theft or loss (e.g. fire, burglary) and sometimes damage. The cost depends on what you are insuring, but you pay a certain amount every month to cover you for that month. If you want to cancel your insurance, all you need to do is give a month's notice in writing.



You can take out short-term insurance for your house and other belongings. You can also take out insurance on one item, e.g. your TV, when you buy it on **hire purchase** (HP). Some shops will not let you buy an expensive item, like a lounge suite, on HP unless you already have insurance cover for the contents of your house or take insurance out through the shop. This is so that the amount still owing can be paid by the insurance company to the shop. The shop will often offer to arrange the insurance for you, but you **do not have to buy it through them.** Shop around for the best insurance.

Watch out!

- When you decide to insure your *house or belongings*, work out *how much* it would cost to *replace* them. *This is the amount you insure them for.* You will *not* get paid out more than that. For example, if you insure your house for R50 000 and it burns down, you will not be paid out more than R50 000. Make sure you are insured for the right amount.
- *Car insurance is different.* You are only paid out *what the car is worth.* It is your responsibility to check the value your car is insured for. The older it is, the less it is worth! If you are responsible for an accident and don't have comprehensive insurance, *you* will have to pay for damage to the other car and injury to the driver, or any other costs.

If your policy has an **excess** clause, **you** will have to pay part of the amount yourself. Check this when you buy insurance.Make sure you are insured for the right amount — **it is *your* responsibility!** You are **only** paid out if the insured item is **stolen**, **lost** or **damaged (in some cases)**. Once you **cancel** your insurance policy in writing and **stop paying** your premium, your insurance cover ends. You do **not** get any money back.

Buying insurance

An *insurance salesperson, broker* or *intermediary* is a person who is allowed to *sell insurance*. Insurance salespersons or brokers know about different kinds of insurance. They can advise you and help you work out the best type of insurance for *your* needs. Make sure you know which company you are insured with and have copies of every policy/contract. You can also buy insurance direct from some companies.Make sure you *keep all receipts and records* that prove you have made payments!
Remember, no premium, no cover!

Things to ask the insurance salesperson

The insurance salesperson will be able to give you certain information, including:

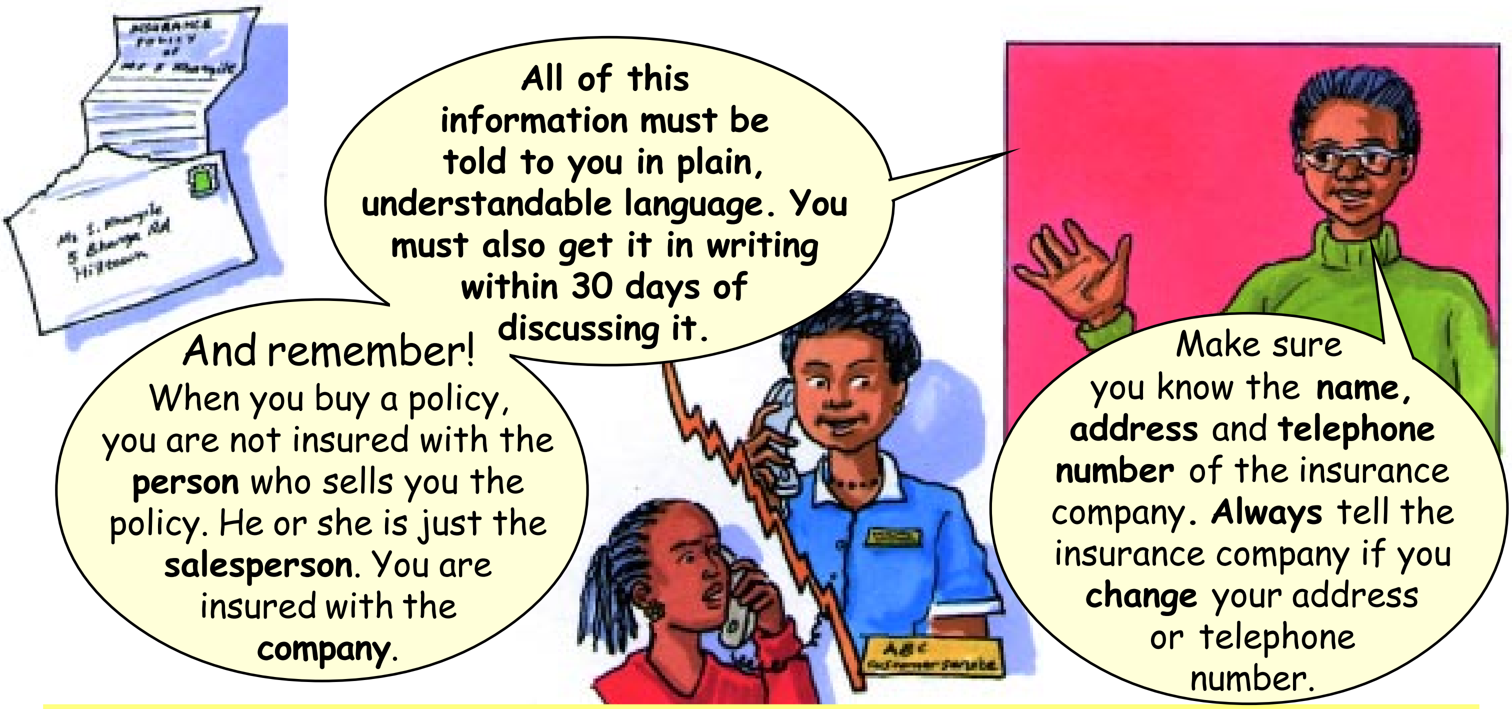
- all the **details** about each policy, what it **covers** and what you will be **paid out**
- all the **contact details** of the insurance company, including the **company's name**, **address** and **telephone number**
- the **exact amount** that you will have to pay every month (your **monthly premium**) and how your premium is made up (worked out)
- whether or not the premiums will be **increased** each year
- whether or not there are **special conditions**, like things not covered (exclusions), part of the claim that you must pay yourself (excess) etc.

Most insurance policies (long and short-term) contain exclusions **(things that they do not cover). You need to know exactly what is covered and what is not covered when you take out** any **insurance policy.**

- exactly what you must do when you want to **claim.**
- that you are allowed a **15-day period of grace** for late payments. In other words, if you have to pay by the 2nd of each month, you are actually allowed 15 more days for the premiums to be paid.
- that in the case of **long-term insurance only**, you are allowed to cancel the policy within 30 days after receiving the policy documents, so long as you have not yet claimed. This is called a "cooling off" period. **You have the right to change your mind and cancel the policy — within 30 days — and get your money back**.

MONEY MANAGEMENT

Rule number 7
If you can afford it, take out insurance to cover your needs. Make sure that you understand your policies well.
From time to time check that they still suit your needs.



- Read all your documents and ask the intermediary to explain what you do not understand.
- Never sign a blank document.
- Keep all your policy papers in a safe place.
- Never give incorrect information to the salesperson or on an application form. It can result in the insurance company not paying your claim.
- Discuss your policy with your partner, so that he or she knows what to expect.

Retirement funds

Some people belong to group retirement funds at their **work**. If you are one of them, your employer may pay the contributions (instalments) or part of it may be taken off your wages each month. Whatever the case, your retirement fund can provide a monthly pension or lump sum to provide an income after you retire, and there may also be other benefits — so **look after it**! What does this mean?

1. If you lose your job and are paid out, **put the money into another retirement fund** if you can. **Don't spend the money!**
2. **Don't** borrow from your retirement fund — if you do, pay it back before you retire.
3. **Always** tell the retirement fund if your address, personal details etc. change.
4. **Once a year** you will receive a **benefit statement** showing you the position of your fund — make sure you get it.
5. You can get information on a pension fund you used to belong to from the FSB Call Centre. **Don't pay anyone to get information for you!**

MONEY MANAGEMENT

Rule number 8
Only deal with people you can trust. Don't be scared to talk to the intermediary about anything that worries you or that you don't understand.