

When Januworry bites ...

COST OF LIVING: CANCELLING POLICIES COULD LEAVE YOU EXPOSED TO FINANCIAL RISKS

» **‘Tailor a solution that fits your budget without compromising on essential cover.’**

Januworry is biting consumers again and consumers have to make plans to get through the month that feels like it has eight weeks instead of four, but it is important that cancelling your insurance should not be a part of your plan.

The cost of living and economic uncertainty is taking a toll on many consumers, says Stian de Witt, executive head of financial planning at advisory firm NMG Benefits.

A recent study shows that when it comes to personal finances nearly 77% of consumers are most concerned about everyday items becoming more expensive.

In these times, reviewing your financial priorities become critical and your policies should be at the top of the list.

While it might seem like a quick way to cut costs, cancelling your policies could leave you exposed to significant financial risks when you need protection the most, De Witt warns.

“Having policies such as life cover is not just a safety net. It is an investment in your financial well-being and the future of your loved ones.”

De Witt encourages everyone to partner with a financial advisor to understand their real risks, make sense of the available options and tailor a solution that fits your budget without compromising on essential cover.

He says when reviewing your insurance cover, you should



ask these questions:

► **What are my risks?** Consider where you are most vulnerable to financial loss. For example, your risk of being unable to work due to illness or disability is probably higher than you think and is much higher than your risk of passing away prematurely.

► **Do I need a short waiting period for income protection?** If you own a business, or are self-employed, a listed salaried professional, independent contract worker or commission earner, a seven-day waiting period on your income protection could mean the difference between stability and struggle. Gig workers are also often under-insured. Therefore, if you are part of the gig economy, you should take it into account.

► **Are critical illness shortfalls accounted for?** Critical illnesses often cause extra expenses, such as dietary changes or ongoing medical treatments and your current income protection may not cover these adequately. Going forward, ensure that your policy includes benefits that help you manage these additional costs.

► **Does your policy provide for**

your dependents long-term?

While lump sum payouts are useful for settling debts, they may not ensure consistent financial support for your family following your death. A life income benefit offers a monthly income for your dependents, safeguarding their financial future after you are gone.

Wynand van Vuuren, client experience partner at King Price Insurance, says economic instability and rising living costs are weighing heavily on South Africans according to a TransUnion Consumer Pulse Study that revealed that 77% of consumers rank inflation on everyday items as their top financial worry, while they are also concerned about interest rates (55%) and job security (52%).

Therefore, he says, it is a good idea to reassess your insurance and check that you are getting the best value for your money while still safeguarding your car, home and belongings. He shares these practical ways to ensure that your insurance is comprehensive yet affordable:

► **Identify your risks:** Understanding where you are most vulnerable to financial loss is the

first step to adequate insurance coverage. Ask yourself how you would cope if your car is damaged in an accident or if your home suffered fire damage. Could you afford the repair costs out of your own pocket?

“Some people opt for reduced cover on their cars to save money, but this leaves them unprotected against accident damage, which is the most common type of claim.”

► **Evaluate your current cover:** Review your policy thoroughly. Are you still paying to cover items you no longer own? Is your jewellery locked away in a safe and never worn outside? Do you still have shortfall cover for cars that are already paid off?

Has your vehicle aged a year, but you are still paying last year's premium? Do you work from home, making your house more secure because it's always occupied?

By showing that you pose a lower risk, you could qualify for a reduced premium. You might also lower your premium by installing a tracking device in your car or upgrading your home security.

► **Value your home contents correctly:** It is important to ensure

that your home contents are insured for their current replacement value, not what you originally paid for them.

High-value items stored inside your home are covered under your home contents policy, but as soon as you take them off your property they must also be covered as portable possessions.

This includes items like your phone, laptop, jewellery, sunglasses, watch and gym bag.

► **Establish what your buildings are worth:** For insurance purposes, the value of your home is not the same as its market value or what you bought it for.

You must insure your house for what it would cost to rebuild right now, including all aspects, such as foundations, perimeter walls and swimming pool, as well as solar panels, taps and tiles.

If you made any significant improvements to your home, it is wise to increase your value.

► **Keep your information up to date:** If your personal circumstances have changed in the last year, make sure you let your insurer know. Changes to where your car is parked (day and night) or how many kilometres you drive each month can significantly affect your premium.

► **Bundle your policies:** Insurance companies often offer discounts to clients who hold multiple policies with them. For instance, you may save money by insuring your buildings, home contents and car with the same provider. Some insurers also offer discounts for covering multiple cars.

“There are many simple ways to lower your premiums without sacrificing your cover. Every little bit you save can be used towards other essentials or to start the new year with more in your pocket.”

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