

## Risk Management – Part 1

Successful wealth creation starts with a well-defined comprehensive financial plan which should include a proper risk plan as the first building blocks in creating wealth. Planning and being prepared financially for life changing events we have no control over such as illness, injury, disability and death is imperative. Being prepared as can be, is key.

### What Do You Consider To Be Your Biggest Asset?

During pre-retirement years while accumulating wealth, your biggest asset is by far the ability to earn income. Have you ever considered how much you will earn during your working life?

“Mary is a 30-year old earning R35 000 per month who hopes to retire at 65 and receives salary increases every year. The value of her total future income is R52.1 million.”

### Can I Protect My Biggest Asset?

Yes, you can, and you should. There is an insurance product available called income protection which insures your salary against sickness, injury and disability. Most insurance companies offer income protection and it really does not cost an arm and a leg as one might think. The product can be tailored to suit your unique circumstances by selecting waiting periods and premium patterns that work for you. The average salaried employee has 20-30 days' sick leave in a 3-year sick leave cycle and, if booked off for less than a month, will not have financial loss. Income protection with a 1-month waiting period would be sufficient for such an individual. The self-employed or professional charging consultation fees will have immediate financial implications when sick or injured and unable to work. A product with a 7-day waiting period would be more beneficial. The shorter the waiting period, the higher the premium, as there is a higher chance of a claim. One can also select the age at which cover should cease. This should tie up with your retirement planning. If you plan to retire at 65, cease age on income protection should be 65 as well.

A word of advice : Commence with an income protection plan as soon as you can. The younger the better. Select a premium pattern that is sustainable – ideally, a level premium pattern. Make sure that the benefit amount increases with inflation every year to maintain buying power of money, specifically during claim stage.

We would like to remind you that it is wise, before making any investment decisions, to always consult with your Advisor in order to analyse your specific situation and requirements.

### Why It Really Does Matter

Interesting claim statistics from FMI (an insurance company focusing on income replacement) during 2018 :

- 85% of claims are due to illness and procedures, while 15% are due to accidents.
- 7 out of 10 people will have at least 1 injury or illness, during their working lives that prevents them from earning an income.
- You are 9 times more likely to have a temporary disability than to have your car stolen or be hijacked in South Africa.
- You are 3 times more likely to claim again, after your first claim.
- 66% of claims lasted less than a month.

Carolyn Herwitz has been living with Multiple Sclerosis for more than 20 years. She is grateful that when she doesn't have the strength to work, she has the income protection cover she needs to provide for her.

 [Take a minute to watch her story \(fmi.co.za / real stories #4\)](https://fmi.co.za/real-stories/#4)

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Should you have any questions or wish to arrange a consultation with one of the Seed Wealth Managers to discuss your risk portfolio, please feel welcome to contact our offices via telephone on +27 21 914 4966 or via email on [info@seedinvestments.co.za](mailto:info@seedinvestments.co.za).

Kind regards,



**Claurita Baard** CFP®

Wealth Manager

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