**Life insurance considerations for your loved ones**

*Lump sum or monthly income life benefits?*

Life insurance is one of those financial products that most people don’t really like talking about. It can seem complicated or confusing and it involves talking about death which is something most of us would rather not even think about.

But with the guidance of a professional financial advisor, life insurance really isn't scary or complicated at all. In fact, it’s a flexible and very important financial planning tool that allows you to take care of your family and loved ones after you’re gone.

There is no one-size-fits-all approach to financial planning. The approach you take will depend on your own circumstances and those of your loved ones. Deciding what kind of life insurance you need and who your beneficiaries will be requires a lot of thought and planning which is why it’s best to do it with the guidance of a professional and experienced financial advisor. They will need to understand your family’s circumstances, immediate needs, ongoing financial obligations and experience with managing money in order to advise you on the best approach.

“Modern life insurance products allow you to plan for the specific needs of your family by combining benefits that cater for the immediate expenses they may face if you were to pass away as well as their ongoing expenses in the months that follow. A lump sum benefit is paid out once-off and is tax-free. This lump sum can help with big expenses or financial obligations like paying off the mortgage bond on your family home or estate taxes if you have several properties in your estate. On the other hand, a monthly death income benefit will help with your family’s ongoing monthly expenses like food, healthcare, school fees and so on,” explains Saks Ntombela of Hollard Life.

There are a number of reasons why combining a lump sum life policy with a monthly death income benefit is a really good idea. “Hollard’s Death Income benefit, a first in the industry, was specifically designed to suit clients who want the certainty of a regular monthly income for their family without the risks associated with investment returns, the effects of inflation on large lump sum pay outs or the financial management of complex asset bases. Leaving a large lump sum of money to your spouse who may not have the financial knowledge to manage it can be very stressful. They would have to decide how much of it to invest, over what term and how much of it to keep for ongoing monthly living costs,” explains Saks.

Hollard’s Death Income benefit provides your family with a fixed monthly income for either 12 or 24 months after you pass away. The 12-month Death Income benefit can be used for both personal and business planning purposes while the 24-month benefit is only available for personal planning purposes. The Extended Death Income benefit continues making monthly payments until what would have been your 60th, 65th or 70th birthday – you can choose which. An important feature of this Extended Death Income benefit is an annual escalation option that provides protection from the impact of inflation on typical monthly costs.

“Traditionally, life cover has been offered only as a lump sum benefit to fund ‘asset protection’. In other words, your family would use most of it to secure assets like your house by settling outstanding mortgage debt and then they could invest the remainder to provide income in the future. Hollard’s research showed that many of our clients wanted the certainty of knowing exactly how much money would be available for their family’s regular month-to-month expenses like school fees, car repayments and so on. We developed the Death Income benefit to provide this certainty. There is no limit on the maximum cover available with the benefit but it is subject to financial justification in addition to the usual underwriting requirements.”

Hollard’s Death Income benefit can be taken as a standalone benefit but many financial advisors recommend a combined approach: a lump sum benefit for immediate expenses and the Death Income benefit for day-to-day living expenses. This takes away a lot of the anxiety around investment decisions and having enough money to live on through the years.

“If your spouse is suddenly faced with having to manage a large sum of money and having to divide this up between investments and monthly living expenses, but has no experience in doing so, you may very well be leaving a legacy that does more harm than good,” warns Saks. “A combined lump sum and monthly death income approach is a practical solution that will ensure that your well-intended legacy won’t ultimately cause your loved ones financial harm.”

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**Date:**                          August 2015