

Consumer Education Media Release
Association for Savings and Investment South Africa (ASISA)
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Are your affairs in order should death come knocking?

Your bank, your life insurer, and even the taxman may grant grace periods to help you get your affairs in order. But death will not afford you the same leniency. When your time comes you will be guided out of this world, whether you have in place a will or not, whether you have made financial provision for your loved ones or not, and whether you have paid your debts or not.

When death comes knocking, says Peter Dempsey, deputy CEO of the Association for Savings and Investment South Africa (ASISA), your loved ones are at the mercy of the extent of your forward planning.

The beginning of the year, says Dempsey, is always a good time to make sure that should tragedy strike, your financial affairs are in order so that your family does not need to carry a financial burden in addition to the emotional trauma that comes with suddenly losing a loved one.

“Newspaper headlines such as ‘Fit cyclist dies of heart attack’, ‘Biker killed by fleeing taxi’, ‘Traffic officer shot dead’, ‘1 149 road deaths this December’ tell us that on a daily basis South Africans are killed tragically and without warning. In how many of these cases was there an up-to-date will, sufficient life cover to help families cope financially, a beneficiary named for the retirement fund benefits, or a detailed list of who to contact at the various financial institutions?”

Dempsey says sadly many South Africans live in denial and believe that death happens in other families. Yet actuarial statistics show that during the course of this year some 160 000 South African income earners are expected to die, while an estimated 52 000 earners will suffer total and permanent disability.

Research conducted on behalf of ASISA last year shows that the average South African income earner is underinsured by R600 000 in the event of death and by R900 000 in the event of disability. This means that in addition to grappling with the loss of these income earners, more than 212 000 families will face unexpected financial hardship this year.

Dempsey says because so many consumers believe that death will not come knocking on their door until well into old age, few manage their financial affairs as if today could be their last day.

“A little bit of planning will make a huge difference in the lives of your loved ones once you pass away. Equally important is that you encourage other adult members of your family to put in place the same planning to ensure that you are not at a complete loss should something happen to them.”

As you read this you may pat yourself on the back for having put in place the necessary plans a long time ago. However, Dempsey says it is equally important to review your financial and estate planning on a regular basis to make sure that what you have in place is still relevant.

“Life changing events like divorce, retrenchment, and changing jobs may significantly impact on your estate planning. Read through your will and check the beneficiary nomination forms for your life cover and pension fund proceeds. You may need expert advice, for example, to help you navigate the rules that cover the treatment of ex-spouses.”

Dempsey provides the following guidelines:

- If you currently do not have life or disability insurance cover, meet with a financial adviser. It is important that you decide on the right level of cover with the help of a trusted financial adviser

as your decision will be influenced by how much you can afford to pay in premiums, your number of dependants, your life style, and your debts.

- If you do have life insurance policies, meet with your financial adviser to review the cover. Most people underestimate how much life and disability cover they require.
- Make sure that you have completed the beneficiary nomination form for your life policies. If you do not specify a beneficiary, your life insurance proceeds form part of the estate. Since your bank accounts will be frozen on death, this means your family will have to wait some time before they receive money, and only after all debts have been repaid by the estate. If you do have a beneficiary nomination in place, the life insurance company will pay out within days provided the necessary documents have been submitted and no foul play is suspected in the cause of your death.
- If you have previously nominated a beneficiary, ensure that this is still in place and that you are still happy with your nomination.
- The trustees of all pension funds and retirement annuities (RAs) have to abide by Section 37C of the Pension Funds Act, which states that the trustees of a retirement fund are obliged to consider all dependants together with nominated beneficiaries when allocating the death benefit. Therefore, when you nominate beneficiaries for your pension fund or RA, make sure you put down the names of all people who are financially dependant on you, even if it is your ex-spouse. This will speed up the process and ensure that those who did depend on you financially continue to receive financial support.
- Make sure that you do not die without a will. This would result in endless and unnecessary complications for those you leave behind. Contact your financial adviser, your lawyer, your bank or your life insurer for assistance.
- If you have children, give careful thought to what should happen to them if you and your partner are killed at the same time. While this is one of the most difficult situations to think about, it is also one of the most important. Often this decision will also impact on your beneficiary nominations.
- Compile a list of people that your family should contact if you do not return home one day. Top of your list should be your financial adviser, together with your policy numbers and details of other investments. You should also list bank accounts, medical aid details, and short-term insurance details, especially if these are in your name. If you have debts, list the details as well so that the person dealing with your estate can make contact with the relevant institutions. Most importantly, make sure that everyone knows where to find this list.
- Maintain an up-to-date list of assets and liabilities, where they are held and what the values are.
- Explain the importance of financial planning to your children. Involve them in the process and teach them as you go along.

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ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance

companies. ASISA was formed in 2008 by members of the Association of Collective Investments (ACI), the Investment Management Association of South Africa (IMASA), the Linked Investment Service Providers Association (LISPA) and the Life Offices' Association (LOA).