

South African youth not financially protected

Many young South Africans are not adequately protected against the risk of a future loss of income.



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According to Liberty, they paid out R3 billion in claims for 2014. Of all claims submitted by men and women under the age of 35, the majority, 43% and 53% respectively, were for Loss of Income Protection.

"We have seen a steady increase in retrenchment claims as the South African economy struggles to regain momentum," says Henk Meintjes, Head of Risk Product Development at Liberty. "Youth should consider the fact that one's biggest asset is their ability to earn a future income, and the value of a person's future earnings is greatest at the start of their career".

"According to Stats SA, the South African youth unemployment rate increased from 32.7% in 2008 to 36.1% in 2014. This further highlights the pressures faced by our youth, and is exactly the reason why retrenchment protection is so important," continued Meintjes.

High cost of living

The majority of young South Africans struggle to find jobs once they graduate, and those who do may still find themselves struggling to meet the costs of paying rent, running a household, and paying off loans and credit cards. In spite of these financial obligations and the highly-pressured employment market, a disturbingly high proportion of people under the age of 35 still do not have any kind of income protection in place.

"It is at this 'building stage' that the impact on your finances (or that of your family's) will be greatest if you are unable to work, and this experience might be worse if you do not have the appropriate life or disability cover in place. It could mean a losing the lifestyle you have become accustomed to initially and never having the chance to build up appropriate retirement savings and other assets in the long run," says Meintjes.

For many young employed people, income protection is not even a consideration.

What youth think

"I am well aware of the importance to have income protection, but I have not given it much thought. At the moment my most valued assets, car, house and gadgets take most priority when it comes to insurance," says Trevor Lent a 32-year-old international project specialist.

"I think I've got this built into my provident fund package at work. It is necessary because if I become disabled or I lose my job I am able to earn an income going forward," says Andrea Williams a 33-year-old business consultant.

"While taking up income protection insurance is not always a priority for younger people, it should be," says Meintjes. "It is a smart step to take towards being prepared for any eventuality, especially if you have a family that depends on you, and it will set you up for a lifetime of responsible decisions. With growing financial pressures the young adult has to consider their finances just as much as the average 45-year-old, if not more."

How does income protection work?

Injury or illness can occur suddenly and affect your ability to earn an income for an unpredictable amount of time. You will need to cover your living expenses to maintain your lifestyle during the period of disability or impairment, and continue making contributions towards your savings and investments. Taking out income and retrenchment protection for a monthly fee will help you do this. You will then be covered and receive a specified percentage of your salary over the period that you are unable to work, and for up to six months following retrenchment.

Income Protection benefits provide an income while you are unable to work due to illness, disability, or retrenchment. It is, however, important to note that even at these relatively young ages, the risk of death and critical illness are also prevalent.

"This youth month, make sure you speak to an accredited Financial Adviser about protecting your income," concluded Meintjes.

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