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LIFE INSURANCE NEEDS ANALYSIS

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If you are in the process of buying life insurance, you may be wondering just how much cover you should buy? This is where a life insurance needs analysis would come into play, as this question can only be answered by a life insurance needs analysis.

SO WHAT IS A LIFE INSURANCE NEEDS ANALYSIS? A life insurance needs analysis takes into account your current family needs as well as your existing insurance plans. The objective of the analysis is to determine how much life cover you will need, and to then develop the right plan that talks to your specific needs in the event of death, disability, retirement, retrenchment or any specific future needs such as your children's' education.

If you think that your current income will be sufficient to cover the needs of you and your loved ones, wait until you lose your income as a result of death, disability, retrenchment or retirement. For example, in the unfortunate event of death, you need money to cover immediate expenses such as funeral expenses. Once these costs are taken care of, you need money to settle any debt or loans that need to be paid off. Finally, if you have any dependents, you need money to take care of their living expenses such as education costs, food, clothing, shelter and medical expenses (Did you know? Most families experience financial hardships due to loss of income when the breadwinner passes away).

WHY IS A LIFE INSURANCE NEEDS ANALYSIS IMPORTANT? By performing the analysis, you can ensure that you are not under - or over - insured for the particular life stage you are currently in. It is important to mention the particular life stage, as it impacts significantly on your cover amount. For example, a 25-year-old without a family needs less life insurance than a married 40-year-old with children and potentially elderly parents to look after. The same applies to a newly married couple without kids or a 30-year-old single with extended family to take care of.

There is no place for guestimates when it comes to calculating your life insurance benefit amount. For breadwinners, the life insurance pay-out will provide the funds that your family needs in case of passing away, to adjust to the loss of salary and maintain the same standard of living that they were accustomed to. For the young and single, the life insurance pay-out will ensure that the breadwinner will not become a burden to the family in case of death or disability, as compared to



having a string of expenses.

WHEN SHOULD YOU DO A LIFE INSURANCE NEEDS ANALYSIS? You should conduct a life insurance analysis every time you buy life insurance. However, your responsibilities do not end there. Remember that a life insurance needs analysis is based on your current family needs. If your life however changes in any way, your benefit amount will also need to change. These changes could include the birth of a baby, the purchase of a new house or a new car, or getting married, or getting a promotion at work. It is therefore important to do a life insurance needs analysis regularly and to review your benefit amount every time your financial circumstances change. Ideally, a life insurance needs analysis should be conducted at least once every year.

HOW SHOULD YOU GO ABOUT IT? Your insurance company or Minet will be able to assist you with this exercise, or you could use one of the many available online life insurance calculators. Beyond life insurance, a needs analysis can even be used to help you set up the right investment portfolios and can even extend to retirement planning.

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