How to ensure that your life insurance meets the long-term needs of your loved ones

07 July 2021 – Sufficient life cover from a trusted and reliable insurer is a vital component of any successful approach to good money management. However, just having a basic life insurance policy is not always enough to ensure that your loved ones are able to manage financially if you pass away, especially if your cover doesn’t help them to deal with the financial challenges they will face at various times after your death.

According to Johan Strydom, Head of Growth at FNB Fiduciary, there are three distinct phases of financial needs that family members face after a loved one dies, and it’s vital that your life insurance is structured in such a way that it provides the financial support your loved ones need through each of these phases.

“Families are faced with the reality of managing finances of deceased family members,” Strydom says, “and these aren’t just long-term money security concerns, but also day-to-day financial issues, some of which even occur the day after the person passes away.”

Strydom further states that many families face such financial challenges immediately after the death of a loved one. “Most people don’t realise that very soon after a person dies, their bank is required to freeze their accounts so that the process of finalising their deceased estate can begin,” Strydom explains, “and at that point it is impossible for family members to access those bank accounts or withdraw money from them.”

He points out that this can pose significant problems for the family members if they don’t have other sources of money that they can use to pay for a funeral or memorial service. “Unfortunately, banks have no legal mandate to pay out money to loved ones after an account holder has passed away,” he explains, “they are only permitted to transfer the money in that account to the appointed executor, who then includes it in the often lengthy process of finalising the estate.”
The second significant challenge that many surviving families face is the need to access money to pay for their ongoing day-to-day living expenses. “These expenses don’t stop because a loved one has died,” Strydom emphasises, “and unless there is money readily available to the family members who are left behind, they will struggle to pay the bills that will continue to arrive, including lights and water, phone contracts, insurance premiums, loan repayments, school fees, and bond or rent instalments. And that’s not to mention essential costs like food and clothing.”

He explains that without the money to cover these living costs for a few months, the family could very quickly find themselves in severe financial difficulty, and potentially end up facing late payment penalties, bad credit records, or possibly even eviction.

The third phase that Strydom says often presents challenges for surviving loved ones is the costs involved in wrapping up the estate, and the impact these can have on the longer-term steady income the family members need. This is especially true if the person who passed away was the main breadwinner in the family. “In most cases, and where there is enough money in the estate, the executor will settle most of the major liabilities like a bond, vehicle finance agreement, and so on, using the available funds,” he explains, “but then there are also other costs like executor and attorney fees that need to be settled, and only then will the remaining funds in the estate be distributed to the surviving beneficiaries.”

Given these three post-death financial needs ‘phases’, with their distinct money requirements, Strydom says it is imperative that the insurer you choose to provide life assurance can structure the cover they offer so that your loved ones do not experience financial difficulties or stress during any of them.

Lee Bromfield, CEO of FNB Life added, “We have always been committed to transforming our life insurance offering and have taken these customer needs and nuances into consideration when developing our life insurance products. The purpose of insurance is to protect one against unforeseen risks. Insurance works to your advantage only when your cover is sufficient to handle your losses, even your life insurance policy should have good coverage so that your family is secured in your absence.”
Our life insurance includes a benefit, at no additional cost to the customer, that will pay up to 3 times their average monthly FNB card spend and qualifying FNB loan repayments, and a R30 000 funeral pay-out to help with the immediate expenses and related funeral costs. This pay-out is made within 24 hours and does not reduce the life cover amount.”

“FNB’s ability to partner with its clients across all their money management needs, from banking and finance to investments and insurance, we are in an excellent position to work with our life assurance clients to carefully structure their life cover to ensure that the needs of their loved ones are adequately met through all three of these stages,” Strydom says, “and the fact that we are able to support this comprehensive offering with qualified and experienced professionals who understand the immediate and long-term needs of beneficiaries, makes FNB life assurance a trusted one-stop solution to ensure your family is looked after when they most need to be.”

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