

Quarter 1 2022

Mark Wenning's

Financial Informer



Mark Wenning 010 234 5650

Certified Financial Planner®

office	Ground Floor Pharos House 70 Buckingham Terrace Westville
email	markw@nedbank.co.za
mobile	082 900 0332
web	www.wenning.co.za
assist	Janet Rackham 0102345653 janetra@nedbank.co.za

Dr. Dread

Fear of the unknown has been with us since time immemorial. Team building specialist David Roppo says, "You can't rise from the ashes if you refuse to walk through the fire". That may be so but surviving a dread disease makes that walk difficult without financial support. None of us like to consider the consequences of a severe illness however a lack of planning will make the journey a difficult one.

It is estimated that one in five people will suffer from a serious illness at some stage in their life, and one in eight will contract cancer before the age of 65. Deciding on whether or not to take out dread disease cover is a difficult decision for many as it can be costly. Understanding how this cover works and what to consider when assessing the need for this cover in your insurance portfolio is vital.

The basics

Critical illness, also referred to as dread disease cover or severe illness cover, is offered by most long-term insurance companies, and provides financial protection in the event that you are diagnosed with a debilitating illness, whether terminal or not. It takes the form of a tax-free, lump sum payment on diagnosis of a listed illness and must be made by a registered medical professional. With advances in medical science, we know that humans are living longer but sometimes with severe, sometimes terminal, illnesses. This makes dread disease cover more relevant than ever before. Statistics show that that you are far more likely to contract a dread disease than die prematurely or become disabled, so dread disease cover is worth contemplating as part of your overall risk portfolio.

What does it cover?

Most dread disease policies cover cancer, stroke, heart attacks and coronary bypass graft surgery, which are regarded as the Big 4 when it comes to dread disease, although cancer remains the leading cause of dread disease claims. However, it is advisable that you do your research into each insurer and determine exactly what conditions are covered and to what extent they are covered. As a rule of thumb, dread disease policies provide cover for conditions such as kidney failure, major organ transplants, chronic liver failure, loss of sight, rheumatoid arthritis and respiratory failure. Get a complete list of the conditions covered with a clear explanation of how the disease is covered.

Many insurers offer different levels of cover from basic plans that cover a handful of conditions to more comprehensive cover including a wide-ranging list of conditions. If there is a concern about a genetic family history of a specific illness be sure to check the conditions of cover be-

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fore signing.

The better insurers also offer 'catch-all' benefits which could provide cover for diagnosis of a disease which is not listed in any other benefit category which results in an impairment. The level of payment in such a case is usually dependent on the level of severity of the impairment and may extend their dread disease offerings to include additional benefits such as ICU benefits, early cancer, cancer relapse benefits, and child critical illness benefits. Your financial advisor will be in a position to talk you through the pros and cons of these extended benefits and the costs thereof. With the help of your advisor you should be able to craft a package that will address your specific concerns.

Why do we need it?

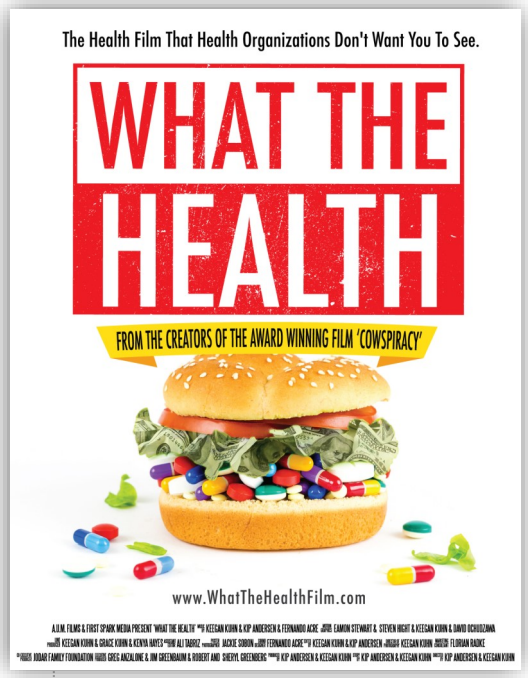
As a lump sum payment, dread disease cover is designed to provide financial relief soon after diagnosis of a severe illness. Once the claim has been paid, you are free to use the money as you see fit. You may want to use the money to make home modification and lifestyle adaptations, settle debt or cover medical expenses not paid for by your medical aid. It can also be used to cover the costs of home care, travel costs for treatment overseas, or to supplement your loss of income.

What types of cover are available?

There are two, namely accelerated and stand-alone benefits. The type of cover you choose can have a significant impact at claims stage. If your benefits are accelerated, it means that the value of a dread claim will effectively reduce your life insurance benefit by the same amount. For instance, if you have life cover of R2 million, and you claim R500 000 from your dread disease benefit, your life cover will reduce to R1 500 000. On the other hand, stand-alone benefits do not have the effect of reducing your life cover and can be sold separately or in conjunction with life cover. Naturally, stand-alone benefits are generally more expensive than accelerated benefits as your insurer stands to pay out more in respect of claims.

For your information

Unfortunately, not everyone will be able to secure dread disease cover. The underwriting of your application for cover will take into account your current health status including your personal medical history, HIV status, previous operations, mental health issues, and chronic conditions that you may have suffered from in the past. The insurer will also access your current lifestyle in terms of smoking, drinking, exercise habits and hazardous pursuits. Your application is likely to also include questions about your family's health as many diseases are hereditary. Your age, gender and occupation will also play an important role in the underwriting process. The reality is that the likelihood of contracting a dread disease increases with age and the earlier you take out cover the better, as later in life you may be considered a higher risk and may become uninsurable. If you have already suffered from a dread



One of the finest ways to give yourself better odds of avoiding a dread disease is to be happy and healthy.

What the Health is the groundbreaking film from the creators of the award-winning documentary Cowspiracy. The film exposes the collusion and corruption in government and big business that is costing us a fortune and keeping us sick.

What The Health is a surprising, and at times hilarious, investigative documentary that will be an eye-opener for everyone concerned about health and how big business influences it. Available on Netflix



disease, you may find you receive an exclusion for this pre-existing condition, or your application maybe be declined entirely.

How long?

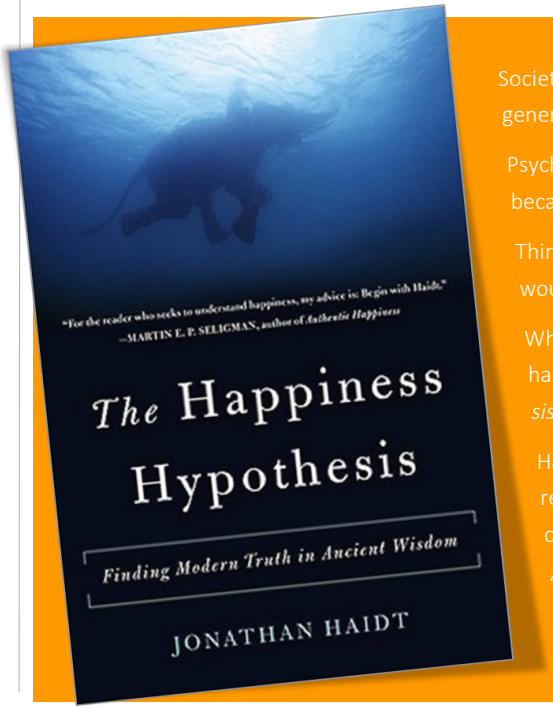
Most insurers provide the option to take out dread disease cover for whole of life. This makes sense because many diseases are linked to old age and your risk of contracting a severe illness increases with age. However, be sure to check the manner in which your premiums escalate on an annual basis because, if you have high premium escalation, your cover may become unaffordable over time.

What if?

A claim for dread disease is normally accessed according to a severity level and offer a percentage-based pay-out depending on the progression of the illness. This also allows for multiple claims as the condition worsens. For instance, if you are diagnosed with stage 1 cancer, the insurer will pay out 25% of your claim. If your cancer progresses to stage 4, the insurer will then pay out the remaining 75% of your benefit. On the other hand, most insurers offer a comprehensive or top-up version of their dread disease benefit which will pay out the full amount on diagnosis of the above mentioned Big 4. Bear in mind that lump sum payments in respect of dread disease cover are tax-free.

How much?

How long is a piece of string? Dread disease cover is generally quite expensive, so it is important to give careful thought to the cover you need. In determining the correct level of cover for your needs, give consideration to how comprehensive your medical aid is, whether you have gap cover in place, and the extent of your disability insurance. Other factors include what type of support system (like family) you have in place should you fall ill, the level of your emergency funding and any discretionary funding that you have access to. Determining the most appropriate level of cover is a balancing act between your affordability and risk protection. Your financial adviser will be able to guide you through the process. It isn't pleasant but the alternative is worse.



Society relies on so-called truths derived from folk wisdom that has been passed down for generations. This unique book draws from inspiration coming from both science and philosophy.

Psychologist, Jonathan Haidt, exposes the messages that have arrived as being 'common sense' because our grandparents and THEIR grandparents have handed them down…

Think of messages such as "what doesn't kill you makes you stronger", "do unto others as you would have done unto you" and "happiness comes from within".

Whilst we rarely question these truisms, most of us hold onto the idea that we will feel truly happy when we earn more money, or find love, or discover success. '*The Happiness Hypothesis*' examines traditional wisdom by looking to modern science.

Haidt exposes somewhat provocative ideas such as that virtue in and of itself is not actually rewarding, that extroverts are indeed happier than their introverted counterparts, and that conscious thought is nowhere near as important as we may believe.

'The Happiness Hypothesis' has been described as remarkable and original – "ancient wisdom in our time".



Here's hoping...

The tradition of making resolutions at the beginning of each New Year is thought to date back more than two thousand years, to Roman times when their two-headed god Janus, after whom January is named, was placed at the head of their calendar.

Janus, appropriately the Roman god of beginnings, was always depicted with two faces, one on the front of his head and one on the back. Thus he could look backward and forward at the same time. On the eve of a New Year, the Romans imagined Janus looking back at the old year and forward to the new. The Romans began a tradition of exchanging gifts on New Year's Eve by giving one another branches from sacred trees for good fortune (they didn't have the expense of the Christmas season back then). Later, nuts or coins imprinted with the god Janus became more common New Year's gifts.

The New Year has not always begun on 1 January, and it doesn't begin on that date everywhere today. The Romans traditionally observed the New Year on 25 March, but various emperors continually tampered withtheir calendar so that the calendar soon became out of synch with the sun. In order to set the calendar right, Julius Caesar, in 46 BC, established what has become known as the Julian calendar, with 1 January as the first day of the New Year. In order to synchronize his calendar with the sun, Caesar had to let the previous year drag on for 445 days.

In the Middle Ages, Christians changed New Year's Day to 25 December, the birth of Jesus. Then they changed it to 25 March, a holiday called the Annunciation. In the sixteenth century, Pope Gregory XIII revised the Julian calendar, dropping ten days to bring the calendar back into synchronization with the seasons and omitting 3 leap days every four hundred years. With the Gregorian calendar, the celebration of the New Year returned to 1 January.

Non-Catholic countries, not being subject to the decrees of the Pope, initially rejected or simply ignored the reform altogether, although most eventually adopted it. Britain and its colonies adopted the Gregorian calendar in 1752 by which time it was necessary to correct by 11 days, causing riots in Britain as people believed their lives had been shortened. Greece only adopted the Gregorian calendar in 1923.

The Julian and Gregorian calendars are solar calendars. Some cultures, such as the Chinese, have lunar calendars. A year in a lunar calendar is less than 365 days be-



Why do people make New Year's resolutions?

New Year's Day is the most popular time of the year for people to hit the proverbial "reset button." Some resolve to lose weight, while others hope to spend more time with family and friends. But what is it about the New Year that brings hope for such change and why do people make resolutions?

Dennis Buttimer, M.Ed., CEAP, RYT, a facilitator at Thomas F. Chapman Family Cancer Wellness at Piedmont, shares his thoughts.

"I think most people want a second chance to improve the quality of their lives," says Buttimer. "The New Year offers a blank slate — an opportunity to get things right. When we set New Year's resolutions, we are utilizing a very important concept called self-efficacy, which means that by virtue of aspiring to a goal and following through on it, I have a sense of control over

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what's happening in my life."

Why are New Year's resolutions so hard to keep?

When you set a resolution and begin to follow through on it, you trigger a very powerful "neuro-hormone" in the brain called dopamine. Dopamine helps control the brain's reward and pleasure centers and regulates emotional responses. Though dopamine levels are high as you set out to accomplish your resolution, they eventually drop.

"If you don't have a structure in place to keep you motivated, the behavior you are engaging in will tend to trail off," he says.

Breaking a resolution can cause some people to

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cause the months are based on the phases of the moon. The Chinese New Year begins at the time of the first full moon (over the Far East) after the sun enters Aquarius sometime between 19 January and 21 February.

Today New Year begins on 1 January for cultures that use the Gregorian calendar. Although the date for New Year's Day is not the same in every culture, it is always a time for celebration and to make resolutions for the coming year. The beginning of a New Year is also the ideal time to review your financial affairs and get them in order, and so to help you, here are ten financial new years resolutions for 2022:

Resolution #1: Draw up (and stick to) a Budget

"Budget" is not a four-letter word. How can we know where our money is going if we don't budget? How can we set spending and saving goals if we don't know where our money is going? Keeping this resolution is crucial to one's financial success.

Resolution #2: Be organised

File all your bank and credit card statements and utility bills. Check your list of monthly debit orders and cancel any that you no longer need. Keep a file for your day-to-day spending, such as receipts for food, entertainment and petrol. Arrange everything so you can see where your money is going each month. And now's a good time to get rid of useless financial clutter, like bank statements for accounts you closed years ago and all your payslips from your first job.

Resolution #3: Build up a savings fund

Always maintain an emergency cash fund. Ideally, the fund should be equal to three months' income. This way you will not have to cash in investments at an inopportune time or take out a high-interest loan if you are suddenly landed with a major expense such as a car repair or medical emergency.

Resolution #4: Pay off your creditcards

Credit card debt is the number one obstacle to getting ahead financially. Those little pieces of plastic are so easy to use, and we tend to forget that it's real money we're spending when we whip them out to pay for an impulse purchase. Despite our good intentions to pay the balance off quickly,



the reality is that we often don't, and end up paying far more for things than we would havepaid if we had used cash.

Resolution #5: Review your will

Millions of South Africans don't have wills. If you have dependents, then no matter how little or how much you own, you need a will. If you have a will, check that it's current, particularly if you are recently married (or divorced) or have expanded your family. Protect your loved ones: always have an up to date will.

Resolution #6: Review your lifecover

It has been estimated that South Africans are massively underinsured. You need life assurance if you fit into any of the following categories: you have minor children; you're married and your spouse relies on your income; you own a business or you have debt. Have your financial advisor prepare a detailed analysis of your assurance needs, including your need for disability and dread disease cover. Also check that your beneficiary nominations are up to date.

Resolution #7: Get your tax affairs inorder

Start collating all your tax documents on a monthly basis to avoid the end of tax-year rush.

Resolution #8: Plan your retirement

Calculate how many more New Years you are due to celebrate before your retirement. Check that you are contributing enough to your retirement funds. If you don't contribute to a retirement annuity, you're missing out on one of the best deals available. If you're already contributing, speak to your financial advisor about increasing your tax-deductible contribution

Resolution #9: Check and improve your credit rating

You are entitled to your credit report from any credit bureau each year – free of charge. Maintaining a good credit rating can save you thousands, particularly when you want to borrow money for big-ticket items such as a home or a vehicle: the better your credit record, the lower the interest rate you can expect to pay. You should check your report for accuracy – mistakes do happen. And if you have defaulted in the past but are now up to date, you may request the relevant institution to remove the listing of your default, or update your report to show that you have settled.

Resolution #10: Keep your non- financial New Year's resolutions

Successfully keeping your annual resolutions to quit smoking / lose weight / exercise more will have a spin-off benefit for your finances: better health leads to fewer expensive medical bills.

These demanding resolutions should keep you busy well into 2022. Successfully keeping only a handful of them will dramatically improve your finances.



doubt themselves and ultimately stop working toward their goals.

"One of the biggest obstacles to success is self-criticism," Buttimer says. "You might think you need a good swift kick to motivate yourself. But it actually has the exact opposite effect. It doesn't fortify you at all."

How to keep your New Year's resolution

So how can you keep your resolutions this year? Buttimer recommends the following:

- Seek support from others. Ask your friends and family to cheer you on. Let them know your goals and what you would like to accomplish.
- Create a reward system for yourself. Set short-term goals and reward yourself for meeting them.
- Have compassion for yourself. No one is perfect. Instead of beating yourself up, take a deep breath and keep trying.