Funding cuts life cover premiums

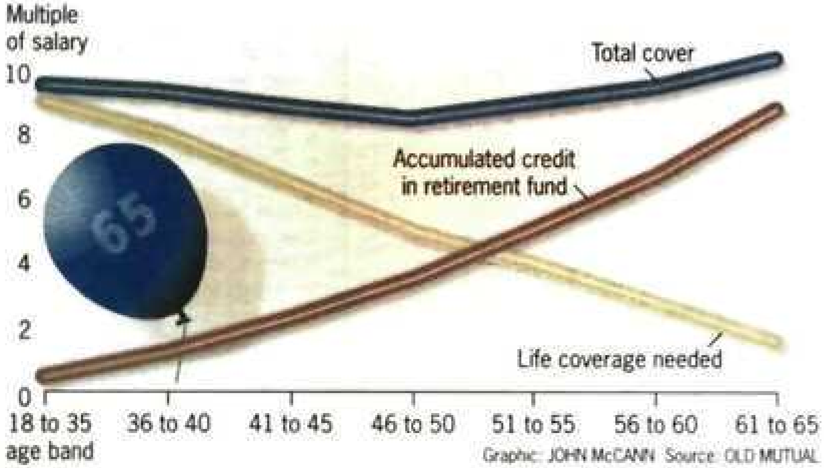
Making provision for your retirement could save you a significant amount in life-cover premiums, writes **Maya Fisher-French**

As you get older the cost of risk cover for death, disability and dread disease increases significantly. But, according to Craig Aitchison, head of Old Mutual Actuaries and Consultants, if you have been saving sufficiently for retirement, you need less cover as you get older. In fact, for every year that you have been saving, your need for risk cover diminishes – this is a significant cost saving in future insurance premiums.

As the graph illustrates, the number of years of annual salary that you need to cover through insurance can be reduced from nine times to around four times by the time you reach 50. This is because the amount you have saved is now sufficient to provide you with four times your annual salary.

Staying afloat in retirement

How retirement savings can replace life insurance cover



Graphic: JOHN McCANN Source: OLD MUTUAL

By halving the cover you need, you would save thousands of rands a year in risk-cover premiums. You can use this saving to boost your savings so that you are not only comfortable in retirement, but well off.

Aitchison says there is now a trend in most company pension funds to fix the percentage of salary that is paid towards risk cover for all members. When you are young, this will buy you a significant amount of life cover as your cover for each rand of premium paid is far higher.

But, as you get older it buys you less cover as it is assumed that your retirement savings will make up the difference. The bad news is that if you have not been saving for your retirement you will have to take out additional insurance to ensure your dependants' needs are met and that you have cover should you be unable to work.