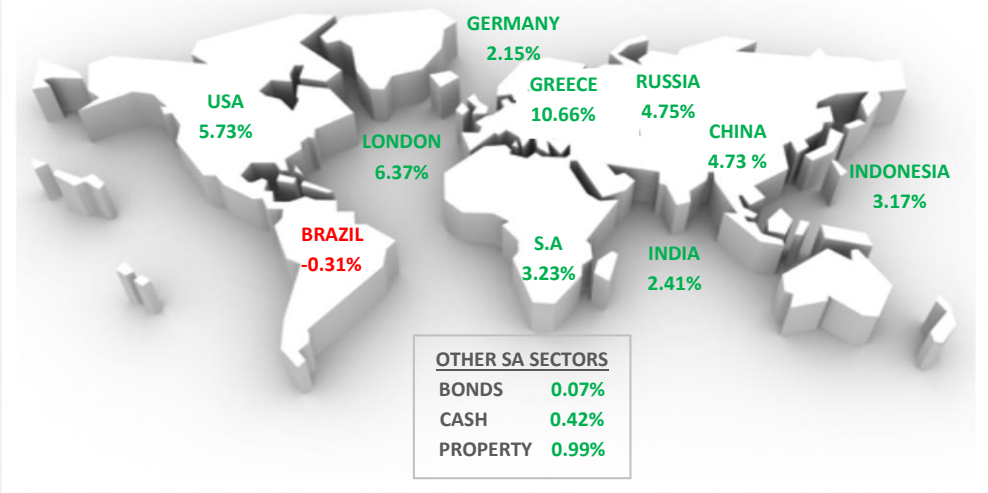


STOCK MARKET RETURNS : JAN 2013



Markets:

WORLD MARKETS YEAR : 2012	
SA (JSE)	26.68%
INDIA (BSE)	25.70%
CHINA (H. Seng)	22.91%
RUSSIA	9.73%
BRAZIL (FTSE)	6.61%
INDONESIA	12.94%
USA (Dow Jones)	7.26%
GERMANY (DAX)	29.06%
LONDON (FTSE)	12.31%
GREECE (MSCI)	4.11%

The strong performance in 2012 can be attributed to the following:

- The ECB providing clear signal that it will not allow any country or economy fail and “will do whatever is necessary”
- Improving job and housing data from the USA;
- Fears of China’s “hard landing” were averted by a gradual slowdown (soft landing)
- Further growth in emerging economies, despite EURO recession.

With the sovereign debt crises averted (in the near term), investors switched from cash into the markets, thus the 2012 performance reflect the risks that investors are now prepared to take, which they were reluctant to do so in 2011. Although January 2013 has posted healthy returns, 2013 is unlikely to repeat this past year’s performance. We expect muted returns in the high single digits to low double digits across the globe. Many stock markets are at their all time highs, and thus some sideways movement is now anticipated.

*In this issue, we delve into analyses to assist you in evaluating your Risk Cover needs at different points in your life. If you decide to purchase Risk Cover, you should know exactly **why** you are buying it and **when** to buy it*

YOUR RISK COVER : PEACE OF MIND IS ACTUALLY WHAT YOU’RE BUYING

Risk cover is designed to protect your family and other financial dependants against financial loss arising out of a **life changing event** (i.e. death, disability or dreaded disease). As human nature would have it, the mere thought of such an event is subconsciously relegated to the “back of the mind”. Our observation is that too few actually seek advice on this important matter. Different stages of life require different approaches to insurance. To assist you in the first step towards seeking advice, a **Risk Cover Checklist** has been compiled for every life stage in the illustration below – highlighting the types of cover that are critically necessary.

IN YOUR 20's ...

- **Finished studying**
- **Working**
- **Looking to purchase 1st vehicle**

At this stage, chances are you don't need conventional **Life Cover**. Most young adults are single and childless—leaving little reason for life cover. **Term Life Cover** is useful in securing a bond, for example over say, the next 30 years. **Accidental Death Cover** covers death due to unnatural circumstances. This cover is much cheaper & highly suitable- since the highest probability of death in your 20's is likely to result from an accident. In the event that you *survive* but are **disabled**, **Accidental Disability Cover** is a prudent way of protecting yourself & your family against the unexpected loss of income caused by accidental disability. In your 20's, any poor lifestyle habits will not be showing yet, so unless you have a strong family history of severe illnesses, **Dreaded Disease Cover** can be postponed.

RISK COVER CHECKLIST	
Life Cover	✗
Term Life Cover	✓
Accidental Death	✓
Dreaded Disease	✗
Accidental Disability	✓
Disability	✗
Impairment	✗
Income Protection	✗

IN YOUR 40's ...

- **Largest earnings**
- **High education costs**
- **Home renovations/New home**

In your forties, your earning power should be at its highest. This is a decade of growth and consolidation and you are likely to have significant assets to protect. If you do not have **Life Cover** yet, it is important to do so before risk cover rates rise even more in your 50s or future health conditions make it difficult to get insurance. If you do have a policy, your 40s is a good time to re-evaluate your insurance needs. You may find that you need additional policies to take care of new responsibilities that weren't present in your 30s. According to Liberty Life, **73%** of **Disability** claims are paid out to clients in their 40s. Without **Disability Cover**, disability can be a financial disaster for you and your family (i.e. losing your earning power), but continue to have the same living expenses along with mounting medical costs.

Heart disease, stroke, diabetes & high blood pressure are MOST prevalent in the late forties. **60%** of **Dreaded Disease** claims are realised in this age bracket, making it a necessity at this point. **Dreaded Disease Cover** aims at protecting you against being left in dire financial circumstances after surviving a severe illness.

RISK COVER CHECKLIST	
Life Cover	✓
Term Life Cover	✗
Accidental Death	✗
Dreaded Disease	✓
Disability	✓
Impairment	✓
Income Protection	✓

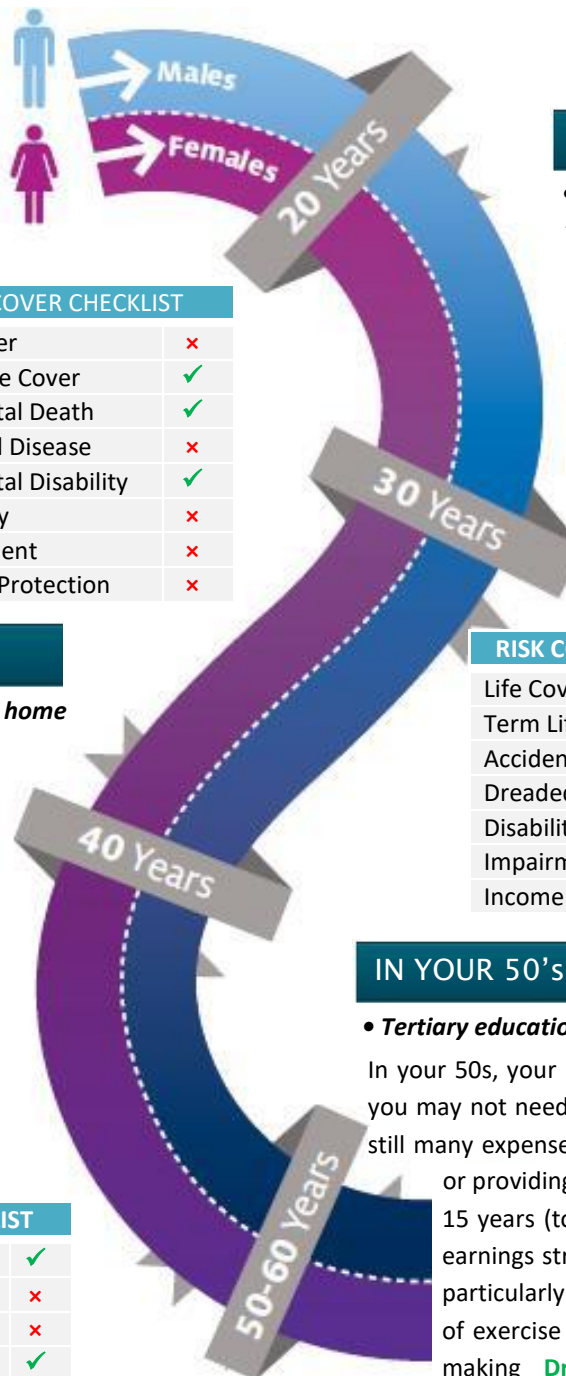


Diagram courtesy of LIBERTY LIFE

IN YOUR 30's ...

- **Married with children**
- **Home Ownership**
- **Higher earnings**

These years are often characterized by a sharp increase in earnings. At this age bracket, your most valuable asset is your ability to earn an income. It enables you to maintain your lifestyle - your home, the type of education your children receive. **Disability Cover** pays out a **lump sum**, with the intention of ensuring that you can continue living comfortably, should you be prevented from working as a result of a disability. **Income Protection Cover** provides up to 75% of your regular income if you have an illness or injury that prevents you from working. In addition, your contributions to **Income Protection Cover** are tax deductible. The age of home buying, marriage and having children are linked to the point at which you should buy **Life Cover**. It becomes essential to cover income capital

RISK COVER CHECKLIST	
Life Cover	✓
Term Life Cover	✗
Accidental Death	✗
Dreaded Disease	✓
Disability	✓
Impairment	✗
Income Protection	✓

needs of a spouse and children, as well as to cover debts (such as a bond), thus solidifying the need to secure adequate **Life Cover** in your thirties. Health concerns such as high blood pressure, cancer risks (in women), as well as stress, (especially among working mothers) highlight the need to start considering **Dreaded Disease Cover** at this stage.

IN YOUR 50's and 60's ...

- **Tertiary education costs**
- **Caring for aged parents**
- **Settling home loan & vehicle debt**

In your 50s, your insurance needs would have changed. Your house may be paid off, and you may not need to purchase insurance that will pay off a mortgage. However there are still many expenses that Life Cover can assist your family with paying (i.e. funding a Trust or providing liquidity for your estate). If you're considering working for the next 10 to 15 years (to secure your retirement), protecting that earnings stream with **Disability Cover** (just in case) is particularly important. Unhealthy dietary habits, lack of exercise & stress have taken their toll at this age, making **Dreaded Disease Cover** expensive and difficult to attain, though greatly required (as **30%** of **Dreaded Disease** claims occur at this age).

RISK COVER CHECKLIST	
Life Cover	✓
Term Life Cover	✗
Accidental Death	✗
Dreaded Disease	✓
Disability	✓
Impairment	✓
Income Protection	✓

VERDICT

Regardless of your age, it is essential to review your RISK COVER. As your personal situations change (i.e. marriage, birth of a child or job promotion), so will your RISK COVER needs, thus the *type* of cover is very much dependent on age. In our experience, **clients do not** consider the adequacy of cover in relation to their particular stage in life.

Every client should seek advice on **3 aspects**: the amount of cover needed, the price/premium and the quality of cover.

Call us to address your needs and receive a quick assessment, or look out for your **Individual Portfolio Schedule Analysis** that will be sent to you in the month of MARCH.

Viren B. Garach

