

Credit Life Insurance Offers Crucial Festive Season Savings

South Africans will be hard pressed to make ends meet this festive season, but consumers who re-structure their Credit Life Insurance (CLI) policies could enjoy relief...

This year's festive season, like everything else to do with 2020, will be a little bit different. Vaccines are on the horizon, but COVID-19 is still very much with us, which means most South Africans will face difficult decisions about where to travel, and how to socialise.

And then there's money. In the wake of a significant slowdown across local and global economies, many families have been forced to adjust their festive traditions – especially the expensive ones. In 2020, every cent really does count.

'Most South Africans are aware of the need to spend as responsibly as possible this festive season,' says Nkazi Sokhulu, co-founder and Chief Executive Officer at distributor of the Yalu Credit Life Insurance plan, Yalu. 'And of course it's not just the festive season. The economic knock effects of COVID-19 are likely to last through 2021. Careful money management will be essential for the majority of consumers.'

Debt repayments are a key focus point, and are especially important for people dealing with retrenchment, who face a major struggle just to meet their monthly obligations. Within this context, optimising Credit Life Insurance (CLI) policy structures can be an important tool that reduces monthly household costs.

'2020 has shown us just how important CLI is for borrowers,' says Sokhulu. 'CLI policies have given protection to people when they really need it, and have allowed borrowers battling with retrenchment to meet their financial commitments, even in dire circumstances.'

But meeting debt repayment commitments isn't the only way restructuring CLI policies gives value to consumers. South African policyholders who have taken active control over their CLI policy structure can also enjoy the benefits of ongoing monthly savings, used to either pay their debt off more quickly or fund essential spending.

'Because the cost of CLI policies is often bundled into the loan repayment structure by the service providers, a lot of borrowers remain very unclear about which CLI policies they have, what the terms are and how much they are paying for them every month,' explains Sokhulu. 'But as CLI education and awareness improves, more consumers are consolidating their CLI policies into a single repayment structure, and saving on their monthly expenses in the process.'

In addition to the immediate financial benefits offered by CLI policy consolidation, consumers who change their policy structure also often enjoy steadily reducing monthly payments.

'Innovative CLI providers use the reduced capital amount to lower monthly payments on an ongoing basis,' says Sokhulu. 'Where traditional service providers often choose to set a fixed

repayment rate, others ensure that the rate reduces in line with the amount owed. When this approach is followed, policy holders can save more money every month.'

So, where should consumers start? What are the first steps to improving your monthly CLI payment structure?

'Because education levels are low, some consumers feel like improving their CLI structure is hard work,' concludes Sokhulu. 'But this isn't actually the case. Once you make the decision to act, service providers out help you very quickly. For example, even if you don't know how many CLI policies you have, a visit to the Yalu web site will guide you through the process of viewing your policy lines and consolidating your structure, all within ten minutes.'

So, while the 2020 festive season will certainly present many money management challenges, consumers shouldn't lose hope.

'There are always things you can do,' concludes Sokhulu. 'The key is to identify which areas of your financial life need attention, and then to take that first step. Yalu will certainly take every possible action to ensure South African families can make their festive budget stretch as far as possible.'