



# Take cover when investing in property

According to our recent research,<sup>1</sup> investing in property is one of the top three financial goals for South African expatriates like you.

Around half of all South African expatriates own property back home and there are attractions in using their high disposable income in 'hard currency' to invest in South African real estate.

South African expatriates' property investments have benefited significantly in recent years from the rand being relatively weak, with their foreign currency earnings getting them more South African property for their money. Expatriates who have been earning and saving in dollars, pounds or euros for the past few years have taken the opportunity to buy property back home, either as an investment or in anticipation of their own return. They have been able to buy into luxury developments where they can enjoy a high level of security.

In fact, 2017 started on a rather weak note, with FNB House Price Index narrowly avoiding year-on-year deflation.<sup>2</sup>

To quote the FNB Property Barometer in February 2017, "month-on-month house price inflation has turned slightly positive after a recent bout of deflation, and certain leading economic indicators point to mildly better economic times in the near term. This could lead to moderately higher house price growth later in the year."<sup>3</sup>

Many South African expatriates have property in more than one country, typically in the UK, US or in their current location, such as the UAE or Singapore, in addition to property back home.

**The strength of the housing market can be attributed to the "continued vibrancy of the country's major metro areas coupled with an ever-growing preference for property as an asset class at a time of extreme financial market volatility".<sup>4</sup>**

1 Independent research conducted by Insight Discovery in the United Arab Emirates on behalf of Friends Provident International, March 2016

2 <http://homeloanjunction.co.za/real-house-price-growth-2017/>

3 [https://blog.fnb.co.za/wp-content/uploads/2017/03/Microsoft-Word-FNB-Property-Barometer\\_Feb\\_2017-House-Price-Index\\_1\\_Mar\\_2017.pdf](https://blog.fnb.co.za/wp-content/uploads/2017/03/Microsoft-Word-FNB-Property-Barometer_Feb_2017-House-Price-Index_1_Mar_2017.pdf)

4 <https://businesstech.co.za/news/finance/146887/6-south-african-property-trends-you-need-to-know-in-2017/>

## Protect your property investment and safeguard your lifestyle

When buying property, you may look for funding through a residential or buy-to-let mortgage. While you may be in a position to fund a purchase from cash, taking out a mortgage may suit your circumstances better. When taking out a mortgage or a series of mortgages, perhaps for several million rand or hundreds of thousands of dollars, you should consider taking out a corresponding life and/or critical illness insurance plan. This could protect your property investment if you become unable to meet the repayments in the event of:

- being diagnosed with a critical illness
- becoming permanently disabled
- premature death.

Most international lenders or specialist brokers that provide mortgages to expatriate customers insist on this level of protection insurance.

You will, understandably, want to ensure that the right cover is in place to give you and your loved ones financial peace of mind in any event.

Currency	Exchange rate
GBP1	ZAR16.94

## What the cost could look like

The average value of a large home in South Africa in quarter 1 of 2017 was **ZAR1,980,000** (GBP116,883).<sup>5</sup>

The average price of residential property in Greater London is **GBP478,142** (ZAR8,099,725)<sup>6</sup> which compares with the average for England and Wales of **GBP234,466** (ZAR3,971,854) and **GBP145,293** (ZAR2,461,263)<sup>7</sup> respectively. Here are two examples of what life cover might cost you:

### Example 1

For a four-bedroom house in Johannesburg costing **ZAR3,800,000** (GBP224,321), life cover with a repayment mortgage over 25 years.

House value: **ZAR3,800,000** (GBP224,321)  
 Deposit: **ZAR1,800,000** (GBP106,257)  
 Mortgage value: **ZAR2,000,000** (GBP118,064)

Life cover on a level basis against the mortgage would cost you **ZAR665** (GBP39.25) per month<sup>8</sup>

On a decreasing term basis the monthly cost you could expect would be **ZAR441** (GBP26.06) per month<sup>9</sup>

### Example 2

For a property in London worth **GBP2,000,000** (ZAR33,880,000), life cover with a repayment mortgage over 25 years.

House value: **GBP2,000,000** (ZAR33,880,000)  
 Deposit: **GBP1,000,000** (ZAR16,940,000)  
 Mortgage value: **GBP1,000,000** (ZAR16,940,000)

Life cover on a level basis against the mortgage would cost you **ZAR5,442** (GBP321.28) per month<sup>8</sup>

On a decreasing term basis the monthly cost you could expect would be **ZAR3,549** (GBP209.48) per month<sup>9</sup>

Your financial adviser will be able to provide guidance about the suitability and availability of decreasing term and level term assurance.

5 <https://businesstech.co.za/news/wealth/171149/the-average-house-price-in-south-africa-2013-vs-2017/>

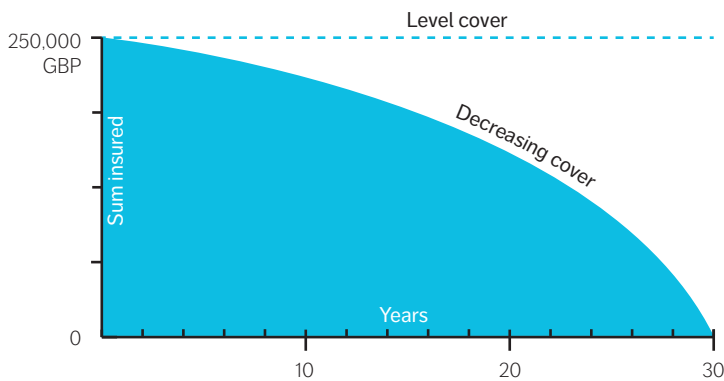
6 <https://www.theguardian.com/business/2017/jun/28/london-house-price-uk-nationwide-market>

7 <https://www.gov.uk/government/news/uk-house-price-index-hpi-for-february-2017>

8 Premiums based on level term life cover for a 44-year old South African male expatriate, non-smoker, living in Dubai, 25 year term.

9 Premiums based on decreasing life cover for a 44-year old South African male expatriate, non-smoker, living in Dubai, 25 year term and assume a 7% interest rate.

## Mortgage cover terms explained



Level cover will pay out a fixed sum on death at any time during the term of the plan. Decreasing cover, which is generally less expensive, will mirror your outstanding loan, meaning that the sum payable on death will gradually decrease as the capital is repaid. Whichever cover option you choose, your lender will be reassured that you have the financial resources to repay the loan. And your family won't have to bear the burden of the mortgage repayments if you're not around.

## Enjoy comprehensive cover

While it's important to safeguard your home and mortgage it's equally important to protect yourself, your family and your lifestyle.

Adding critical illness cover and/or total and permanent disability benefit to your protection plan will ensure that your mortgage is paid in the unfortunate event that you become seriously ill, or experience a life-changing accident during the term of the plan.

As an expatriate, you will want to ensure that any plan you buy is portable, so that it will continue to provide you with the cover you and your family need if you decide to move to another country or return home to South Africa. Domestic South African insurers will normally only provide cover to people living in South Africa, so may not offer you the cover and portability you need. It is likely that your needs can be met by an international protection plan.

Many financial providers offer a choice of either level or decreasing cover while you are repaying a loan.

## Protection at a glance

Cover type	What does this mean?	Benefits for you and your loved ones
<b>Life cover</b>	A cash lump sum will be paid to financially support your loved ones or to repay a loan against your property if you die.	Peace of mind that your loved ones could survive financially without you and security for them, knowing they won't have to worry about financial matters.
<b>Critical illness cover</b>	Pays a cash sum if you are diagnosed with one of a defined set of critical illnesses.	You can concentrate on recovering, rather than worrying about your finances.
<b>Life or earlier critical illness cover</b>	Pays a cash sum if you die or are diagnosed with one of a defined set of critical illnesses – whichever happens first.	Financial protection for both scenarios.
<b>Terminal illness benefit</b>	Pays a cash sum if you are diagnosed with a defined terminal illness.	You can spend quality time with your family, with the help of financial support.
<b>Total and permanent disability benefit</b>	An optional addition to life cover, paying a cash sum if you are diagnosed with a defined total and permanent disability.	You will receive financial support, if you are totally and permanently disabled.
<b>Single and joint life</b>	The plan can be set up on either a single or joint life basis.	Financial security that you or your spouse is covered.

It's worth investigating the different protection plan options to make sure you're sufficiently covered. With the right plan you can have confidence that your family, your home and other financial commitments are taken care of wherever you choose to live and work.

We offer a range of financial planning solutions, designed with your specific needs in mind. These aim to help you protect your property investment portfolio.

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[www.fpinternational.com](http://www.fpinternational.com)

Visit our website to learn more about our range of flexible savings, investment and protection plans.

Speak to your financial adviser today to see how we could help you protect your property portfolio.

## About Friends Provident International

We are a leading financial services provider, with a reputation of trust, commitment and integrity, offering financial solutions to customers throughout their lives.

Friends Provident International has over 35 years of international experience and our heritage dates back over 180 years.

All currency conversions correct as at August 2017.

**Friends Provident International does not condone tax evasion. The company's products and services may not be used to evade taxes.**

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**It is important to consider the impact that inflation will have on the value of your savings in the future. Please seek professional advice, taking into account your personal circumstances, before making investment or other life insurance decisions. We cannot accept liability for a loss of any kind incurred as a result of reliance on the information or opinions provided in this document.**

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