

Secure yourself,
Secure your future



Why Insurance and Pensions Matter

Martha Tigo's story from last week is not unique. Across Zimbabwe, countless individuals and families find themselves unprepared for life's uncertainties and are left scrambling when the unexpected strikes. For Martha, the passing of her father was not just an emotional loss but a financial crisis too. The fact that he had no insurance and pension savings left her struggling to cover funeral expenses and daily costs. This harsh reality was a wake-up call for Martha. She decided to take control of her financial future by securing insurance and started contributing to a pension scheme. Martha's experience underscores a crucial lesson - financial preparedness is not a luxury but a necessity. Insurance and pensions are more than just policies; they are shields that protect individuals and families from financial ruin.

Understanding the role of insurance

Life is unpredictable. A sudden illness, an accident, a natural disaster, or the loss of a breadwinner can plunge a family into financial turmoil. Insurance provides risk mitigation measures through ensuring that the insured perils or risk events do not lead to financial distress. By paying regular premiums, individuals secure protection against predefined risks if they occur. Whether it is health insurance covering medical bills, motor insurance for repairing or replacing a damaged vehicle, or life insurance providing for dependents after the death of a bread winner, these policies mitigate the risk of financial losses caused by such unforeseen events.

Without insurance, the burden of unexpected losses can lead to negative coping mechanisms such as selling one's assets, borrowing money from loan sharks at very high and unsustainable interest rates, or relying on relatives for assistance. Martha's story exemplifies this struggle. Her father's long illness drained the family's resources, leaving the surviving family members financially vulnerable. However, after witnessing the repercussions of being uninsured, she took out a life insurance policy and enrolled in a pension plan, ensuring her children would not face similar hardships.

The importance of pensions: Planning for a secure retirement

Retirement may seem distant for someone who has just been employed at 22 years, but financial security in old age is built through years of preparation. A pension scheme is not just a savings plan, it is an investment, where individuals set aside money during their working lives to provide income after they retire, are retrenched, or to provide income to their families upon the contributor's death. Without one, retirees risk dependency and old-age poverty.

Why retirement planning must start early

Some people delay planning for retirement, believing they have plenty of time. However, the earlier one starts, the more financially secure their future will be. Starting early allows individuals to take advantage of compound interest, ensuring their savings grow significantly over time.

Martha recognised this after her father's passing and took proactive steps to ensure her retirement would be secure.

Demystifying insurance and pensions

A common misconception is that insurance and pensions are only for well-to-do people or the formally employed. This could not be further from the truth. Financial security is a right, not a privilege. The Insurance and Pensions Commission (IPEC) has developed Microinsurance and Micropensions Frameworks to facilitate access to affordable insurance and pension plans for low- and irregular-income earners. As at December 31, 2024, IPEC had licensed 16 microinsurance companies and two (2) micropension schemes (provident funds), ensuring that more Zimbabweans can access these critical financial tools. Affordability should not be an excuse for inaction. Just as Martha found a plan that suited her needs, so too can any individual willing to prioritise their financial future.

Overcoming disappointments in insurance and pensions

Despite the clear importance of insurance and pensions, some Zimbabweans have experienced disappointment as policyholders and pension scheme members have, at times, seen their savings eroded due to economic instability.

However, this does not take away the significance of financial security. Instead, it highlights the need for stronger consumer protection and regulatory measures. IPEC, working with relevant stakeholders, is taking active steps to safeguard policyholders' and pension scheme members' interests.

A call to action

Martha's journey highlights an essential truth: financial planning cannot be delayed. The time to act is now. Individuals must take proactive steps to secure their futures by signing up for insurance and enrolling in pension plans. Employers should encourage financial literacy and provide access to pension schemes for their employees. Policymakers must continue fostering a secure and stable environment that promotes financial inclusion.

Visit our website at www.ipec.co.zw, follow us on social media, to learn more about insurance and pensions or consult licensed insurance and pension providers to find the right plan for you. Martha took the first step. Will you?

About IPEC

The Insurance and Pensions Commission (IPEC) is a statutory body established in terms of the IPEC Act [Chapter 24:21] to regulate the insurance and pensions industry for the protection of policyholders and pension scheme members.

For feedback or enquiries, please contact us at: pr@ipec.co.zw