a penny for your thoughts

BDO'S COLLECTIVE GUIDE
TO WEALTH WELLNESS 2022

BDO

foreword

Money elicits an incredible range of emotions and behaviours from all of us. Money is more than a mere medium of exchange. Life and money are inextricably intertwined in a complex relationship.

We can't live without money, yet it never seems to be enough. Then, when we get more money for some reason it doesn't bring more happiness. In fact, money is often the source of stress and anxiety, in life, work, and relationships. This complex dynamic between life and money is challenging for everyone. The way we manage money is often formed and influenced by what we learn from our parents, family and friends, and the mistakes we make along the way.

the golden rule for financial wellness is the same for everyone:

spend less than you earn.

The bottom line is that we all have very different perspectives on money and life, shaped by our own personal experiences. Which is why everyone has a unique relationship with money, and we all have our own struggles and challenges in finding financial wellness.

That's right, regardless of how much we earn, our age or our social status, everyone struggles with finding that happy balance in life with money at some point in time.

Whether your monthly income is R15,000 or R115,000, the golden rule for financial wellness is the same for everyone: spend less than you earn.

What matters is the decisions we make on our life journey and how we allocate our income along the way. Financial wellbeing is as dependent on the choices we make with the money we have as it is on the income we earn.

The BDO Wealth Advisers' guide to wealth wellness shares a framework that you can use to make decisions about how you direct your money so that you can live your best life with the money you have.

Wealth wellness is about you being happier, and not just wealthier.

what matters?

Before we unpack wealth wellness, let's be clear about what matters. When we talk money, there are a lot of things that matter, such as:

- Interest rates
- Inflation
- The petrol price
- Investment returns on the stock market
- The price of Bitcoin and property values
- Salary increases and bonuses

... and the list goes on.

These things are all important and do have a direct impact on wealth creation, but the reality is that we don't have control over any of them. Try as we might, we will never control the price of petrol.

The starting point in managing money and wealth is to focus on what matters and what we can control. This is the sweet spot where we should direct our attention and energy to create wealth and happiness.

If we cut through all the noise and clutter around money, finances and wealth, there are essentially four elements that matter and which we can control that will determine our financial wellness:

What's important to you

What you earn

How you save and invest

What you spend

That's it. Nothing more. What you earn, save and spend is everything to wealth wellness.

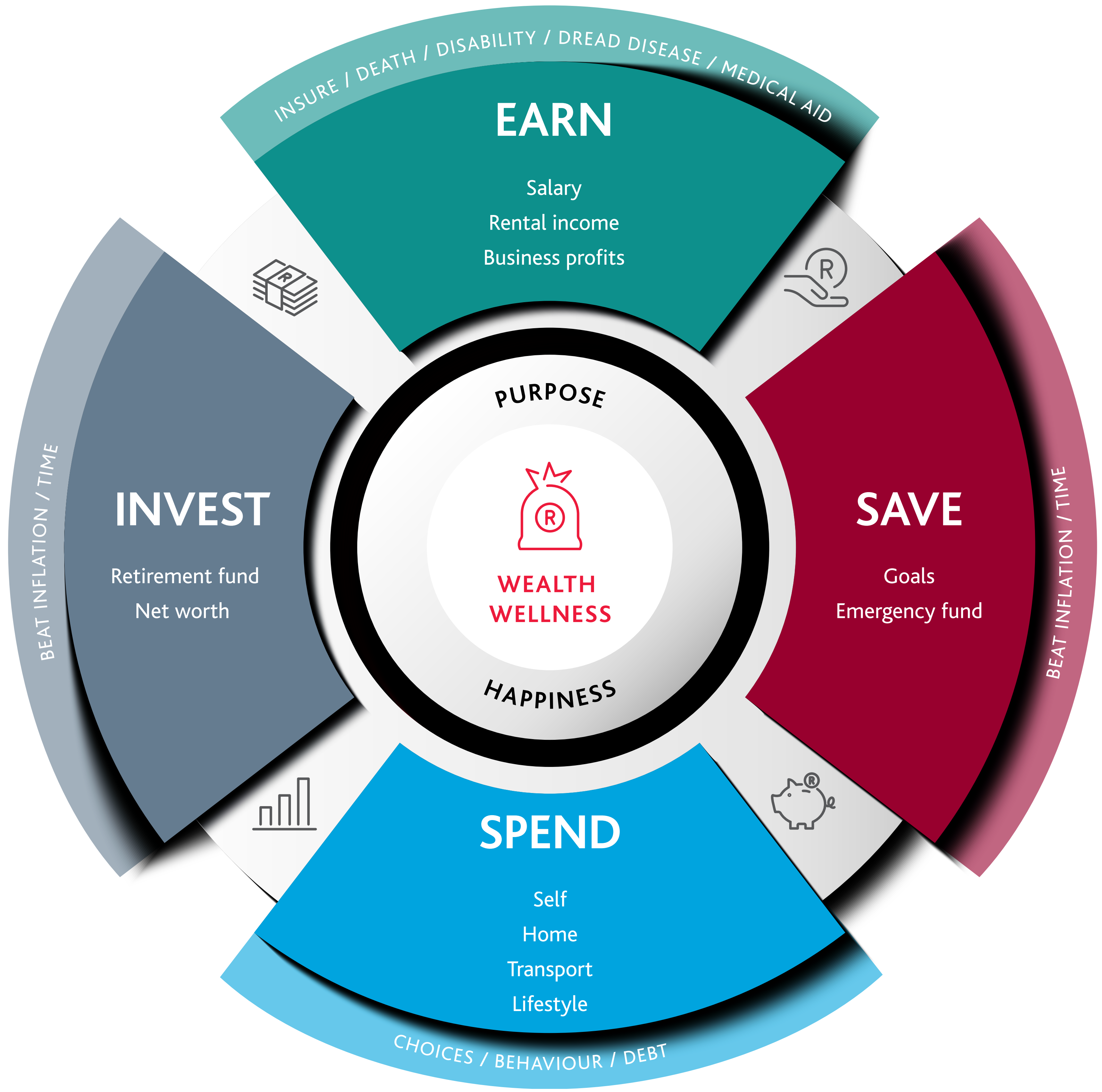
introducing the Wealth Wellness Wheel

The BDO Wealth Wellness Wheel is a framework that anyone can use to make decisions about how to direct their money so that they can live their best life.

The basis for financial wellness is centred on how we balance spending with saving. Understanding each of these core elements is fundamental to our financial wellness.

This eBook unpacks the Wealth Wellness Wheel and gives a user-friendly overview of how to approach your finances, without going into lots of technical detail.

For each segment of the wheel, we have included a compilation of videos from BDO Financial Planners with stories and shared learnings on how to control each element of saving and spending for your financial wellbeing.



contents

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get your money's worth

Wellness in all facets of our lives is largely centred around purpose and happiness. Knowing what's important to us and what we value is the foundation for happiness. The things that make us happy are not static and will evolve over time.

What we hold as our personal values will drive our choices when it comes to how we spend our time, energy and money.

Without purpose, the way we allocate our money is likely to be random.

To achieve wealth wellness, we need to start by defining what makes us happy and what gives us purpose. And then we can focus our saving and spending on these things.

What is financial wellbeing?

A great deal of research supports the idea that money itself does not make us happy. In fact, one of the most significant contributors to our wellbeing is the quality of our social relationships.

Financial wellbeing is about how we use money to support our wellbeing in all facets of our lives –physical, mental and spiritual.

There is undeniably a relationship between money and happiness. Understanding what makes us happy and knowing what role money plays in that is central to achieving financial wellbeing.

Warren Buffett: a lesson in passion and purpose

By Sue McLennan, Financial Planner, BDO Wealth Advisers

Warren Buffett is one of the wealthiest men in the world. He started a newspaper delivery business when he was 13 and began a life-long investment journey. By the time he was 30 years old he was worth US$1million (that's actually $9.3 million in today's terms, adjusted for inflation). At the age of 92, he is now worth US$113 billion.

99% of his fortune was earned after he turned 50, and 97% at the age of 60 after he qualified for US social security benefits. How did this exponential growth happen?

He started saving and investing when he was a teenager, and has remained invested into his 90s. That means he has been investing for over 75 years – three-quarters of a century. His financial success is linked to the capital he built up in his teen years and the fact that he remained invested for the long term.

It's not magic, it's just compound growth. It's easy to understand growth from 7+7+7+7+7+7, but what Warren Buffett tapped into was 7x7x7x7x7x7x7.

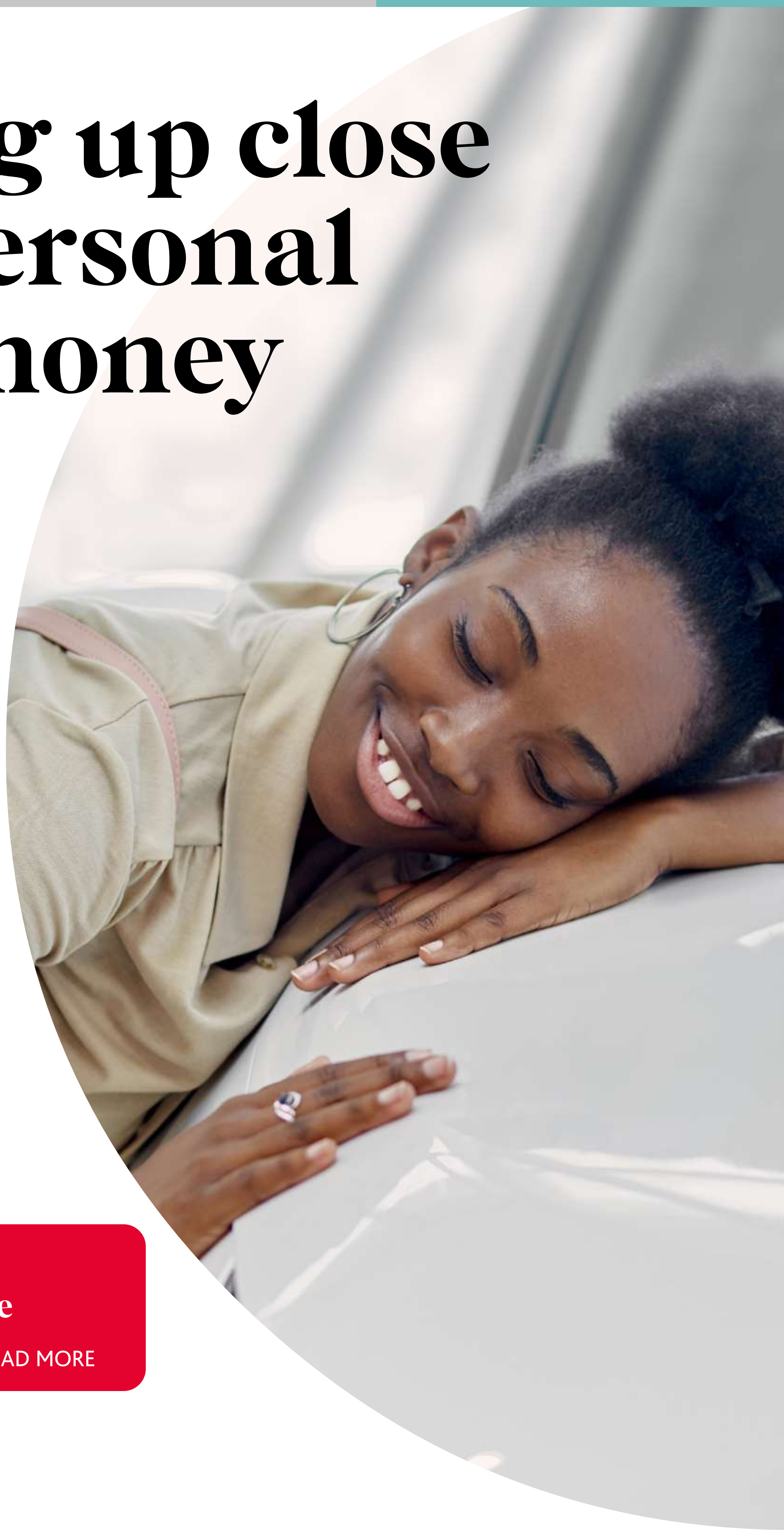
Despite all the money he has, he lives a modest life. He has lived in the same house for 60 years and drives a 2014 Cadillac sedan. For him, investing wasn't about making money in order to spend it; at a young age, he discovered how much he enjoyed investing and he pursued that.

He found his passion and then he found his purpose.

Wealth wellness need not be a mystery. The same principles that Warren Buffett applied to create wealth applies to all of us. Even if investments aren't our great passion, we can benefit from following his example. Take the first step, start now, start small, invest regularly and leave it.

getting up close and personal with money

By Nokwanda Msimang,
Assistant Financial Planner,
BDO Wealth Advisers



I recently started working after completing my studies. Although I've just begun earning, my financial responsibilities have increased. All of a sudden, I now have a car to pay for, rent has to be paid, I need to buy food and I also have to save for my future and any emergencies. In this new life stage, I can see that budgeting and saving for my goals are essential.

Growing up, my parents, particularly my father, would always emphasis the need to budget for everything and to be aware of how I spend money. Obviously, I didn't take him seriously at the time because, firstly, it wasn't my money and, secondly, most of the time when I asked my parents for money, they gave it to me. Many of us don't really have to work for it when we are young.

Now that I am dealing with my own money, I have come to believe that financial wellness starts with establishing a relationship with your money. Like all relationships, be it with family, friends, or work colleagues, it will have ups and downs. But with the right amount effort, knowledge and consistency it can improve and become a positive element of our lives. Even when we encounter those "down" moments or uncertainty, we can always reflect on where we started and see how far we've come.

As we know, practice makes perfect. I like to say that with practice, and consistency in your relationship with money, it will eventually get better. Just don't stop working on it. Set realistic goals based on what money means to you. Keep refining these goals and go back to the drawing board as much as possible until you find a flow that will work for you.

WEALTH WELLNESS tip
Purpose
CLICK TO READ MORE

the cost of procrastination

By Dean Merz, CFP®, Financial Planner, BDO Wealth Advisers

According to a Bloomberg study in 2019, South Africa ranked as the second most stressed-out country in the world. This was even before the COVID-19 storm that lambasted us for nearly two years. If we reflect on just about any conversation with friends, family or work colleagues nowadays, the stress of our nation is clear. But issues such as fuel prices, inflation, crime and Eskom are largely out of our control.

When we feel overwhelmed, psychologists recommend shifting our focus off what we can't control and onto the things in our lives that we can control. Financial planning is one of the things we can take control of. Poor financial planning can add to the chaos we experience and it can affect all aspects of our lives, including our mental, physical and financial wellbeing.

Mental wellbeing

Worrying about our finances can have a considerable knock-on effect on our mental health.

Worrying unleashes a vicious cycle of events from stress to sleeplessness and poor diet. Stress and anxiety about not meeting current or future budgets are heavy burdens to carry. This financial stress can carry over into work and our personal relationships. According to divorce statistics, lack of financial compatibility is often a "final straw" reason for divorce and causes almost 41% of divorces.

Alongside divorce, buying a house and the death of a close loved one rank as the three most stressful events in life. While death is inevitable, we can lessen the stress created for loved ones by having a well-organised estate plan and will. When it comes to purchasing a property, having a clearly defined budget can ensure the process is smooth and positive.

Financials stress and mental wellbeing are inextricably connected. Financial stress can lead to feelings of hopelessness and low self-esteem, which can lead to depression and substance abuse. Financial strain is a significant risk factor for suicidal ideation and suicide attempts.

Mental wellness is critically important in today's fast-paced world. Thankfully, many financial stresses can be alleviated by working towards a well-constructed financial plan.

Physical wellness

Physical wellness and mental wellness are also deeply connected.

If you have ever tried an extreme sport such as skydiving, rock climbing, ocean kayaking, surfing or even mountain biking, you will know how incredible it can feel. When you do it, your knees may begin to tremble, your mouth go dry, your body shake and your vision narrow. You get "butterflies" in your tummy, your heart races, your breathing quickens, and the palms of your hands become clammy. Many of these are the same things we may experience before a big exam! These feelings are real and physical. Despite nothing actually going wrong (yet, perhaps), our body is physically responding to our fear and our thoughts. This fear and stress response results in our brains releasing dopamine, cortisol and adrenalin to our bodies. While this is exciting and exhilarating in the context of participating in an extreme sport, these same chemicals are released through ordinary stress. Sustained stress over time can lead to heart disease, asthma, diabetes, gastrointestinal problems and depression, amongst a host of other serious illnesses.

Across the wealth spectrum – from the wealthy to the poor – no one is immune to financial stress. Simply knowing where you stand relative to your goals, even though you may or may not be on target to achieve them, is comforting. Human beings, above anything else, despise uncertainty. Removing uncertainty from our minds sets us on a good path to consistent and sustained financial behavior. This in turn translates to better mental and physical wellbeing.

Financial health

Financial wellness, which can be easily measured, isn't something prescribed.

Financial planning is a combination of art and science because no two financial plans will look identical. The financial requirements of a person who is married with children will look significantly different to an unmarried person without children. Someone with generally poor health may value having a good health plan more than having a holiday savings fund.

Financial wellness, in the context of a personal financial plan, entails goal setting and budgeting. Whether young or old, single or married, everyone has their own unique financial needs. Having a well-constructed financial plan will assist with ensuring our personal financial goals are met. There is surely nothing more liberating than being able to have sufficient resources at our disposal to enable us to do the things we need and love to do. The "Ant and the Grasshopper" analogy comes to mind in this context. The grasshopper in the fable enjoyed himself all summer instead of planning for the winter. He was relaxed, happy and gluttonous. When the tough times came along, he was ill prepared to deal with the consequences. The ant, on the other hand, was conscientious and pro-active. He prepared in advance for the difficult times. Even though some people don't stress or worry about their financial wellbeing (like the grasshopper), planning and preparation for the future will ensure we are adequately provided for when the expected, or unexpected, happens.

As we explored above, the costs of procrastination may not only be in rands and cents. It may also come at a cost to our physical and mental wellness. As we emerge from the chaos of COVID-19, there will be new crises that will unfold. The future is unwritten and will forever be unpredictable. This is part of what makes life, life! We cannot control the future, but we can certainly plan for it. Simply having a plan will go a long way to improving our mental approach to our financial circumstances, and improvements in mental wellness and financial wellness can have a positive effect on our physical wellness.

Rather than postponing looking at your financial circumstances to another day, take ownership of your financial planning today. Contact a certified financial planner to help you ensure you have a well-constructed financial plan to improve your general wellbeing.

EARN

worth every penny

Our earnings are the source of our wealth. Our income is the starting point from which we make all money decisions. Think of earning as a tap or fountain that releases water. As the water flows from the source, eventually it needs to be directed.

Our source of earnings is the fountain of water that we need to discover and nurture. This could be our skills, intellectual capacity, employment or our investment in a business.

Our source of earnings is the most valuable asset we will ever own. To get the maximum amount of water to flow from the tap, we need to nurture it and develop it. If our source of income is our professional skill or a business. What are we doing to maximise it?

How about having more than one tap? Maybe a side hustle or a rental property?

Earnings could be a single tap with a steady stream of water flowing, or it could be several taps together creating a gushing river cascading into a waterfall of money. Our taps may at times hit a drought and dry up for a period of time, or possibly completely.

Our earnings are the primary source of wealth creation, so understanding the relationship between risk and reward is central to our financial wellbeing. Are we taking the right risks to maximise our earnings? Is this tap insured? If not, when it runs dry or is closed, our income stops.

It is our earnings that we direct to fund how we live now and in the future. These are the SAVE and SPEND elements of our wealth wellness.

Learn more about YOU AND YOUR MONEY

ensuring your safety with insurance – death, disability, dread disease and hospital plans

By Sue Cogswell, CFP®, Financial Planner, BDO Wealth Advisers

Three words nobody wants to think about – death, disability, and disease. Unfortunately, they are also three things that can happen without any warning, and can cause major problems for you and your family if not planned for. Making provision to insure these events is a critical component of Safety Money for all families.

While these are topics we try avoid because it makes us uncomfortable, we need to remember that if we don't discuss and plan for them, the truth is that the people we don't 'want' to talk about these topics with are the ones who lose out. Be honest with your children about your insurance so they know you are protected, and so they don't need to drop out of school to look after the family should you become disabled or in the event of your demise.

do

Death

- Consider yourself, family, and dependants for whom you are financially responsible:
  - Spouse
  - Children/grandchildren
  - Parents/grandparents
  - Staff/housekeeper/gardener/their children
- Quantify the monthly costs of the above.
- Make sure you have an updated and valid will.
- Consider insurance to cover these costs and minimise the risk to your loved ones.
- Consult a Financial Advisor to assist in quantifying the risk by conducting a comprehensive Financial Needs Analysis of your personal situation. Be careful not to be over insured – that's a costly oversight to creating long term wealth.

Disability

- Consider the risks to you and your family if you can't work in the short or long term – how will you pay your bills?
- Consider the costs of changing your lifestyle and home if you are functionally impaired.
- Consider income protection to cover after-tax income and lump sum disability for the bigger debts; for example your bond.

Dread disease

- The main dread diseases are heart attack, stroke, and cancer. These conditions account for at least 80% of all dread disease claims. The insurance pays out as a lump sum on diagnosis of a dread disease, with substantiating documents from your doctor.
- Consider cancer cover early on in your working career. Cancer is unpredictable, indiscriminate, and affects a lot of people.
- Consider claims that your medical aid may not pay (for example biological medicines), as most medical aids have a monetary limit.
- Consider adding a Gap Cover to your medical aid that has a cancer benefit.

Hospital plans

- Consider what your family's health needs are.
- Remember that Hospital Plans only cover you when you are admitted to hospital.
- Confirm if there is an overall annual limit – remember that if you are in a significant accident, the bills can be over R1million.
- Consider a Network option to reduce costs.
- Consider a Gap Cover to cover the shortfalls that may not be covered by the hospital plan.
- Get professional advice from a qualified Financial Planner.

don't

- Don't just buy online or over the phone- insurance is a complicated issue and you need professional advice. Not all insurance policies are equal – the T's and C's differ from insurer to insurer.
- Don't' just consider the cost; you must understand what you need and what you are purchasing.
- If you buy online check out any exclusions and waiting periods. Don't just take the word of the consultant.

WEALTH WELLNESS tip

Why life cover?

CLICK TO READ MORE

the financial burden of the first employed graduate

By Akhona Modi, CFP®, Associate Financial Planner, BDO Wealth Advisers

Given our history in South Africa, many black families still face unique financial constraints, especially in light of the structure of some families where extended family members live together in the same household; many of whom are not necessarily working or contributing to the household's finances.

As such, the principle of reciprocity and spotlight bias are in full operation. This means:

- You feel emotionally compelled to give back to your family, including extended family.
- You feel like your family members are continually observing you and have an expectation that the financial situation at home should now improve.

Many graduates who come from such backgrounds and family structures carry the responsibility of providing for parents and honouring ad hoc money requests from uncles, aunts or cousins; after all, we are fully aware of the sacrifice or contributions these individuals made in our journeys.

You may be acutely aware of all these things and want to meet these expectations because, initially at least, it will give you a sense of pride and accomplishment.

However, if it isn't managed properly, this can become a huge emotional burden (where you start developing a 'scarcity mentality') and a deterrent towards a successful financial life, particularly as you start to build your own family.

You may be wondering where I am going with this. My point is, we need to be aware of this reality, because it does have a significant impact on how we view our financial lives and make financial decisions.

All is not doom and gloom, here are some tips that have worked for me and others:

General tips for dealing with the family burden:

- Give yourself a break. You don't have impose the expectations set by your family or society on yourself.
- Manage your parents' expectations in terms of how much you are willing to contribute each month to support them.
- Get comfortable with saying 'no' to the ad hoc money requests from your uncles, aunts, cousins, friends; often these amounts seem small but they accumulate over time.

Simple financial planning tips for the first employed graduate, on how to achieve wealth wellness:

Hover over the text
to see the rest of it

Develop goals and objectives

Allocate a portion of your net salary to entertainment

Get into the habit of developing a budget and hold yourself accountable

Before investing, build an emergency fund and be disciplined enough to use this fund when necessary

Don’t be in a hurry to purchase a vehicle (delayed gratification)

Always try to leave a positive balance in your bank account

SAVE

a penny saved is a penny earned

Pay yourself first. This is what our saving should be focused on. It's not just putting away money with no purpose or intention.

Savings are our future spending bucket – the money that we will use to live tomorrow and long into the future.

It's good for us to have a rule on how much income we direct to the SAVE bucket. 20% is a good benchmark to work towards. The first 20% of everything we earn should be paid into our savings.

We can use savings towards goals like buying a house or going on holiday and, most importantly, we need to save towards an emergency fund.

Listen to what the BDO Financial Planning team has to share about SAVING

Click to view "The 8th Wonder of the World"

budget, budget, budget

By Gavin Smith, CFP®,
Associate Financial Planner, BDO Wealth Advisers

If you have just started your first job and are loving the feeling of financial independence, I want to challenge you to take it to the next level and become financially responsible.

What does it mean to be financially responsible?

Basically, it is means being dedicated to using a budget.

When I talk about using a budget, I mean a real budget and not 'head budgeting'. Dedicate one hour a month to draw up a budget. You can do it by using your phone, on a spreadsheet or, if you are old school like me, you can do it with pen and paper.

If you think about it, you spend about 160 hours a month earning your income; so dedicating an hour a month to draw up a proper budget is definitely worth it.

money saving tips

By Vuyolwethu Matinisa,
Assistant Financial Planner,
BDO Wealth Advisers

Understanding the importance of saving will inspire you to find more ways to save and achieve your goals faster.

Hover over the text to see the rest of it

Prices, discounts and specials

Create a budget that shows all your expenses relative to your income

Include savings in your budget

Got extra money?

Set achievable goals for yourself

Download
"BDO Wealth Advisers Fifty20twenty10 Budget Plan"

pay yourself first

By Marichen Momberg, FSA™,
Associate Financial Planner, BDO Wealth Advisers

Have you heard about the 50/30/20 budgeting strategy? This approach allocates 50% of your income to needs, 30% to wants, and the remaining 20% to savings and investments.

The idea of paying yourself first is about developing the mindset and habit of automatically setting aside money for savings before your expenses. Almost like reverse budgeting – you save the 20% first and then you spend the rest.

Saving and investing includes for retirement, as well as for goals like going on holiday or buying a house.

Examples of paying yourself first include:

- Making sure you're contributing a percentage of your net income to your company's retirement fund or a retirement annuity.
- Investing in a discretionary investment by setting up a monthly debit order into a unit trust or tax-free savings investment.
- Contributing towards an emergency fund or allocating a monthly amount to a cash savings account

Of course, it could be difficult to save the full 20% and there's always that temptation to spend, but in the long term it's about saving consistently and automatically each month before you pay your expenses. Anchor the habit of paying yourself first.

It's easy to forget about your long-term financial goals when you're living your day-to-day life, but your future self will be extremely happy that you paid yourself first.

consistency is key to building the habit of saving

By Candice Wernick, CFP®,
Associate Financial Planner, BDO Wealth Adviser

Four of my personal savings tips that I used to help me get my finances organised and stay consistent with my savings are:

Budget for savings

Make your savings an expense in your budget like rent.

This helped me make my savings a non-negotiable in my monthly spending, and it is a necessity.

Set a goal for how much you would like to save as a percentage of your earnings, and stick to it. Even if my earnings fluctuate I can still keep the same level of savings in percentage terms.

"Set and forget"

Debit orders are your best friend because you can set them up and forget about them. They will continue to run and before you know it you will have a nice little nest egg built up. Remember though, you just have to start.

Always try save something

It doesn't have to be thousands, but as long as you are saving something, it is good. Even if it's a few hundred rands in those tough months

Use the bucket approach

Have little "buckets" of savings or investments that you have allocated for a specific purpose or goal (like different bank accounts to hold your savings).

What you assign to each bucket doesn't necessarily have to be anything serious, it can be as simple as saving for a nice holiday at the end of the year.

This will help to:

- Build up the HABIT of saving
- Organise your thoughts about what your goals are
- Help build up a timeline of your short, medium and long-term financial objectives

Obviously it is also important to save for those long-term goals and retirement, but you can start off small.

What these tips did for me, is help me build up the habit of saving and to be consistent about it.

I know that it isn't always easy to save, life does happen. We've all had times when it's just not possible to save as much as you would like. During these times, you will have to adjust your budget, but by using these tips, savings will be a line item and you will be in the habit of saving, and so you will not forget about it and will be less likely to completely scrap it from your budget.

Consistency is key. Build up that saving habit now, so that when times are tough you're one-step ahead.

An emergency fund allows you to cope with financial shocks and takes away the worry factor so that you can cope with life as it happens.

an emergency fund: a safety net between you and life

By Claire Steyn, CFP®, Associate Financial Planner, BDO Wealth Advisers

An emergency fund is the safety net between financial failure and financial success. If your car breaks down or if your appliances give in, you won't have to squeeze those expenses onto a credit card, dip into your retirement fund or ask a friend to loan you money, all of which can cause you to fall into debt. Instead, you can take care of the bills yourself without having to redo your budget or depend on borrowed money.

While the size of your emergency fund will vary depending on your lifestyle, monthly costs, income, and dependents, the rule of thumb is that over time you should, build up your emergency fund to cover at least three to six months' worth of expenses. This may sound unreachable, but don't let the number intimidate you and stop you from starting. What's important is that you have a savings fund to dip into when times get tough.

If you're in a tough financial spot, saving into an emergency fund, let alone saving money at all, can be difficult, especially if you have debt payments and other financial obligations to make. However, even the smallest savings can be a lifesaver when your financial situation changes unexpectedly.

If you're not sure how to save for emergencies, we've got you covered. Here are some tips:

Start small

It takes a long time to build savings, so it's important to start out small and build from there. Some people set a large goal for their emergency fund right off the bat, only to discover down the road that it's going to take much longer than anticipated. Along the way they'll start to get discouraged, and eventually give up altogether.

What's important is that you take action and start saving, no matter how small, and remain consistent. Rome wasn't built in a day, and the same goes for an emergency savings fund. There are some very useful tools on banking apps that can help you with this.

Open a separate emergency savings account

Once you have a savings goal in mind, the next step is to open a savings account. This should be kept separate from your daily spending account.

Having a separate savings account builds a psychological wall between the money you can touch, and the money you shouldn't touch, and this helps with the temptation to use the money for spoils instead of emergencies.

Only use the funds in an emergency

For your emergency fund to grow, it's important that you use it only in emergencies. As time progresses, you'll start to see a sizeable nest egg building up.

It's called an "emergency fund" for a reason, so don't touch the money unless you have a true emergency. If you withdraw from the account every now and then, rationalising that you'll make it up next payday, you may be setting in motion a new habit that could take you backwards.

Build it up by automating deposits into your savings account

Now that you have an account designated specifically for emergencies, the next step is to automate deposits so that they go directly into your savings account. You can do this yourself through online banking, or by visiting your financial institution.

After getting into a good routine of saving more and spending less, try challenging yourself to build up your savings. You could do this by:

- Selling items you don't need
- Saving your tax refund
- Packing your own lunch so you eat out less

Be realistic

You have to realistically decide what you can afford to put away and not touch. Where possible, funnel extra money into your savings account.

Review your budget regularly

Having a budget is essential to any financial plan, and just as important is to review your budget on a regular basis to ensure your saving and spending needs are still in line with your current financial situation

Building an emergency fund takes discipline, time, and some sacrifices, but it can be done and is a great way to help you take control of your financial future.

Build it up

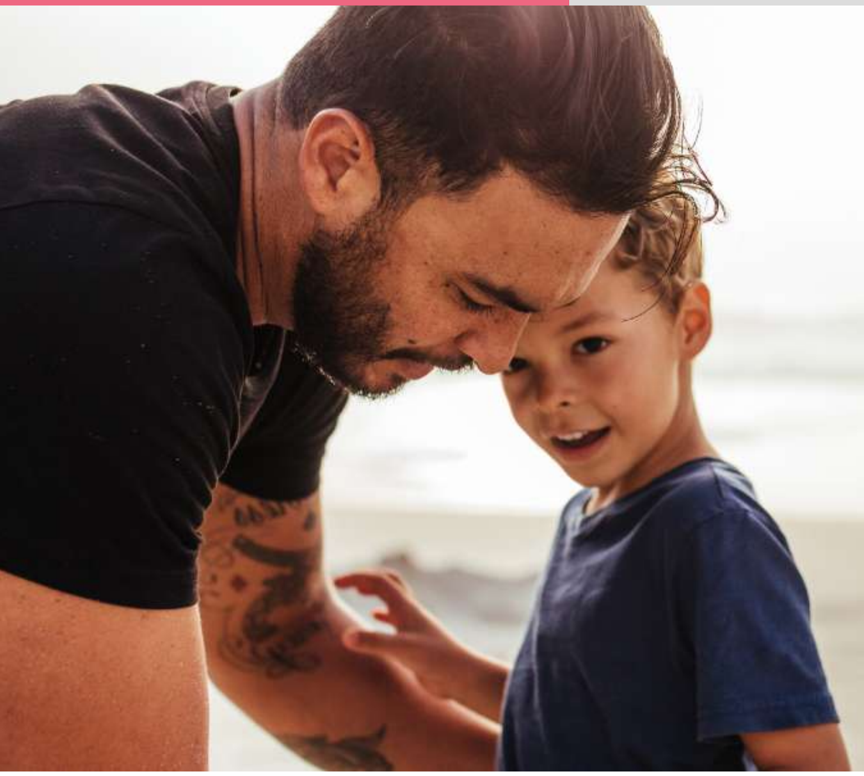
Start small

separate emergency savings account

Only use the funds in an emergency

Be realistic

Review your budget regularly



dad was right: financial lessons that have stood the test of time

By Carol Byaruhanga, Assistant Financial Planner, BDO Wealth Advisers

When I hear the term financial literacy, the first thing that comes to mind is, savings, savings, savings.

I grew up in a household where my father always reiterated the importance of saving and budgeting. He didn't only preach about it, he also got practical. When my sister and I were in primary school, around the ages of 10 and 12, my father opened a savings account for us. Back then we didn't really understand the main reason we were given bank cards at such a young age; and as naïve kids who had little financial literacy, we were excited by the idea of splashing the money on luxuries.

That was when he brought us back to reality and firmly stated that these were savings account for a reason, and we had to use them responsibly or for emergencies.

WEALTH WELLNESS tip

Savings

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As I grew older, I started to see the lessons my father was trying to teach us:

- The power of learning to plan ahead and staying focused on goals and priorities.
- Saving for the things we want until we can afford them.
- Showing us how money can grow, thanks to compound interest.
- Teaching us to be financially independent at an early age.

I now have a better understanding and a lot more discipline when it comes to saving money. This has helped me tremendously in terms of developing a good relationship with money, I understand the importance of putting money away and the importance of having an emergency fund.

When I started my first job as intern, I was not earning much, but I was disciplined enough to save the little that I had every month.

I then had the opportunity to relocate to Cape Town. Relocations can be costly, but I had no financial strains as I had enough capital to see me through, thanks to the good saving habits I developed throughout my internship. Now that I have a more stable job, which comes with its fair share of financial responsibilities, I have had to go back to the drawing board by updating my budget, continuing with my savings plan and keeping at it until I eventually reach all my financial goals.

My advice for growing in financial literacy is:

- **Set realistic financial goals for yourself when it comes to saving.** It does not have to be a huge amount of money that you save every month, starting small is fine, as long as you start.
- **Saving for realistic short-term goals,** like a new phone or a vacation will help you get into the habit of putting money away and eventually lead to long-term saving.
- **Keep track of your expenses.** If you find it difficult to save regularly, try record and keep track of your monthly expenditure. This will give you a clear picture of how much you are spending and what you need to cut down on.
- **Create a budget for savings.** It helps to devise a budget for each month. You can create a plan at the beginning of the month to target savings and set limits for spending. This lets you focus on what is important, reduces the chances of overspending, and helps you save as planned.
- **There is nothing wrong with treating yourself when you reach a savings milestone.** This will actually help motivate you to keep putting extra cash away when you can.

INVEST

in for a penny, in for a pound

When we apply our savings to investments, we create our net worth. Investing is the action of directing savings to an asset that will deliver an investment return greater than inflation.

Businesses are not investments. Businesses need us to be actively involved to make money. An investment makes us money passively. Investing is a get rich slowly scheme, whereas a business is a high risk, high effort, source of income.

The critical success factors for successful investing are to have investment returns that beat inflation over the long term and to use time as a secret weapon in creating wealth through the magic of compounding investment returns.

Listen to what the BDO Financial Planning team has to share about INVESTING

Click to view "Be like Steve and stay invested!"

Hover over the text to see the rest of it

save and invest: two sides of the same coin

By Desiree Raghubir, CFP®,
Financial Planner, BDO Wealth Advisers

Saving and investing – we need both to create wealth, but in my experience most people confuse the two and think they are the same thing.

Click to view
"Investing is scary. Get to understand market volatility"

WEALTH WELLNESS tip

Savings

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Saving is putting money away consistently to address a specific goal (like savings for a deposit on a car, a holiday or for furniture for your home), or to build your emergency reserve fund.

Investing, however, is for the long term and offers higher, inflation-beating returns. That said, investing does come with some risk.

how to beat the inflation monster

By Sue McLennan,
Financial Planner, BDO Wealth Advisers

Shopping for essentials (and even luxuries) can be a scary experience, not because of COVID-19 anymore, but because of inflation.

Are your salary increases keeping up with current inflation? Probably not. So how do you ensure that you will be financially secure in the future?

How do we really measure inflation and its effect on our lives?

If you save and leave your money in the bank, history shows us that, although a bank is safe, you could well end up destitute as interest rates over time do not pay more than inflation.

WEALTH WELLNESS tip | Investing
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There is a solution.
My advice for beating inflation is:

- Diversify your investments between the different asset classes of cash, bonds, property, equities (shares) and resources (gold, platinum, etc.). We do this to reduce risk as it's highly unlikely that all asset classes will underperform inflation every year.
- Invest for the double reward. Some asset classes, like property and equities, give you double investment rewards, versus cash with its single reward of interest.
- Let compound growth do the work. Tap into compound growth that Albert Einstein famously dubbed the "eighth wonder of the world".
- Time in the market. Saving and investing for the long term will give you growth on growth.

If you had deposited R100 into the bank in 1950 (71 years ago), at the end of 2021 you would have R26 640. This would not go far today. Alternatively, R100 invested into the FTSE/JSE all share index at the same time would reap a massive R2 358 310 after 71 years. How does this happen?

Well, it's the double reward of the increase in the capital value of shares enhanced by the dividend pay outs from some shares plus compound growth (growth on growth) that makes this appear magical.

So how do we achieve this?

- Start now, don't wait.
- Check the performance annually but leave an investment for as long as possible.
- Remember that compounding needs time to work, most of your capital growth will come through the older you get.

the rule of 72

By Ricardo Teixeira, CFP®,
Chief Operating Officer,
BDO Wealth Advisers

Compound interest remains a mystery to most investors despite the fact that we know compounding makes money grow exponentially over time.

The same can be said of inflation. The long-term eroding effect of compounding inflation, which can seem minor in the short term but add up – potentially catastrophically – in the long run, is poorly understood.

So, let's take a different spin on understanding compounding and inflation. The Rule of 72.

This is an algorithmic formula that confirms how long it takes for the value (or price) of something to double. The Rule of 72 is a useful rule of thumb to demystify the magic of compounding and the burden of inflation in our daily lives.

Give it try… if you divide a growth (or inflation) rate by 72, that's how long it takes for the price of something to double.

So, at 6% inflation, the cost of something will double roughly every 12 years. This helps to explain why grandparents remember buying a jar of Nescafé Classic (200g) for R9.99 in the 1980s, when now we think R109.00 is a good price for the instant coffee granules. In reality, this 1,800% price increase is really just 6% inflation over 40 years (where the first 12 years doubles the price from R10 to R20, the next 12 years doubles it again from R20 to R40, and the next 18 years bring the price to R110).

Ultimately, calculating compounding returns (or inflation) in your head isn't really feasible, but we can relate to "the price doubles" rather intuitively.

How many "doubling" periods do you have before you need to draw on your capital to fund your living expenses?

penny wise, pound foolish

This is where the lion's share of our income goes – generally around 80% of our earnings is directed towards spend.

Spending is for living, our homes, transport, and our lifestyles. But this is where it gets complicated. We often bypass the save step and spend first. We land up spending more than we earn… and turn to credit to close the gap.

Spend only what you have. It's simple, when we over draw on what's coming in from the earn tap, we are in debt.

To achieve balance in spending, it's helpful when we set rules for ourselves, like the 50/30/20 spending rule. Whether its that, or another spending rule, it's important we have one to guide our financial choices. Most importantly, we need to allocate our money to what we value and what's important to us.

Control of your daily finances is a cornerstone to financial wellbeing. Budgeting, managing your spending, and using debt wisely, are critical success factors in your wealth creation journey.

Listen to what the BDO Financial Planning team has to share about SPENDING

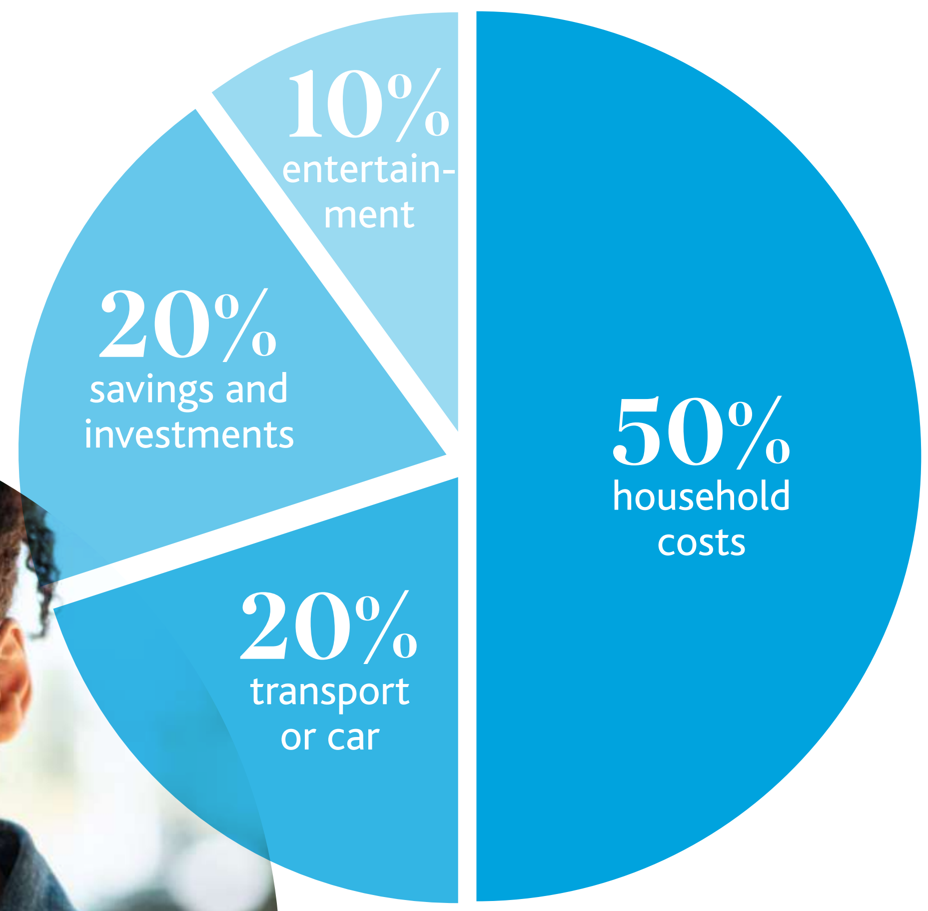
Click to view "Becoming debt free"

spend towards your net worth

By Nompumelelo Makhanya, Assistant Financial Planner, BDO Wealth Advisers

I know what you're thinking, "I earn an income, but I struggle to stretch it until the end of the month. Where do I start?"

As financial planners, we advocate for the 50/20/20/10 spending plan. This is a rule of thumb for budgeting.



Download
"BDO Wealth Advisers Fifty20twenty10 Budget Plan"

Let me explain it to you using a example scenario: Sara earns an entry level position income – she wants to buy a car in the next two years, visit Cape Town in December, and has responsibilities at home (AKA "black tax"). How can she allocate her spending from her income?

Using the 50/20/20/10 rule, 50% is allocated to her household costs such as rent and groceries, and for her we'll include "black tax" in these household expenses. Then, 20% should be allocated to savings and investments, 5% in savings kept in cash for emergencies, and 15% to long-term Investments.

Since she's working from home full time, the 20% for transportation can be allocated to car savings, which she can use for a car deposit in the next two years. This will help her develop the habit of saving and not create a void when she has to start spending on monthly car instalments. It is vital to note that the 20% allocated to transportation should include fuel, insurance, etc.

The remaining 10% can be spent on entertainment, which is also needed to balance her lifestyle.

I know what else you are thinking "Why should I spend 10% on investing? I am far from retiring!"

Instead of talking about "investing for retirement" let's use the phrase "investing for my net worth". In that way you're investing for something one of your personal goals – such as becoming a millionaire, starting a business someday, retiring early or maybe venturing into property ownership.

Always remember that your net worth isn't the income you earn but rather the assets and investments you own.

dealing with a financial mid-life crisis

By Lizanne van Eeden, FSA™, Practice Manager, BDO Wealth Advisers

In an ideal world, each of us would start saving for retirement and investing in our future net worth as soon as we enter the job market and earn our first paycheck. We would then continue to do so until we are ready to retire and live our remaining years travelling the world and spending quality time with our grandchildren, ultimately leaving behind a fortune for our loved ones as our legacy.

This sounds simply blissful.

However, many of us find ourselves in situations where we need to start over at a time when we least expect it. Be it due to the passing of a spouse, divorce, or a failed business venture, you may be forced to make a fresh start well into your 30s or 40s. Cue the financial mid-life crisis!

The best approach when you are forced to take a few steps back, is to ensure you make it part of the dance.

So, what should you do when you find yourself in this situation?

The good news is that the answer is simple:

you get back to basics. The bad news is that you might have to check your ego at the door and drastically downscale your current lifestyle to get back to financial wellness.

Beat the hot flushes and heart palpitations with these practical considerations and take action today:

Reduce as many of your current monthly expenses as possible

- Consider any part of your household where you currently employ someone to do something for you and start doing it yourself: this includes gardening or pool services, cleaning services, nannies and au pairs, etc.
- Look at your bank statements for the past 3 to 6 months and evaluate your spending, then work on eliminating the "wants"
and only spending on "needs" going forward.
- Reduce or eliminate spending on entertainment and eating out and opt for spending quality time at home and preparing home-cooked meals. This includes packing lunches for your family instead of buying something at the cafeteria or tuck shop.
- Stop purchasing clothing on store credit and focus on paying off all your clothing accounts. Once clothing accounts have been settled, close them.
- Only buy what you can afford to purchase in cash and save until you can buy it without taking it on credit.
- Focus on short-term debt that you can pay off quickly, so that you can allocate the funds towards bigger debt items.
- Stop going to expensive hair and nail salons and find a smaller business that can still help you look professional, but doesn't charge what the bigger salons do – or learn to do your own hair and nails.
- Pop some popcorn and watch a movie on Netflix instead of going to the cinema and spending money on snacks and drinks.

If you have taken serious action on these things, and you still aren't able to get on top of your debt, or put aside an amount every month towards saving, then you need to look at taking more drastic action.

- Consider moving to a smaller home, or even renting. A smaller home requires less upkeep and there is a better chance of you being able to do more yourself, instead of employing others to do it for you. Repairs and maintenance costs are also much lower.
- Check your emotions – don't let them get the better of you and cause you to make rash financial decisions or hold on to a mansion when what you really need is a cottage.
- Sell the extra car and only have one family vehicle, consider car-pooling for daily work and school runs.
- Declutter and sell items you no longer need or have space for (especially if you downscale) – the money you get from this may help you settle those retail accounts! Decluttering and simplifying your lifestyle can also do wonders for your mental health.
- Look for side hustles that you can perhaps do in your free time and from home.
- If your children are 16 or older, encourage them to get part-time jobs after school and over weekends to fund some of their own personal expenses and enable them to have some freedom to go out with friends, without having to rely on you for everything.

Of course, all these measures will be limited if you don't combine them with the most vital weapon in your armoury: your budget. Fully understanding your monthly budget and using it to manage your spending and saving habits can be one of the most powerful tools you have at your disposal. Get this right and you will reap the rewards in the long run.

Take the first step back to financial wellness and talk to your financial planner about your options. They can help you with a detailed, personalised financial plan to help you reach your ultimate goal of rebuilding your net worth and leaving the legacy you always wanted.

things change, so should your spending

By Mmatseleng Ramodike, Assistant Financial Planner, BDO Wealth Advisers

Payday is the richest you will ever be. It takes an average of 5 days for middle-income consumers to spend 80% of their monthly income. If 80% is the benchmark for a total month's spend, then it's quite clear that the middle-income consumer is not in the habit of paying themselves first (i.e. saving).

From their very first paycheck, many consumers do not budget properly or think they have won a jackpot – and what does that lead to? It leads to living beyond our means and when we cannot keep up with the Joneses, we turn to credit to finance our lifestyles.

The question is, how can a middle-income consumer avoid what seem like fate? It's a simple but boring solution… by continuously re-evaluating your spending habits and restructuring your budget in response to the economic climate.

If we compare cost of credit, petrol, and cooking oil from a year ago to now, they all have one thing in common – they all increased exponentially in that period. That means the budget you had a year ago will not be a solution for today's needs.

Don't get me wrong, I'm not suggesting that you cut your use of cooking oil as a form of saving, but I am suggesting that you make a habit of using budgeting as tool to help you to identify the non-essential items that you unconsciously spend your money on.

It can also help to open up to someone you trust (it could be your parents, but a professional financial planner may be more advisable) and discuss your budget. This may open the door to a hard discussion, but by openly speaking about your spending habits it will highlight the proportion of your spending that is going towards needs and wants.

under the influence

the instagram trap

By Tshego Mathebe, CFP®,
Employee Benefit Consultant, BDO Employee Benefits

If you are like me and your time in the dark during loadshedding means a lot of Instagram and YouTube, then you know about the power of the influencer.

Influencers help promote lifestyle inflation. Lifestyle inflation is what happens when a person advances in their career and this is followed by increased expenses to keep up with the new lifestyle. This need to increase expenses is elevated as we see influencers on various social media platforms promote certain lifestyles. We end up aspiring to live a certain lifestyle, which in most instances, we really cannot afford.

For example, if you decide to follow a certain influencer and they've just bought an apartment at a fancy lifestyle estate, it can make you suddenly aspire to live in a similar set up. You then get a promotion at work, which in most cases comes with an increase in your salary, and suddenly you can "afford" to live in that estate as well. You only realise later just how many expenses come with living in a fancy estate (which influencers don't often post about). Suddenly, there are homeowners' association levies, municipal levies, special estate levies etc. This will leave you with a really tight budget at the end of the month.

Influencers, unlike celebrities, create a certain selling point because they are more relatable as they are ordinary citizens like us. **We forget that most of the time, influencers promote items or trips which are often sponsored, and you my friend do not have any sponsorship!** Their feeds are also carefully curated to show only some of the story. What you see on Instagram isn't the whole picture.

The bottom line is that we need to be wary of the things we see on social media and if we cannot handle it, press that unfollow button… period.

debt the good and the bad

We all know the saying, "it takes money to make money", so before you take on debt ask yourself: is this going to build my wealth by making me money or is this only instant gratification and spending money?

By Mire Delport, CFP®, Financial Planner, BDO Wealth Advisers

You have probably heard people talk about good and bad debt. However, it's easy to forget the difference when cash is tight, or your consumer desires get the better of you!

Even as a financial planner I have fallen into this trap and used my credit card to pay for an overseas holiday.

I want to share an understanding of what debt will help you build your wealth and what debt will destroy your wealth.

A simple rule about debt is that, if it increases your net worth or has future value, it's good debt.

If it doesn't do that and you don't have cash to pay for it, it's bad debt.

WEALTH WELLNESS tip

Debt

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Hover over the text to see the rest of it

What is considered good debt?

These are all examples of good debts that will increase your net worth, with either an asset or a future earnings potential.

- a home loan
- business loans
- study loan for your education

What is considered bad debt?

These examples have a negative impact on your net wealth, and typically depreciate in value, have high-interest rates and generate no income. These type of debts have a habit of spiraling out of control very quickly.

- vehicle loans
- credit card debt or store accounts
- borrowing against your home loan

how to avoid financial fights

By Lisa Griffiths, RFP™, Financial Planner, BDO Wealth Advisers

Five ways to work out marital money woes without conflict.

Pick the right time

Find a non-stressful window of time to talk, such as when the kids are asleep or out of the house.

Come prepared

Write down your main issues ahead of time so it's easier to stay "on message" during your discussion.

Don't get emotional

Avoid personal attacks that could put your spouse on the defensive. Use "I" messages ("I worry when you spend a lot of money on things" instead of "You're a shopaholic"), and counter every negative comment with a positive one.

Take turns

This is your opportunity to address your financial frustrations. But it's also your partner's space. So let them partner have their say without interruption. Common courtesy will help you achieve your objectives.

Make a plan

Compile a to-do money list, and meet monthly to track the progress of your goals.

WEALTH WELLNESS tip

Spending

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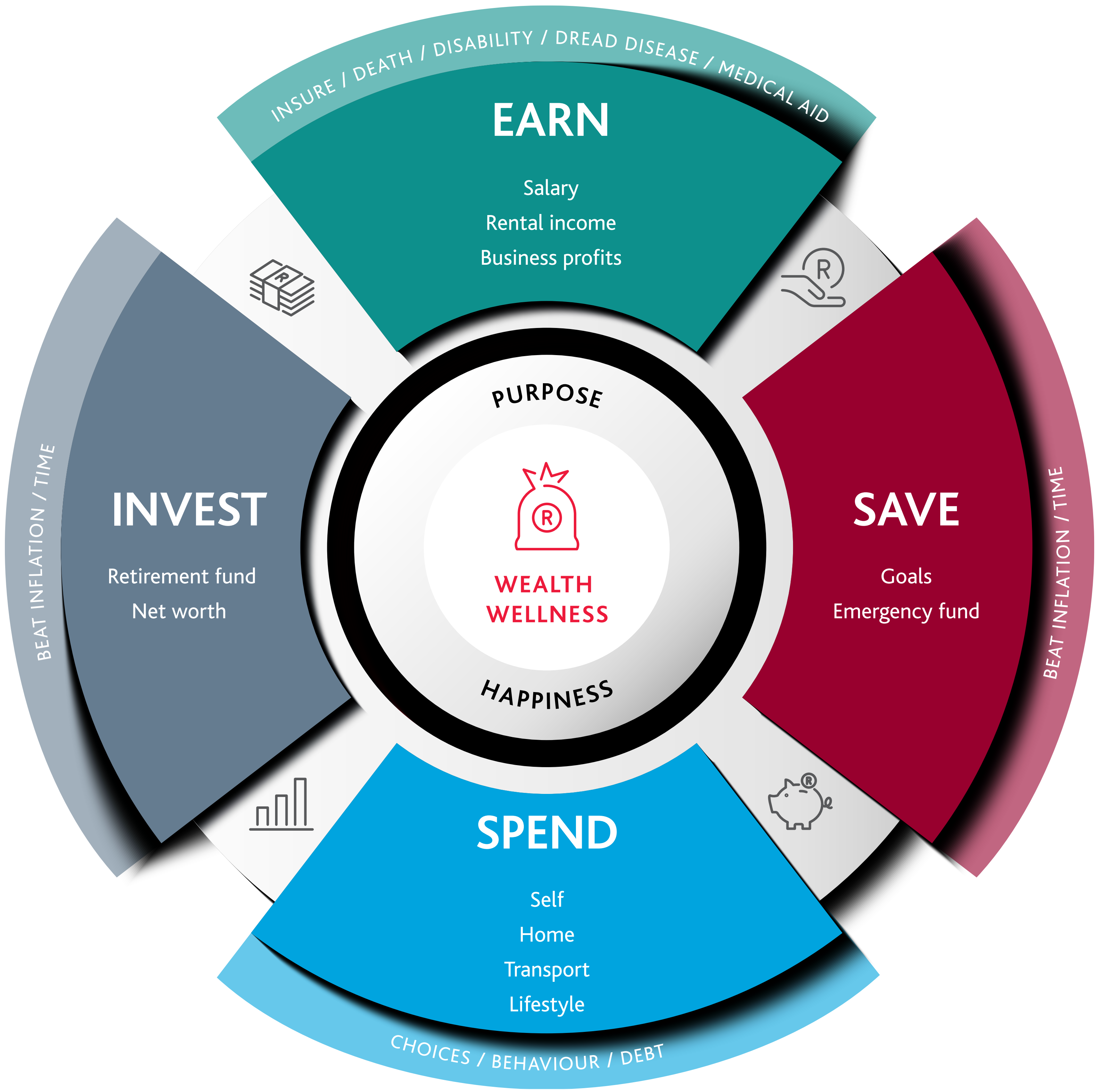

conclusion

And that's it…
the secret formula to wealth wellness.

The key is balance.

Balance your spending between living and creating wealth. It's not just one or the other, not just about saving or just about living. Create balance between spending and saving.

There will always be reasons why money is not enough, or why you can't save. Often, it's the small decisions we make on a day-to-day basis that have the most influence on our financial wellbeing.

We challenge you to take the first step towards your financial wellness by setting money rules that work for you and that will give you the best chance to live the life you want with the money you have. You can do it, if that's what you want.

wealth wellness health check

Take the temperature

Are you paying yourself first?
Do you have a monthly saving routine?

Test the blood pressure

Are you in control of your debt?

Screenings and vaccinations

Do you have an emergency fund and risk cover for those events that can be financially devastating?

Vision test

Is your medium- and long-term planning on course?
What's on the horizon?

Basic measurements

Do you have a financial plan and have you reviewed it this year?

Mental health check

Are you making the correct financial decisions or are all of your decisions ruled by emotion and bias?

Warning signs of more severe disease?

- Is your spending out of control?
- Are there any addictions?
- Are members of your family in financial crisis, how could this impact you?

If there are any causes for concern, contact your wealthcare specialist – your financial planner. With early diagnosis, you will prevent the onset of critical financial illness.

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