BDO Wealth's guide to

TALKING ABOUT MONEY AS A FAMILY

*"Through this **collection of life experiences**, we hope to inspire you to reflect on the money lessons you are imparting to your children."*

BDO is endorsed as an FPI Approved Professional Practice™ by the Financial Planning Institute of South Africa (FPI)

PREFACE

HOW DID YOU LEARN ABOUT MONEY?

Our adult relationship with money is influenced by and all starts with our earliest childhood memory of money.

As parents, we play a significantly influential role in our children's lives. Everything they say, do, and how they behave, is influenced by the experiences they have in their home environment, and in our actions as parents.

The same applies to their relationship with money. How we engage with, react to, behave with, and talk about money as parents will form the foundation for how our children will relate to money. This will be their norm and their benchmark when they start making money decisions.

Nobody learns about how to make 'good' money decisions in school or university. During our tuition, we are schooled in topics that have an indirect relationship with or impact on money; such as accounting, mathematics, economics, tax, and so on. But we aren't taught how to make money decisions.

Those lessons are learnt through our experiences, and the bulk of our teaching starts at home: around the breakfast or dinner table, while out shopping with our parents; or when listening to our parents speak about money to each other, to their relatives, to their friends, or to their colleagues. Through our parents' actions and reactions to money, we begin to learn our behaviours and ultimately define our relationship with money. Whether we love, fear, respect, or squander money, can all be traced back to the "classroom" of home and the teachings of our parents.

BDO Wealth's guide: talking about money as a family is a compilation of shared experiences from the BDO Financial Planners. These experiences have been gathered through life lessons, watching clients make mistakes, and the great examples some parents have set for their children.

Through this collection of life experiences, we hope to inspire you to reflect on the money lessons you are imparting to your children.

"Nobody learns about how to make 'good' money decisions in school or university."

cont...

WATCH

LET'S GET HONEST ABOUT OUR MONEY PROBLEMS

CONTENTS

1

INTRODUCTION

MONEY, MONEY, MONEY – RANKING YOUR FINANCIAL NEEDS

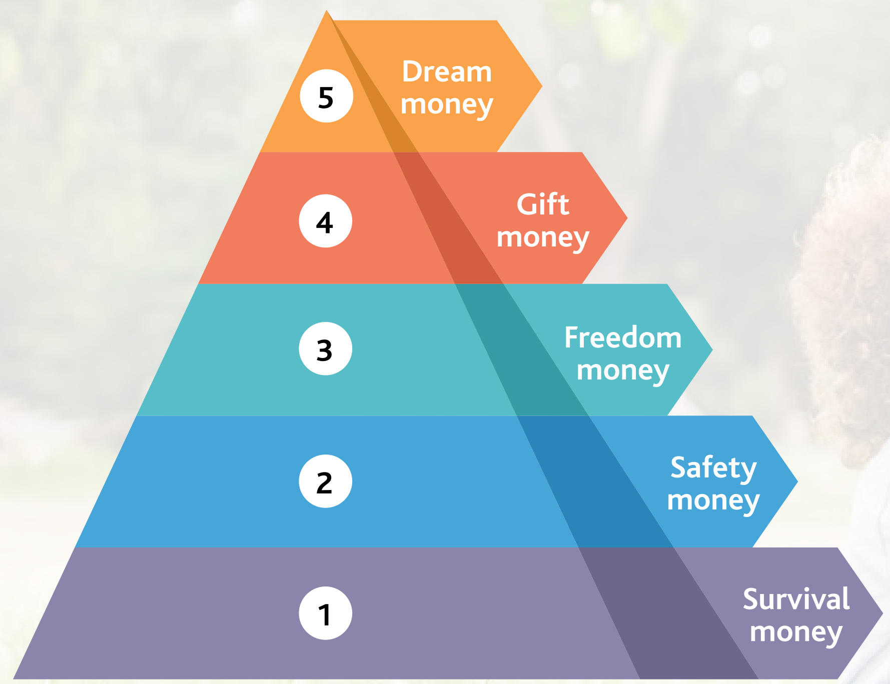
By Ricardo Teixeira, Certified Financial Planning® professional

Every person and every family has their own unique circumstances and construct. This uniqueness extends to money – how much you have of it, what you spend it on, and how you allocate it to needs, desires, and your dreams.

A commonality in all families when considering money and wealth is our financial needs.

Irrespective of our family financial circumstances, our financial needs are all similar. That's right: we all have a basic set of financial needs; irrespective of the uniqueness of our individual situation and the quantum of money we have available at our disposal.

Borrowing from *Maslow's hierarchy of needs*[i], we can create a hierarchy of financial *needs*[ii]: a framework to rank your financial priorities so that you have a basis for allocating your money and wealth in an orderly and logical manner. The goal is to give clarity and structure to the task of allocating a scarce resource to what matters most in your circumstances.



"This uniqueness extends to money – how much you have of it, what you spend it on, and how you allocate it to needs, desires, and your dreams."

cont...

INTRODUCTION

MONEY, MONEY, MONEY – RANKING YOUR FINANCIAL NEEDS

The starting point for all families is Survival money. This represents our physiological needs on Maslow's hierarchy of needs. This is our most basic need for money, the physical requirements for human survival. If not met, we simply cannot function properly and we will ultimately fail.

Survival money is the money you need make ends meet, to simply survive from one month to the next. This should provide for the roof over your head, your food and water, and what you need to do your trade. When deciding on an allocation to Survival money, be mindful to exclude those comforts that define our lifestyle, such as clothes, cars, cellphones, and all the trappings that go with defining how we live. Those items will fall into your Freedom money, which is the third level of financial need.

Once you've met your Survival money allocation, you then need to consider allocating money to your safety. Safety money is the money that you must have to meet life's unexpected turns and events. Life does not always turn out as we plan, so having the resources to correct course is essential to our need for safety. This allocation represents the financial requirement to keep us feeling safe, our financial security. Ask yourself: can we afford to fund 'Survival' needs if we lose our job, go through a divorce, are severely disabled, experience long term illness, or if the bread winner of the family dies? All of these life events have financial consequences that can make us vulnerable and exposed if we don't have a Safety money provision.

The third level of financial need is to belong and be loved. Freedom money represents the money and wealth we allocate to fulfil our need to belong. Here we need to cater for our social interactions and lifestyle – how we choose to spend our time with our family, the activities that make us feel connected, our friendships, and all other social activities we want to get involved in, such as clubs, sports, organisations and tribes we associate with.

Freedom money is the money and wealth we use to do all the things that bring enjoyment and fulfillment to our lives – for example: going to the theater, playing sports, buying a special bottle of wine, going out for dinner, your holidays, the special dress and pair of shoes.

As we move higher up the money hierarchy, the levels become more focused on our happiness. Gift money is all about funding the activities that we derive pleasure from. Your allocation at this level will be about people and causes that you care deeply for. The idea is to use Gift money to do something for our parents, our children, family or dependents, or support charities that connect with our heart and purpose.

The final level of need we allocate money and wealth to is our Dream money. This allocation fulfills our desire to accomplish everything that we can, or to become the most that we can. Dream money is the money used for those activities and experiences that we've always dreamed of. Many call this their 'bucket list' of experiences. Others may focus on the 'self-actualization' need to become the most that they can. Irrespective of how you define Dream money and what you plan to use your money and wealth for at this level, these are the activities and experiences that will bring higher meaning into your life.

The hierarchy of financial needs really works from the bottom up. The rule you need to apply is that you can't allocate up the hierarchy until you've fully funded and met the lower level financial needs first.

---

i Maslow's hierarchy of needs

ii A concept introduced by Mitch Anthony in his book titled 'New Retirementality'

2

FAMILY MONEY CONVERSATIONS

THE VALUE OF HAVING FAMILY CONVERSATIONS ABOUT MONEY

By Allan Heynen, Certified Financial Planning® professional

Opening the door to family conversations about money gives you an opportunity to share lessons learned. As long as you feel comfortable talking about money, you can talk about the things you wish you'd done differently. If you did not grow up having money conversations with your parents, or if you don't feel comfortable about the thought of talking about money with your children, remind yourself that we learn about money from our parents' relationship with money. Take courage and start the family money conversation. Hopefully, by encouraging money conversations around the family table, they'll feel comfortable doing the same with their children one day.

Here are some basic Do's and Don'ts for having family conversations about money:

DO

- Talk about all aspects of money: budgeting, saving, and spending. Talking about money equals sharing and learning. Money should be a regular topic of discussion for families – sharing how we earn our living, what we allocate our family budget to, and what our goals and aspirations are for our families.
- Include your spouse and teenage children in meetings with your financial planner and tax accountant. You'll be amazed at the lessons that they will learn over time. It will also remove the fear of dealing with money or making money decisions.
- Make family members accountable for money decisions. Pocket money is a great start to teach children how to work with a fixed quantum of money and make decisions in relation to that fixed amount. When your children start working, make them contribute a percentage of their income to the household running costs. That way they don't take costs for granted and feel that they are making a contribution.
- Keep a running budget so that you know where the money is being spent. Include 'niceties' such as holidays so that everyone in the family works toward the common goal and understands why they are making certain sacrifices.
- Have regular family money meetings to discuss the family finances. Money shouldn't be a taboo topic.

cont...

2 ...cont

FAMILY MONEY CONVERSATIONS

THE VALUE OF HAVING FAMILY CONVERSATIONS ABOUT MONEY

- Put together a list of your assets—personal property, bank accounts, investment accounts, and life insurance policies, along with account numbers and contact information. If you access any of the accounts online, also list the website addresses, user names, and passwords for each account. Then, when you have "the talk" with your children, let them know where they can find the list should something happen to you, so they don't have to go on a scavenger hunt when the time comes.
- Tell your children where to find a copy of your estate plan, and provide them with the name of and contact information for your estate planning attorney. You may also want to let them know if you have a plan for long-term care or if you've pre-planned your funeral arrangements.
- Have the talk soon. Don't wait for tragedy to strike before opening the door to difficult conversations.
- Approach the conversation with sensitivity. They, too, may be uncomfortable talking about money. Any discussion about your estate plan will force them to acknowledge the inevitability of your death, which they may also want to avoid. Think about their mind-set when setting the tone of the conversation.
- Open a bank account and a tax-free savings account for your children and help them develop the habit of saving and investing money.

DON'T

- Don't exclude family members from money decisions. It's a great disservice to them and they will have no money 'frame of reference' when they need to go it alone.
- Don't gratuitously hand out money to children – they will have no sense of the value of money.
- Don't ignore money conversations – money is not a taboo topic unless you make it one.
- Don't let your money insecurities or past decisions influence your children's money belief system.

I have dealt with some clients who have handled discussing money stories with their children well, and some who have not.

Here are some examples of real-life family experiences based on how they approached discussing money with their children:

cont...

FAMILY MONEY CONVERSATIONS

THE VALUE OF HAVING FAMILY CONVERSATIONS ABOUT MONEY

REAL-LIFE STORIES

Bringing your children into the discussion

I had a client who had three young boys whom she used to bring to every single financial planning and review meeting with me (her financial planner). The boys were small and very uninterested initially. After they attended the meetings for a year and listened to the conversations, she encouraged each child to ask me a question in the meeting. This helped to build their financial understanding and highlighted the good times her money was going through, and taught them about staying invested in the bad. I must say, I had never seen a client do this and felt her efforts were falling on deaf ears- until she passed away.

When my client passed away, the most amazing thing happened: the boys asked to keep the meetings going and, due to their involvement in her meetings and discussions around money, were able to just pick up with the finances and carry on as if she was still around. I learnt a valuable lesson from that client and was converted on the idea of bringing children into the money discussion from as early as possible.

Teaching children the value of money

When I started working at BDO, 32 years ago, I earned R600 a month. At the time I was still living at home and my dad asked me to contribute R120 of my salary to household expenses. At first I felt jilted by having to give up a large part of my hard earned cash, but when I compared myself to my peers I realised I had been made a part of the household and was learning how to contribute. It also made me check every amount I spent: because I was paying for things with my own money, I wanted it to be worth the expense. It taught me that if I want things in life I have to work for them and can't expect to get a handout.

What happens when you don't bring them into the discussions

Another client decided to keep their children out of the money discussions. They had grown up in a household where money was not discussed with children; it was an adult topic. This family was very wealthy and had come from a background without money, so they wanted to give their children everything they didn't have.

The father ran a business and his hard-earned wealth was shared freely with the children for any of their 'wants'. So, when the father did pass away, the boys were completely unaware of how the finances or the business were run, and they had no idea of the value of money.

Now these grown men, who grew up very privileged, have made many money mistakes with their father's inheritance, and are now without any real wealth of their own.

> ***"It taught me that if I want things in life I have to work for them and can't expect to get a handout."***

cont...

FAMILY MONEY CONVERSATIONS

'BUDGETING' OR 'BEHAVIOURS' – WHERE DO YOU START?

By Ricardo Teixeira, Certified Financial Planning® Professional

Money doesn't grow on trees. I'm sure we've all heard that at least once in our lifetime, and while it may not grow on trees, money comes from somewhere. There are many different sources of money. For some it will be a salary. For others it may be a profit share in a business. It could even be an inheritance that you draw on to live. Everyone will have a different starting point for money. Think of money as a water source – your stream, river, or water-well.

As with water, money is a resource that we use to live. Our flow of money also varies. At times in our lives there may be merely a trickle of money coming in, whilst at other times there is a steady stream. There could even be times when we experience a cascading waterfall of money. And, of course, there may be times when that source slows down- or even runs dry.

Budgeting is an exercise in the allocation of money. Nothing more, nothing less. Regardless of the nature of your source, we all need to decide how to direct that flow, in order to live our lives successfully and comfortable. And so we budget.

Using a meaningful framework for deciding how you allocate your money is essential. We're not talking about a traditional budget template of 'income' and 'expenses'-that's merely a format to record your budget. We should be talking about behaviours and habits first. Controlling our behaviours and the habits that are formed as a result of our behaviours and experiences is actually the starting point. All families should be talking about:

- The difference between 'wants' and 'needs'.
- Funding our 'lifetime' as opposed to simply focusing on funding our 'lifestyle'.
- What we value as a family and how we allocate money to the things that bring us joy and happiness.
- How we live out our best life possible with the money we have, as opposed to simply chasing a pile of money and never having enough.

Budgeting can only really start once you've grounded the behaviours that influence and direct the flow of money to what matters most to you. The hierarchy of financial needs is a useful framework to prompt the allocation of money and wealth so that you fund all aspects of your life, and not just what appears to be pressing at that moment in time. Once you've done this, by all means download a budget app and record the numbers.

THE FIFTY20TWENTY10 BUDGET RATIO CALCULATOR

The principle is simple – when it comes to budgeting try keep the ratio of your spending relative to your net monthly income. The framework points out areas where you may be over spending in relation to your total spend and income at that point in time.

The rule of thumb to follow in allocating your income is:

- **50%** should be allocated to household cost
- **20%** to your savings and retirement bucket
- **20%** on cars and transport and
- **10%** for entertainment

CLICK HERE
USE OUR 50/20/20/10 BUDGETING TEMPLATE

As your income increases over time, so too will your Rand allocation to each category of spending. The ratio of each category should however stay the same. Now that's a budget framework to create good habits!

The *Fifty20Twenty10 principle* was conceptualised by Julio Rodrigues (Director, OMD) and shared with BDO Wealth Advisers. We love the concept as it cuts through with simplicity and is effective in challenging our bad money behaviours. How does your current spend stack up against these ratios?

3

SURVIVAL MONEY

THE TUG-O-WAR BETWEEN 'LIFESTYLE' AND 'INVESTMENTS'

By Ricardo Teixeira, Certified Financial Planning ® Professional

We need money to live. This is a common belief system on which we all build our lifestyles. We use money to fund how we live, accumulate things that we use, and buy the things that we need and enjoy during our lives. These are our homes, cars, personal possessions, and nice-to-have luxuries that all define our lifestyle.

Funding our lifestyles is an expense, not an investment. Take our homes or cars as an example. These are classified as 'assets' or 'investments' in terms of generally accepted accounting practice. However, they are both elements that we choose to define how we live. They become a way in which we define ourselves and our status. Despite the accounting classification, they are not investments. They are simply a cost of living and we will continue to upgrade them, replace them, and maintain them for as long as they represent the life we choose to live. We will never really make a return on investment when selling lifestyle assets.

An investment, on the other hand, is a purposeful allocation of money and wealth that we set aside to fund our future lifestyle, when our money source eventually runs dry. The longer we live beyond being able to earn, the greater the need for a new source of funding that will last our lifetime.

There is virtually unlimited choice when it comes to making an investment. Be clear on what you are investing in, as not all investments are equal. Understand the nature of the investment before you commit, and match it to your personal circumstances. Don't take chances or a random guess when making an investment. Get advice or guidance from an investment professional if you're not able to DIY your investment plan.

"The longer we live beyond being able to earn, the greater the need for a new source of funding that will last our lifetime."

cont...

INTRODUCTION
FAMILY MONEY CONVERSATIONS
SURVIVAL MONEY
SAFETY MONEY
FREEDOM MONEY
GIFT MONEY
DREAM MONEY
MONEY AND MARRIAGE
DRAWING UP A FINANCIAL PLAN
CONTACT US

SURVIVAL MONEY

INVESTING FOR YOUR LIFETIME

By Peter Harten, Certified Financial Planning® Professional

DO

- It's a gradual process of building up investments for the future. Do give yourself time and start early. Teach yourself and your children about the power of compounding.
- Be disciplined in contributing money regularly to your investments. We call it 'Pay yourself first'. Put a debit order on your income which is immediately allocated to your investments before you spend on your current lifestyle.
- Invest in listed and regulated investments. There is a plethora of investment options. Select investments that are legitimate and that you can easily turn into cash when you need it.
- Invest across a range of investment categories (referred to as 'asset classes'). Allocate your investment to equities, bonds and property shared.
- Have a plan. Write down what your target investment is and have a plan for how you will achieve that.
- Get help calculating what you will need as your lifetime investment fund. Believe it or not, you can actually put a number to it. Ask a financial planner for assistance.
- Ask a wealth manager to guide you in deciding what the most appropriate investment for you is. An investment has a number of levels to consider – tax, legal vehicle or wrapper, and then the underlying portfolio. Everyone has different circumstances; and these are critical decisions that are dependent on your specific circumstances.
- Our retirement savings are valuable. If you ever change jobs, do preserve the investment and transfer it to a Preservation Fund.

DON'T

- Don't dip into your investments. Avoid the temptation of using your investments to fund your current lifestyle.
- Don't think that an amount is too small to invest. Over time it all adds up.
- Don't resign from your job to get access to your retirement savings.
- Don't keep your money in a bank account. Invest it in a balanced investment portfolio. That's the only way to ensure that your investments are not eroded by inflation.
- Don't speculate with your lifetime investments. Bitcoins are not investments.
- Don't select investments based on past investment returns. The past is unlikely to be repeated.

> ***"Avoid the temptation of using your investments to fund your current lifestyle."***

cont...

SURVIVAL MONEY

FUNDING YOUR LIFESTYLE

By Peter Harten, Certified Financial Planning® Professional

DO

- Fund your lifestyle with the cash you have, and you will live like a king.
- Understand your family's priorities and allocate money to what's most important to you and your family.
- Stress the difference between 'wants' and 'needs'. Whether you are a married couple or a single parent, the way you fund your lifestyle will impact how your children view their own lifestyles, and how they go on to fund their own lifestyles.
- Be clear on the allocation of your money to your financial needs. Fully fund Survival money and Safety money needs before moving up the hierarchy to Freedom money and beyond.
- Budget ... and stick to it! Make sure that your budget is realistic and make regular adjustments as needed.
- Buy your home only if you can afford it. Owning a home comes with maintenance and upkeep. It's not essential to own a home to live. Renting is a financially good option.
- Limit the amount of debt that you take on in funding the purchase of your home.
- Insure your lifestyle assets. It's cheaper to have an insurance policy than having to replace them if they are lost, stolen or damaged.
- Take out home owners insurance if you own your home, as well as a household contents insurance policy for the things in your home. Know the difference between the two.
- Adjust your lifestyle spending if you can't afford it.
- Talk to your children about the cost of living. Speak openly and honestly about finances. Let them understand how you decide to allocate between lifestyle and lifetime investments.
- Plan for the unexpected events, like the washing machine packing up. Create a safety net (an Emergency Fund) using saving accounts that will provide at least 6 month's living expenses in the event of an emergency.
- Think long-term goals and avoid instant gratification. Don't spend to the detriment of yourself and your family's financial future.

DON'T

- Don't use credit to fund consumption purchases such as food, clothes, or holidays. You'll be paying for the debt long after you've used and possibly disposed of the item. Avoid clothing and retail store accounts.
- Don't purchase cars with a deferred payment plan, or what is termed a 'balloon payment'.
- Don't buy a holiday home unless you can afford the additional lifestyle expense. A holiday home is not an investment if you don't rent it out and make an income from it.
- Don't under-insure. You're only fooling yourself because when it comes to making a claim, the insurer will only pay out in proportion to the value you had insured. This is called 'averaging' and can be a costly experience.
- Don't stop investments to fund your lifestyle. First cut back on the living expenses before you touch the investments.
- Don't be too proud to change your lifestyle. If you can't afford it, don't pretend that you can.

4

SAFETY MONEY

Safety money is the money you set aside to meet life's unexpected turns and events. This allocation of money represents the financial requirement to keep us feeling safe and our financial security. It comprises your allocation of money to an 'Emergency Fund' as well as funding the monthly cost of insurance to cover those more material life events like hospitalization, disability or death.

"Life doesn't always play out to our plans and best wishes."

cont...

SAFETY MONEY

HAVING AN EMERGENCY FUND

By Ricardo Teixeira, Certified Financial Planning® Professional

Life doesn't always play out according to our plans and best wishes. Life happens. And when it does, we need to be able to be act and take action so that we can get back on track to the life that we want to live and not be completely thrown off course on a trajectory that is not what you want.

When we are confronted with life's unplanned little obstacles (like having the washing machine breakdown, burst water pipe and damage at home or worst yet losing your job unexpectantly), having a stash of cash that you can dip into to cover the unexpected expense can a real life saver and take away a lot of anxiety. Having an Emergency Fund is the one lesson we should teach our children about and make sure we implement for our families.

DO

- Open a dedicated money market account (a high interest yielding, liquid cash investment account) that will only be used as your 'Emergency Fund'.
- Build up a balance over time in this account that equals six months of your regular living expenses. This is only a rule of thumb as a guide to the amount you should have set aside in cash.
- Make a start to setting aside cash to your Emergency Fund. Do it on a regular basis until you have reached your goal. Then start re-directing your savings to investments and or settling debt.
- Be clear as to what constitutes an 'emergency'. It will be tempting to see this Emergency Fund to pay for your 'wants' and not the real 'needs'. Only draw on the emergency fund when you really need it. Otherwise leave it alone for a REAL emergency.
- Have access to a line of credit if you don't have your emergency fund fully funded yet. Having a credit card, overdraft or mortgage bond that you can draw in case of an emergency can be a life saver.
- Do keep your Emergency Fund money in a separate account so you don't touch it unnecessarily - keep this money out of your everyday checking and savings accounts to avoid dipping into the money for non-emergencies.
- Do explain to your family how Emergency Funds work so they know about yours and what it is for
- Do replenish what you use. If you have to use a big chunk for a new roof or car repairs (or something else equally urgent), pay back that money as soon as possible

DON'T

- Don't invest your Emergency Fund into the stock market or illiquid assets. The Emergency Fund needs to be safe and accessible when you need it. An interest bearing money market account is best.
- Don't dip into the Emergency Fund to pay for planned and expected expenses. Rather cut back on your lifestyle spend to pay for these.
- Don't over invest in an Emergency Fund. Having too much cash set aside which is not invested does destroy wealth over time. Cash is not an investment. This is just for emergencies.
- Don't let this account become an unknown amount of money that is there when you want to use it – it is for emergencies
- Don't rely on a high-interest credit card to serve as your emergency fund. Even if you have plenty of available credit, you'll pay more for whatever you buy
- Don't use your retirement money to fund your Emergency Fund

cont...

SAFETY MONEY

ENSURING YOUR SAFETY WITH INSURANCE – DEATH, DISABILITY, DREAD DISEASE AND HOSPITAL PLANS

By Sue Cogswell, Certified Financial Planning® Professional

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.

"Making provision to insure these events is a critical component of Safety Money for all families."

cont...

4 *...cont*

SAFETY MONEY

ENSURING YOUR SAFETY WITH INSURANCE – DEATH, DISABILITY, DREAD DISEASE AND HOSPITAL PLANS

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.

"Don't just buy online or over the phone- insurance is a complicated issue and you need professional advice."

cont...

SAFETY MONEY

THE DREADED D-WORD: DEBT

By David Crossley, Certified Financial Planning® Professional

Debt is like a cancer! It starts as a small issue that we don't necessarily notice or feel, but if we leave it unattended, it can result in catastrophic consequences. Debt is very much a part of all families existence. Knowing the difference between 'good' debt and 'bad' debt is often the differentiator between living the life you want to live and putting your family's financial safety at risk.

DO

- Understand the need between a "need it" and a "want it." If you "need" it, it will more than likely be a legitimate purchase, but if you "want" it, then more likely than not it will be a frivolous expense that you don't need!
- Understand how much money you have available to spend every month.
- Draw up a monthly budget, based on your net income and fixed monthly expenses. Include a savings expense in your monthly budget – typically, this should be at least 15% to 20% of your gross monthly income. Treat this as a fixed monthly expense!
- Limit any loan agreements to housing and motor vehicles. These should be the only items that you should borrow money to finance, provided your monthly budget can absorb this extra payment.
- Learn how to use debt to grow your wealth by using debt for growth assets like your home or a business.
- Resolve to spend only what you can repay at the end of the month in respect of a credit card.
- Do share your financial situation with your spouse or partner in order to make sure that budgeting and spending become a family affair.

DON'T

- Don't hide your head in the sand! Pretending not to know how much you have to spend is no excuse for falling into debt and is, plainly put, irresponsible.
- Don't use your credit card on an emotional impulse for a "want" purchase. Interest rates on outstanding balances are in excess of 19%, and are very difficult to repay on anything less than a substantial monthly amount.
- Don't apply for multiple credit cards – you will end up robbing 'Peter' to pay 'Paul' if you overspend.
- Don't stay silent – talk about your debt situation and ask for help. Never delay asking for help if your debt situation is overwhelming. There are qualified people available to take you on the journey towards a debt and worry free existence!
- Don't buy something that tempts you with extra bling and features! If you need to purchase a vehicle on hire purchase (HP) agreement*, establish what your budget will afford as a monthly payment and stick to the cost of the vehicle based on this.
- Don't be deceived by seemingly low monthly vehicle repayments – there is a financial sting in the tail when it comes to capital repayment after a number of years. If the deal seems too good to be true, it probably is.
- Don't be lulled into a false sense of security – budgeting and staying out of debt is an ongoing discipline.
- Don't believe that you are bad with money. This is not true. Empower yourself to make good money decisions and take charge of your financial position.
- Never sign surety for anyone other than yourself.

---

* HP is an agreement that you as the buyer will have with a bank or a lender, whereby the balance owed on the vehicle will be paid off in monthly instalments over an agreed period. Sometimes a deposit is required by the bank or lender for this type of loan agreement to help reduce your monthly repayments, as it leads to you actually paying more in the longer term. If you miss one payment the car is repossessed, and you are unable to sell the vehicle until every amount is paid for.

cont...

SAFETY MONEY

DEVELOPING A CREDIT HISTORY

By Desiree Raghubir, Certified Financial Planning® Professional

Establishing a positive credit history means you will have a better chance of being able to borrow money at the lowest interest rate. We borrow money from a bank for major purchases like a house or car, and having a good credit history determines whether your request for credit is granted or not.

Not only can having a poor credit history make it difficult to borrow money, you could have difficulty getting a cell phone contract, finding employment, or even finding a place to live. Landlords and employers may access your credit profile.

Sadly, you need credit to develop a credit history. So make sure you go about developing your credit history with street smarts. Some credit options for developing a credit history include:

- Credit card
- Phone contract
- Clothing accounts
- Vehicle finance

However, you won't get a clothing account, vehicle finance, or cellphone contract without some sort of credit history.

So instead of going round in circles, the best approach to developing a credit history is to apply for a credit card from your bank with the lowest possible limit (so as not to tempt you into spending money that isn't yours) and then buying with that credit card, but for purchases that you can pay off immediately. The cellphone and vehicle finance companies want to see that you can pay off debt.

DO

- Approach reputable credit providers. Instead of applying everywhere, hoping for a positive response, it is best to start slowly and only apply for small, manageable amounts at a time.
- Develop a plan / budget to pay your bills, loans, and credit card timeously (i.e. do not default on your monthly payment).
- Allow for at least six to twelve months to develop your credit history.
- Have a savings account that you deposit funds into, even if it's very little. This shows your financial discipline and stability.
- Use your cards for small purchases consistently, and pay it off in full each month.

DON'T

- Don't carry a credit card balance. Pay off your credit card purchases monthly. Treat your credit card as virtual cash, and not as a bottomless pit of money.
- Don't cancel your credit card once paid off, rather manage it responsibly. It's good to have access to credit for emergencies.
- Don't make use of micro loans to service your credit card debt. Rather face up and talk to a professional when you are stretched and can't service your credit card debt.
- Don't use credit cards to finance your lifestyle. This is a no-no!

5

FREEDOM MONEY

Freedom money is the money and wealth we use to do all the things that bring enjoyment and fulfillment to our lives. This is to fulfill our need to belong, our social interactions and our lifestyle. Key principles here are saving and investing so that we can afford to do the things that bring fulfilment to our belonging.

"A recent research paper shows that the average cost of private schooling can easily top R1.5 million per child over their school years."

cont...

FREEDOM MONEY

SAVING FOR YOUR CHILDREN'S EDUCATION

By Desiree Raghubir, Certified Financial Planning® Professional

When it comes to saving for your children's education, the earlier the better! The best time for education planning is around the time your child is born. That way you have many years ahead of you. A recent research paper shows that the average cost of private schooling can easily top R1.5 million per child over their school years. Most of us don't even have R100 000 to our name, so how do you reach R1 million in a matter of a few years?

DO

- Start the savings plan when your child is born. Time is your ally when it comes to savings.
- Calculate how much you need to save and start as early as possible (is it just high school, University, or both?).
- Stay invested. Don't be tempted to draw these funds to cover other expenses.
- Top-up where you can, even if it is R100 per annum. Keep adding to this investment.
- Take advantage of tax free savings plans. Make sure that you choose a growth fund and not just cash for your tax free savings account.
- Make grandparents / aunts and uncles aware of the education savings fund; monies received for birthdays, Christmas, or other special occasions may be added to this fund.
- Ensure that your education investment plan is going to yield returns in excess of education inflation (which averages around 9% per annum) over the investment term.
- Explore the various options available and consider the fees applicable.
- Review the education investment fund regularly to ensure that the fund is on track to deliver the goods when you need it.

DON'T

- Don't wait until you can start saving a bigger amount: allow the power of compound interest to work for you.
- Don't just accumulate funds in an interest only bearing account. Saving for education is a long-term goal and your funds should be exposed to growth assets, e.g. equity and property.

cont...

5 *...cont*

FREEDOM MONEY

STAYING INVESTED

BE LIKE STEVE...

WATCH
BE LIKE STEVE...
STAY INVESTED

The lessons from this clip

- Don't sit on cash. Be in the market to create wealth – be invested irrespective of what's happening in the stock market or in politics.
- Do stay in the market for the long term – the longer you invest, the greater your wealth over time.
- Don't touch the money, let the returns compound. Avoid the temptation to dip into savings.

"Do stay in the market for the long term – the longer you invest, the greater your wealth over time."

cont...

FREEDOM MONEY

THE MAGIC OF COMPOUNDING

By Hedley Lamarque, Certified Financial Planning® Professional

There are some things that our minds just can't believe, no matter how many times we hear them. Compounding investment returns is one of them.

Compound investment returns is basically 'interest on interest'. It's allowing your returns to stay invested and get more returns just by leaving your investment untouched. So the sooner you place money in an investment, the sooner it can earn a return, and the more investment growth it earns. The longer you leave your investment, the better the chance you will have of benefitting from compound investment returns.

DO:

- Start as early as possible. Show your children how to save from the time they start earning.
- Explain the magic of compounding to your children. Get them to calculate the value of one cent doubling every day for 30 days. Do it for yourself – you'll be amazed at the result!
- Make the money sacrifice today so that you can see the benefit tomorrow
- Start putting money away from your first pay check: at least 15% – 20% of your first pay check, depending on your life circumstances. Make it a habit to place the money away before you even receive the pay check, so that you don't see it and don't feel as if you're losing it.
- Focus on the underlying investment selection – if you are young then you have time on your side to play with the ups and downs in the market. Invest in growth equity portfolios.
- Top up your investments with any spare cash from a bonus or gifts – it provides more money to earn a compound return.
- Preserve your company retirement savings. No matter how small the balance is, keep it aside and never cash in your retirement savings.

DON'T

- Don't delay starting your investments.
- Don't withdraw – let it grow (if you can't because you have a wedding to pay for, rather stop contributing and pay again a year later, but do not drop or withdraw investments).
- Don't forget about tax and inflation – always take them into account.
- Don't let inflation eat away at investments. Get your return higher than inflation before withdrawing; otherwise you will be going backwards.

"The longer you leave your investment, the better the chance you will have of benefitting from compound investment returns."

cont...

FREEDOM MONEY

THE MAGIC OF COMPOUNDING

**BELIEVE IT OR NOT ... THE MAGIC OF COMPOUND INVESTMENT RETURNS IS REAL!
FOLLOW THE STORY OF BEN AND ARTHUR AND THEIR SAVINGS JOURNEY.**

BEN		Age	ARTHUR	
Amount Saved	Balance		Amount Saved	Balance
R2,000	R2,240	19	R0	R0
R2,000	R4,749	20	R0	R0
R2,000	R7,558	21	R0	R0
R2,000	R10,706	22	R0	R0
R2,000	R14,230	23	R0	R0
R2,000	R18,178	24	R0	R0
R2,000	R22,599	25	R0	R0
R2,000	R27,551	26	R0	R0
R0	R30,857	27	R2,000	R2,240
R0	R34,560	28	R2,000	R4,749
R0	R38,708	29	R2,000	R7,558
R0	R43,352	30	R2,000	R10,706
R0	R48,554	31	R2,000	R14,230
R0	R54,381	32	R2,000	R18,178
R0	R60,907	33	R2,000	R22,599
R0	R68,216	34	R2,000	R27,551
R0	R76,802	35	R2,000	R33,097
R0	R85,570	36	R2,000	R39,309
R0	R95,383	37	R2,000	R46,266
R0	R107,339	38	R2,000	R54,058
R0	R120,220	39	R2,000	R62,785
R0	R134,646	40	R2,000	R72,559
R0	R150,804	41	R2,000	R83,506
R0	R168,900	42	R2,000	R95,767
R0	R189,168	43	R2,000	R109,499
R0	R211,869	44	R2,000	R124,879
R0	R237,293	45	R2,000	R142,104
R0	R265,768	46	R2,000	R161,396
R0	R297,660	47	R2,000	R183,004
R0	R333,379	48	R2,000	R207,204
R0	R373,385	49	R2,000	R234,308
R0	R418,191	50	R2,000	R264,665
R0	R468,374	51	R2,000	R298,665
R0	R524,579	52	R2,000	R336,745
R0	R587,528	53	R2,000	R379,394
R0	R658,032	54	R2,000	R427,161
R0	R736,995	55	R2,000	R480,660
R0	R825,435	56	R2,000	R540,579
R0	R924,487	57	R2,000	R607,688
R0	R1,035,425	58	R2,000	R682,851
R0	R1,159,676	59	R2,000	R767,033
R0	R1,298,837	60	R2,000	R861,317
R0	R1,454,698	61	R2,000	R966,915
R0	R1,629,261	62	R2,000	R1,085,185
R0	R1,824,773	63	R2,000	R1,217,647
R0	R2,043,746	64	R2,000	R1,366,005
R16,000	**R2,288,996**	**65**	**R78,000**	**R1,532,166**

Arthur starts late

Ben stops saving

Source: daveramsey.com

INTRODUCTION
FAMILY MONEY CONVERSATIONS
SURVIVAL MONEY
SAFETY MONEY
FREEDOM MONEY
GIFT MONEY
DREAM MONEY
MONEY AND MARRIAGE
DRAWING UP A FINANCIAL PLAN
CONTACT US

GIFT MONEY

FUNDING FAMILY OBLIGATIONS

By Lesego Mpete, Employee Benefits Consultant

Gift money is all about funding the activities that we derive pleasure from, that bring us happiness. Your allocation at this level of the financial hierarchy of needs will be about people and causes that you care deeply for. The idea is to use Gift money to do something for our parents, our children, family or dependents, or support charities that connect with our heart and purpose.

Gifting is rewarding and brings true happiness to our lives. Being in a financial position to gift to those that we care most about is a wonderful opportunity to fulfill a further level of need in our financial hierarchy. However, there is the risk of one's generosity and good nature to be taken advantage of. Be mindful when gifting to keep a balance on our financial wellbeing so that gifting remains a joyful experience and not one that you want to avoid.

For most people, family obligations are a built-in part of life and are usually set based on your family traditions and values. There are obligations that have been a part of the lives of your parents and their parents for generations. They can range from lobola to looking after your grandparents when your parents have passed on, or looking after a niece/nephew/grandchild. It is important though to remember that you're living your life. Your extended family needs and wants may be misaligned to yours. So be sure to consider your overall financial position, including your Survival and Safety money needs, before committing to funding family obligations.

Sometimes we need to revisit tradition in order to move forward and set a path for our children to prosper without guilt. But how do we even begin to set our personal family standard when it comes to family obligations?

"Being in a financial position to gift to those that we care most about is a wonderful opportunity to fulfill a further level of need in our financial hierarchy."

cont...

INTRODUCTION
FAMILY MONEY CONVERSATIONS
SURVIVAL MONEY
SAFETY MONEY
FREEDOM MONEY
GIFT MONEY
DREAM MONEY
MONEY AND MARRIAGE
DRAWING UP A FINANCIAL PLAN
CONTACT US

GIFT MONEY

FUNDING FAMILY OBLIGATIONS

DO

- Discuss your responsibilities with the family dependents looking to you for funding. Have honest and open conversations about expectations and what is possible.
- Disclose to your parents your actual earnings and how you plan to contribute to the extended family household or family obligations. Be specific as to the Rand value you can commit to the family.
- Manage expectations by making your intended contributions clear. Be specific in what you can afford and what you are able to contribute to the family's needs.
- Have your own financial goals set out before you commit to family support. Have you sorted your plan for furthering your education or a deposit for a home?
- Have a budget specifically for family, decide on the contribution amount, and allocate it to various areas in the house to cover what is needed.
- When deciding to get married, evaluate all aspects of the wedding, including cultural matters and customs in your partner's culture, such as lobola. They don't go away, so plan for them up front.
- Have an honest and open conversation with your future partner around lobola expectations, and together set out a plan to manage your expectations. Don't underestimate the power of conversation.
- Plan ahead for weddings: the date gets set by the couple to give the family enough time to prepare.

DON'T

- Don't over commit yourself in respect of your family contribution. Don't be taken on an emotional guilt trip. Contribute what you can. Set a Rand value.
- Don't commit to funding broad household expenses. Be specific as to what obligation you will carry.
- Don't take on unnecessary debt because of family pressure. Taking on loans to meet family obligations is a no-no.
- Don't spend money before you earn it. Commit based on what you are currently earning – not your future or expected earnings.
- Don't keep your personal financial goals a secret from your family- this helps them to understand why it is you have to watch your spending.
- Don't create false expectations around what you can provide for the family.
- Don't be in a hurry to get married once you are engaged. Ensure enough preparation is done for the wedding.

There is an unspoken notion around what a person earns being perceived as their value or worth, and I think that it's for that reason that, in most households, what a person earns is such a taboo subject. The other issue is that some people think that by informing their family members of what they earn, the family will be entitled to all of it.

Both of the above issues can be resolved by having open and honest discussions around money and financial wellbeing in the family. We understand that we need to look out for each other as a family in the spirit of "Ubuntu", but we also need to start having financial goals as a family unit. We should be asking ourselves: what does our family's financial future look like? In changing the discussion, we start to work towards a common goal as a family.

7

DREAM MONEY

What have you ever dreamed of achieving with your life? What does your heart desire to accomplish? What is it that you want to become?

Dream money can be your 'bucket list' of experiences. Or it be your focus on the 'self-actualization' activities that will help you become the most that you can. Irrespective of how you define Dream money and what you plan to use your money and wealth for at this level, these are the activities and experiences that will bring higher meaning into your life.

However, as idealistic it may sound at allocating and planning for one's Dream money adventures, the reality of life and living must never be underestimated. As wealth advisers to families across South Africa, we've encountered many a financial plan for Dream money being depleted and plans shattered. There are many reasons that dreams are shattered and need to change. Two reasons that stand out most often than not is:

- our misunderstanding and interpretation of what brings true happiness to our lives; and
- being burdened with parental responsibilities for our adult children that just won't leave the family home ...

cont...

ARE YOU RAISING KIPPERS (Kids in Parents' Pockets Eroding Retirement Savings)?

By Sue McLennan, Financial Planner

Oh, the joy of a new-born baby and the fun of raising a toddler! What about the trials of a teenager and the hell of matric? And those are only the emotional trials! If one stops to count the costs of raising a child in South Africa today, one might think twice.

We are told to love, feed, clothe, and educate our children, but no one told us about the cost of their entertainment and social lives. And what happens when:

- Adult kids don't want to leave home- even when they are working?
- They ask to study further than what you had budgeted for?
- You become financially responsible for your parents, as well as your kids?

DO

- Introduce your children to the concept of financial planning as early as possible.
- Teach your teens responsible spending behaviour by setting a good example.
- Allow them to have a formal one-on-one meeting with a Financial Advisor who will inspire a savings mentality.
- Introduce an allowance to your teens (start with weekly and then move to monthly payments). An allowance alleviates situations where teens continuously ask parents to buy things they want and don't need–it's important for teens to learn the distinction between wanting something and needing it. I suggest an allowance from around the age of 14.
- Show your children how to manage their money so that it lasts until the end of the month.
- Ask your children to contribute towards household expenses once they start to earn a regular income, so as to teach them responsibility.
- Encourage your children to save around 15% - 20% of their income when they start to earn. This is an important habit to establish at an early age. As their income increases in time, so will their habit of saving continue in line with the ratio to income.
- Look into student loans, as they could help with the cost of education.
- Count yourself as a dependent in your family unit, as you are your own dependent for retirement saving. Continue saving for yourself and your spouse and don't stop.
- Have the conversation with family and friends around gifts. The best gift a relative can give your child is to set up an education trust for tertiary education, instead of gifts such as toys, which will be soon broken or discarded.

DON'T

- Don't feel that it is still your responsibility to provide for your children once they start to earn enough to provide for themselves.
- Don't jeopardize your retirement planning by trying to give your children unnecessary luxuries (for example overseas holidays) when you cannot afford it. Be sensible about allocating to your 'wants' and 'needs' too.
- Don't get into financial difficulty by sending your children to schools that are so expensive that you need to go into debt to fund it.
- Don't feel that you have to leave a financial legacy for your adult children; rather, ensure your own financial security first as we are generally living longer. Use the money that you have saved and invested. This is often termed the 'SKI' phenomenon – "Spending Kids' Inheritance".
- Don't become dependent on your children in your later years because you have not saved enough during your earning career; you are just setting them back in their future.

cont...

7 *...cont*

DREAM MONEY

MONEY AND HAPPINESS

By Ricardo Teixeira, Certified Financial Planning® Professional

Do 'money and happiness' go together like a 'horse and carriage'? We've all been told the story that money makes you happy. But does having money really bring happiness? Sadly, this is not entirely true.

Starting from a position of poverty, yes there will be a point at which more money will bring you happiness. And that is at the point that you are able to afford to live without being classified as being poor. It's then that one would definitely value a correlation between 'money' and 'happiness'. However, as we continue to increase our income and wealth beyond the poverty line, there is very little correlation between our income and wealth and our level happiness.

More money can actually lead to more stress.

You endlessly compare yourself with the family next door. Happiness scholars have found that how you stand relative to others makes a much bigger difference in your sense of well-being than how much you make in an absolute sense.

If you want to know how to use the money you have to become happier, you need to understand just what it is that brings you happiness in the first place. And that's where the newest happiness research comes in.

And if you can't change how you think, you can at least learn to resist. Over the next month, keep track of how many times you tell yourself: *I wish I had an iPad!*

If in the course of your life you almost never find yourself wanting an iPad, forget about it and move on, happily. So how do we find the balance between 'money' and 'happiness'?

DO

- Have purpose in your life. True happiness can only be achieved if you live your life with purpose and do what is meaningful to you.
- Have goals for how you want to use your money to live. Just building a pile of money and not living will most certainly feel like a hamster on a tread wheel just running round and round and going nowhere.
- Make your Dream money fund real by taking time to reflect on the experiences and activities that will bring higher meaning into your life.
- Spend time with the people that matter most to you. Time together and our memories are often the core drivers of our happiness.

DON'T

- Don't think you can use money to buy happiness. Buying material things for the sake of having lots of things won't bring happiness unless those things are aligned to your life purpose. Happiness is a state of being, not a state of material ownership or wealth.

MONEY AND MARRIAGE

MONEY AND MARRIAGE: THE DO'S AND DON'TS

By Lisa Griffiths, Financial Planner

At the height of wedding season, no one wants to think about divorce. However, some trouble starts early — especially when it comes to money. The leading cause of stress in a relationship is finances, according to a UK study by SunTrust Bank. The research found that 35 percent of people named money as the primary trouble spot with their partner.

So what are some simple Do's and Don'ts that you can follow to avoid money causing trouble in paradise?

DO

- Discuss money before you get married.
- Ascertain what money style your future spouse has, e.g. extravagant, careful, or perhaps even 'head-in-the-sand'.
- Disclose all assets and liabilities to each other. Have a show-and-tell on your financial position. Speak openly about your finances.
- See an attorney to discuss the options under the ante-nuptial contract.
- Discuss and set up a budget aligned to your joint incomes. Agree in advance how you will share the joint household living expenses. It may seem trivial, but this is a critical conversation to be had before your marriage.
- Open up a family bank account to fund your joint living expenses.
- Discuss jointly your financial goals. Consult with your financial planner to bring this all together. Have a single financial plan – you are a family, after all.
- Have a set time every week where you discuss household budget and bills. Planning a 'treat' for after this session makes it more fun!
- Remember Charles Dickens' sage words: "Annual income twenty pounds, annual expenditure nineteen (pounds) nineteen shillings and sixpence, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."

DON'T

- Don't sweep something under the rug, as you are swept along by the 'romance' of the relationship.
- Don't believe that something will 'go away' if you don't talk about it.
- Don't ignore worrying warning signs in the behaviour of your spouse.
- Don't believe that everything will be all right in the end.
- Don't enter into any financial arrangement with another person (eg. a loan) without committing it to writing. Yes, even with your spouse!

> ***"Annual income twenty pounds, annual expenditure nineteen (pounds) nineteen shillings and sixpence, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."***

cont...

MONEY AND MARRIAGE

MONEY AND MARRIAGE: PUTTING YOUR FINANCES TOGETHER

By Lisa Griffiths, Financial Planner

Now that you are married, you will have to sit down and look at your finances as a couple. Think about your goals, your needs, and your future.

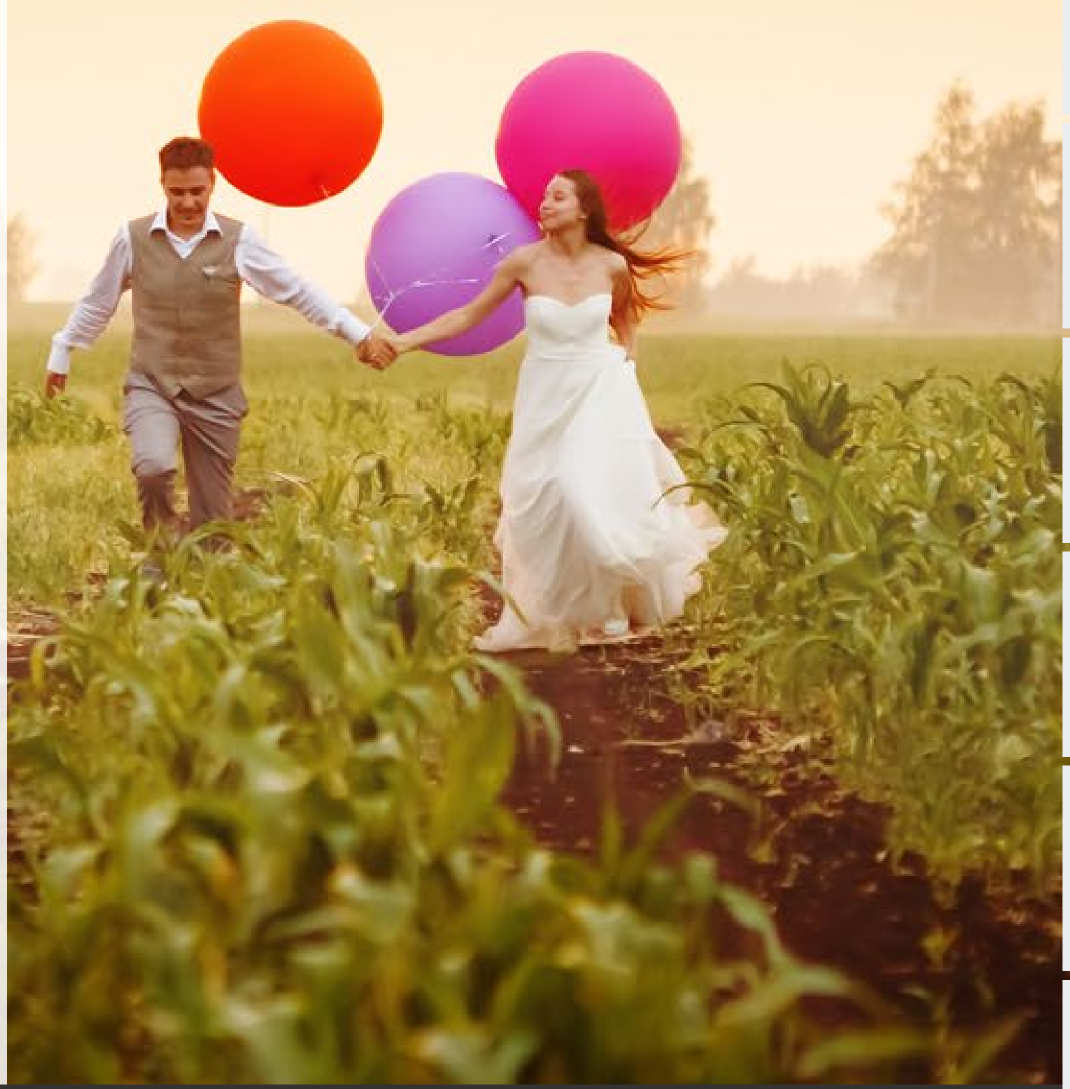
DO

- Each have your own bank account. It's important to maintain financial independence, despite being dependent on one another in other respects.
- Also have a joint family account. Use this bank account to fund the joint living expenses.
- Ensure that you have the best priced bank account for your requirements. Bank charges vary tremendously.
- Be clear as to who is responsible for bill payments.
- Set up a monthly budget and track it to ensure that it is realistic and that you are on target.
- Save money every month of your life. Save from your first salary.
- Understand that often, one person in the relationship has to take up the reigns and be the leader in the family finances. And this may not necessarily be the husband.
- Set a price and number limit on impulse purchases (and this could be zero). It could be one incident with a limit of R100. This could cater for unexpected family ice creams, or a small personal purchase. Discuss this at your family budgeting session.
- Take full advantage of loyalty programs, eg. Smart Shopper, Vitality, Clicks Club Card, etc. Take the trouble to learn how to use them and maximise your rewards in order to earn extra spend for your budget or treats.
- Communicate, communicate, and communicate again within the family.

DON'T

- Don't leave insufficient funds to cover your debit orders. The bank charges on bounced debit orders are horrendous.
- Don't run a credit card unless you have the fiscal discipline to pay the full amount outstanding on the due date.
- Don't incur unnecessary debt. Learn to distinguish between nice-to-haves (your wants) and need-to-haves.
- Don't succumb to peer pressure (keeping up with the Joneses). Create your own culture within your family and build pride in it.

cont...



8 ...cont

MONEY AND MARRIAGE

MONEY AND MARRIAGE: CONTRACTS

By Kezia Talbot, Legal Adviser

"In what legal way are you married?" is a question often asked amongst peers or by home loan creditors. But what are the different legal contracts for marriage? What should you do before you get married and what should you be discussing?

DO

- Take the time to meet with an attorney to discuss the different marital property regimes and decide which is the most appropriate for you. The options are:
  - in community of property
  - out of community with accrual
  - out of community without accrual
- Sign your Ante-Nuptial Contract (ANC) before you get married; otherwise you will automatically be married in community of property, unless you apply to court to change this. It's not called 'ante-nuptial' for nothing.
- Understand how your marriage contract affects your finances and the impact it has on your estate if you are or get divorced.

DON'T

- Get married without a marriage contract. Have the conversation before the marriage. If you can't speak about this before the marriage, reconsider the marriage.

"Take the time to meet with an attorney to discuss the different marital property regimes and decide which is the most appropriate for you."

cont...

INTRODUCTION
FAMILY MONEY CONVERSATIONS
SURVIVAL MONEY
SAFETY MONEY
FREEDOM MONEY
GIFT MONEY
DREAM MONEY
MONEY AND MARRIAGE
DRAWING UP A FINANCIAL PLAN
CONTACT US

MONEY AND MARRIAGE

SINGLE PARENTING

By Tshego Mosifane, Certified Financial Planning® Professional

The majority of South African children are raised by single parents. This could be as a result of a parent passing away, or the other parent could be alive but not financially active in the children's lives. Some families may have both parents living together; however, there may be only one parent who is employed.

DO

- Track your monthly spending. You can use banking apps available on your cell phone to help you track your spending.
- Draw up a monthly budget and try to stick to it.
- Talk to your children about what you can and cannot afford. Be honest with your children.
- Teach your children to use money wisely from an early age by differentiating between needs and wants.
- Help your children to draw up their own budgets and come up with ways they can earn extra money depending on their ages. This may develop entrepreneurial skills and will also help them to understand the cost of living.
- Make your children help you out with house chores in order for them to earn money. This will also relieve you of some household chores and they will understand the value of money.
- Use interest earning stokvels to save for school uniform and other school essentials. Most stokvels pay out your savings plus the interest earned at the end of the year. This is a good way to save as it will prevent you from accessing it during the year.
- Use your annual bonus to pay off your children's school fees for discounts.
- Have an Emergency Fund (safety money) worth a minimum six months of your living expenses in a separate interest bearing account.
- Consolidate your debt into a single facility with one account to save on monthly administration fees. If you have debt through different facilities, you pay monthly fees for each account. This may result in a lot of money over the years.
- Have long term education policies for your children for tertiary education.

cont...

MONEY AND MARRIAGE

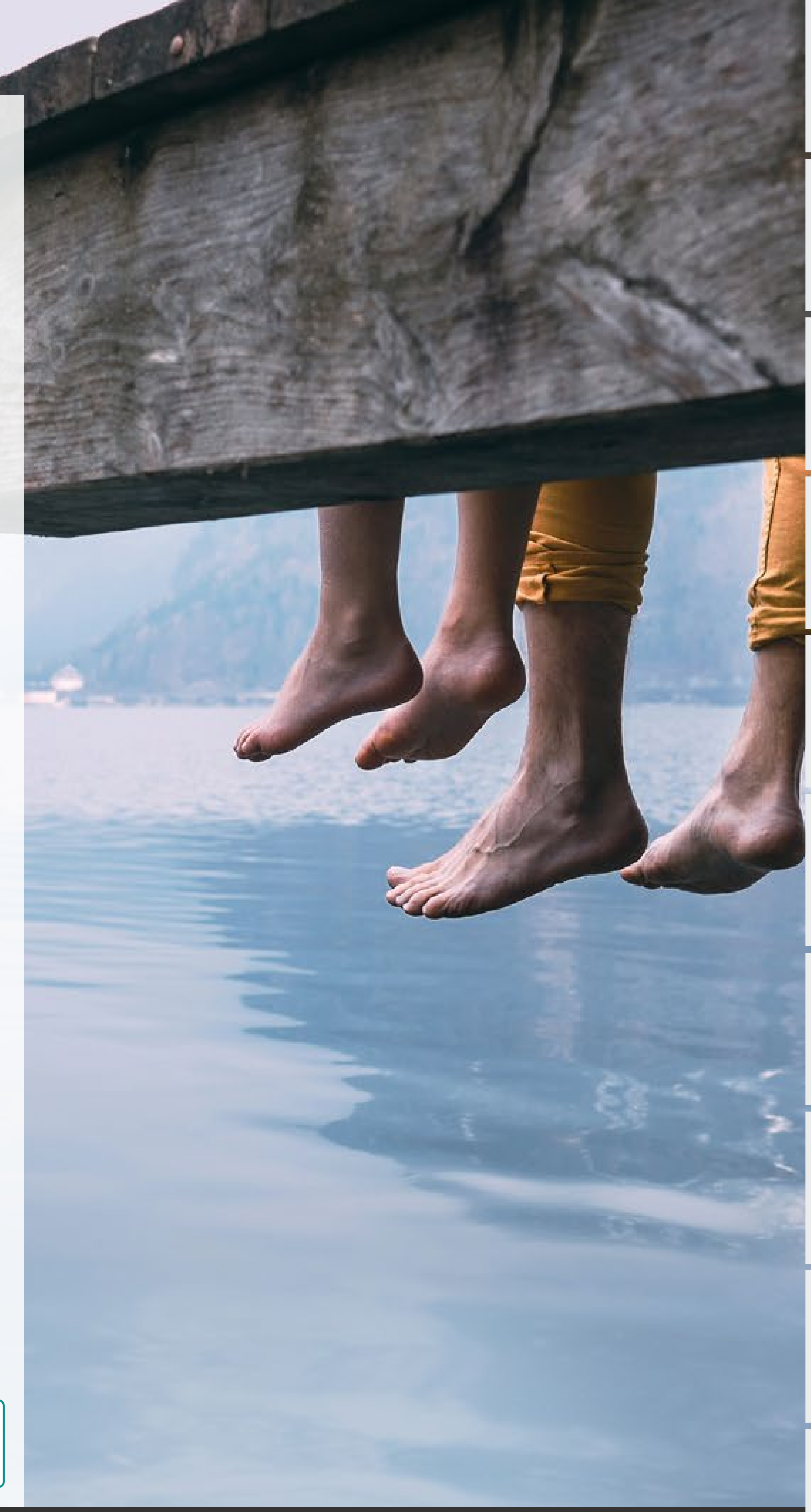
SINGLE PARENTING

- Have adequate life and disability cover. You have to ensure that should you pass on or become disabled, there will be income for your children.
- Prioritise saving for your retirement and employer group company schemes.
- Get an independent financial planner to be your money coach. They will assist you to make unbiased and well-informed money decisions.
- Consider moving into an apartment instead of a free standing house. This way you will not have to incur costs such as gardening services, painting, and general housing maintenance.
- Mothers generally end up caring for and looking after the children in divorced families. Without having emotional or financial support, discipline and planning are absolutely essential to survive daily life.

DON'T

- Don't be afraid of showing your children your monthly budget in order for them to understand why you cannot afford some of their wants.
- Don't use your credit card for children's luxuries/ unnecessary expenses.
- Don't cancel your life, disability, and severe illness insurance cover, no matter how tight you budget is stretched.
- Don't forget to update your group policy beneficiary details on life changing events. You do not want to leave out any children on your company life cover.
- Don't rush to buy property when you cannot afford it. Buying property comes with other expenses such as rates and taxes, levies, and maintenance expenses.
- If you are widowed, don't be tempted to use life cover proceeds for children's luxuries as a way of consoling them for their deceased parent.
- Single parenting is financially challenging. Don't let your children get caught up in thinking that financial instability and having a home with a single parent is normal. Encourage your children to be financially literate and break the chain of financial instability.

cont...



INTRODUCTION
FAMILY MONEY CONVERSATIONS
SURVIVAL MONEY
SAFETY MONEY
FREEDOM MONEY
GIFT MONEY
DREAM MONEY
MONEY AND MARRIAGE
DRAWING UP A FINANCIAL PLAN
CONTACT US

WILLS AND ESTATE PLANNING

By Kezia Talbot, Legal Adviser

Did you know that 70% of South Africans don't have a will? This means that should they die, their assets will belong to the state and their children will become wards of the government. This is not what anyone hopes for their family. If you are married, or have even one child or a retirement annuity, you need a will!

DO

- See a professional who has experience in drafting wills and winding up deceased estates to draft your will. They can advise you on issues which impact your estate, and can draft a bespoke will for your wishes and circumstances.
- Think about who you would like to be your child's guardian if you are unable to look after him/her. You can nominate a responsible person in your will. Also consider who would look after your child's financial needs.
- Regularly update your will with any changes in your life.
- Provide for alternative heirs, in the event of them passing away before you do.
- Review any policies and investments with a beneficiary nomination (especially at work), as these funds will pay directly to the beneficiary, regardless of your will.
- If you have business partners, do draft a buy-and-sell agreement, ensuring your co-shareholders are in a financial position to take over your share of the business when you pass away, and vice versa.
- Consider your social media and digital legacy. The solution is a Social Media and Digital Assets Will.
- Whether or not you wish your legacy to continue on social media, do nominate a digital executor in your Social Media and Digital Assets Will, and provide them with your login details for sites where your data is stored. These details should be stored in a safe or in a reputable digital vault.

DON'T

- Don't think you have too few assets to draw up a will – no matter how small your estate, a will ensures that the process is a lot smoother and sets the right measures in place to look after your family.

cont...

CATERING FOR SMALL CHILDREN ON DEATH

By Remay de Kock, Certified Financial Planning® Professional and Legal Adviser

It is crucial that you consider the consequences of your untimely demise should you have small children as this can place a heavy burden on your spouse and family members.

DO

- Ensure you have a will in place;
- Consider either providing for an inheritance to a minor to pay directly to the Guardian or to establish a Testamentary Trust on behalf of such minor;
- Nominate a Guardian in your will – so that your wishes are made known
- Make sure you and your spouse nominate the same person as Guardian
- Take into account the High Court is still the upper guardian and will always make the ultimate decision
- Remember that if you are a single parent/divorced and you nominate someone else, the high court will always choose the natural guardian (living biological parent)
- Appoint Trustees who have your children's interest at heart and are able to make good financial decisions;
- Prepare a letter of wishes in which you can direct your wishes regarding how you would want your Trustees to provide for your children.
- Make sure your liquidity is enough so that if you are paying maintenance, it is accounted for post your death

DON'T

- Don't leave all your assets to your spouse if he/she does not know how to handle the financial affairs;
- Don't feel that you have to appoint a family member as a Trustee if you don't trust them;
- Don't rule from the grave – your wishes should not be too restrictive as to limit the scope of the powers of the Trustees;
- Don't forget that the High Court is the upper Guardian of children and even though you nominate a Guardian (the court acknowledges your wishes but the court needs to review the Guardians role), it is not an official appointment if the High Court does not approve to the appointment.
- Don't think that your maintenance payment obligation ceases at death, it continues until your child is no longer dependant. But if you are a spouse receiving the payment and pass-on the payment will cancel.

DRAWING UP A FINANCIAL PLAN

By Johan Roux, Certified Financial Planning® professional

In order to know where you want to go, you need to make sure that you know where you are now. Think about a GPS: if you don't have your current position, you will not be able to determine the route to your destination. The most important aspect is to implement, to actually get started.

Let's use the metaphor of planning a holiday to describe the process of drawing up a financial plan:

DO

- Determine your future goals (destination) – will it be a summer holiday on the beach or a winter ski holiday?
- Use the appropriate transport to get to your destination – make use of products and solutions to achieve YOUR goals.
- Check in against your lifestyle objective – are you going to camp in tents or do you want to stay in a hotel?
- Document your plan. Commit it to writing. That's the surest way to achieve the outcome you want.
- Define check in dates and departure dates for your financial plan. You need to make sure that you set yourself timelines and actions that you can measure and which will keep you on track.
- Review and asses your progress annually - is your destination still relevant? There may be a snow storm or hurricane that will hamper your plans, so adjust your course to make sure you still get to your destination. Life is full of uncontrollable variables. A review of your plan is a great opportunity to adjust those variables to current reality.
- Share the plan with your spouse and children. Get them to contribute to the family goals and milestones. What's important is that your children should be part of your plan, so why not get them to participate in the planning process?
- Plan your execution with some experience – make use of a travel agent who has been through such a planning process for others and knows what to look out for.
- Do remember to enjoy your holiday when you arrive.

DON'T

- Don't procrastinate when it comes to documenting a financial plan. Just do it. Getting started is always the hardest part, so tackle your reservations and fears and just do it.
- Don't change your plan on a whim. Stick to the plan and adjust, rather than cancel the holiday entirely.
- Don't be the reason for the delay in your flight: you may just miss your flight if you don't keep to your action plan and timelines.
- Don't be unrealistic about your expectations. Don't expect to stay in a hotel if you booked camping accommodation.
- Don't keep looking back. What has passed or what you did not do can't be changed. Keep your eye on the future and make sure you get into action.
- Don't try DIY financial planning unless you're exceptionally self-disciplined. Having someone objective to keep you on track is a sure way to make sure that your holiday plans are a success!

The ice hockey player Wayne Gretzky once said:

"I skate where the puck is going to be, not where it has been"

cont...

CONTACT US

NEED HELP IN MAKING MONEY DECISIONS?

BDO in South Africa is part of the global BDO organisation. The network provides audit, tax and advisory services in 162 countries, with over 73 000 people working out of 1 500+ offices worldwide. Locally, we have offices in Cape Town, Durban, Johannesburg, Port Elizabeth, Pretoria and Stellenbosch.

JOHANNESBURG
22 Wellington Road, Parktown
Johannesburg, 2193
Private Bag X60500, Houghton, 2041
T +27 (0) 11 488 1700

PRETORIA
Building 5, Summit Place
221 Garsfontein Road
Menlyn, Pretoria, 0181
PO Box 95436, Waterkloof, 0145
T +27 (0) 12 433 0160

DURBAN
Rydallviews Building
5A Rydall Vale Office Park
38 Douglas Saunders Drive
La Lucia Ridge, 4019
PO Box 47, La Lucia, 4153
T +27 (0) 31 514 7000

CAPE TOWN
6th Floor, 119 -123 Hertzog Boulevard
Foreshore, Cape Town, 8001
PO Box 2275, Cape Town, 8000
South Africa
T +27 (0) 21 460 6300

Email wealth@bdo.co.za

BDO Wealth Advisers (Pty) Ltd (FSP number 4549) is a Registered Financial Services Provider and a South African company and is an affiliated company of BDO South Africa Inc, a South African company, which is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

www.bdo.co.za