FINFLASH

MONEY TALKS
– OR IS IT JUST TO SAY GOOD-BYE?

In August we celebrate National Women's Day, reminding us of the fundamental contribution made by women to our society. However, women often do not make sufficient contribution to their own well-being, since they seldom take sufficient care of their own financial position. Research has shown that men think of themselves as experts on a topic, if they have a general idea of how something works, but that women, even with an advanced degree on the subject, hardly ever classify themselves as experts. Unfortunately this attitude has serious consequences for a woman's financial position.

It generates a range of misconceptions such as

- women need more help to understand financial matters than men
- women are financially conservative and risk averse, compared to men
- women are more interested in spending money than in saving or investing

In order to combat such misconceptions, women have to take charge of their own financial situation. And if women are so 'risk averse' they should make adequate provision for financial contingencies to avoid the risks inherent in not making any financial provision for the future. Whether risk averse or not, a woman has to make her own financial future and financial independence a priority.

This means

- investing, not just saving
- making retirement a top priority
- having a financial plan, not just a vague idea of what to do
- taking charge of financial matters
- learning to have the confidence to take and stick to financial decisions
- finding a qualified and trusted financial adviser to assist with the process

If you want to take charge of your own financial well-being, the help of a professional Certified Financial Planner (CFP®) is essential. Nobody imagines that an annual medical check-up can be replaced by general reading on the internet. In the same way very few people can expect to manage their own financial situation without expert advice, since even the simplest financial situation nowadays has complex ramifications. Your adviser will analyze your financial situation and, based on your individual situation, needs and dreams, your adviser will develop a comprehensive financial plan for you. A proper financial plan will do much more than just address possible savings or investments. It is a complex and holistic document that will cover all aspects of a person's financial life, taking into account all possible financial responsibilities and opportunities.

The following are some of the aspects that will be reflected in a comprehensive financial plan, but the list will differ for each individual. The list should at least take into consideration:

- your current financial position, including, amongst others
  - ◊ your assets (including investments) & liabilities (such as short-term debt, home mortgage, car payments, etc.)
  - ◊ insurance (work-related benefits & individual insurance: disability, critical illness, life cover [group & individual], education polices, short-term insurance, etc.), medical aid, etc.
  - ◊ financial aspects such as your budget, tax (possible tax savings)
  - ◊ trust(s) (especially for minor children)
  - ◊ estate planning (including a feasible and valid last will and testament and the documentation associated with such planning)

- your future financial position (over the short, medium and long term)
  - ◊ short-term: emergency fund; savings for a holiday, etc.
  - ◊ medium-term: tertiary education for children, saving for a down payment on property or a car, etc.
  - ◊ long-term: retirement, frail care

From the above it is clear that if so many aspects need to be taken into account, a proper written financial plan is a prerequisite. Studies show that having a written plan encourages an investor to stick to the plan at the same time as increasing a person's confidence regarding financial matters. Remember that it is possible to take charge of money matters as well as achieving some financial security, by having a holistic and comprehensive plan for your finances. The plan must take into consideration all the aspects listed above and high-light all the gaps in your financial situation. Something often left out is the need to save for an emergency. Financial security depends on being able to cope with financial emergencies, which in real terms means having an emergency fund which covers 3 – 6 months' expenses. Financial security also means planning for a person's mid-term needs or perks, as well as for the long-term.

Quite a number of people feel reasonably confident about coping with some aspects listed above, such as getting short-term debt under control, or even budgeting. Very few people feel confident about making sure their financial plan is comprehensive, including all aspects of a person's financial well-being, such as (depending on an individual's personal situation)

- long-term investing
- proper insurance
- making provision for retirement
- including tax benefits associated with retirement
- or estate planning &
- taking tax (including capital gains tax) into consideration for estate planning

The point is that if you work with your financial adviser, your financial plan will include all sections of your financial position, including those about which you are not confident and focusing on those you consider key. In addition your adviser will keep a watching brief over this plan and adjust aspects over time, depending on how your life and situation change. At the same time you can rely on an expert's advice and input to keep you on track to achieve an independent financial future.

If you would like help with any of the above, or if you would like to know how your financial plan should look to achieve your own financial independence,

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