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irfa dispatch

THE RETIREMENT INDUSTRY NEWSLETTER

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Securing your future: Pre-retirement planning considerations

This is the first article in a series on planning for retirement, focusing on the different phases of the journey. Over the course of the series, we will also look at the transition phase, the active phase, the passive phase and the late retirement phase. Just SA is a retirement income and life annuity specialist that partners with best-of-breed independent asset managers and administrators to provide an enhanced value proposition to meet the different needs of South African retirees. Retirement is a significant milestone that requires careful planning and preparation. If you are one of the many South Africans who will retire in the next 5–10 years, it is crucial to start thinking about your goals for your golden years and taking proactive steps to ensure a financially secure future.

Assess your financial situation

The first step in preparing for retirement is to evaluate your current financial situation, taking your spouse or partner and any dependents into consideration. Take a thorough look at your savings, investments, and assets and consider consulting a financial adviser. An adviser will help you evaluate your financial health and choose a suitable solution that will provide an income in retirement to support your desired lifestyle.

Develop a retirement budget

Your needs and wants in retirement may differ from your current needs and wants, and this will affect your budget. Creating a budget that is tailored to your retirement needs is a good way to get an idea of how much income you will need. Identify your anticipated retirement expenses, categorising them into essential and discretionary expenses. Essential expenses typically include housing, healthcare, food, transportation and utilities, while discretionary expenses are generally more flexible and may include holidays, entertainment, socialising, hobbies and other leisure activities.Once you have identified your expenses, estimate their costs and factor in inflation over time. Remember that people generally underestimate their life expectancy. Retirement can span several decades, so it is crucial to plan for long-term financial stability.

Get to know retirement income sources

The South African old–age grant is currently R2 080 per month for individuals aged 60+ and R2 100 per month for those over 75 years old, which is not nearly enough for the average South African retiree. These figures show why it is important to have your own savings – either through your employer's pension or provident fund or through a private retirement annuity that you contribute to during your working years. When you retire from any of these funds, you are legally required to purchase either a living annuity or a life annuity with at least two-thirds of the capital you accumulated in your working years. The greater the sum you have accumulated, the higher the post-retirement income you will be able to enjoy. Choosing the right post–retirement product will also make a difference to your outcome in retirement. A living annuity is an option that allows you to choose the annual income amount within certain limits, usually as a percentage of the total investment value. There is a risk here as the income will fluctuate based on the markets. A life annuity is another option. It provides a guaranteed stream of income for your lifetime, no matter what, and a blended annuity is a combination of both. A blended annuity provides some guaranteed and flexible income or the “best of both worlds”.

Picture the future

It is an excellent exercise to think about what you want to achieve in retirement and how you can make your money work for you in the most sustainable way so that you can enjoy peace of mind. Where might you like to live, which hobbies would you like to pursue, or which meaningful experiences would you like to have? These are all questions to consider. Understand what is most important to you – certainty or flexibility? The right answer depends on your preferences. Thinking about these two apparent opposites will help you decide which product option is best suited to your future and the income needed to support your wants and needs.

A guaranteed income from a life annuity may be the best option for you, or you may prefer to take more investment risk through a living annuity. A financial adviser will be able to help you choose the right annuity product that gives you the best possible retirement income based on your individual circumstances. Achieving a comfortable retirement requires careful consideration, financial planning, and informed decision-making. And the earlier you prepare, the better.

Personal Finance | 1 June 2023

Think about where your income will come from when you retire

Retirement is an inevitable phase of life that awaits each and every one of us. Saving for retirement is crucial.

It is more important than ever for you to think about where your income will come from when you retire. Nidia Lourens, Senior Actuary at Metropolitan, shed light on the importance of building a nest egg for the golden years and the long-term benefits it brings.

Financial Independence and Security

One of the primary reasons to save for retirement is to achieve financial independence and security during your post-employment years. Relying solely on government or company pension plans is becoming less certain, making personal savings even more critical. By diligently saving for retirement, you build a sufficient financial cushion to maintain your standard of living and cover essential expenses such as healthcare, housing, and daily living costs.

Compound Interest and Long-Term Growth

Saving for retirement early allows you to take full advantage of the power of compound interest. By starting early, you give your savings more time to grow and earn interest on interest. This means that even modest contributions made consistently over several decades can grow into a substantial nest egg, providing you with greater financial stability and freedom in your retirement years.

Mitigating Inflation and Rising Costs

Retirement may be years away for some people, but inflation and rising costs are ever-present concerns. Prices for goods and services tend to increase over time, eroding the purchasing power of your savings. Saving for retirement helps safeguard against inflation, as the growth of your retirement funds can potentially outpace inflation rates. By building a substantial retirement fund, you can better protect yourself against the rising cost of living, ensuring that you maintain your desired quality of life in retirement.

Flexibility and Peace of Mind

Saving for retirement not only provides financial flexibility but also offers peace of mind. Life is full of unexpected events, such as medical emergencies, family obligations, or sudden career changes. Having a retirement savings fund allows you to weather such storms without jeopardising your long-term financial security. It provides a safety net and the freedom to make choices based on personal goals and aspirations rather than being solely driven by immediate financial needs.

Relieving the Burden on Loved Ones

By saving for retirement, you are not only securing your own future but also relieving the burden on your loved ones. Depending on family members or social welfare for financial support during retirement can strain relationships and place undue pressure on those closest to you. Taking responsibility for your own financial well-being through retirement savings ensures that you can maintain your independence and reduce the potential financial strain on your family.

Saving for retirement is an investment in your future self, offering financial independence, security, and peace of mind. Starting early and making consistent contributions to your retirement savings allows you to harness the power of compound interest, mitigate the impact of inflation, and adapt to unexpected life events. By taking control of your financial destiny and building a robust retirement fund, you can enjoy your golden years with the freedom to pursue your passions and live life on your terms. So, don't delay; start saving for retirement today and secure a brighter tomorrow.

Personal Finance | 1 June 2023

Leverage the looming two-pot system to boost your retirement savings

The Covid-19 pandemic has been an unprecedented event that affected the lives of people all over the world. We have seen the impact it has had on businesses, particularly small to medium enterprises, and how it has forced them to make difficult decisions such as retrenchment. This has placed many people in a dire financial situation, often leading them to consider dipping into their retirement funds, the largest source of savings for most South Africans, to make ends meet.

The National Treasury took note of this and in 2021 proposed to make changes to the retirement fund system and introduce the “two-pot system”, which might be effective from 1 March 2024. As a result, people will be able to access their accumulated savings without having to resign from their current employers and incur punitive taxes, which can delay their retirement savings goals. It will also give people an opportunity to invest 1/3 of their pension and provident funds in a savings portion, including retirement annuities, that would have ordinarily been accessible at age 55.

Turning a retirement savings crisis into an opportunity to bolster a savings culture.

It's evident that many South Africans are not saving adequately for retirement given that average replacement ratios are between 25-30%. This is because people pause from saving for retirement throughout their working lives, some are not part of employer-sponsored retirement schemes which act as a "forced saving mechanism" and most people in South Africa don't have the means to make saving for retirement a priority. For those who want to bolster their retirement savings, the change in legislation to the two-pot system should be used as a golden opportunity to do so. Here are three starting points to consider:

1. Invest in diversified portfolios that take where you are in life into account.

The general rule is, the younger you are when you start to invest, the more risk you should take. If you are getting closer to retirement, however, you should reduce your risk, as you may not have the requisite time to endure major market downturns. Constructing a portfolio under the two-pot system will still require that you select one that is in line with Regulation 28. Pension and Provident funds will need to have default options for members who cannot choose their own investment portfolios. In the case where you want to kickstart your retirement savings through a retirement annuity, it might be worthwhile to consider multi-asset funds. At PPS Investments, we offer an extensive range of multi-manager and single-managed partnership funds which follow an investment process that offers diversification among underlying managers and has led to competitive performance over the long term, even as market volatility has increased recently.

2. Optimize your savings in the short term by making sound financial decisions, now.

Perhaps there might be some of you reading this article, who are changing jobs and may fear that once the two-pot system kicks in, a large portion of your retirement savings will be locked in the 2/3 pot, that vests only at retirement and feel it might be better to withdraw it now before the new legislation comes to effect? While people have different financial circumstances, it would be worthwhile to transfer the funds, where possible, into a preservation fund, as taxes can be quite high if you choose to withdraw any amount above R27 500. Once the two-pot system is effective, you will be able to make withdrawals from the savings pot, on a rolling basis every 12 months, which will be taxed at your marginal tax rate.

Preserving your investment gives your accumulated savings an opportunity to grow. I know this from my personal experience when I changed jobs recently and preserved my pension fund. This happened in January 2023 and the transfer was finalized the following month, which meant being out of the market for a month. February 2023 was a 'good' month in the market as the FTSE/JSE ALSI yielded 8.89% in January 2023. I could have also earned upwards of 5% had I been invested in any of the PPS Multi-Asset High Equity Funds. The diagram below returns to illustrate what I missed out on in January.

	Jan	Feb	Mar
PPS Balanced FoF A2	5.08	0.77	-1.92
PPS Balanced Index Tracker A2	5.27	-0.72	-1.18
PPS Managed A2	5.30	1.49	-2.29
FTSE/JSE All Share TR ZAR	8.89	-2.19	-1.26

Source: Morningstar, 31 March 2023

While this is a recommended approach, it does not constitute financial advice. Speak to a professional financial adviser who can provide you with a solution that is fit for your purpose.

3. Maximize your time in the market and be mindful of the fees you pay.

The key advantage of the two-pot system is that people will have access to making provisions for short-term financial emergencies while staying the course in saving for retirement. The proposed amendments stipulate that any accumulated savings until March 2024 will stay in the vested pot and will be accessible based on the rules of the fund that still apply now. It makes sense to optimize the growth of that investment by taking advantage of the tax deductions you get when saving through a retirement fund. The government provides a tax-deductible saving of up to 27.5% of your income, which is capped at R350 000 as a rand value before the end of each tax year.

At PPS Investments we provide family members with an opportunity to invest with us, pooling the value of investments to reduce the administration fees they would pay, giving your investments an opportunity to accumulate more growth. The most important thing to do is to stay the course and do time in the market, as investments need a long-term orientation to realise their potential to grow.

FA News | 8 June 2023

Important stages to consider when planning your retirement

People don't really think about retirement because it seems so far away, but then one day it's right around the corner. So, what do you need to consider when it comes to retirement? Ester Ochse, Product Head, FNB Integrated Advice says “It is most convenient to divide retirement planning into three separate phases, each with its own considerations. These three phases are the build-up, final-lap, and retirement phases, respectively.” Ochse unpacks the three stages to consider when planning for retirement:

1. Pre-Retirement

• ***What does the idea of retirement look like to you?*** Do you want to be a home body, or do you want to travel? The reason why this is important because that will determine how much you need for retirement, what the retirement gap is and how much you still need to contribute to achieve your goal.

• ***Investment vehicles and choices:*** A pension fund from your employer is one way to save for retirement. The pension fund's investment selections may make it easier to boost your contributions if you're just starting out. An independent retirement annuity gives you many investment options (subject to some limitations). A Tax-Free Savings Account can be used to boost retirement savings because it is tax-free (if you remain within the contribution limits). Diversifying your retirement savings vehicles increases your chances of retiring comfortably.

• ***Preserve retirement savings:*** Whenever you change jobs, make sure to keep whatever retirement savings you may have from your previous company. There are several possibilities here as well, but the key is to keep the savings to benefit from compound interest. The longer you save for retirement, the better off you will be. The most significant contributor to people not retiring comfortably is a failure to preserve their retirement resources.

• ***Don’t leave planning too late:*** Postponing retirement will reduce the amount of money you have for retirement. For example, if one is considering saving for retirement, the individual who waits until age 35 will have to contribute 267% more than the person who starts at age 20. That is the advantage of compound interest: the earlier you start, the better.

2. Near Retirement

• ***Reduce expenses:*** Look over your budget to see where you could save money and maybe pay off some unsecured debt faster. You should also think about how much you spend on things you don't need. A budgeting tool like Smart Budget on the FNB App could help you better manage your money.

• ***Asset allocation:*** Make sure your pension savings are appropriately aligned with your retirement plans. If you're considering a life annuity, include cash and bonds in your portfolio to lower market risk. If you're in a life stage portfolio, your employer's pension fund will usually do this. If you're considering a living annuity in retirement, growth-type assets like shares and property may be better as you'll still be exposed to the market to boost returns while minimising risk.

• ***Retirement options:*** Start researching what your options are in retirement for your retirement funds are you going to choose a living annuity, life annuity or a hybrid of the two. There are pros and cons to these options, and it is best to investigate earlier rather than later. This would be a great time to obtain financial advice or obtain benefit counselling from your employer's retirement fund.

3. At retirement

• ***Annuity option:*** You must decide which annuity option you would like to use for retirement. A living annuity provides income flexibility, but the risk is that you will run out of money if you withdraw income at a rate greater than the return on your portfolio. A life annuity provides income predictability, but the amount of income you can receive is pre-determined. If you have enough retirement savings, you may be able to combine the two into a hybrid plan.

• ***Asset allocation:*** If you have chosen a living annuity, it is essential to ensure that your asset allocation is adequate to sustain the monthly income you receive and to protect your capital. Exposure to long-term growth assets, such as shares and real estate, may be advantageous for achieving these objectives, but should be balanced with assets such as bonds and cash to decrease portfolio volatility and ensure a comfortable retirement journey. It is essential to meet with your financial advisor on a regular basis to determine the optimal asset allocation and income drawdown.

• ***Budgeting:*** This is especially important in retirement because you only have so much money for the rest of your life. Using tools like Smart Budget on the FNB app can help you manage your money better and using loyalty points like eBucks to free up cash flow can also help stretch your monthly budget.

"Retirement planning may be both intimidating and thrilling at the same time, but there is one thing that a person should do early in their careers: establish what their retirement goals are and then work towards those goals from the start. Early professional retirement savings expose your fund to potential growth that time offers, so your savings are a recipe for a happy and financially secure retirement," Samukelo Zwane, Produce Head, FNB Wealth and Investments.

FA News | 29 May 2023

Does it pay to make the maximum tax-deductible contribution?

One of the most important decisions that fund members have to make is how much of their annual income they want (or need) to contribute to their retirement fund to ensure the best outcome.

Various factors play a role in the decision-making process that goes into crafting an appropriate retirement plan. For many fund members, it is a complicated process to balance immediate needs such as the bond, household expenses, school fees, food, and the ever-increasing electricity provision costs with the need to save and invest for their future needs when they will no longer be willing or able to earn an income. A retirement fund is the only investment vehicle where the “Tax Man” helps you to save for retirement by providing you with an up-front tax deduction in the year that you make a contribution to your retirement fund. Your retirement fund contribution is deducted from your taxable income when you make a contribution to your retirement fund.

You therefore pay less tax on your monthly salary that is “reduced” for income tax purposes by the amount you contribute to your fund in that month. The amount that you can annually contribute “tax-free” to your retirement fund is limited to the lower of 27.5% of your taxable income for that year or R350 000. If you earn R250 000 per annum, you can contribute up to R68 750 per annum to your retirement fund and thereby reduce your taxable income for the year by up to R68 750. You will therefore only pay tax on R181 250 instead of R250 000. Your income tax bill will be reduced from R27 765 to R15 390, giving you a tax saving of R12 375. If you earn R500 000 per annum, you can contribute up to R137 500 per annum to your retirement fund and thereby reduce your taxable income for the year by R137 500.

You will therefore only pay tax on R362 500 instead of R500 000. Your income tax bill will be reduced from R100 542 to R64 317, giving you a tax saving of R36 225. If you earn R1 000 000 per annum, you can contribute up to R275 000 per annum to your retirement fund and thereby reduce your taxable income for the year by R275 000. You will therefore only pay tax on R725 000 instead of R1 000 000. Your income tax bill will be reduced from R309 519 to R182 192, giving you a tax saving of R127 327. If you earn R2 million per annum, you can contribute up to R350 000 per annum to your retirement fund and thereby reduce your taxable income for the year by R350 000. You will therefore only pay tax on R1 650 000 instead of R2 000 000. Your income tax bill will be reduced from R709 604 to R558 784, giving you a tax saving of R150 820.

For those of you who are fortunate enough to earn R3 000 000 per annum or even R5 000 000 per annum, the tax deduction is limited to R350 000 per annum and as you are in the top income tax bracket, the tax saving brought about by your fund contribution is limited to R157 500 per annum. The importance of income tax considerations must therefore not be underestimated when you and your financial adviser design the most appropriate retirement investment plan based on your wants and needs as it is not every day that you receive a gift from the government.

Annual Income	R250 000	R500 000	R1 000 000	R2 000 000	R3 000 000	R5 000 000
Income Tax Payable	R27 765	R100 542	R309 519	R709 604	R1 159 604	R2 059 604
After-Tax Income	R222 235	R399 458	R690 481	R1 290 396	R1 840 396	R2 940 396
Maximum Tax-Deductible Fund Contribution	R68 750	R137 500	R275 000	R350 000	R350 000	R350 000
Taxable Income	R181 250	R362 500	R725 000	R1 650 000	R2 650 000	R4 650 000
Income Tax Payable	R15 390	R64 317	R182 192	R558 784	R1 002 104	R1 902 104
After-Tax Cash Income + Contributions	R234 610	R435 683	R817 808	R1 441 216	R1 997 896	R3 097 896
Tax Saving	R12 375	R36 225	R127 327	R150 820	R157 500	R157 500
Tax Saving as % of Annual Income	5%	7%	13%	8%	5%	3%

Personal Finance | 5 June 2023

Will I be part of the two-pot retirement system?

The new system will not impact the funds allocated to your preservation fund before the implementation date of 1 March 2024.

I'm currently unemployed and have funds invested in a preservation fund. Will I be part of the two-pot retirement system?

Dear reader,
The two-pot system is set to be implemented on 1 March 2024. This will be implemented going forward and will not impact the funds allocated to your preservation fund before this date. Therefore this will not have an impact on your funds placed into a preservation fund before implementation date. "A Fund Member's retirement funds which existed immediately prior to 1 March 2024 will be placed in what is known as a "vested pot". Funds in the vested pot will remain subject to the present rules.

[1] No contribution may be made to the vesting pot after the two-pot system has been implemented, except in the case of provident fund members who were 55 years old or older on 1 March 2021, whose pension benefit regime will remain unchanged despite implementation of the new system." – Werksmans Attorneys The proposed two pot system will allow members of pension and provident funds, as well as retirement annuity investors, to access a portion of their investment before reaching retirement age (without having to resign). The proposed two-pot system will split future contributions (made from 1 March 2024):

- The first pot is the longer term pot – the retirement pot essentially. This will be two-thirds of your monthly contribution.
- The second pot (one third of your contribution) will be the "savings pot. These funds may be withdrawn on an annual basis (once a year). The minimum amount allowed is proposed to be R2 000 p.a.

I would be very careful in optimising this benefit though. We are already dealing with a major retirement crisis in South Africa with only 6% of individuals being able to retire comfortably. According to the Alexander Forbes Member Insights™ for 2021, only 9% of members preserve their retirement savings when changing jobs. This in turn leads to very poor retirement outcomes as the average replacement ratio is only 31%. This means that for every R1 000 earned by a member before retirement they will only replace R310 of income at retirement. Not all responsibility is placed on the performance and fee structure of your investment portfolio (although these are extremely important components), but investing sufficiently as a percentage of your income to ensure you will reach the required replacement ratio to continue your lifestyle (or at least just be able to afford your expenses) is imperative. The average investor is unfortunately saving much less than they are required to reach a realistic outcome at retirement. I believe there needs to be a reset in priorities here, as too much is spent in the average household on housing, vehicles and debt (and other expenses) and too little on ensuring a comfortable financial future.

Moneyweb | 7 June 2023

INTERNATIONAL NEWS

Women's private pensions worth 35% less than men's in Great Britain

Survey is first major government study into what has been termed 'the great gender pension chasm'

Women's private pension pots in Great Britain are typically worth 35% less than those of their male colleagues by the time they reach 55, according to the first major government study into what has been termed "the great gender pension chasm". Having analysed the data for both sexes between 2018 and 2020, government researchers concluded that, on average, for every £100 accumulated in men's private pensions, women have just £65. Women could end up losing out on thousands of pounds of retirement income as a result of the imbalance. Lower overall earnings, time off for childcare and other caring duties, and the greater numbers of women doing part-time work are all thought to be factors in why women's pension pots grow to just two-thirds the size of men's.

Although several reports have been published in recent years on the topic of the gender pensions gap, this is the first time the government has calculated the true scale of the problem. Researchers found that the gap varied for different age bands and was lowest for people in their 30s, suggesting time off for childcare was a big factor. For workers eligible for automatic enrolment, the gap is smaller and stands at 32%. Overall, the gap rises to 47% for those aged 45-49. The study also uncovered a gap in contributions made by men and women. In 2021, about £52bn was paid into the private pensions of women eligible for automatic enrolment, compared with £62.6bn into men's pensions – a gap of 17%.

Helen Morrissey, the head of retirement analysis at Hargreaves Lansdown, described the 35% figure as “less of a gap, more of a gaping chasm”. “The government recently announced childcare reforms which should help more women keep working and contributing to their pensions, but the gender pension gap looks set to remain with us for some time yet,” she said. Laura Suter, the head of personal finance for the investment platform AJ Bell, said the figures showed that once women hit their 40s, they dropped behind men in their pension savings. “A lot of this will be due to women taking career breaks to have children, working part-time around caring responsibilities, or the gender pay gap meaning they earn less – which all filters through to lower incomes and lower pension contributions.”

The figures do not include those people who have no pension wealth when they hit retirement age, which Suter says would make the gap even larger as women are more likely than men to have no pensions. The pensions minister, Laura Trott, said: “The success of automatic enrolment has transformed the UK pensions landscape and brought millions of women into pension saving for the very first time. However, while the participation gap has closed, the wealth gap persists. “The publication of an official annual measure will help us track the collective efforts of government, industry and employers to close the gender pensions gap.”

The Guardian | 7 June 2023

Pension scheme with minimum assured returns in the works: PFRDA

Currently, there are about 5.3 crore subscribers of Atal Pension Yojana (APY). For this year, the target for enrollment is 1.3 crore against 1.2 crore last year, Mohanty said.

A pension scheme with minimum assured returns is in the works by the Pension Fund Regulatory and Development Authority (PFRDA), which may entail higher premium payments for higher returns, the regulator’s Chairman, Deepak Mohanty, said on Wednesday. Mohanty added that the PFRDA’s assets under management increased to Rs 9.4 lakh crore, but India’s pension assets are still lower than many developed countries. Currently, there are about 5.3 crore subscribers of Atal Pension Yojana (APY). For this year, the target for enrollment is 1.3 crore against 1.2 crore last year, Mohanty said.

“That is very much in the works…there we have to balance risk and return…somebody gives assurance, which will come with a cost. Like in APY, the government gives assures, and they bear the cost,” he said. In the case of an assured return, he said, the pension fund has to provide more capital because it is taking more risk. “We are considering that product. We have made some progress. We will come out with that product, and at the same time that one would have to see that the return should be attractive," he added. About APY, he said, PFRDA aims to increase enrollment under the scheme aided by regional rural banks. The scheme has generated a 9 per cent return, and the government has assured gap funding. Asked about any discussions on pension proposals by the Finance Secretary-headed panel to review the pension system for government employees, Mohanty, a member of the panel, said it is too premature to comment on it.

As per the terms of reference of the committee, which was announced in April against the backdrop of many states opting for an old pension scheme that offers defined benefits, it would suggest whether any changes are warranted given the existing framework and structure of the National Pension System (NPS), also called the new pension scheme, as applicable to government employees. The committee will also suggest changes to improve the pensionary benefits of government employees covered under NPS, ensuring that fiscal prudence is maintained to protect common citizens.

Indian Express | 7 June 2023

OUT OF INTEREST NEWS

5 tips to help young people start planning their financial future

When you are younger the focus is on establishing your career, making your marking in the world and perhaps even starting a family but it is also important to take care of your money now to protect your financial future.

Financial planning is a journey, not a destination, a fact that people forget when they are planning for their financial future, according to Janine Horn, financial advisor at Momentum. Kamal Kalian, head of Affluent Clients at Standard Bank, shares five tips to you get started on the financial planning process:

Start with a budget

Kalian said the key starting point of every successful financial plan is creating a budge. "When you budget, you know exactly where all your money goes, where you can make adjustments to save even small amounts, and how to effectively save and leave enough money for unexpected expenses and emergencies," said Sebastian Alexanderson, founder and debt counsellor at National Debt Advisors. According to Kalian, the 50/20/30 rule is a great way to allocate your income in your budget:

– 50% of your income goes to necessities, such as rent or bond payments

– 20% goes to long-term savings, including emergency savings or retirement savings

– 30% goes to lifestyle spending such as entertainment and dining out.

When used effectively, credit can help you purchase assets such as a home and a car. However, if it's used irresponsibly, debts can quickly spiral out of control. Make sure that you have a record of your debt, including exactly how much debt you have and the interest rates you are being charged. It's important that you use any savings or spare cash to clear your debt as soon as you can. "The golden rule is to always keep your debt repayments as low as possible and always try to pay off the highest interest rate debts faster," Kalian said.

Plan for the unexpected

If you don't currently have a fund set up for emergencies, now is the time to get started, according to Kalian. An emergency fund will give you financial security in times of economic uncertainty, and provide a cushion against unforeseen events that could lead to loss of income. Having an emergency fund available will also ensure that you don't take on extra debt to cover unexpected expenses. Tyrone Lowther, head of Budget Insurance, recommends that people have three to six months' worth of expenses saved up in their emergency fund.

Protect what's important

It's important to have insurance cover in place to protect yourself, your family and your assets in case something unexpected happens. An insurance pay-out could help you reduce your expenses in the long run as well as maintain the financial security of you and your family. Kalian said: "It also makes sense to save as much as you can for retirement, and the earlier you start the better. This will ensure that you have a nest egg to fund your golden years when you are no longer earning an income."

Don't wait to ask for help

"If you are struggling to manage, don't wait until you are in financial distress before you ask for help. Consult with a financial advisor who can review your situation and recommend actions you can take to relieve the pressure," Kalian said.

IOL Business | **8 June 2023**