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Two-pot withdrawals to add R6.7m to fiscus after just one day

SARS processed almost 2,500 tax withdrawal directives on the first day alone, while some fund administrators battled with system crashes as members flooded them with withdrawal requests.

A Revenue Service Commissioner, Edward Kieswetter, said on Tuesday morning that up until the weekend, SARS was focused on ensuring that, through the use of AI-driven rules, tax directives could be issued in the same amount of time as an assessment – under five seconds using AI. "The three things that would prevent that would be if you were not registered for tax, you have outstanding returns or you owe SARS money. So, we tried to address that ahead of the two-pot system coming into effect," he said, adding that by Monday night, SARS had received 2,759 tax directives. Of those, SARS had already processed 2,424 tax directives by Tuesday morning, requesting R103-million worth of withdrawals from retirement funds and delivering R6.7-million of tax to the fiscus. Despite months of preparation and consumer education, at least two pension fund administrator websites crashed on Monday and Tuesday this week as their systems battled to cope with an unprecedented number of call volumes as members tried to access to two-pot retirement withdrawals.

The Alexforbes website had a notice warning of "high traffic volumes on AF Connect", while a disgruntled consumer on X complained: "So, the Alexander Forbes call centre says that one can leave a message and that they will respond within 48 WORKING HOURS. John Anderson, executive of solutions and enablement at Alexforbes, confirmed that the administrator has temporarily increased the standard turnaround time from 24 hours to 48 hours because of the high volumes of enquiries. "We have increased our capacity to attend to all calls, but it is prudent to manage client expectations at this initial stage. We request members to please be patient; the turnaround time will reduce once these extraordinarily high volumes reduce," said Anderson. Alexforbes did not supply a number when it came to enquiries for 2 September, other than to say it had seen a "very high volume of claims". All withdrawal applications are being handled via the member platform AF Connect on the Alexforbes website.

Anderson said he anticipates somewhere between three to six times the annual number of claims the administrator would normally process, with the expectation of handling this volume in a much shorter space of time. "Given this exceptionally high volume of claims, as well as the fact that the introduction of the two-pot system is a significant change in the industry and our operating environment, we anticipate initially that the processing timeframe is up to 20 working days from the full completion of each withdrawal application," he said.

Volumes expected

Michelle Acton, retirement reform executive at Old Mutual, said the company observed 93,000 consumers interacting on its WhatsApp channel on Monday alone, with “absolutely no performance issues”. “We have had thousands of calls to the call centre, but at this stage, we are managing well, and we planned appropriately for the expected volumes,” she noted. Old Mutual has split the process into two phases initially. From 2 September to 22 September, members will be able to view their savings, retirement and vested pot balances via the Old Mutual WhatsApp channel. This means they can see exactly how much is in each pot and what is available for withdrawal from the savings pot. The WhatsApp channel can also provide an estimated tax amount. However, to determine the exact tax payable, Old Mutual will apply for a tax directive from SARS.

From 22 September, the Old Mutual channel on WhatsApp will start accepting withdrawal applications. Once an application has been received, it will undergo a vetting process to ensure that the personal details supplied match the information in the Old Mutual system. “We want to remind customers that the process from application to receiving money in their bank account may take some time because of the large volumes we expect, and to accommodate the SARS process to issue tax directives,” Acton cautioned. NMG Benefits is also making use of a WhatsApp channel, and Siphamandla Buthelezi, head of platforms, said the company had received about 1,100 claims via the WhatsApp channel by close of business on Monday. Although NMG is also making use of a web portal, applications and enquiries are mostly flooding in via WhatsApp. Buthelezi says NMG expects to start paying out claims from Friday this week.

Zareena Camroodien, departmental head: fund governance and trustee conduct at the Financial Sector Conduct Authority (FSCA), said the regulator had received 846 applications for rule amendments relating to the two-pot system. “We have registered 748 of these rule amendments, representing approximately 88% of the total received. Of the remaining 98 applications, 89 are pending due to queries that have been raised and nine are new submissions that were received after 24 August 2024 and will be attended to. “Responses to queries that were received are under consideration. The FSCA hopes to conclude all outstanding applications by the end of this week,” she said.

Daily Maverick | 3 September 2024

It's D-day for the two-pot retirement system

The much-vaunted reforms are now effective.

The two-pot retirement system is now officially in place and administrators expect to have to deal with significant volumes of withdrawal requests from members of pension funds. The much-touted retirement reform has been preceded by extensive planning, including the design and implementation of new systems by administrators to enable a transition to the two-pot system. In addition, all 867 retirement funds in the country had to submit their respective rule amendments that will allow them to implement the two-pot retirement system to the Financial Sector Conduct Authority (FSCA) for approval and registration. Under the two-pot system, a third of pension fund members' future retirement savings will be allocated to a savings component, and two thirds of their contributions will be allocated to a retirement component.

Fund administrators have warned that their members should have realistic expectations and that the money will not necessarily be accessible from the word go as the seeding calculations (for the savings pot) can only start happening from the implementation date. The seeding calculation determines the initial amounts assigned to different components based on existing retirement savings. The amounts that will be allocated depend on the current amount of savings in each member's retirement account and their market value. The process may take anything from several working days to weeks, depending on the respective fund and its rules.

Phased withdrawal approach

Old Mutual said in a media statement on Friday that its implementation process for the two-pot system will take place in two phases. This will ensure the system can handle the large volumes of withdrawal applications that it anticipates and ensure that the applications process is safe and seamless with as few glitches as possible. The financial services group expects over 600 000 applications once the system opens for withdrawal submissions. Old Mutual's first phase will run from 2 to 22 September, when customers will be able to view their savings, retirement, and vested pot balances via the Old Mutual channel on WhatsApp. "This means customers will be able to see exactly how much they have in each pot and what is available for withdrawal from the savings pot," it notes.

"The WhatsApp channel can also provide an estimated tax amount. However, to determine the exact tax payable Old Mutual will apply for a tax directive from the South African Revenue Service [Sars]." The next phase starts on 23 September, when the Old Mutual channel on WhatsApp will start accepting withdrawal applications. Once an application has been received, it will undergo a vetting process to ensure that the personal details supplied match the information in its system. Old Mutual says the process from the application until the money is actually in fund members' bank accounts may also take time "due to the large volumes and to accommodate the Sars process to issue tax directives".

An eroded final payout

South Africans who opt to withdraw money from their savings component should note that the applicable tax and administrative fees could significantly erode the amount they will eventually see in their bank accounts. Vicky Lange, head of best practice at Alexforbes, says for most pension fund members it is only worthwhile to withdraw from their savings portion in the event of an emergency, and if they don't have access to savings elsewhere. The two-pot system provides tax incentives to keep savings in the retirement fund until the date of retirement, while at the same time discouraging members from withdrawing from the savings account. In practice, all the money in the savings pot can be withdrawn before retirement, but only one withdrawal per tax year will be allowed. Any unspent savings pot funds will be a member's lump sum at retirement.

"If a member waits until retirement to withdraw from the savings pot, then the retirement tax table applies and the first R550 000 is taxed at 0% – making it tax-free," says Lange. "On the other hand, if an amount is withdrawn from the savings pot before retirement, the [much higher] marginal tax rate applies." Alexforbes uses two examples to illustrate how taxes, administrative fees, and even money owed to Sars could lead to a much-diminished eventual payout.

Scenario 1:

- Mr X earns a taxable income of R250 000 per year and his marginal tax rate is 26%;
- He has R5 000 in his savings pot and decides to withdraw R4 000; and
- His fund administrator charges a processing fee of R210 for the withdrawal (luckily, he does not owe any outstanding money to Sars).
- Mr X will eventually get a payout of R2 805 (R4 000 minus R250 administrative fee, minus R985 in tax).

However, in the following scenario, the final payout is significantly diminished because of a higher marginal tax rate and because the fund member owes money to Sars.

Scenario 2:

- Ms Y earns a taxable income of R675 000 per year and her marginal tax rate is 39%;
- She has R20 000 in her savings pot and decides to withdraw R16 000; and
- Her fund administrator charges a processing fee of R380, but she also owes R2 300 to Sars in outstanding tax.
- Ms Y therefore ends up with only R7 228 in the final payout (R16 000 minus R380 processing fee, minus R6 092 in tax, minus R2 300 tax bill owed to Sars).

Reasons to resist temptation

John Manyike, head of financial education at Old Mutual, says when times are tough, it can be tempting to look at retirement savings that have been piling up for years and think about how much easier life would be if that cash was available. "It may sound like a great solution, but it is far more prudent to create a separate emergency savings account and only use the funds in the savings pot as an absolute last resort. "Do not give in to the temptation to access money in your savings pot to balance your household budget, for example," he

says. Besides high taxes and administrative fees when money is taken out early, members also forfeit the benefit from potential fund growth, dividends, and interest that could be earned if the money stayed in the retirement account. For example, if R20 000 is saved in the savings pot for 10 years instead of being moved from a fund, compound interest would make it worth about R35 817 (calculated at an interest rate of 6% compounded annually).

Moneyweb | 2 September 2024

Two-pot retirement system is live – but some may not be able to access their savings

Some pension funds and administrators are yet to comply with the full requirements, which means even if members apply for a withdrawal, their requests would not be processed.

JOHANNESBURG - As the highly anticipated two-pot retirement system is rolled out, some pension fund holders will have to pause their plans to withdraw savings early as administrators play catch-up on the rules. Retirement funds were given until the end of July to apply for rule amendments that would allow them to implement the two-pot system. The two-pot retirement system took effect on Sunday, but some pension funds and administrators are yet to comply with the full requirements.

'GAPS IN THE RULES'
It's all systems go for pension funds as cash-strapped consumers bet on their retirement savings to help fill financial gaps. The retirement savings of South Africans have now officially been split into vested, savings, and retirement pots, which means pension holders will be able to access a portion of their retirement savings. With the Pension Funds Amendment Act recently signed into law, fund administrators need to abide by new rules. Despite the July deadline, Chief Director for Financial Sector Development at National Treasury, Alvinah Thela, said some pension funds still had to get their affairs in order. "As of Friday, the Financial Sector Conduct Authority [FSCA] had approved 687 rule amendments; they have queried 151.

This means 151 funds have submitted, but there are gaps in the rules that have been submitted for approval by the FSCA. Those need to be addressed." Thela said failure to abide by the new rules would have an impact on fund members. "Members can still send through their claims, but those will not be processed." While the two-pot system is good news for pension holders, administrators have again warned of the tax implications and admin costs for consumers tapping into their savings.

Eye Witness News | 2 September 2024

Two-pot: Be ready for delays and the taxman

The two-pot retirement system came into effect on Sunday but those who think they will have quick access to withdrawals may be disappointed. It seems that withdrawals may not be able to start until later in September while hitches with the system are sorted out and then it will take even longer as the South African Revenue Service (Sars) has to issue a directive to retirement funds on how much to deduct before a payout can be done. If you withdraw money from your savings pot, you will pay a transaction fee as well as tax. The amount you withdraw will be added to your taxable income for that tax year and therefore taxed at your applicable marginal rate of between 18% and 45%. So if you are on the highest tax rate you will get just over half of the amount you withdraw. Sars can also deduct tax arrears before the money is paid out. Finance Minister Enoch Godongwana announced in his budget speech that the withdrawals from retirement benefits are expected to result in a R5 billion tax windfall for the government. The government therefore expects that many people will withdraw money from their savings pots.

The two-pot system is therefore not only going to bring a tax windfall for the government but may also result in more people ultimately being dependent on the government. That money that is withdrawn could have grown a lot over the specific period and it can make a significant difference in the amount that is finally available for retirement. Therefore, regularly withdrawing your savings will have a compounding impact over time and is definitely not something that one should continue to do or even do regularly. Consumers should therefore ensure they understand exactly what the two-pot retirement system entails, including what options are available to them, the possible long-term consequences, and the tax implications. Consumers should consult a financial advisor about the possible risks that the system may pose to their retirement planning and retirement money. This system will bring short-term relief to those with financial challenges but will also potentially cause long-term pain if not handled with care.

Statistics show that only about 6% of South Africans will one day be able to retire comfortably while the rest will be dependent on their children, the state, or other possible sources of income. This brings yet another major change to the way in which South Africans save for retirement. Many people already do not understand how to use their retirement money optimally and will now have to learn about different pots and their influence on their savings. The system aims to prevent people from resigning to access all their retirement money. Furthermore, only money in the savings pot may be withdrawn. However, those who have access to the established pot will also still be able to withdraw cash if they resign. The two-pot system comprises a savings pot (or emergency pot) and a retirement pot. From September 1, 10% of people's existing retirement savings, limited to a maximum of R30 000, will be placed in this pot. After this, a third of all retirement fund contributions will go to the savings pot and workers will be able to access it once per tax year. Two-thirds of contributions will go into the retirement pot that workers can access upon retirement. There is also a third pot (the so-called vested component) in which already existing retirement money will lie and which will be handled in terms of the old rules.

Personal Finance | 3 September 2024

Why early retirement is likely a bad idea in South Africa

The dream of retiring early is one many South Africans share. But is it a smart move? Early retirement can come with serious risks that might threaten your financial security.

Over the years, I have engaged with thousands of people approaching retirement, and one of the most frequent questions I get is, “When can I afford to retire?” and “Can I afford an early retirement?” While the idea of retiring early is appealing to many South Africans, the reality is that early retirement can pose significant risks to your financial security.
Here are some reasons why early retirement is likely a bad idea in South Africa and how it can impact your financial well-being.

1. Longer retirement period
Retiring early means you will need to fund a longer retirement period. If you retire at 55 instead of 65, you will need to provide for an additional 10 years without earning an income. This can put immense pressure on your retirement savings, as you will need to stretch your funds over a longer period. Assuming you need R50 000 per month (R600 000 per year), with an annual growth rate of 9% and inflation of 6%, you would require approximately R18 million to retire at age 55 and sustain your lifestyle until age 90. If you retire at 65, you would need around R12 million for the same period. The longer you live, the greater the risk of outliving your savings.

2. Reduced pension and retirement benefits
Early retirement often means reduced pension and retirement benefits. In South Africa, the value of your pension is typically based on your years of service and contributions. Retiring early means fewer years of contributions and, consequently, a smaller pension. Additionally, early retirement penalties can further reduce the value of your retirement benefits, leaving you with less income to sustain your lifestyle.

3. Increased healthcare costs
Healthcare costs tend to rise as you age, and retiring early means you will need to cover these expenses for a longer period. Medical aid schemes in South Africa often increase premiums based on age, and the longer you are retired, the more you will pay in premiums and out-of-pocket medical expenses. Without a steady income, these costs can quickly deplete your retirement savings.

4. Inflation and cost of living
Inflation is a critical factor to consider when planning for retirement. South Africa has experienced fluctuating inflation rates over the years, which can erode the purchasing power of your savings. If you retire early, your savings will need to last longer, and the impact of inflation can significantly reduce the value of your money over time. This can make it challenging to maintain your standard of living throughout retirement.

5. Loss of employer benefits

Retiring early often means losing valuable employer benefits such as health insurance, life insurance, and contributions to your retirement fund. These benefits can provide essential financial support, and losing them can increase your expenses and financial responsibilities. Without employer benefits, you will need to find alternative ways to cover these costs, further straining your retirement savings.

6. Emotional and social impacts

While financial considerations are crucial, it's also important to consider the emotional and social impacts of early retirement. Work provides structure, purpose, and social interaction, all of which are essential for mental well-being. Retiring early can lead to feelings of isolation, boredom, and a loss of identity. Staying engaged in meaningful activities and maintaining social connections is vital for a fulfilling retirement.

7. Potential for economic downturns

Economic downturns and market volatility can significantly impact your retirement savings. Retiring early means you have less time to recover from financial setbacks and market losses. If you retire during a market downturn, the value of your investments may be lower, and you may need to withdraw funds from a diminished portfolio. This can jeopardise your long-term financial security.

8. Significant growth in the final 10 years

One of the most critical periods for the growth of your retirement savings is the final 10 years before you retire. During this time, your investments have the potential to compound significantly, thanks to the larger balances and higher contributions typical in the later stages of your career. By retiring early, you miss out on this crucial growth phase, which can substantially reduce the overall size of your retirement nest egg. Staying employed during these final years can maximise your retirement savings, providing a more secure financial foundation.

Conclusion

While the allure of early retirement is strong, it is essential to consider the potential financial, emotional, and social impacts. A longer retirement period, reduced benefits, increased healthcare costs, inflation, loss of employer benefits, emotional challenges, economic downturns, and missing out on significant growth in your final working years are all factors that can threaten your financial security. Careful planning and realistic expectations are crucial to ensure a stable and fulfilling retirement. Before making the decision to retire early, it is advisable to consult with a financial advisor to assess your situation and develop a comprehensive retirement plan that addresses these risks.

Moneyweb | 3 September 2024

Pension pot amount needed for ‘basic’ retirement rises 60% in three years

Research shows ‘alarming’ rise in essential living costs during retirement, with low-paid workers worst affected

The average pension pot needed for a “basic” retirement has risen by almost 60% in three years, according to research that highlights how the UK cost of living crisis has left many workers fearing they will never be able to retire. The study from the Resolution Foundation thinktank and the Living Wage Foundation found that a number of price rises across housing, energy, food and transport had helped “significantly” increase the cost of securing an adequate income in retirement. According to the researchers, the average pension pot required for a basic standard of living in older age has jumped from £68,300 in 2020-21 to £107,800 in 2023-24. Researchers found that, on average, a worker needed an income of £19,300 a year in retirement to achieve a basic standard of living. However, this figure masked wide variations depending on whether someone owned or rented their home and was single or part of a couple.

When averaged out across different types of relationship, housing type, gender and average life expectancy, the researchers calculated that the average pension pot size needed in addition to a full state pension to achieve an annual income of £19,300 in retirement was £107,800. The full rate of the new state pension is now £221.20 a week, or £11,502 a year. Other organisations have also signalled that the cost of living crisis has pushed up the estimated amounts people will need in retirement. The Pensions and Lifetime Savings Association has developed the “retirement living standards” index to show what life in retirement looks like at three different levels – minimum, moderate and comfortable – and earlier this year said the amount a single person needed to meet the minimum threshold had risen to £14,400 a year.

To get up to the moderate threshold would require about £31,300 a year, while the price for a comfortable standard of living in later life had climbed to £43,100 a year. A poll of 3,000 people by the Living Wage Foundation, released along with the new research, found that 53% of UK adults saving into a pension felt they would never be able to retire, while 62% felt they would have to work several years beyond retirement age. Low-paid workers, women and those renting their home “had more negative feelings” about their retirement savings and the future. Katherine Chapman, the director of the Living Wage Foundation, said: “The news that workers now require a significantly larger pension pot to cover basic living costs in retirement will undoubtedly be alarming for many, particularly low-paid workers who have borne the brunt of rising prices over the past two years.”

The Guardian | 4 September 2024

Regulator quietly ditches plan requiring BEE for fidelity fund certificates

The plan, which drew sharp criticism, follows a move by the FSCA to require licensed financial service providers to submit transformation plans.

The Property Practitioners Regulatory Authority (PPRA) has quietly U-turned on its plan to require all those in the sector, including estate agents, to possess broad-based black economic empowerment (B-BBEE) certificates when applying for a fidelity fund certificate (FFC). It had ostensibly been requiring a valid BEE certificate along with applications, citing the requirement as per the Property Practitioners Act, "for all principal property practitioners to possess a valid BEE certificate". The plan, which drew sharp criticism, follows a move by the Financial Sector Conduct Authority (FSCA) to require licensed financial service providers (FSPs) to submit transformation plans, with a warning that it could ultimately withhold licences from those who don't comply and/or don't meet specific thresholds. The PPRA formally warned practitioners about the change in April, following a webinar in March where its legal manager and acting transformation manager Deli Nkambule made it clear that it "will not issue an FFC unless a compliant BEE certificate accompanies the application". "The accepted level of compliance is 40 points or more (BEE Level 8). You will not be issued a BEE certificate if you score below 40 (making your BEE certificate non-compliant)."

Quiet reversal

Lobby group Sakeliga, which was preparing to challenge the legislation in court, says the PPRA's board chair sent a letter to the estate agent industry grouping Rebosa (Real Estate Business Owners of South Africa) last week. Sakeliga says the letter pointed out the PPRA had sought legal advice and would no longer be requiring level 8 B-BBEE certificates with new FFC applications. It says this confirms what its legal team had spelt out in letters of demand to the PPRA: "that the Act's reference in section 50(a)(x) to a valid BEE certificate cannot be construed to mean a certificate of BEE compliance – not at level 8 nor at any other level". FFCs are issued every three years, and the next batch will be issued in 2025. Applications are currently open until 31 October. Sakeliga adds that "while the PPRA's retreat is an important tactical victory, the way in which it was done is concerning and should leave no room for complacency". The PPRA has not issued a statement on the matter and, at this point, only the letter to Rebosa indicates the about-turn.

Sakeliga says "the retreat by the PPRA from its level 8 requirement removes, for the time being, the most urgent element of the threat". However, it says two of the three problematic elements remain: first, that not only estate agents, but all property practitioners must hold a fidelity fund certificate. Sakeliga says this

"improperly" expands the PPRA's reach over businesses – including property developers, property administrators, landlords, homeowners' associations, auctioneers, and bond originators. Second, it says the act still stipulates that FFCs may only be issued to applicants with a *valid* B-BBEE certificate. Sakeliga says that while the PPRA now accepts that 'valid' cannot be taken to mean 'compliance' with B-BBEE, this still imposes an additional burden on estate agents who have to ensure they hold a certificate. It says that even in instances where they could be classified as exempt, they are still required to spend around R10 000 annually for a BEE certificate.

'Third wave of BEE'

The group has termed this approach by government as "the third wave of BEE, because it is no longer focused just on big corporates like the first wave in the 1990s, nor is it focused on businesses with state contracts like the second wave thereafter". It says what is happening in the property sector is not isolated, but part of a broader strategy in which state regulators enforce BEE. "Where feasible, the state redefines an industry in a way that vastly extends the reach of its regulator. The regulator then gradually implements compulsory BEE reporting, though usually without attaching significant penalties to noncompliance, as if the reporting is only for statistical purposes," says Sakeliga. "In phase two, with the Trojan horse in place, the regulator starts enforcing compliance on an industry now used to BEE reporting. The pretence is dropped and gradually all businesses – even those who have no contracts with the state – are required to comply with ever-increasing B-BBEE demands or face prohibition from doing business at all." So far this year, regulators in the financial services, property and healthcare sectors have threatened participants with their licences unless they hold and reach certain transformation levels.

Moneyweb | 4 September 2024

Rising above economic uncertainty with good money habits

With economic growth slowing and households being constantly put under increased pressure, the struggle is real. An ever-shifting economic landscape means that we never quite have a firm footing. Financial security is perhaps the only anchor that helps us maintain stability. But how do we even get there in this economic storm? Stability begins with forging the right habits. According to the Momentum Unisa Household Financial Wellness Index, financial literacy plays a major role in establishing good money habits. It was found that while 45.7% of the 19.2 million households deemed themselves to be financially literate, only 15% were actually financially literate and were empowered to make the right money decisions. By dedicating time to reflect on your money habits, like developing a comprehensive budget, establishing an emergency fund, crafting a financial plan, setting achievable goals and initiating investments early on, you lay the groundwork for a secure and stress-free financial future without having to worry too much about economic curveballs.

Habits v behaviour

Our habits are usually determined by our behaviour. So, to cultivate positive money habits, it is essential for you to be honest about your financial behaviours, both positive and negative. Engaging in open conversations with your loved ones about your spending habits, identifying areas for improvement, and implementing strategies to curb impulsive spending can lead to more informed and conscious financial decision-making. Set financial goals The journey to financial success always begins with a plan. We all work hard for our money but tend to not know where it goes. At the core of this journey lies the importance of setting clear and attainable financial goals. These goals act as guiding principles for financial management, providing a roadmap for saving, investing and spending decisions. Whether the goal is to eliminate debt, save for a major purchase or build an emergency fund, having well-defined objectives will help you stay focused, motivated and accountable.

Get out of debt

Cut up the credit cards and don't take on new debt. List your debits in order of amount owed and attack the debt with the smallest balance. Once paid off, attack the second one, and so on. Sell your car if you can't afford the payments and buy a second-hand car cash. If, at any time, you use your funds from your emergency fund, you need to re-focus on refilling it.

Create a solid budget

The creation of a budget is a fundamental tool for achieving financial control and stability. By diligently tracking income and expenses, you can identify areas where cost savings are possible and avoid the pitfalls of overspending. Account for every rand that you earn – knowing where it is going. Don't have an amount left over in your budget (surplus). Cut or review expenses; find a financial adviser you can trust. Learn to live within your means. The acid test is: if you can't pay cash for it, you can't afford it. Living within one's means is a cornerstone of financial wellness, yet studies such as the Momentum Unisa Household Financial Wellness Index reveal that many South Africans struggle to cover monthly expenses, underscoring the pervasive issue of living beyond one's financial capabilities.

Save your money, save your future

Many people focus immediately on saving for retirement, their children's education and other financial goals, but you should only do this when you are out of debt. Debt and income are the cornerstones of any financial plan. An income is our biggest wealth-building tool, and we need it to look after our loved ones. Saving for the future, regardless of the amount, is a crucial step towards achieving financial security and stability. The act of saving not only provides a safety net for unexpected expenses but also instils a sense of financial discipline and responsibility. Even small contributions to a savings account can accumulate over time, providing a buffer against financial uncertainties and unforeseen emergencies. This is why one of the first and most important savings goals is to establish a workable emergency fund. This is a critical step towards building financial resilience and preparedness. You never know when your car will break down, a family emergency may require you to travel in a hurry, or any one of a thousand unexpected emergencies that life can throw your way.

Ground yourself in good habits

The journey towards financial freedom and success is a never-ending journey of self-reflection and improvement. By adopting and nurturing good money habits, you can navigate this journey with confidence, resilience and a sense of empowerment. Take deliberate actions, make informed decisions and commit to your financial wellbeing. Anyone can achieve their financial goals and aspirations while enjoying a stress-free and prosperous relationship with money.

Personal Finances | 4 September 2024

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