

FINANCIAL WELLBEING STARTS WITH A LOOSE TOOTH AND A MOUSE

By: Adri van Renen, chartered accountant, Private Client Financial

My son recently lost his 2 front teeth. On Sunday he lost the first one, put it in a slipper and left a piece of cheese for the tooth mouse (I am Afrikaans, we do not have a fairy) The mouse paid him a visit sometime during the night, made a big mess of the cheese while trying to eat it and left him two R20 notes and one R10. The excitement was palpable! He woke his little sister, and she swore she saw the mouse when she looked out his window when she got up during the night (she did not get up during the night, also – there is no mouse). He put the money in his piggy bank and went off to school. First thing he did when he got home is open the piggy bank and count all his money again.

On Tuesday he lost the other tooth. Big excitement! Same story. Put the tooth in a slipper, cheese snack ready (he asked for a bigger piece, I think he is learning bribery) excitedly got up and saw one R20 note and three R10 notes. He put it in his piggy bank again and went off to school. When he returned that afternoon, I asked him what he is planning to do with his newfound fortune. He said he would like me to take him to the shop so he could buy a quad bike. I giggled a little and told him that he would need to pull a few more teeth to be able to afford that. Thirty minutes later I saw him sitting on his bed, both hands in his mouth, wiggling the other teeth to check if there are any more he could sell.

This little guy, at only six years of age, does not yet understand the value of money, but what he without a doubt understands is that he needs more of it. This becomes a lifelong challenge to accumulate enough wealth to satisfy your needs. At six years old it might be a quad bike or Legos, as you get older the needs get bigger, food, cars, houses and medical cover.

Financial literacy from a young age is essential

From a very young age my parents taught us the importance of managing money. Not everyone had this example and that is quite apparent when looking at the success of high-interest, high-risk loan sharks. Life has become all about instant gratification. We like instant



meals, instant coffee, drive through services. We get irritated when waiting too long for a good meal in a restaurant. These same principles spilled over to financial habits.

Instead of saving to buy a new pair of shoes we take the credit offered by the store at a 25% compound interest rate. People who deal with finances daily know to avoid these financial death traps. They avoid small loans at a high interest rates. They tend to save money and then buy an item cash, rather than buying goods with money they do not have. Financial education is of the utmost importance from as early as possible.

Get someone in your corner to help

This is where a wealth manager can play a significant role in your life. Wealth management is about more than just investing your funds. It is about securing a future for you and your family, and preparing for, and dealing with, the unpleasant parts of life that happen unexpectedly: We get hit with an unrelenting global pandemic. Someone reverses into your brand-new Audi R8 in the Woollies parking lot. Your partner files for divorce...

In the current South African economic and political climate, you need someone who understands these challenges and can give you the best financial advice to navigate risk. Having someone manage your financial interests can be the peace of mind that you did not know you needed. Having someone regularly update you on your retirement plan, advising if you are set to one day live the life you planned after employment is almost as important as going for health checks to try and make sure you make it to retirement. Wealth management also includes having (and regularly updating) a Will. Recently a lady I know received her ex-husband's entire life insurance policy proceeds when he passed away because he did not update the beneficiary on his policy when they got divorced 18 years ago. As you can imagine, the new wife was less than happy.

It is never too early to start planning for your retirement and to manage the current wealth you have already accumulated. You give your retirement savings a massive boost by saving from your first salary. You save thousands of Rands in interest by paying off a few hundred Rand over and above your instalment on your mortgage bond every month. Having someone with the right education, knowledge and experience have a look at your overall financial position regularly will add immeasurable value to your financial wellbeing. Together with your wealth manager you might decide to take money offshore. There are quite a few

statutory requirements to be able to do this and an expert in the field will be able to assist in getting the correct paperwork done.

Advice on finding the right wealth manager

Make sure you appoint a wealth manager who understands your needs. You are entrusting this person with a big portion of your livelihood. Check references and do research on the wealth manager that you plan to employ as well as the company that they work for. Make sure the institution you choose is reputable. People can colour their website and CV's to look very attractive.

It is important to start somewhere. Making big future financial plans can be intimidating and scary. I think I will get my son to save at least R10 from this batch of tooth money. Who knows, within the next few years you might see him speeding past you on a quad bike.

The importance of smaller steps.





For more information contact Private Client Financial on (021) 671 1220 or visit www.privateclientfinancial.co.za.

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About Adri Van Renen

AdriVan Renen is a Chartered Accountant at Private Client Financial, a division of Private Client Holdings. She oversees year-end financial statements and tax calculations for a portfolio of company and trust clients.

Adri is also a mom to two young children and is passionate about educating them on financial savviness and the importance of saving.