Publication: Move!
Date: Thursday, June 04, 2020
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A secure *financial* future

No matter the circumstances, you can plan for your long-term financial wellbeing

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Q WE RECEIVED THIS QUESTION FROM A YOUNG GRADUATE
I was retrenched from my first job during lockdown but am starting my second job in two months time. I will join the company's retirement fund and medical-aid scheme.

What else should I be doing to plan for my future, bearing in mind I'm not earning much yet and I have student loans to repay?

A The younger you start planning for your financial future, the better.

We asked Charné van der Walt from Lemons into Lemonade Financial Planners how to lay a strong foundation for future financial freedom.

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GALLO IMAGES/GETTY IMAGES

'IF YOU'RE STILL PAYING OFF A STUDENT LOAN, RESIST GETTING INTO MORE DEBT'

1 MAKE SURE YOU'RE CONTRIBUTING ENOUGH

Your monthly contribution to your company retirement should be equal to at least 15% of your income before tax.

When young people start working, they often choose the minimum contribution. But contributing 15% or more over a 40- to 45-year period will ensure a comfortable retirement.

If your contribution now is less than 15%, ask a financial adviser to help you work out how much you should be saving. Don't be discouraged if you can't afford it immediately – make it a goal for when you next get a salary increase.

2 START AN EMERGENCY FUND

A goal for an emergency fund could be to save R5 000 to R10 000 over the next four years. Keep your hands off it and use it only when there's a crisis.

Set yourself a realistic target of, say, R200 a month. When you've reached your goal, that R200 can be put to good use elsewhere, for instance saving for a holiday or a deposit for a home or car.

3 DON'T LET DEBT GET OUT OF HAND

You might be itching to buy your first car but if you're still paying off a student loan, resist getting into more debt.

Pay off your existing debt as soon as possible and don't fall behind on your monthly repayments – this will result in a negative credit record and make getting a loan for a car or a house difficult.

TIP
When you get your annual salary increase, revisit your financial plan and adjust it according to your needs.

4 POLICIES

Ask your employer about group coverage. Sometimes people take out life or disability insurance because they're unaware they already have it through their company.

If your employer doesn't offer it, consider a policy with an affordable premium.

For example, see what kind of coverage you could get for R150 a month.

Disability cover means if you're ever injured or ill and unable to work – either temporarily or permanently – you won't be left without an income.

If you die, life cover will pay for your funeral and any student debt.

However, remember to make sure you don't buy a policy with a 10% annual premium increase. That might not be affordable, so rather opt for a 5% increase.

GET ADVICE HERE
- To find an accredited financial adviser, go to fpi.co.za – the website of the Financial Planning Institute of Southern Africa.
- For income tax information and queries, go to sars.gov.za
- For help with your will and estate planning, go to fisa.net.za

5 STAY ON TOP OF YOUR TAX

South Africans aren't required to file tax returns if they earn less than R350 000 a year, but filing one will make your life a lot easier in the long run.

The moment you decide to work overseas or expect a policy to pay out, even if you earn less than the R350 000 threshold, Sars is likely to request your tax information so if you didn't file the information, you could struggle to retrieve old information and even be fined for late filing.

6 BEWARE OF COMMERCIAL DEBT

Young people often buy furniture and electronics on credit. If you manage to pay it off within the interest-free period, it makes financial sense.

But if you take longer, these items could end up costing you a lot more. Moral of the story: don't buy something you can't afford, no matter how tempting it might be. M