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Your moneywise calendar for a savvy 2017

The start of the New Year is the perfect time to implement some meaningful resolutions to seize control of your finances.

Niel Fourie, Public Policy Actuary at the Actuarial Society of South Africa, says instead of berating yourself for splurging over the holidays, rather use the pinch on your pockets as a motivation to rid yourself of debt and become more financially secure over the next 12 months.

He suggests implementing these simple monthly steps towards becoming more financially savvy in 2017:

January: Begin with a budget

Fourie points out that a detailed budget is one of the most important tools for achieving your financial goals. “Without an understanding of what you are actually spending versus what you can afford, you will likely keep falling into debt,” he explains.

Begin by recording your monthly expenses, using a notebook or budgeting app. With a realistic understanding of your finances and spending, plan your monthly budget according to your needs (such as rent, electricity, transport, savings and risk cover) and wants (movies and restaurants).

As part of your budgeting exercise, look for ways to cut back on unnecessary expenses advises Fourie. “Instead of paying for a subscription, for example, you could be repaying an expensive debt. And if you are lucky enough to be debt free, rather invest this money.”

February: Prioritise repaying short-term debts

Make repaying your short-term debts such as credit cards and store accounts your top priority in order to ease the strain on your budget.

“Short-term debt with high interest rates can quickly snowball, placing huge pressure on your finances. Gradually crossing these debts off will provide a welcome mental boost,” states Fourie.

March: Consult a financial adviser

With a budget in hand, think about the financial goals that you would like to achieve. Divide these into short-term goals such as an upcoming holiday or a short educational course, medium-term goals such as a new car or your child’s education, and long-term goals such as a secure retirement income.

"Then consult a trusted financial adviser to develop a financial strategy that will help you to reach your goals. Your financial adviser will be able to help you to choose the best investment products for your goals," notes Fourie.

It is also very important that your financial strategy includes protection against risks that could leave your family financially destitute, such as death, disability and severe illnesses. Your personal needs will determine what type of cover you should prioritise. Your financial adviser will be able to help you with this.

"Your financial strategy then needs to be reviewed annually with your adviser as your personal circumstances change," he says.

April: Protect yourself against the unexpected

Start implementing the advice received from your financial adviser, starting with life and disability cover.

Fourie says that if you are a breadwinner with dependants relying on your income for survival, you owe it to them to have sufficient life and disability cover in place. If you are a young income earner with no dependants, you owe it to yourself to have at least disability cover in place.

He explains that a young person who becomes disabled and can no longer earn an income would have to rely on the one lump sum disability benefit payment for a lifelong income.

"While insurance is often a grudge purchase, it is vital to protect your future income against unexpected events which could plunge you or your loved ones into financial hardship," Fourie reiterates.

"Medical aid cover is also extremely important, as the high costs of healthcare pose a significant risk to your financial well-being, especially treatment which would require hospitalization," he says.

Finally, he adds that you will need to ensure that you have sufficient short-term insurance to protect your valuables against any unfortunate surprises such as fires, weather damage, accidents or theft. This would include your home, your car and personal belongings such as jewellery and electronics.

"Also remember that being unable to live in your home or use your car could mean significant additional expenses beyond repairs or replacement, as you would need to find alternate accommodation or transport in the meantime. This is why comprehensive short-term insurance is so important," he says.

May: Get a will

While we would all like to believe that we will live forever, dying without a will could place a huge financial burden on your family, as the laws of Intestate

Succession mean that your loved ones may not be provided for in the way you would hope, explains Fourie.

Begin the process by gathering together the details of your debts, insurance, investments and any other assets. “Then consult an attorney, bank or financial services provider to assist you, as there are a number of legal complexities in drawing up a will that you may not be aware of,” he says.

June: Chip away at your long-term debts

Once you are rid of short-term debt, increase your repayments on long-term debt such as your mortgage or student loan. “Even adding just R200 a month could take months and thousands of Rands off your total repayments,” notes Fourie.

July: Invest towards your financial goals

July is National Savings Month, so get into the spirit by looking for additional ways to save, and invest your money towards reaching your financial goals.

“If you struggle to save at first, aim to gradually increase your savings over time. You could, for example, save five per cent of your salary this month, six per cent the next and so on,” he says.

August: Reflect on your progress

Stay motivated to stick to your financial goals by taking the time to look back on your achievements thus far.

Fourie also suggests that you spend some time teaching your children important financial lessons to prepare them for the future, focussing on budgeting, distinguishing between wants and needs, and the importance of saving.

September: Pay the taxman

Get a head start on completing your annual income tax return, as the deadline for submitting paper copies soon becomes due.

“This is a good time to teach yourself about the various taxes that may apply to you and your life stages on the South African Revenue Service (SARS) website, which offers very useful advice and explanations,” says Fourie.

October: Review your medical aid cover

The window for you to change your medical aid benefit option opens in November or December, so prepare and check that you are still satisfied with your medical aid by researching and comparing different options.

Fourie notes that while it is much easier to change benefit options, you could also consider changing schemes if you are unhappy with the level of service provided by your current scheme. “However, it is then important to research the various waiting-periods and exclusions that may apply.”

November: Make the most of sudden windfalls

If you are lucky enough to receive an annual bonus, plan carefully to make the most of your windfall. Channel funds into repaying outstanding debt, or consider creating a rainy day fund to help you cope with unexpected expenses such as vehicle repairs or a new geyser.

Fourie says that you should continue adding to your emergency fund until it equals at least three times your monthly salary, and suggests that you deposit this money into a separate bank account or money market fund in order to avoid the temptation to spend.

“With the upcoming holidays, you could also allocate some funds towards rewarding yourself and your family, or consider helping someone less fortunate or a charity. It is also important to remember that New Year expenses such as textbooks and uniforms lie ahead,” he says.

December: Have a stress-free holiday

After a year of dedicated hard work, you should have covered all your financial basics including:

- A budget
- Life and disability cover
- Medical aid
- Short-term insurance
- A savings and investment strategy
- A will
- An emergency fund

“If you have not achieved all these goals, pencil them in for first thing in the New Year. You should also make sure that your family knows where to find important relevant financial information and who to contact in event of an emergency,” says Fourie.

Finally, enjoy a carefree holiday, and congratulate yourself on entering the New Year on a secure financial footing.

Ends

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