

**How to get your financial health back on track? The answer may lie where you least expect.**

*Drawing on personal experience, CEO shares how your retirement fund and financial adviser can help take charge of your financial journey*

Gross Domestic Product (GDP) results are the worst we have seen in over a century, and a decline of 51% for the second quarter of 2020 underlines just how tough times are. The latest Momentum Unisa Consumer Financial Vulnerability Index (CFVI) also shows that South Africans are indeed in a very vulnerable state and unable to cope financially.

Speaking at a first-of-its kind series of member webinars hosted by one of South Africa's largest umbrella retirement funds, Dumo Mbethe, CEO of Momentum Corporate, says that while it's easy to wheelspin and make panicky decisions in these challenging times, help may be available through an unusual source – your retirement fund. Mbethe says personally he values the guidance and perspective offered by his financial adviser and encourages all retirement fund members to use the financial resources and expertise that should be available through their retirement fund.

Mbethe says a financial plan is the bedrock of anyone's financial health and vitally important in current times. The key elements you need to consider in your financial plan include a household budget, the retirement and group insurance benefits you have through your employer, provision for personal savings and insurance and establishing a will.

The Momentum CFVI recorded the largest quarterly decline of 13.1 points (from 47.7 points to 34.6 points) in the income category. Mbethe says that this underlines just how many households are facing reduced financial inflow, which makes household budgeting more important than ever so any income goes as far as possible and households are still able to honour debt payments. "To achieve this, it's important to trim all non-essential spend by conducting a "needs versus wants" analysis of monthly spend, and cut out nice-to-haves (wants)," says Mbethe.

The pandemic has also reinforced the value of the group benefits you may have through your employer, such as life cover and income protection against ill health or disability. Heading one of the country's largest group insurers, Mbethe says they are heartened by the fact that 95% of the Momentum Corporate client base continued paying group insurance premiums despite serious cash pressures during lockdown. "This highlights the tremendous value employers see in this benefit and the value it offers employees, who often don't have personal death, disability and critical illness insurance cover," he says.

However Mbethe added that sadly many members do not actively manage their benefits through their employer, often forgetting to adjust levels of cover according to changing personal circumstances and failing to nominate beneficiaries and dependants or to up-date their personal contact information with the insurer. "It's vital that you review your cover annually and make sure that you have nominated beneficiaries and dependants to receive your death benefits should you pass away. It's also important to make sure the insurer has your most up-to-date contact information so they can contact you easily on important issues around your benefits," explained Mbethe.

Mbethe continued, “The thing is that many of us have never developed a household budget or given a second thought to our group benefits, let alone personal benefits or our will, so suddenly thinking about these things in these uncertain times can be daunting. However the resources and expertise you should be able to access through your retirement fund are an excellent starting point”.

“The default retirement regulations require all retirement funds to offer benefit counselling, however the top umbrella funds have taken this service a step further by expanding the offering to include financial coaching, proactively reaching out to members and actively linking members to financial advisers.”

“During times of severe financial stress, many of our decisions are based on fear, scarcity and emotion. Talking to a professional like a financial adviser or benefit counsellor removes the emotion and helps you see the situation more clearly. Your retirement fund’s benefit counsellors should provide you with a solid understanding of financial concepts and your benefits, and link you to the group financial adviser responsible for your retirement fund. The financial adviser will offer you professional personal advice, specific to your unique situation.”

Mbethe highlighted that it’s particularly important to talk to a benefit counsellor and/or financial adviser if you’re:

- Facing retrenchment,
- Alarmed by how your retirement fund values have plummeted due to market volatility and are thinking about switching to more conservative investments,
- Planning to retire in the next few years,
- Wanting to manage your finances better or generate new income, by tapping into the value-added benefits some retirement funds offer, or
- Planning to reduce your tax and save more for retirement by increasing your contributions to a retirement fund.

“South Africa is blessed with an abundance of talented sportspersons. However, for them to get on top of their game and deliver world-class performances, they need good coaches. In a similar way, retirement fund members should reach out and use the experts and resources they have access to by virtue of their fund membership, like benefit counsellors and financial advisers, to get back on top of their financial game,” concluded Mbethe.

**Sources:**

\*Statistics SA

\*\*The Momentum Unisa Consumer Financial Vulnerability Index, Quarter 2, 2020

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