How to build a lasting legacy this World Financial Planning Day

Many South Africans dream of achieving financial freedom and building a legacy. In the spirit of World Financial Planning Day, happening on 7 October 2020, Noluyolo Betela, client relationship manager at Allan Gray, shares strategies and plans you can put in place to help create personal and generational wealth.

06 October 2020: Building a financial legacy is a deeply personal exercise, that means different things to different people. While it may seem out of reach, as with other financial goals, it all begins with careful planning.

This is the view of Noluyolo Betela, client relationship manager at Allan Gray, who says there are strategies any of us can put in place to invest for the future of loved ones.

World Financial Planning Day, part of World Investor Week between 5 and 11 October 2020, raises awareness about the importance of planning for a financially secure future. In light of this, below Betela shares five tips to help you prioritise a financial legacy.

Tip 1: First, define your financial legacy with a plan

"Legacy means something different to each of us, whether it be building up sufficient reserves to ensure that you are adequately prepared for life and those unexpected events, or being able to send your child to the best school available, or even acquiring a property for your family," says Betela.

She says that it is imperative not to lose sight of these longer-term goals.

"Our salaries can only take us so far. It is therefore important that we set goals for our money and that we consider investing as a way of achieving these goals."

Tip 2: Understand the investment products available

Betela says understanding your investment products is key to ensuring you achieve your desired outcomes.

"For example, do you know when can you access your money? Are there limits to how much you can contribute? What are the benefits the product offers? These questions will help you determine whether the products you pick are appropriate for your circumstances."

She adds that this becomes particularly important when comparing various products, such as basic unit trusts, retirement annuities, tax-free investments and endowments.

Tip 3: Ensure that you have a valid will in place

"To ensure that your loved ones are taken care of, you should have a valid will in place, which is a document indicating how your assets should be distributed in the event of your death," explains Betela.

However, she advises getting assistance from a professional, such as a lawyer or a financial adviser, as there are several elements needed to ensure that your will is compliant and valid.

"Remember to keep you will up to date," says Betela. "Life-changing events, such as the birth of a child, marriage or divorce may necessitate important changes."

Tip 4: Understand what will happen when you die

Different investment products and life policies are subject to different rules around how the benefits are allocated when you die. Some financial products allocate the benefits to your estate, some to your nominated beneficiaries and some, such as retirement fund benefits, are allocated to your dependants.

"It is important to understand how benefits are allocated and how long it may take for each of these financial products to pay out upon your death so that you can ensure that your loved ones are taken care of over the short and long term," says Betela, adding that it is crucial that you nominate beneficiaries and keep your information up to date.

5. Seek professional advice

When it comes to estate planning, you need to consider the law, the rules that govern your financial products, and tax.
"This can become an incredibly complex task. Consulting an independent financial adviser is the best way to ensure that your unique circumstances are catered for and that you leave your loved ones with the legacy you had in mind," concludes Betela.

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