

"Go on, take a financial wellness day off"

by Lettie Mzwinila, business development manager at Allan Gray.

16 July 2018: July is National Savings Month, an ideal time to take a 'personal financial wellness day' off – a growing corporate trend in the US.

South Africa has seen a positive growth in consumer confidence year-on-year, however, many remain under tight financial pressure as a result of higher prices and low salary increases. This is evident in how greatly indebted we are and how little we save. And with that kind of pressure, comes stress – a very real issue among the working population.

A recent study by consulting firm PwC found that 53% of full-time employed adults in the US are stressed about their finances, far ahead of their jobs (17%), personal relationships (15%) and health (14%).

Forty-eight percent found themselves distracted from work by their finances. They also spent three to five hours every week thinking about, or dealing with their personal finances at work, and as much as 16% said they occasionally missed work.

The findings are worrying, and some employers have taken note. US-based SunTrust Banks recently implemented a novel idea to help employees deal with their money woes: They give them a financial wellness day off to attend to their personal finances. Staff can use the day to handle whatever financial issue is keeping them awake at night without the additional pressure of work commitments.

Are South African employers paying attention?

The short answer is 'not yet'. While employee physical wellness has become a priority, with many companies offering programmes to encourage a healthier lifestyle in a bid to reduce absenteeism (said to cost the economy between R12 to R16 billion every year), not all companies have caught on to the impact of financial stress on their employees. So until you can put in special leave to focus on your finances, it may be a good idea to take one day of your annual leave to attend to your money without work pressure getting in the way.

What to do on your financial day off

An adequate emergency fund topped the list of concerns for 50% of respondents in the PwC survey, followed by retirement savings (29%) and not being able to meet their monthly expenses (29%). If these concerns resonate with you, then use your financial day off to get your house in order.

1. **Create or review your budget.** This is the first step towards financial wellness and will help you to better allocate your available funds.
2. **Take a hard look at your debts.** If you are struggling to cope with your debt repayments, you could spend the day with a financial adviser or a debt counsellor to draw up a sound and actionable financial plan to pay off your debts in the order of those that attract the highest interest to the lowest.

3. **Set up an emergency fund.** Unforeseen events such as accidents, illness and death are part of life – we cannot simply close our eyes and hope for the best. Consumers often land up in debt or withdrawing from their long-term investments (which carries the risk of losing capital if you withdraw at the wrong time) to cover short-term emergencies. An emergency fund can help you avoid this. Consider using a flexible and easily accessible investment such as a basic unit trust, and select a fund that has less market fluctuation and offers higher returns than bank deposits.

A good goal to save towards is three to six times your monthly salary. Doing so will also give you peace of mind that should you suddenly lose your job, you would still be able to meet your financial commitments for a few months.

4. **Review your insurance cover.** Short- and long-term insurance policies such as life, disability and funeral cover, medical aid and hospital plans, as well as household and car insurance give you additional coverage for life's eventualities. You should take the time to go over various policies to ensure you are appropriately covered.
5. **Review your existing investments.** Even if you are on top of your finances and are already investing, you could take the day to review your investments to make sure they still meet your needs and risk profile. If you have experienced a life-changing event – such as getting married or having a child – you may need to make changes to your investments. Also check in on your retirement savings if you have been lucky enough to get a significant salary increase to make sure that the amount you are saving accounts for any lifestyle adjustments.
6. **Focus on estate planning.** Have you adequately planned for your death? It's not a pleasant topic but if you die without getting your affairs in order, you put your dependents' financial futures at risk. You could use your day off to meet with a professional to have a Will drafted. Without a Will, legal proceedings around winding up your estate and payments to beneficiaries may be drawn out, placing a heavy financial and emotional burden on those you care about.

If you have children under the age of 18, you should nominate a legal guardian or set up a Trust to help them manage their inherited assets until they are of age.

If your existing investment products have an estate planning benefit, such as an endowment, retirement fund or a tax-free savings account, take the time to review your list of nominated beneficiaries.

7. **Do your tax return.** The 2017/2018 tax filing season started on 1 July 2018. Use your financial day off to get all your tax certificates and other documents together and file your return.
8. **Meet with a financial adviser.** If you have a financial adviser, this would be a good time to get together to assess the appropriateness of your investment products and asset allocation and to check that you are on track to meet your financial goals. If you don't currently use a financial adviser but feel you could benefit from their expertise, you could use the day to find one. Ask someone whose judgement you

trust, and who you know has a good financial plan, to recommend an adviser. Set up an initial chemistry session with a potential adviser to get a sense of their approach, discover if you have a good rapport and, of course, gauge their skills. A good, independent financial adviser will help you develop a financial plan customised to your situation and needs and help you choose the right investment products to achieve your goals.

While poring over your finances may not sound as attractive as say, a day at the beach, ultimately you will have more peace of mind that you are on the right track with your savings and are well-equipped to handle any event life throws at you.