



THE POWER  
OF INDEPENDENT ADVICE

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# MANAGING PERSONAL FINANCES REQUIRES PARTNERSHIP

*By Suzean Haumann, Brenthurst Wealth Management*

**A financial plan is not all about returns. Yet many investors focus on this aspect with at times scant regard for the other components required for a comprehensive, long term financial plan for sustained financial health. Furthermore, they often don't accept or acknowledge their own responsibilities in an advisor/client relationship.**

Life's little curve balls have a tremendous impact on holistic financial planning. Events such as death, divorce, career changes, illness, disability or a family member becoming a dependent are crucial factors that can have financial implications that may derail investment, retirement as well as long-term insurance plans.

These kind of changes to a person's situation must be shared with his/her financial advisor as it will, in most cases, require adjustments to the investor's financial plan and may even have an impact on investment selection.

For instance, a recent case study about the client/advisor relationship reported that pertinent medical information regarding a family member only came to light after the passing of the investor who was the main breadwinner. As this information was not shared upfront or during the investor/advisor relationship of several years, the person's financial plan was not adequately positioned to provide for his family's physical and medical needs after his passing. His widow was forced to return to work, sell their family home and move into a much smaller property in order to make ends meet.

Every financial advisor expects that when they enter into a relationship with a client that the client will be truthful, open and completely honest regarding personal circumstances and disclosure of information as it relates to their financial plans.

## EXAMPLES OF INFORMATION THAT NEEDS TO BE DISCLOSED TO AN ADVISOR FROM THE GET-GO INCLUDE:

► **PERSONAL CIRCUMSTANCES:** It is important to always inform an advisor of any changes in your personal circumstances. For example, any employment changes or loss of employment, death of a spouse, a marriage or a divorce. In many instances clients neglect to inform advisors of the birth of a child or grandchild or a divorce, which could result, for instance, in a will not being updated and no longer relevant to their latest wishes. Small things like the change of contact details like an e-mail address or mobile telephone number, can result in an investor or client not receiving his or her portfolio reviews, updates about legislative or tax changes or any other important communication from their financial advisor.

► **DEBT:** In any form (good or bad) must be openly discussed along with the applicable interest rate attached to that debt. In many instances it would be a better idea to pay off debt first before saving monthly due to high interest rates. Bad debts are debt such as credit cards, personal and study loans. Good debt would be loans for acquiring assets, such as a property. Vehicles are not assets and are therefore also categorised as bad debt.

► **MEDICAL CONDITIONS:** Should any family member suffer from medical (including psychological) conditions that have an impact on their quality of life or might prohibit them from being able to care for themselves or ever being able to earn an income, it must be disclosed. The advisor needs to make sure that guidance is provided in the proposed financial plan about how to make provisions for such family members after the breadwinner or principal investor's passing, or in the

event that the investor loses the ability to earn an income, to provide the required medical or physical care.

► **FAMILY MEDICAL HISTORY:** Clients forget that although they are currently healthy, there might be risks factors like a family history of cancer, diabetes, cholesterol problems or heart disease. If this is not disclosed the proper amount of life insurance and other long-term insurance needs, such as critical illness or disability cover, might be insufficient in the future.

► **NOT DISCLOSING COMPLETE INVESTMENT AND LIFE INSURANCE PORTFOLIOS:** by not disclosing all investments it will mean that the advisors do not have the "full" picture. This can have the effect of over-exposure to one asset class or one investment structure or not fully utilising tax-efficient investing, such as a retirement annuity and annual tax-free savings investment contributions. It might entail that the investor is over or under insured in terms of long-term insurance and the required income protection or income replacement policies.



These topics, especially round health and personal issues, are not easy or pleasant to discuss and make most investors quite uncomfortable, but it is of utmost importance to do so. Advisors are trained and committed to serve clients' best interests, clients must deliver on their responsibilities in terms of full exposure to secure the best possible, most suitable long term financial plan.

## WE'VE JUST LAUNCHED OUR NEW WEBSITE!

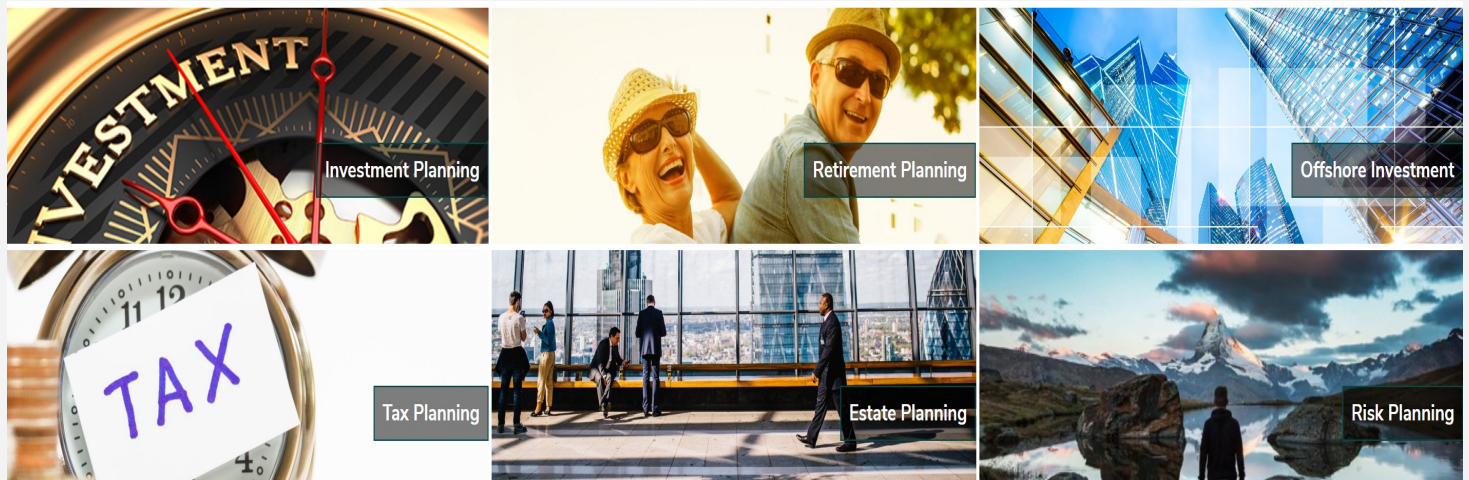
### WELCOME TO OUR NEW AND IMPROVED BRENTHURST WEBSITE

Here at Brenthurst we are always looking to improve the service we offer. So, in an exciting step towards enhancing your experience of Brenthurst, we have launched a brand new website. With a fresh "look & feel" and intuitive design, our new website is designed with you in mind.

Our new website makes it easier to navigate. Discover more about our INVESTMENT STRATEGIES, RETIREMENT, ESTATE AND TAX PLANNING as well as OFFSHORE INVESTMENTS. Prepare for Life's uncertainties today. Consult with our BWM team, who specialize in RISK PLANNING in order to find the best cover for your requirements .

With our new website, we hope to build on the service we offer to you, our clients, and are looking forward to continuing to work with you. [www.brenthurstwealth.co.za](http://www.brenthurstwealth.co.za)

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