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IN THIS ISSUE

Make it a priority in 2024 to enlist good financial habits.

- ✓ Avoid the 'I deserve this' mindset
- ✓ Focus on income generation
- ✓ Have something 'extra'
- ✓ Review your financial costs
- ✓ Make sure to have fun
- ✓ Keep an eye on the big prize

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WAYS TO BE MORE FINANCIALLY SAVVY IN 2024

By Sonia du Plessis, Certified Financial Planner®, Brenthurst Wealth Stellenbosch

As the new year starts, I can't help but wonder how the year is going to pan out and how it's going to affect my clients' investment returns. Obviously, we always hope that the markets perform as predicted, but that isn't always the case. After all, we have no way of predicting the future.

Which raises a bigger question: why do investors panic, and how can one avoid selling at the wrong time?

Simply put, people sell in panic when they see their future at risk because of something they can't control. However, something they can control is reducing their exposure to this risk, so they often end up selling when they really shouldn't.

SO, HOW DO YOU OVERCOME THIS FEAR-DRIVEN BEHAVIOUR?

The best way I know is to place yourself in a strong financial position that frees you from the daily worry of what markets are doing.

Make it a priority in 2024 to enlist good financial habits. To help you in this process, here are some steps I suggest you follow to rid yourself of financial stress and become more financially savvy.

TAKE YOUR FINANCES OFF THE GRID

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1. AVOID THE 'I DESERVE THIS' MINDSET

Being financially savvy is all about mindset: you can have all the tools and strategies to get your finances in order, but if you don't have the right mindset it won't work.

Advertisers are masters at selling us things we don't need. Essentially, you can live with far less and still be happy. There's a huge difference between wants and needs, and the most financially-savvy people I know always prioritise their needs.

So, the first step to financial freedom is thinking twice before putting that 'want' item into your trolley. One great way to resist temptation is to unsubscribe from promotional email lists and remove push notifications from retailers advertising special deals.

2. FOCUS ON INCOME GENERATION

By resisting temptation, you're putting yourself on track to breeze through the second step, which is to have a monthly household budget. This must be updated at least once a year to reflect your actual income and expenses.

This exercise will quickly show you how you're doing and whether you're overspending. If so, cut back on your expenses, or make a plan to earn extra income. Having a 'side hustle' is almost expected today, with millions around the world making a little extra by pursuing a passion or delivering a much-needed service.

Another way to grow your income is to invest in yourself through further education and qualifications to take a step or two up the salary ladder.

3. PAY OFF YOUR DEBTS

Short-term debt drains you of valuable money that could be earning you interest, instead of you paying interest. So, I always advise that you focus on paying off the high interest-earning debt first. Don't worry too much about 'good debt' like a home loan, and rather channel extra cash into your retirement savings and investments.

4. HAVE SOMETHING 'EXTRA'

With debts cleared, you can now put that monthly payment to good use by contributing to an emergency fund. This is money you can use to pay unexpected expenses rather than relying on your credit card or loan facility to get you out of a tight spot.

This nest egg not only helps you take care of an immediate need, it also helps you avoid taking on unnecessary debt. As a broad goal, it's recommended that you save enough to cover at least 3-6 months' worth of expenses.

5. REVIEW YOUR FINANCIAL COSTS

It's very easy to ignore recurring debits on your bank account. Whether it's bank and transaction fees, insurance premiums and other subscriptions, these all add up in the end. I suggest that you review the fees you're paying for various financial products and services, which includes your insurance premium and even your bank fees.

Did you know that you can open a basic bank account that charges as little as R7 per month?

And don't forget to look at the costs you're paying on your investment accounts. Some products in the investment world have exorbitant fees linked to it.

The lesson is that, although these fees erode your bank balance, you have control over how much you pay by finding more cost-effective alternatives.

6. MAKE SURE TO HAVE FUN

No one enjoys a journey that's a slog. So, don't feel you can't have fun along the way.

The best way to buy yourself some downtime is to budget for it and put aside money to pay for future adventures. It's easier to find the extra money for this fund if you've applied steps 1 to 5.

7. KEEP AN EYE ON THE BIG PRIZE

Rather than perceiving the above steps as too difficult or even unachievable, motivate yourself with the reminder that 'money gives you options'.

Each time you spend, you're giving up a fraction of your future freedom. So, avoid wasting your freedom on things you don't need or genuinely want. Your future self will thank you; I can guarantee that.

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SONIA DU PLESSIS | CERTIFIED FINANCIAL PLANNER®



Sonia heads up the Stellenbosch office and has been in the financial services industry since 2001. **She won the inaugural title of Top Financial Advisor in SA at the 2019 Intellidex Top Private Banks and Wealth Manager Awards and placed second in the 2022 awards.**

She previously worked for Magnus Heystek International, as well as ABSA Private Bank, where she gained valuable experience in investment and life insurance matters.

Sonia obtained a BCom degree in 2001 from the University of the Free State and attained her CERTIFIED FINANCIAL PLANNER® designation in 2004. Sonia is a CERTIFIED FINANCIAL PLANNER® professional, a member of the Financial Planning Institute of SA and is fully qualified to give advice on all investment matters.

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