



THE POWER
OF INDEPENDENT ADVICE

www.bwm.co.za

IN THIS ISSUE

There is no shortage of investment vehicles and strategies for you to consider for your retirement savings. The range of retirement funds and annuities, as well as the choice of local and offshore discretionary investments, can leave you reeling with an information overload.

INVESTING WITH SA'S

LEADING BOUTIQUE WEALTH MANAGER

WINNER 2020 & 2017, TOP 3 2022 & 2021
RANKED AMONGST THE TOP WEALTH
MANAGERS FOR 6 CONSECUTIVE YEARS

JHB (HQ)	+27 (0) 11 799 8100
JHB (SANDTON)	+27 (0) 10 035 1391
PTA	+27 (0) 12 347 8240
CAPE TOWN	+27 (0) 21 418 1236
BELLVILLE	+27 (0) 21 914 9646
CLAREMONT	+27 (0) 21 100 3901
STELLENBOSCH	+27 (0) 21 882 8706
PAARL (VAL DE VIE)	+27 (0) 21 100 3901
MAURITIUS	+ 230 5843 5215

TAKE ACTION TO PREVENT RATE HIKE DERAILING YOUR RETIREMENT SAVINGS

By Lloyd Uren, Paraplanner/Advisor, Brenthurst Wealth Stellenbosch

The surprise 50 basis point hike in the interest rate by the SA Reserve Bank could be pushing household finances to the brink. With nine consecutive rate hikes since November 2021, monthly repayments on a R2 million bond over 20 years have shot up by nearly R5,500. It's only fair then to consider your options to get the best long-term outcome.

A common dilemma that households face when inflation is high is whether to pay down debt or deploy that capital in an investment. This question takes on much greater urgency if you're nearing retirement because higher rates on debt can quickly eat into your capital.

And needlessly paying interest when you have a dwindling pool of resources simply doesn't make sense. So, if you're in this position, you might be inclined to eliminate your short-term debt and reduce as much of your other debts as well.

Ultimately, though, your decision revolves around two key factors: your time horizon, and the interest rate you pay or the rate of return you earn on investments.

If you're looking for an action plan to navigate these times of sky-high interest rates, then you might want to consider the following approach.



It's easy to fall into the habit of relying on credit cards, overdraft facilities and store credit to get by. The reason you want to cut these types of short-term debt is the higher interest rates you pay compared to other forms of credit, such as a personal loan.

ELIMINATE SHORT-TERM DEBT FIRST

Debt isn't necessarily bad, but short-term debt does carry higher interest rates and is often debt that you can do without, if you're disciplined.

It's easy to fall into the habit of relying on credit cards, overdraft facilities and store credit to get by. The reason you want to cut these types of short-term debt is the higher interest rates you pay compared to other forms of credit, such as a personal loan.

Being a little more restrained and disciplined, however, can help you reduce or eliminate this debt so that you can put your capital to better use.

There are plenty of proven strategies you can use to pay off short-term debt. The avalanche and snowball methods are two popular approaches to reduce your reliance on debt, or you can simply consolidate your debt into one manageable monthly payment.

INVEST FOR RETIREMENT

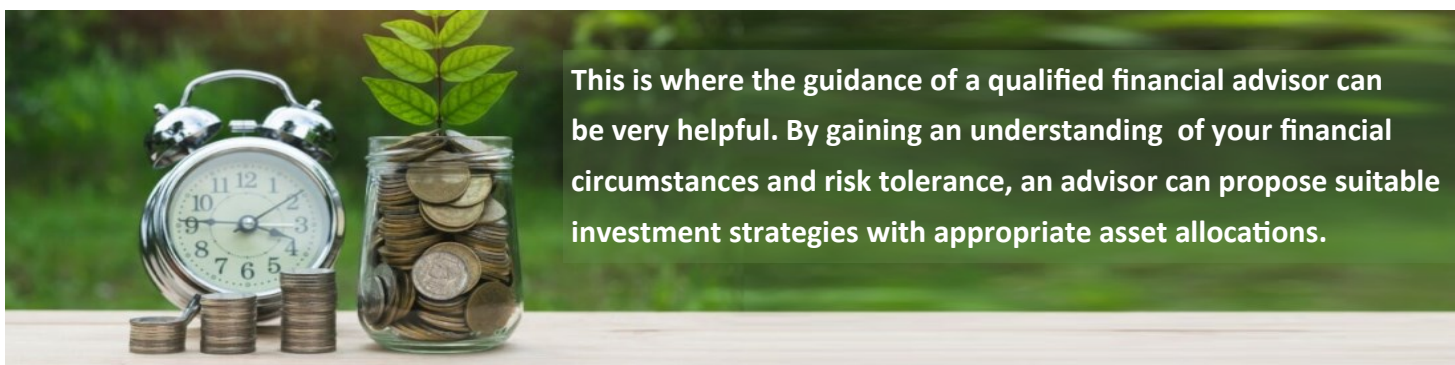
Oddly, saving for retirement is often seen as a grudge purchase. The short-term sacrifices seem to override the long-term benefits that you will enjoy in the future.

Those who gain the most from planning for their retirement are those who do so over a lifetime. If you start working in your 20s and aim to retire in your 60s, or 70s even, that gives you a good 40 or 50 years for your savings to grow. As we know, the impact of compound interest can be astounding – especially when taken over such a long time-horizon.

For this strategy to work, however, you need to remain disciplined and continue to invest, even through the tough times. With interest rates peaking, it's easy to let off on the accelerator and break your savings habit, but this is exactly the time when you will benefit most in the long run. Especially if stock prices have been knocked down, as they have been over the past year.

The more money you have invested for longer, the greater the opportunity for that capital to grow. And if you've bought whilst markets are down, then you could do very well when the markets recover.

There is no shortage of investment vehicles and strategies for you to consider for your retirement savings. The range of retirement funds and annuities, as well as the choice of local and offshore discretionary investments, can leave you reeling with an information overload.



This is where the guidance of a qualified financial advisor can be very helpful. By gaining an understanding of your financial circumstances and risk tolerance, an advisor can propose suitable investment strategies with appropriate asset allocations.

BUILD WEALTH WITH LONG-TERM DEBT

One type of debt that can be very useful is long-term debt, such as a mortgage or a student loan. The magnitude of the obligation can seem overwhelming, but the long timeframe helps to reduce the monthly burden.

And, if needed, you could always extend the term of a loan to lower the monthly premium, even if it means paying more interest overall. This trade-off makes absolute sense if, for instance, you want to reduce your monthly premium so that you can continue to contribute to your retirement savings.

The longer payment term could also be nullified if you have a windfall down the line that allows you to pay off your remaining loan in a lump sum.

In the meantime, my suggestion is to try eliminating short-term debts while continuing to invest in your retirement savings. The latest rate hike may force you to readjust your discretionary spending, which is prudent, but not at the cost of ditching your long-term investment goals.

The comparatively short-term shock of higher rates will be challenging in 2023, but not insurmountable if you have a robust financial plan in place. And if you don't know where to start, or want to check that your plan is feasible, reach out to a qualified financial advisor who can help you navigate these choppy waters.

ADVISOR PROFILE: LLOYD UREN



Lloyd joined the Brenthurst Wealth Team in 2023 as a paraplanner/advisor and currently works under the direct supervision of Sonia du Plessis, Renee Eagar and Ruan Breed in our Stellenbosch office.

He obtained his BCom (Investment and Financial Management) degree from the University of Stellenbosch, as well as his Postgraduate Diploma in Financial Planning through the Stellenbosch Business School.

Lloyd previously worked in the IT Services industry as a data officer for Wyzetalk before beginning his career in financial services with Brenthurst. He is passionately driven to help individuals achieve their lifetime financial goals and, thus, is working towards earning his CFP® designation to enable him to provide advice on all financial matters.

TEL: +27 21 882 8706 | **Email:** lloyd@brenthurstwealth.co.za

CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR 9 OFFICES COUNTRYWIDE TO DISCUSS YOUR INVESTMENT STRATEGY

BRENTHURST OFFICES:

Johannesburg	+27 (0) 11 799 8100
Sandton	+27 (0) 10 035 1391
Pretoria	+27 (0) 12 347 8240
Cape Town Waterfront	+27 (0) 21 418 1236
George	+27 (0) 82 551 3299

Claremont	+27 (0) 21 100 3901
Bellville	+27 (0) 21 914 9646
Stellenbosch	+27 (0) 21 882 8706
Val de Vie Estate	+27 (0) 21 100 3901
Mauritius	00 230 5843 5215

BRENTHURST SATELLITE OFFICES:

KWAZULU-NATAL | FREE STATE | MPUMALANGA | NORTH WEST

Brenthurst Wealth Management is an authorised financial services provider (Reg No: 2004/012998/07) FSP No.7833. This e-mail and any file attachments transmitted with it are intended solely for the addressee(s) and may be legally privileged and/or confidential. If you have received this e-mail in error please destroy it. If you are not the addressee you may not disclose, copy, distribute or take any action based on the contents hereof. Any unauthorised use or disclosure is prohibited and may be unlawful. The view and opinions expressed in this e-mail message may not necessarily be those of the management of Brenthurst Wealth Management (Pty) Limited.