Five money principles to live by

18 February 2021 – Money matters and finances continue to be a widely talked about subject. The pandemic has not only been onerous and taxing on everyone’s lives, but it has also created undue financial pressure on households globally.

Aneesa Razack, CEO FNB Share Investing for FNB Wealth and Investments says that “Instead of being overwhelmed by unnecessary expenses this year; look at ways or areas where you can save and invest your money. Unplanned finances can push people towards unnecessary short-term debt, which should be avoided at all costs.”

She admits that extravagant gifts, romantic dinners and outings are a ‘nice to have’ but with the ongoing financial pressures, we need to look at alternatives to using, saving and even investing our money. Razack and Mathlodi Leteane highlight five money principles to get you through this year:

1. **Open a savings or investment account**
   With the financial uncertainty, look at opening a savings or tax-free savings account; or even an investment account for yourself or your loved ones. Not only does the interest returns increase on the same capital invested but if those returns are re-invested along with the capital, the compound interest increases significantly.

2. **Retirement savings**
   Your retirement should be an exciting and happy time, but for many people, approaching retirement day can be an intimidating and stressful period mainly because of the many decisions that need to be made. One of the most important decisions that you need to make is what to do with your retirement savings. This is important as you need to ensure that you receive the income after you’ve stopped working.

   Most of us are required by law to use some or all of that money to purchase an annuity that will pay us that regular monthly income. But with so many annuities on the market, it’s difficult to know which one is right for you.

3. **Have a Valid Will in place?**
   This is a crucial step in your legacy creation journey. Many people simply neglect or ignore the importance of having a valid Will in place.
Mathlodi Leteane, Head of Operations, FNB Fiduciary says that, “A Will is a simple document that contains all your wishes for your loved ones. Sit down and take time to review the assets and investments that you have accumulated and decide who you would like to leave these to. If you already have a valid Will, review and check whether your circumstances have changed. These changes need to be factored into your Will.”

4. **Consider opening a Trust for your children?**
Leteane adds that, “A consideration is to open a Trust if you have a large portfolio or asset base. It may sound complicated or expensive, but with the proper guidelines and advise – you can establish your own Trust.

A Will combined with a Trust should be the main components of every estate plan. This ensures that your assets, investments and generational wealth is preserved and distributed according to an individual’s wishes (if drafted according to state laws). Some trusts help limit estate taxes or legal challenges. However, simply having a Will or Trust isn’t enough. The wording of the document is critically important.

5. **Invest in shares**
There are many myths around the ownership of shares. However, truth be told that anyone can invest in an instrument which provides exposure to local and global companies. The new global shares offering from FNB Wealth and Investments forms part of the bank’s ongoing commitment to engineer highly innovative solutions that is easy, affordable and go beyond banking to enable all South Africans to achieve their financial and lifestyle goals. It is essential to grow your wealth at a rate higher than the increased cost of living and investing in shares can assist in doing so.

“There are many myths associated with managing finances, but to ensure that you and your loved ones are safe, start saving and practice sound money management principles. This is the best approach to managing your finances this year,” concludes Razack.

ENDS