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# WORK MONEY MOMENTS:

## YOUR GUIDE TO NAVIGATING CAREER AND BUSINESS TRANSITIONS

YOUR LIFE Qs
BDO WEALTH

FPI Financial Planning Institute of Southern Africa
THE PROFESSIONAL STANDARD

BDO Wealth.
Your financial guide.

# MAKE THE MOST OF YOUR WORK MONEY MOMENTS


Money isn't the purpose of living. It's simply a tool that enables you to navigate your journey. The choices you make bring meaning and fulfillment.

These choices often arise during significant transitions in your life – such as getting married, changing jobs, buying a business, or coping with the loss of a loved one. At BDO Wealth, we call these LifeQs.

LifeQs are moments with financial impact. How we manage these moments shapes our path forward. The decisions we make define who we are and the life we create.

Our role as financial guides is to help you navigate these pivotal financial moments by considering what's happening now, what could happen, and what you wish for the future. Work, family, health, wealth, and legacy make up the solar system of LifeQs that shape your journey.

**This eBook is a collection of insights and experiences shared by BDO Financial Planners on how WorkQs impact your life.**

# NAVIGATING YOUR WORKQs

Your work shapes both your career and your financial future. WorkQs are the transitions that you will be faced with in your career or business ventures. From your first job to your well-earned retirement, every career milestone is a significant step.

As a financial guide, BDO Wealth can help you navigate the WorkQs you may encounter with confidence and clarity. Through this collection of key insights and stories, we hope to empower you to make informed choices that will positively shape your financial future.

# WHAT'S HAPPENING IN YOUR WORK LIFE?

Life$^{Qs}$ puzzle - test yourself

Your WORK$^{Qs}$

Death of a business partner

Your first job

Retirement

Job promotion

Retrenchment

Career change

Winning at the game of WORK$^{Qs}$

Dealing with disability or a dread disease

Business succession planning

## RETRENCHMENT

Key insights

Having an emergency fund

The benefit of income protection insurance

Work with your Financial Planner to navigate this transition

Read the article here

RETRENCHMENT

# HOW FINANCIAL FORESIGHT TURNED A DIFFICULT TIME INTO AN OPPORTUNITY FOR GROWTH

*Nompumelelo Makhanya, CFP®*
*Paraplanner, BDO Wealth, Johannesburg*

BACK TO YOUR WORK

In 2020, during the COVID-19 pandemic, Khaya, a 49 year old mining technician, experienced a life changing moment when he was unexpectedly retrenched from his long-standing role at a mine he'd worked at for eight years. Like many other South Africans, Khaya had built his career with the assumption that hard work and loyalty would lead to job security until retirement, but the pandemic unfortunately turned that notion upside down.

Faced with an uncertain job market and a family to support, Khaya's story is a testament to the power of financial planning and the importance of building a safety net for when life's storms unexpectedly hit.

Before his retrenchment, Khaya had worked with a financial planner who strongly encouraged him to build an emergency savings fund, even in the midst of all his other financial obligations. At the time, it seemed like an unnecessary precaution. After all, he had a stable job, and retirement seemed far off. But his financial planner made it clear and Khaya set aside six months' worth of living expenses into a savings account.

## When the retrenchment notice arrived, Khaya's emergency fund and his income protection policy became his greatest assets.

He was able to maintain his monthly expenses, including home loan payments, school fees for his children, and daily living expenses without using credit or long-term savings. The importance of an emergency fund became clear – it wasn't just a 'nice-to-have'; it was a lifesaver. Khaya's financial foresight gave him room to focus on his next steps without the panic of scrambling around for money.

In addition to his emergency fund, Khaya had secured income protection insurance early in his career, never imagining he would need it. But when his retrenchment became a reality, this policy provided a monthly income, allowing him to cover essential expenses while he looked for a new job. The income protection cover didn't just support him financially – it gave him the emotional security to focus on exploring new career paths.

Job loss brings emotional turmoil. Khaya, like many, struggled with feelings of inadequacy and fear of the unknown. But financial stability provided an unexpected benefit: **it gave him peace of mind, allowing him to approach the situation with clarity and confidence.**

With his emergency fund and income protection in place, Khaya was able to focus on his personal and professional development without being consumed by financial stress. This period of unemployment, instead of being a setback, became an opportunity for personal and career growth.

His retrenchment experience shifted his financial perspective. Not only did he continue saving diligently, but he also revisited his financial plan, increasing his emergency fund and securing other forms of insurance to cover unexpected life events.

**Retrenchment, though a painful experience, became a powerful financial lesson for Khaya. His proactive financial decisions before and after the retrenchment empowered him to navigate the uncertainty with resilience and optimism. Today, he advocates for financial preparedness, especially in the face of an unpredictable job market.**

# BUSINESS SUCCESSION PLANNING

Key insights

- Plan out your share transfer options
- Use the right investment and insurance solutions
- Consider using a Trust
- Align your will with your succession plan

Read the article here

BACK TO YOUR WORK

SUCCESSION PLANNING

# THE IMPORTANCE OF BUSINESS SUCCESSION PLANNING

*Akhona Modi, CFP®*
*Financial Planner, BDO Wealth, Johannesburg*

**Mr Smith started his manufacturing business in the early 1980s. Over decades, through hard work and dedication, he nurtured it into a multi-million-rand enterprise.**

**Recently, another South African company acquired a 52% stake in his business, a move that revealed his company's significant value – and which took Mr Smith by surprise.**

**This made him reflect on his future, particularly his desire to retire and ensure that his family is well-provided for in his absence.**

Mr Smith's personal life is as complex as his business achievements. He was married for many years and had five children from that marriage. Unfortunately, his first wife passed away 15 years ago. Since then, Mr Smith has remarried, and his current wife brought four children from her previous marriage into the family.

He values transparency and believes it is crucial to communicate openly with his family about the family's wealth and his plans for the future. He wants to avoid any potential conflicts or misunderstandings among his children by making sure that everyone is informed and on the same page.

Mr Smith wants to treat his stepchildren with the same love and fairness as his biological children.

## Key concerns

Mr Smith's main goal is to preserve the family's wealth, especially given the substantial value of his business. He wants to make sure that the wealth he has accumulated over his lifetime is not only preserved but also managed in a way that will continue to grow and benefit future generations.

Succession planning is part of this, as Mr Smith wants to retire and hand over the reins of his business to the next generation – but he is also aware how complicated this can be, particularly when it comes to estate and tax planning.

He is keen to structure his estate in a way that minimises tax liabilities and ensures a smooth transition of assets to his heirs.

He wants to ensure that his wife, Jacky, has enough capital to live comfortably for the rest of her life, especially because she will not have a direct claim on the business assets. This, together with his desire to treat all his children fairly, including his stepchildren, requires careful planning and consideration.

# Our approach

To address Mr Smith's concerns, we took a comprehensive and multidisciplinary approach, drawing on expertise from various departments within BDO to provide a holistic solution and guidance to the family.

Our wealth advisory team was the single point of contact for Mr Smith, simplifying the intricate and often overwhelming processes of estate planning. We worked closely with our in-house attorney to draft and review trust deeds to make sure that they met Mr Smith's estate planning objectives. This also involved updating wills for Mr Smith, Jacky, and his eldest son to reflect the current family structure and Mr Smith's plans for his wealth.

To help minimise tax liabilities, our tax department did an in-depth analysis to work out the best share transfer options for Mr Smith.

Another important aspect of what we did was reviewing and optimising Mr Smith's investment vehicles. We focused on investments that were not only tax-efficient but also well-structured to support his long-term goals, including minimising estate duty. Throughout this process, we made sure that we were open and transparent in our communication with Mr Smith and his family. We guided them through each step, so that they understood the rationale behind every decision and felt confident about the plans being put in place.

## Outcome

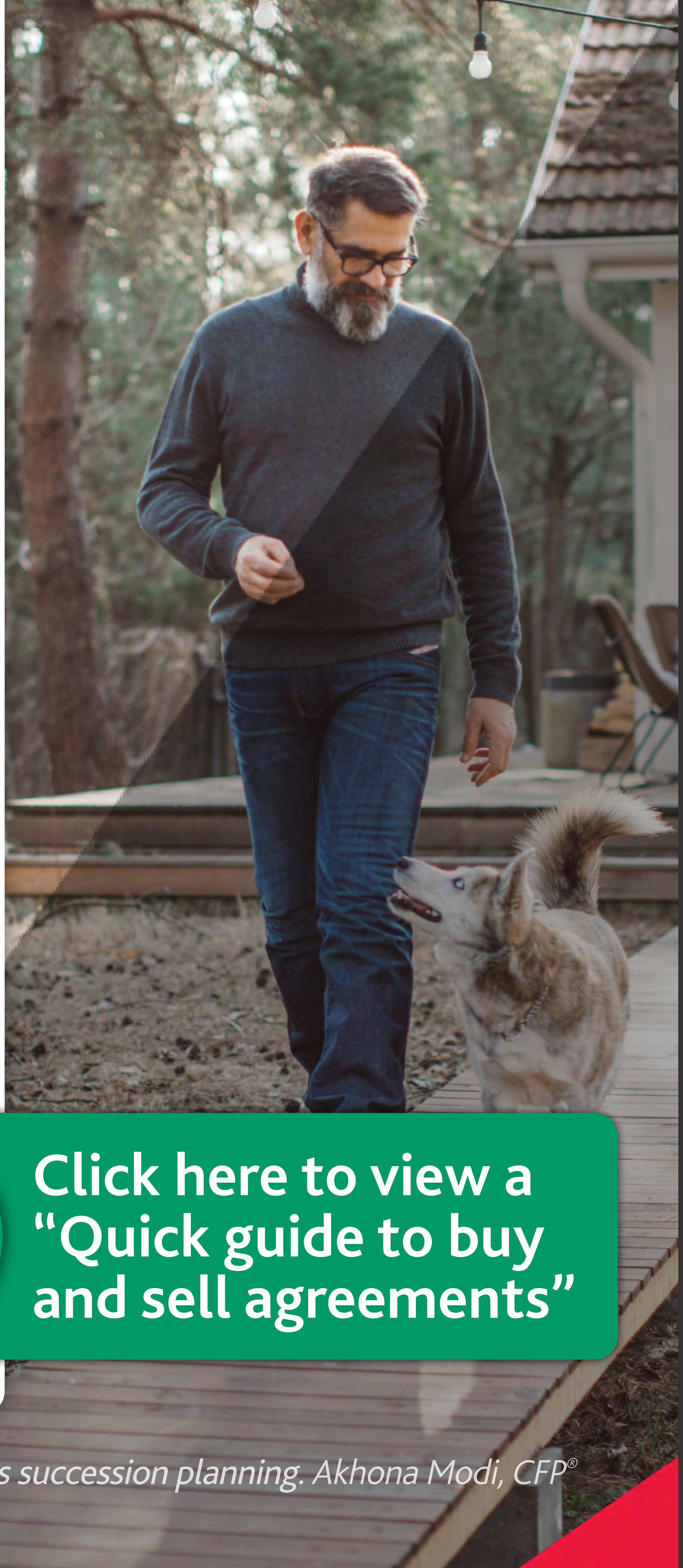
The strategy we provided not only gave Mr Smith peace of mind, it also created a structure that preserves the family's wealth and positions it for growth in the future. The way we **allocated his discretionary assets through a trust company structure**, including compulsory and discretionary assets in his name, means that a bigger portion of Mr Smith's assets will be passed on to his heirs.

Mr Smith's wife won't have a direct claim to the business assets, rather she is is a **beneficiary of his endowment and living annuity policies**, which will give her enough capital to live comfortably.

Mr Smith's children, including his stepchildren, are **income and capital beneficiaries of the second family trust**, which means that they will also be cared for and the family's wealth will be shared fairly.

Mr Smith can now enjoy his retirement fully, without the burden of unresolved financial concerns. He spends his time traveling and at his beloved farm, content in the knowledge that his legacy is secure.

His eldest son is honing his leadership skills and has taken on an executive role within the business to help the company prosper in the future.



Click here to view a "Quick guide to buy and sell agreements"

BACK TO YOUR WORK

A QUICK GUIDE TO

# BUY AND SELL AGREEMENTS

*Akhona Modi, CFP®*
*Financial Planner, BDO Wealth, Johannesburg*

BACK TO YOUR WORK

## Key questions

**01** Do you have enough funds to buy your co-shareholder's shares (or vice versa) in the event of their death or disability?

**02** If not: Have you considered a buy and sell agreement funded by a life policy on the life of each co-shareholder? It is an essential mechanism for business continuity and protection.

# Main elements of a buy and sell agreement

**Valuation of the business:**
A professional valuation should be done regularly to reflect the true value of the business. This is critical for determining the correct buyout price

**Shareholding structure:**
Clarifies the shareholding percentages.

**Trigger events:**
Death or disability of a co-shareholder.

**Funding mechanism:**
Life or disability policies taken out on each co-shareholder's life to fund the buyout.

**Methodology:**
How the shares will be valued at the time of a trigger event.

**Remaining shareholders:**
Obligated to buy the shareholding of the deceased or disabled shareholders.

**Review and update regularly:**
The agreement and valuations should be reviewed periodically to reflect any changes in the business structure or value.

**Funding for disability or critical illness:**
Consider extending the agreement to cover disability and critical illness policies to ensure business continuity in such events.

*The policy must be referenced in the agreement, e.g., Policy PGH7890*

## Benefits of a buy and sell agreement

**Wealth preservation:**
Protects the value of the business for remaining shareholders.

**Financial security**:
Guarantees that the deceased's family is compensated for their share of the business without causing financial strain on the business.

**Succession planning:**
Ensures a smooth transition of ownership.

**Tax efficiency:**
If structured correctly, buy and sell agreements can be exempt from estate duty (Section 3(3)(a)(iA) of Estate Duty Act).

## Pitfalls of not having an agreement

**Policies are counted as property:**
Without an agreement, or if the section 3(3)(a)(iA) exclusion requirements are not met, life policies are treated as deemed property in the deceased's estate, subject to estate duty.

**Estate duty exposure:**
The policy proceeds, minus the total premiums paid by the surviving shareholder (plus 6% simple interest), could be included as deemed property.

**Disrupted succession and wealth preservation:**
Without a proper agreement, the surviving shareholders may not be able to buy out the deceased's share, leading to family disputes and financial complications.

BACK TO YOUR WORK

Read the article here

# DEATH OF A BUSINESS PARTNER

## Key insights

- Have buy and sell agreements in place
- Use Keyman insurance for liquidity
- Have a shareholders agreement
- Retention plan for key management and staff
- Agree on who will take over management and ownership
- Management transition and temporary leadership
- Ensure that all partners have a valid Will
- Know the value of your business

DEATH

# THE IMPORTANCE OF PLANNING FOR THE DEATH OF A BUSINESS PARTNER

*Miré Delport, CFP®*
*Financial Planner, BDO Wealth, Johannesburg*

Why is death so difficult to talk about? Even though it's one of the most universal experiences in life, it's often a subject we avoid, especially in professional settings.

For business owners, discussing death can feel uncomfortable, but not talking about it leaves a significant gap in planning – one that could put the future of their business at risk and leave the deceased partner's family dismayed.

Planning for the death of a business partner is crucial to ensure continuity and minimise financial disruption.

Some of the things business partners should think about follow on the next page:

## 01 Buy and sell agreement

Create a legally binding agreement outlining how the business will be transferred or sold in the event of a partner's death. It should include valuation methods and terms for buying out the deceased partner's share.

## 02 Succession planning

Identify and train potential successors who can step into a leadership role if necessary. This helps ensure a smooth transition and operational continuity.

## 03 Estate planning

Make sure that all partners have a comprehensive estate plan that includes their business interests. This helps avoid potential legal complications and ensures their wishes are carried out.

## 04 Keyman policy

Purchase life insurance on each partner as a keyman policy. The proceeds can be used to buy out the deceased partner's share, appoint a competent person to ensure financial stability and avoid strain on the remaining partners.

## 05 Financial reserves

Keep a financial reserve or contingency fund to cover unexpected expenses and maintain business operations during the transition period.

## 06 Service-level agreement

If keyman insurance or a buy and sell agreement is not in place, several aspects must be addressed in a service-level agreement (SLA) or partnership agreement to manage potential risks.

BACK TO YOUR WORK

# Here are some key considerations:

### Succession planning and ownership transfer

Specify who will inherit the deceased partner's shares or equity in the business. Without a clear agreement, disputes may arise among surviving partners, heirs or external parties.

Decide how decisions will be made in the event of a partner's death, especially if the deceased was heavily involved in critical operations. Establish a long-term succession plan for key leadership roles.

### Management transition and temporary leadership

Plan for an interim management structure if the deceased partner was a key figure. This could involve appointing a trusted senior employee or a surviving partner to temporarily take over operational duties until the full succession plan can be implemented.

### Financial responsibility for debt and liabilities

Outline who will be responsible for the deceased partner's share of the business liabilities, such as loans, lines of credit or outstanding financial obligations.

Define how the surviving partners will manage ongoing capital contributions, particularly if the deceased partner was a major investor.

### Asset valuation and distribution valuation methods

Include a method for valuing the business or the deceased partner's share. If there is no buy and sell agreement in place, conflicts may arise over the value of the business.

Say how the deceased partner's share of profits will be handled – whether it will be paid out to heirs or reinvested in the business.

### Transfer of shareholder rights, voting rights and shares

Clarify whether the deceased partner's heirs will get voting rights or simply a financial interest in the business. This is essential for preventing unwanted interference in business operations from heirs who may not be qualified or interested.

If you don't have a buy and sell agreement, think about including an option in the SLA for surviving partners to buy out the deceased partner's shares to avoid conflicts with heirs.

### Tax and legal implications

Make sure there is a clear understanding of the tax implications of a partner's death. Estate taxes or capital gains taxes can be significant and could affect the business financially.

Get legal advice to make sure the SLA complies with local laws and regulations around business ownership transfer and inheritance.

## Employee continuity and benefits

Make a plan for retaining key employees who might otherwise leave due to uncertainty after a partner's death. Offer retention bonuses or incentives and have a plan for the continuity of employee benefits and compensation to avoid disruptions to operations or employee morale.

## Business continuity plan

Have a broader business continuity plan to address scenarios like a partner's death, including action plans for financial, operational and human resource management.

**By addressing these elements in an SLA, businesses can mitigate the financial and operational impact of losing a partner, and ensure continuity and stability during a challenging time.**

A financial planner plays a crucial role in guiding business owners through the emotional and complex process of planning for the death of a partner. With their expertise, they help secure the future of the business by ensuring everything from succession planning to legal and financial safeguards are in place.

Beyond the technicalities, they offer peace of mind that the business will be protected and that both the surviving partners and the family of the deceased will be cared for.

In the face of loss, having a clear plan allows everyone involved to focus on healing and moving forward, knowing the legacy and hard work of the business will endure.

BACK TO YOUR WORK

# YOUR FIRST JOB

Key insights

- Track every expense
- Manage your debt
- Apply for Free Basic Electricity
- Save for emergencies

Read the article here

YOUR FIRST JOB

# DEVELOPING A PERSONAL FINANCIAL PLAN

## WHEN YOU'RE AN INTERN

*Tebogo Kereng*

*Trainee Financial Planner, BDO Wealth, Johannesburg*

**Finding financial stability may be hard as an intern. However, I learned during an internship that I had while I was still a financial planning student that my mindset could make a big difference.**

BACK TO YOUR WORK

Financial planning is often seen as a concept reserved for the wealthy, but it's important for everyone, especially low-income earners with limited resources. Careful planning can make a big difference in securing financial stability, reducing stress and helping to achieve long-term goals.

**It all starts with gaining control over your finances – with budgeting.** When your income is small, it's easy to feel like finances are constantly out of your hands. Financial planning brings structure to your income and expenses, helping you avoid the stress of unexpected bills or financial emergencies.



BACK TO YOUR WORK

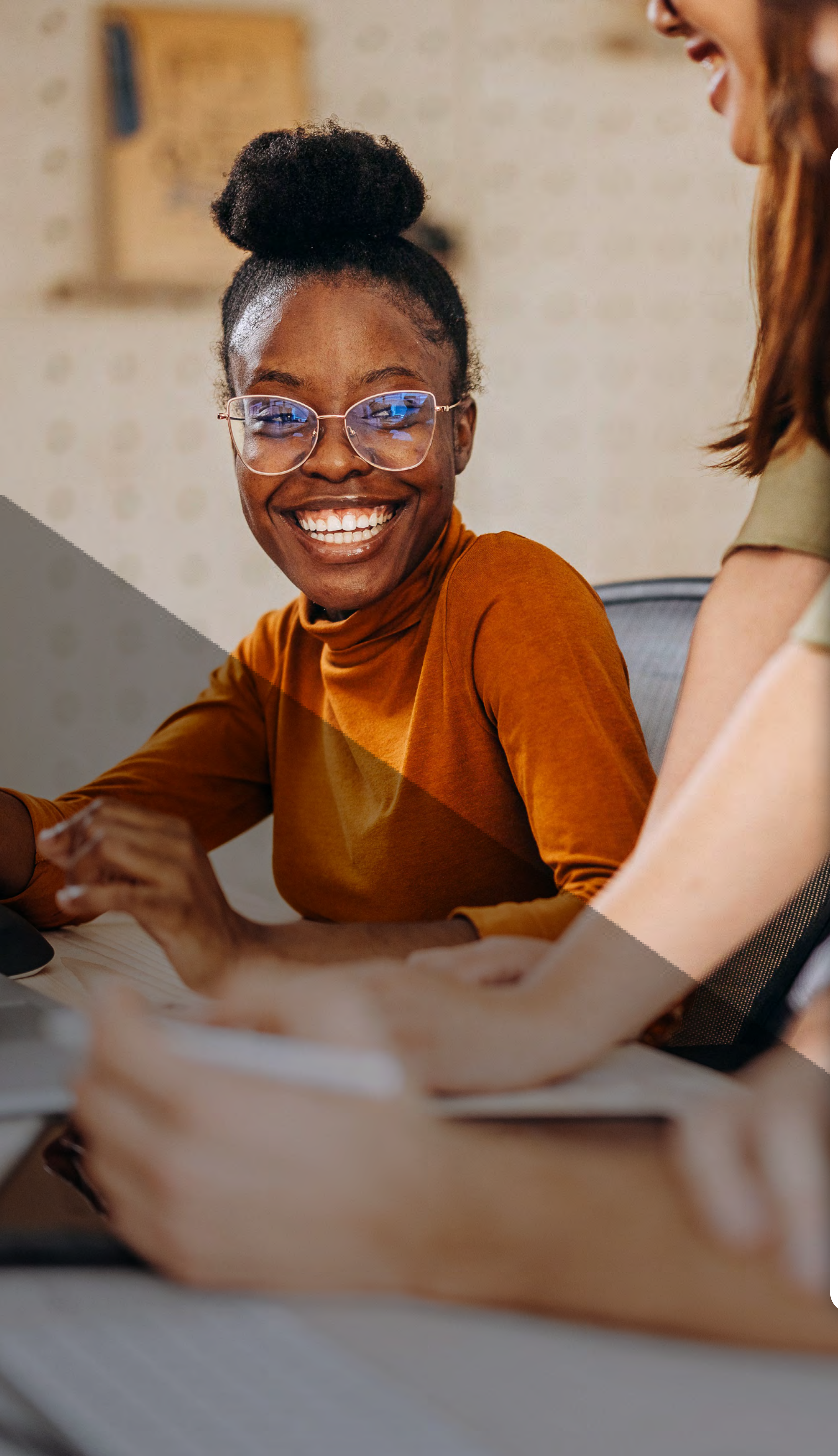
If you feel like you are already living from pay-check to pay-check and budgeting would be challenging, **here are some practical tips:**

## Track every expense

The first step for improving your budget is knowing exactly where your money goes. Small expenses can add up quickly, so it's important to track every rand you spend. You can do this by using budgeting apps, or keeping a spending journal or spreadsheet to manually track all your purchases. Alternatively, you can get a transaction statement from your bank. Then, you need to review your spending to see patterns and areas where you can cut down. Differentiate between your needs and wants, and cut back on or remove non-essential expenses that don't provide significant value.

## Lower your utility costs

With the recent electricity price hikes, utility bills may take up a large portion of your budget, but there are ways to reduce costs without sacrificing comfort. Eskom is running an initiative called Free Basic Electricity (FBE) that supports low-income households by providing (for free) the amount of electricity considered enough to run the basics, such as some lights, media access, ironing and boiling water. You can contact your local municipality and check whether you are eligible for the programme.



## Manage your debt

Just because you qualify for something doesn't mean you can afford it. Avoid taking out cellphone contracts, clothing accounts or credit cards if it is going to cause you financial strain. The best way to evaluate whether you can afford something is by looking at your current financial situation. If your essential expenses and savings goals are covered, and there's extra money left over, you may be able to afford the purchase.

## Save for emergencies

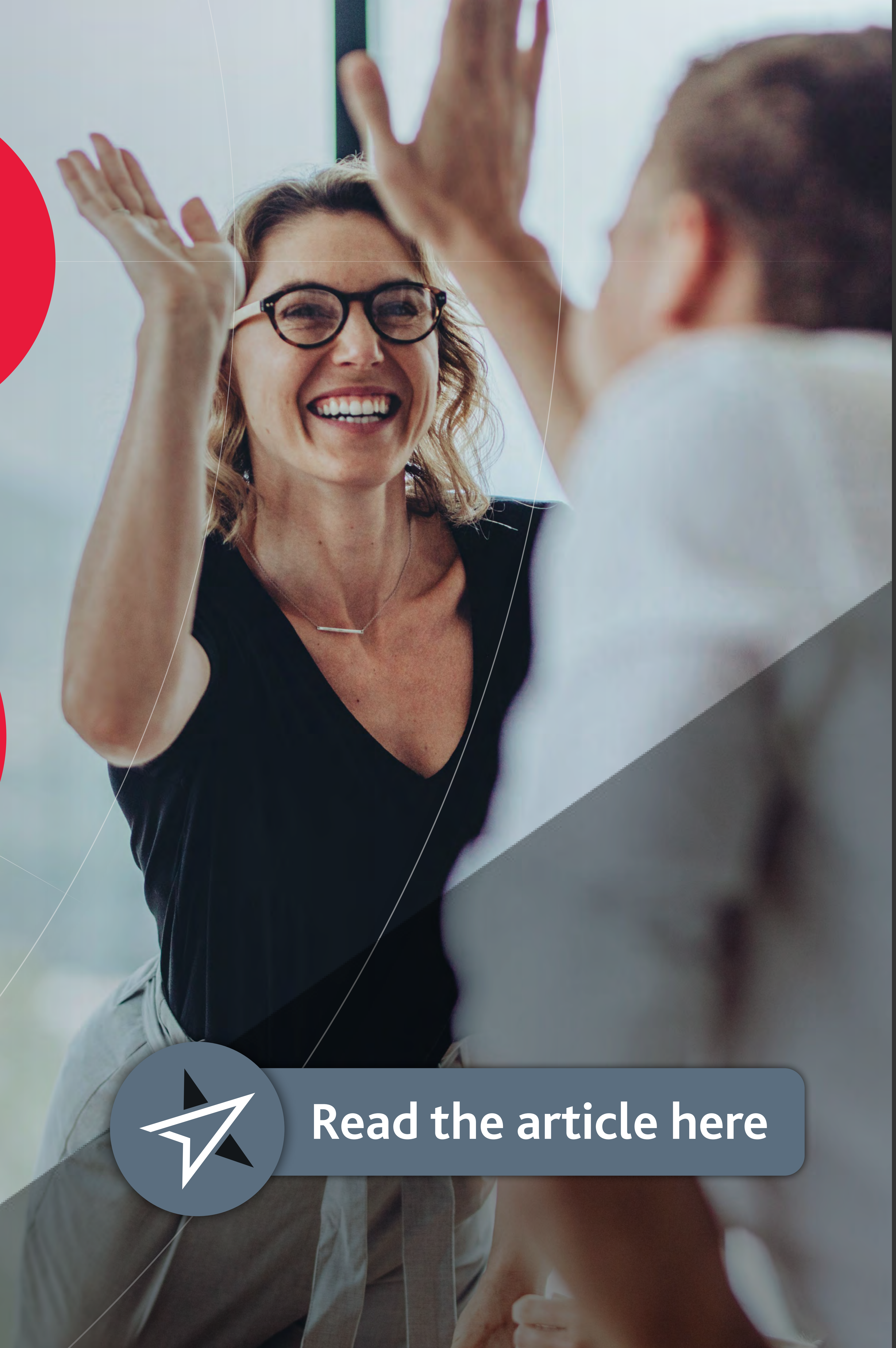
Saving might seem out of reach at this point, but contributing even a small amount can make a difference over time. You ideally need to build up an emergency fund that is equivalent to two to six months' salary.

> **As an intern, even if your income isn't large, taking small steps toward budgeting, saving and investing can help you build a more secure financial future.**

# JOB PROMOTION

## Key insights

- Avoid lifestyle inflation creep
- Pay off your debt
- Increase your life insurance benefits
- Increase your emergency fund
- Consult your Financial Planner for guidance
- Increase your monthly retirement and discretionary investment savings
- Check your tax obligations



Read the article here

PROMOTION

# I JUST GOT PROMOTED – NOW WHAT?

Usually, a promotion at work means an increase in salary. This could also include getting a lump sum cash bonus. There are a few things to look out for when you get a job promotion or salary increase.

*Marichén Erasmus, CFP®*
*Financial Planner,*
*BDO Wealth, Cape Town*

BACK TO YOUR WORK

## Adjust your budget

It's time to re-visit your budget. When you have a change in income, it's important to look at your expenses versus your income.

Be careful not to fall into the trap of over spending on lifestyle because you've earned a salary increase. Keep a check on your lifestyle expenses.

## Increase your emergency fund

An emergency fund is a cash reserve used for financial emergencies. This is to avoid dipping into your investments.

An emergency fund should usually be the equivalent of about three months' worth of expenses.

## Pay off your debt

If you're now in a position to pay off all or some of your debt, take advantage of this.

## Talk to your financial planner

When you have a change in circumstances, it's important to let your financial planner know.

Taking everything mentioned into consideration, they will update your retirement plan projection to give you a better idea of whether you're on the right track or not.

## Think about your discretionary investments and goals

This would be a good time to increase your discretionary investments and set up or re-look at some financial goals. That could be saving for your child's education or planning a holiday.

## Check your tax obligations

An increase in salary may push you into a higher income tax bracket. Making sure your retirement contributions increase with your salary could assist with paying lower income tax.

## Ask two important questions

**1. Did my retirement contributions increase accordingly?**

**2. Did my risk cover increase accordingly?**

These two things should automatically increase if they are part of your company benefits. However, it's a good idea to double check that they have.

If you make retirement contributions or have risk cover in your personal capacity, it's important to review and adjust them when your income increases.

# RETIREMENT

## Key insights

- Plan your retirement with your Financial Planner
- Be financially prepared
- You're going to live longer than you expect, plan accordingly
- Budget adequately for healthcare costs
- Keep working for as long as you want to. Don't retire because you've been told to.
- Prepare emotionally and mentally for this transition

Read the article here

RETIREMENT

# MODERN-DAY RETIREMENT: CHALLENGES AND OPPORTUNITIES

*Oratile Bam,*
*Paraplanner, BDO Wealth,*
*Johannesburg*

**Retirement is a significant milestone in life, representing the culmination of years of hard work and the beginning of a new chapter filled with opportunities for personal growth, relaxation and adventure.**

**However, is it a good idea to retire before the age of 60? In today's world, where people are living longer and the cost of living and healthcare are rising, retiring before 60 presents both opportunities and challenges.**

Don, a 56-year-old man, has worked for the same company for the last 15 years and has recently been contemplating taking an early retirement. The reason, tiredness. He no longer has the drive to work every day and would rather take his money and enjoy retirement. He did work hard for it, right?

As a financial planning professional, he approached me for advice on how to go about it. The first question he asked me was if it's possible. Short answer, yes. Is it advisable? No.

Retiring at 55 in South Africa is possible, but it requires detailed financial planning and careful consideration of the country's unique economic and social factors. Like in many countries, early retirement in South Africa has challenges around inflation, healthcare and ensuring savings last through an extended retirement.



BACK TO YOUR WORK

Here are some key factors that you need to be aware of:

## 01 Financial preparedness and retirement savings

### Retirement savings goals:

The recommendation is to save at least 15–20% of your income throughout your working life to achieve a comfortable retirement. In South Africa, it's commonly advised to have 20–25 times your annual income saved by the time you retire. For early retirement at 55, this amount may need to be larger due to a potentially longer retirement period. The challenge is to make sure that your investments continue to grow even after retirement to keep up with inflation and support a retirement that could last 30 years or more. A well-diversified portfolio with a mix of growth and income-generating investments is essential.

### Pension and provident funds:

South Africa's pension system includes private pension and provident funds. These generally allow you to access your retirement savings from age 55 without tax penalties. However, the amount you've saved must be enough to sustain a potentially longer retirement.

### Tax implications:

Retirement withdrawals are taxed according to South Africa's retirement tax tables. Check that your withdrawal strategy minimises tax liabilities over time.

# Healthcare costs

**Medical aid:**

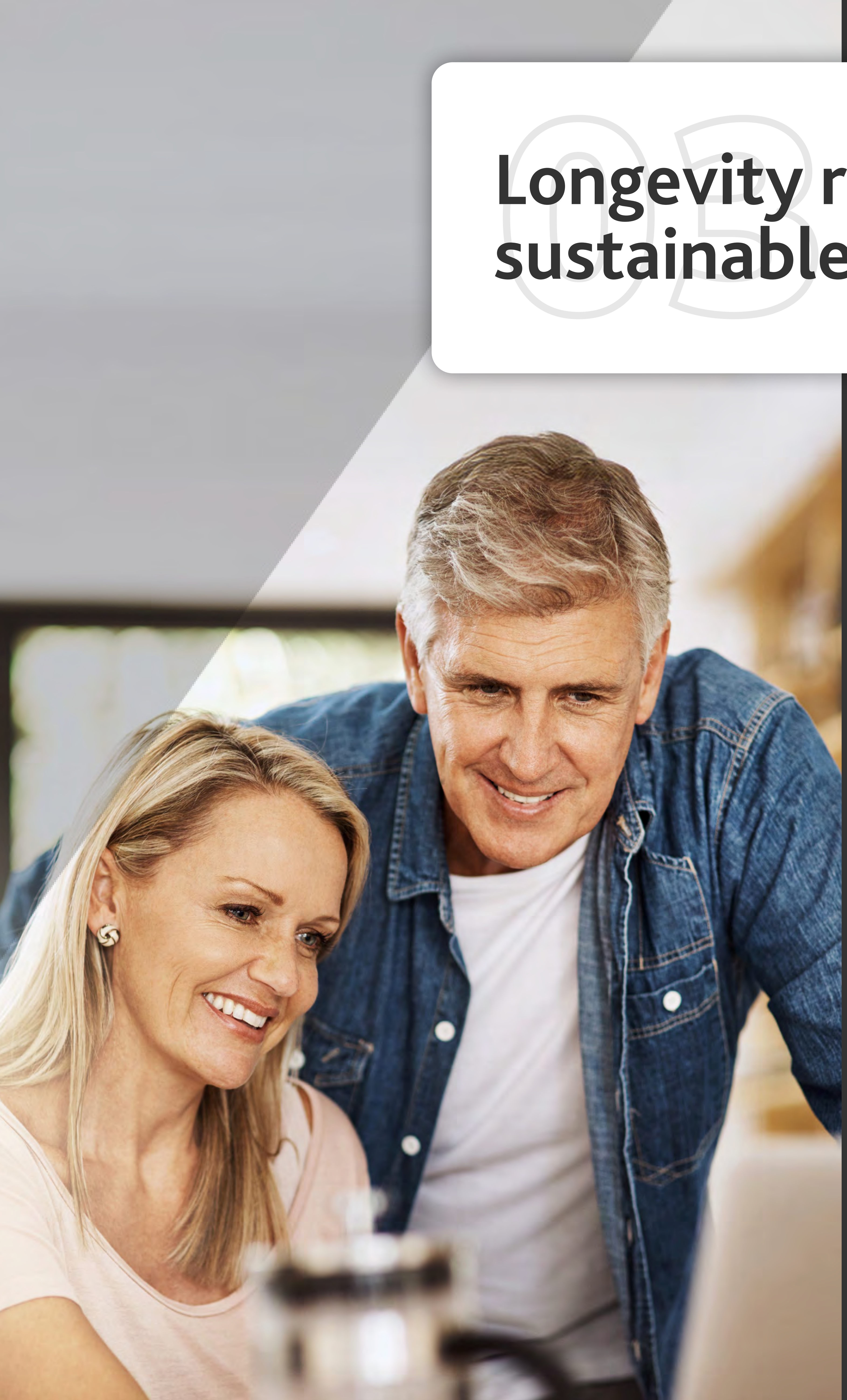
South Africa's public healthcare system faces challenges, and many retirees opt for private medical aid. However, medical aid contributions can be expensive, especially as you age and healthcare needs increase.

**Gap cover:**

Medical aid schemes may not cover all healthcare costs. Gap cover insurance can help fill the difference between what medical aids pay and what healthcare providers charge, but this is an additional cost to consider.

**Healthcare inflation:**

Medical costs tend to increase faster than general inflation, so you must plan for rising healthcare expenses over time.



# Longevity risk and sustainable withdrawals

**Extended retirement period:**

Retiring at 55 means you may need to fund a retirement of 30 to 40 years. To avoid depleting your savings, it's important to follow a sustainable withdrawal strategy. A popular guideline is the 4% rule, which suggests withdrawing 4% of your retirement savings per year. However, in the South African context, due to higher inflation rates, you might need to be more conservative and aim for a 3.5% withdrawal rate.

**Living annuities vs. life annuities:**

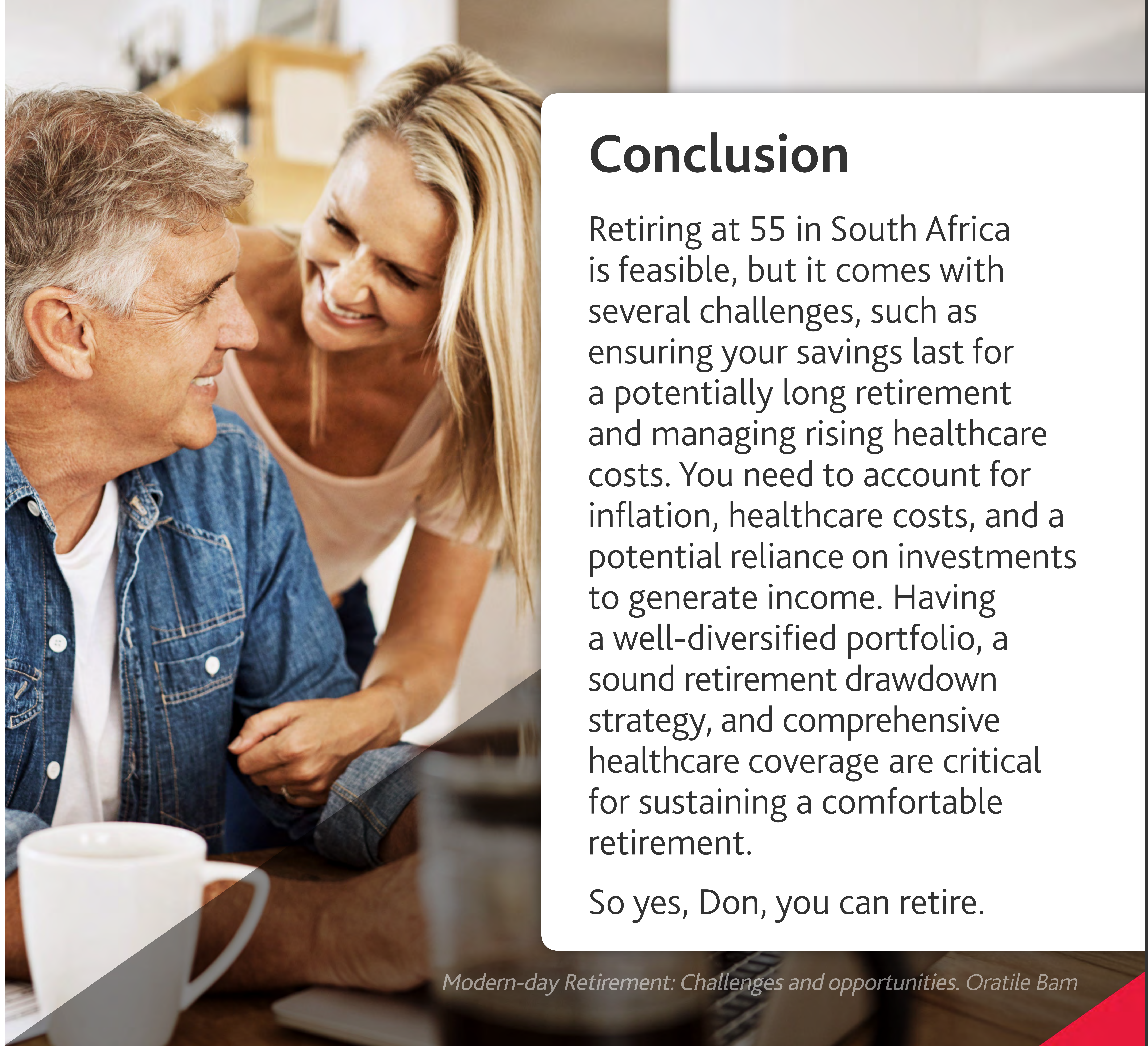
When you retire, you'll have the option to convert your retirement savings into an annuity. A living annuity gives you control over your investments and withdrawals, but there's a risk of outliving your savings if they're not managed carefully. A life annuity provides guaranteed income for life, which can offer more security, but with less flexibility.

BACK TO YOUR WORK

**There are also emotional aspects to consider about retiring early.**

Losing your daily routine can often make people feel as though they've lost their sense of purpose in life. Finding purpose after retirement is about staying engaged, connected and fulfilled. It's an opportunity to redefine your identity outside of your career.

Whether through hobbies, exploring your passions, volunteering, learning or creating, the key to a meaningful retirement is to remain active, social and to be intentional in how you spend your time.



## Conclusion

Retiring at 55 in South Africa is feasible, but it comes with several challenges, such as ensuring your savings last for a potentially long retirement and managing rising healthcare costs. You need to account for inflation, healthcare costs, and a potential reliance on investments to generate income. Having a well-diversified portfolio, a sound retirement drawdown strategy, and comprehensive healthcare coverage are critical for sustaining a comfortable retirement.

So yes, Don, you can retire.

# DEALING WITH A DISABILITY OR DREAD DISEASE

Key insights

- Consider the emtional, financial and physical effects
- Know the insurance benefits you have through your employer
- Spend money on Dread Disease and Disability insurance. Don't skimp on this one.

Read the article here

DEALING WITH A DISABILITY OR DREAD DISEASE

# PLANNING FOR THE 'WHAT IFS' IN YOUR LIFE^Qs

*Cindy Frantzeskos, Director, BDO Employee Benefits, Johannesburg*

**What if you are faced with the Life^Q of disability? Until you've been there, you don't know what you don't know.**

BACK TO YOUR WORK^Qs

## Sharon's story

My sister, Sharon, was the breadwinner for her family when she was diagnosed with Stage 4 cancer. This situation would have been financially detrimental to her and her family if she did not have the dread disease and disability cover provided by her employer as part of her group life risk benefits.

Sharon did not have any other type of risk or life cover in place because she was already struggling to keep her head above water financially, as she also had a disabled son she was looking after.

**Fortunately for her, her employer had put together compulsory cover for all its staff, which was automatically deducted from her salary each month.**

Her group benefits paid a tax-free amount equal to about 75% of her monthly salary to her, which enabled her to stay home and get better. She said that if she did not have this benefit, she would have had to make other more drastic plans while dealing with her health issues, like selling her house and moving in with family. The state disability benefit that many people rely on is only about R2000 a month. This would not have covered even her most basic needs while she was unable to earn an income.

She also received the dread disease benefit of one times her annual salary, paid out as a lump sum amount upon her diagnosis. This enabled her to cover some of her larger medical and other expenses.

## Jonathan's story

The owner of a large media house, Jonathan, asked BDO Employee Benefits to do an audit on his risk cover. Upon review, **we advised Jonathan to add dread disease cover to his employee benefit plan,** as it was such a small cost for the benefit, but one that could really make a huge difference.

Luckily, Jonathan decided to implement the additional cover, as about a year later he called me and informed me that he had just been diagnosed with cancer. He said the hairs on his arm stood up – remembering what I had said a year ago – and having the cover really helped him on his cancer journey.

# Real-life benefits for real-life events

There are so many of these real-life stories that we deal with at BDO Employee Benefits and BDO Wealth. Anything can happen, and the impact of dread disease or disability can be of a temporary or a permanent nature.

**Implementing the risk benefits for employees on a group basis makes it far more cost effective and there are generous limits, such as staff not needing to undergo medicals for underwriting purposes.** In contrast, an individual life or risk policy usually has a longer process of medicals, blood work and underwriting, and a more expensive premium.

Becoming disabled hits you on three fronts:

1. Emotionally
2. Financially
3. Physically

Ensuring that you are taken care of financially will impact positively on you emotionally, as well as physically. As an employer, if an employee is not taken care of, it affects the morale of all staff as they might think: That could be me!

# MAKING THE MOST OF YOUR WORKQs

## Key insights

- Make saving and investing a habit
- Roll over retirement savings when changing jobs
- Keep an emergency fund
- Increase your savings when you get an increase
- Make sure you have a financial buffer
- Avoid lifestyle inflation creep
- Review your payslip and benefits when getting a new job
- Keep track of the insurance and retirement benefits that your employer offers
- Be bold and negotiate your salary increase
- Limit your use of credit cards and store accounts
- Know your worth – research salary benchmarks for your industry
- Maximise tax-advantaged accounts
- Re-evaluate your budget and adjust goals if needed

Read the article here

BACK TO YOUR WORKQs



# WHERE ARE YOU IN YOUR WORK LIFE?

*Claire Steyn, CFP®*
*Financial Planner,*
*BDO Wealth, Pretoria*

The first job you hold is the start of your financial journey but, like me, you might have explored a few different roles before you decided what the right job was for you.

Often, we start from as young as two dreaming about how we want to make a difference in the world, what is important to us, and what makes us feel good.

I remember when I was young, one of the first roles that I experimented with was that of a doctor. This appealed to me as helping my 'patients', AKA my friends, feel better filled my cup as I felt I was making a difference in their lives by helping them look after their health and feel better.

The second role I experimented with was a teacher, helping make sense of things for my friends led to their growth in knowledge and confidence in themselves; it felt so good to give back.

Being a mom was the third role I experimented with at a young age. Guiding, caring for, supporting and loving someone else is a big responsibility, but so rewarding.

The list of roles I experimented with is endless, but these three are the ones that I can vividly remember. In choosing to become a financial guide I incorporated my three most important childhood career experiments into my dream job.

> **“Your journey is unique. No matter where you are in life at the moment, your work shapes both your career and your financial future.”**

When seeing your financial planner for the first time, several emotions can come up as they ask questions about your finances – like what your goals are, what's important to you, if you have a budget, what bills you need pay, how much you earn or what debt you are paying off.

You might feel anything from stress to shame, guilt, fear, happiness, excitement, or relief! The range of emotions you will feel will depend on what you are currently facing in your life, business, career or family.

**Now, let's explore the key work-life money moments and how a financial planner can assist during each phase, along with some tips and tricks to make the most of them.**

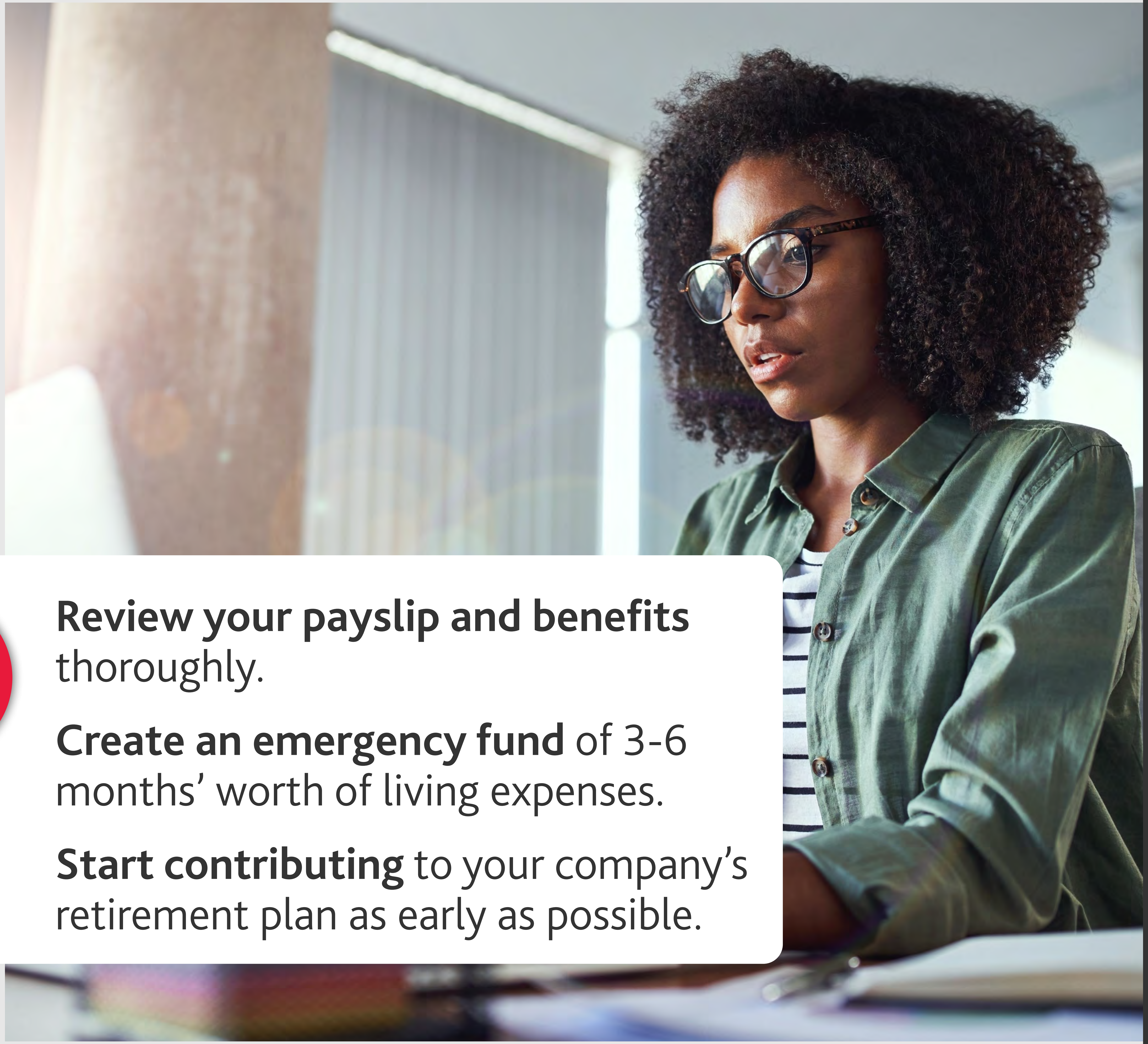
- **01 Starting a job**
- **02 Salary Negotiations**
- **03 Promotions**
- **04 Retirement Planning**
- **05 Unexpected Expenses**
- **06 Investing**
- **07 Career Changes**
- **08 Work-Life Balance Adjustments**

01

# Starting a Job

## How a Financial Planner Helps:

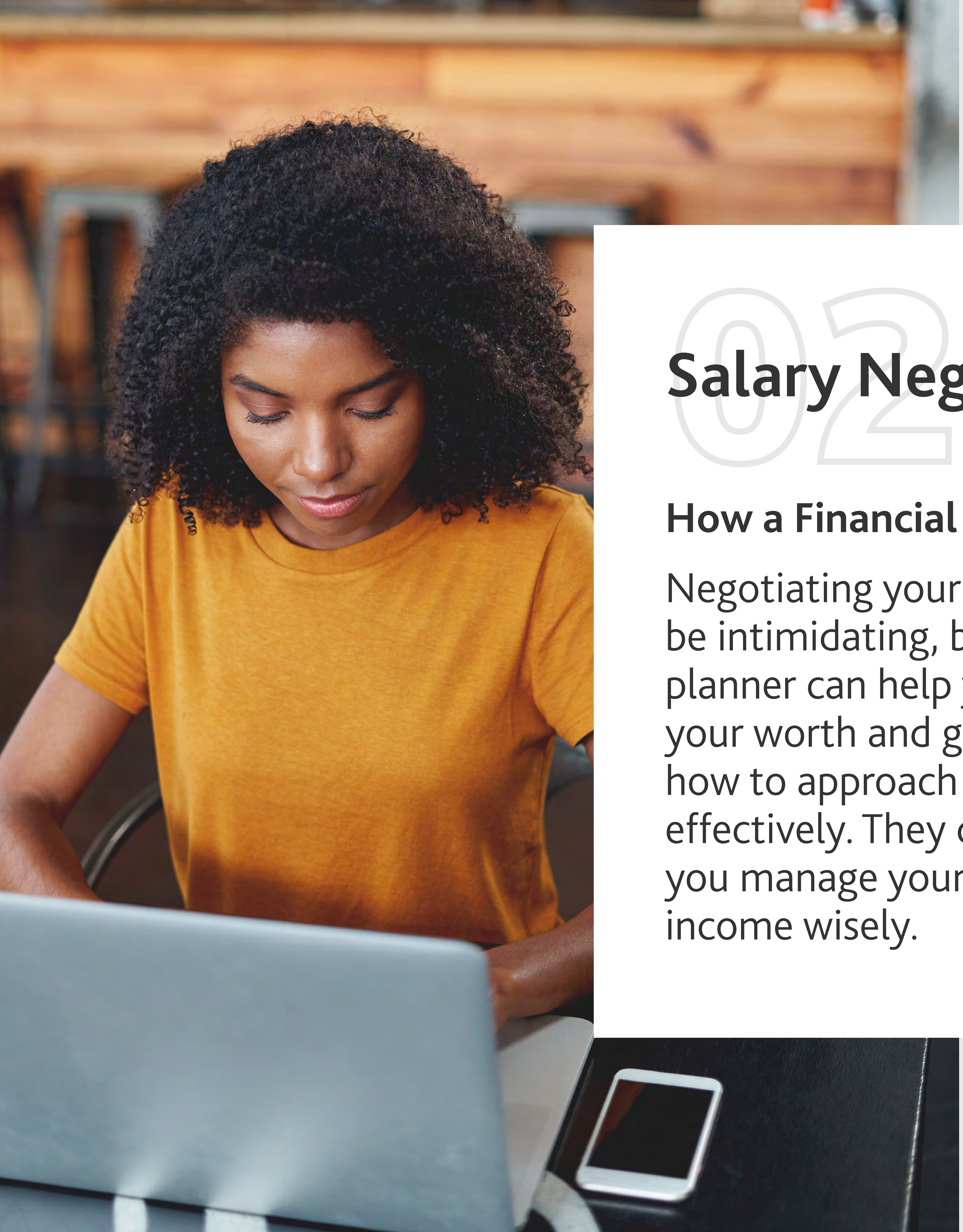
A financial planner can help you understand your compensation package, including salary, bonuses, and benefits like health insurance and retirement plans. They can work with you to set up a budget that aligns with your new income and goals.



**Review your payslip and benefits** thoroughly.

**Create an emergency fund** of 3-6 months' worth of living expenses.

**Start contributing** to your company's retirement plan as early as possible.



## Salary Negotiations

### How a Financial Planner Helps:

Negotiating your salary can be intimidating, but a financial planner can help you understand your worth and give advice on how to approach negotiations effectively. They can also help you manage your increased income wisely.

**Research industry salary standards** for your role and experience.

**Highlight your accomplishments and contributions** during negotiations.

Once you get a raise, **increase your savings or investments proportionately.**

# 03 Promotions

## How a Financial Planner Helps:

With a promotion often comes a pay raise. A financial planner can guide you on how to allocate this additional income, whether it's towards paying off debt, increasing retirement contributions, or investing.

**Avoid lifestyle inflation;** keep your expenses in check despite the raise.

**Maximise contributions to tax-advantaged accounts** like a tax-free savings account or retirement fund.

Think about **diversifying your investment portfolio.**

# 04 Retirement Planning

## How a Financial Planner Helps:

Retirement planning is one of the most critical financial practices. A financial planner can help you calculate how much you'll need for retirement and develop a savings strategy. They'll also guide you through investment choices, tax strategies and withdrawal planning.

**Start saving for retirement as early as possible;** compound interest is powerful.

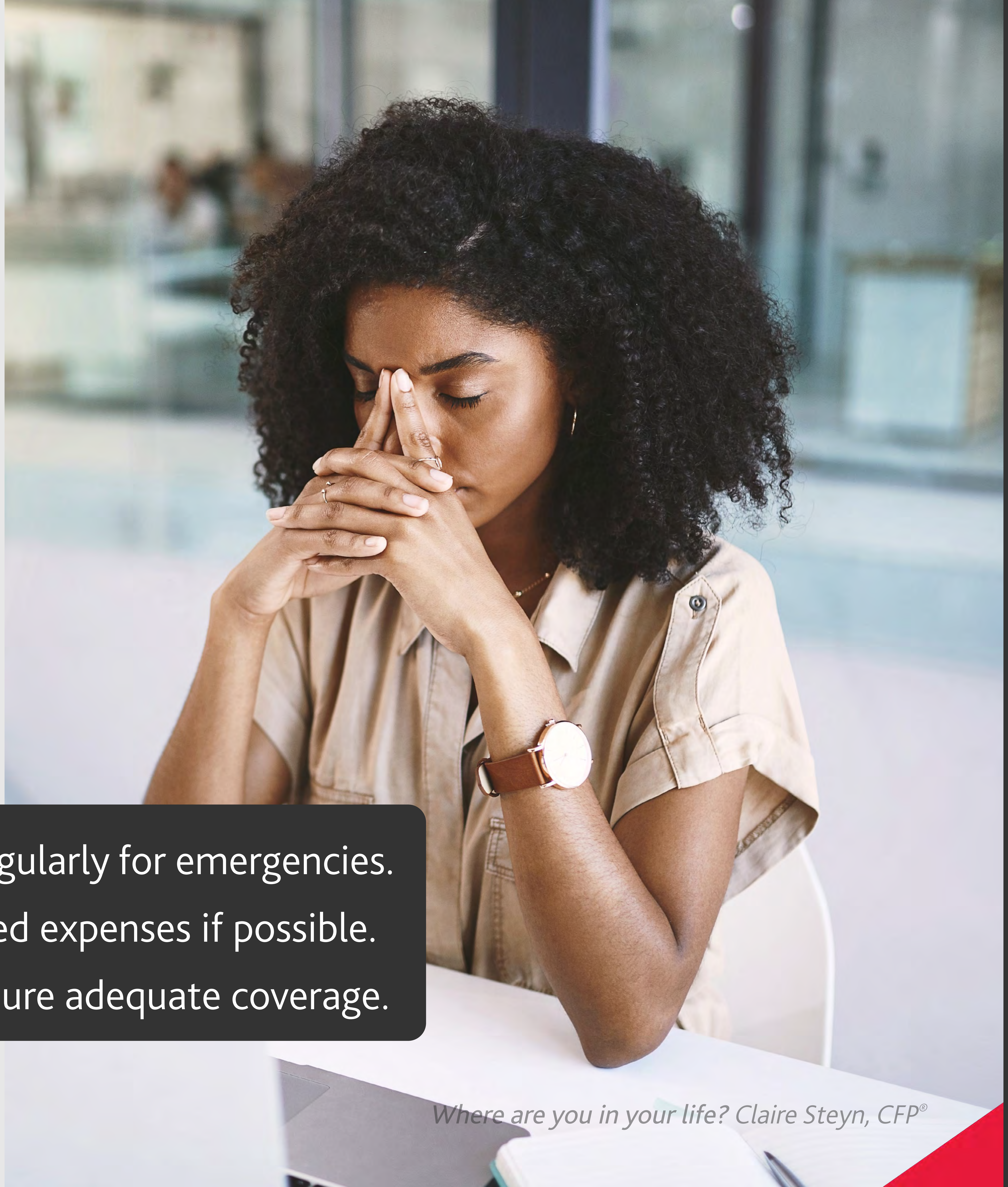
**Diversify your retirement investments** to balance risk and return

05

# Unexpected Expenses

### How a Financial Planner Helps:

Unexpected expenses can derail your financial plans if you're not prepared. A financial planner can help you build and maintain an emergency fund and provide strategies for managing debt if a crisis occurs.



- **Set aside a portion of your income** regularly for emergencies.
- **Avoid using credit cards** for unexpected expenses if possible.
- **Review your insurance policies** to ensure adequate coverage.

06

# Investing

## How a Financial Planner Helps:

Investing can be complex, but a financial planner can help you create an investment strategy that aligns with your risk tolerance and financial goals. They'll also guide you through market fluctuations and help you stay focused on long-term growth.

**Start investing as soon as you can,** even if it's a small amount.

**Diversify your investments across asset classes** (stocks, bonds, property).

**Review your investment portfolio regularly** and rebalance if necessary.

## 07 Career Changes

### How a Financial Planner Helps:

A career change can mean a change in income, benefits and financial goals. A financial planner can help you assess the financial implications of a career transition and plan accordingly.

If you're changing jobs, make sure you **understand your new benefits package** and how it compares to your old one.

**Roll over retirement accounts** to avoid penalties.

**Create a financial buffer** if you expect a period without income during the transition.

## Work-Life Balance Adjustments

### How a Financial Planner Helps:

Sometimes, prioritising work-life balance means making financial trade-offs, like reducing work hours or taking a less stressful (but lower-paying) job. A financial planner can help you navigate these decisions without sacrificing long-term financial security.

**Reevaluate your budget** to reflect any changes in income.

**Adjust your financial goals** if necessary but don't lose sight of long-term priorities.

**Think about side hustles or passive income streams** if you need additional income without taking on more work hours.

Each of these moments requires planning and can lead to financial growth or challenges, depending on the decision you make.

A financial planner provides the expertise, structure, and personalised advice needed to make the best financial decisions at each stage of your career. With their guidance, you can confidently tackle each of these pivotal moments, ensuring a more secure and prosperous financial future.

**Whether you're just starting out or are well into your career, it's never too early or too late to seek professional financial advice.**

# WINNING AT THE GAME OF WORKQs

Key insights

- Have a medical aid plan to cover healthcare costs
- Insure yourself and your ability to earn an income
- Avoid using retirement savings for any other expenses
- Keep your lifestyle expenses in check as you increase your earnings
- Contribute to your employer's retirement fund. It's the best value for money of any investment.
- Have a Will and keep it updated
- Save more than you think you will need
- Have a financial guide in your life
- Work for as long as possible

Read the article here

BACK TO YOUR WORKQs

GETTING AHEAD OF YOUR RETIREMENT

# THE GAME OF WORKQs

**As a child, I loved playing the board game 'snakes and ladders', and I think that there are many similarities to the game in our working careers.**

*Sue McLennan,*
*Financial Planner, BDO Wealth, Cape Town*

Let's update it with a modern space version, when you roll the dice and land on:

**You win a promotion with a salary increase and catch a rocket into space.** You up your lifestyle to match your new salary, so nothing changes and you lose a turn.

**Your new company does not have group risk benefits** (life, disability, income, or dread disease cover). You start this cover in your personal capacity and the cost is double, so you hit a meteor. Add another 5 years to your retirement date.

**Leave the corporate world and start your own business** by investing all your retirement funds and personal capital. This lasts 3 years and you need to close the doors and start all over again. Add another 15 years to your retirement date.

**You decide to take a holiday and withdraw funds from your retirement 'savings pot':** Add another 3 years to your retirement date.

**Contribute your bonus as an ad hoc contribution towards your company retirement fund.** Deduct 1 year from your retirement date. Well done!

**Appoint a financial adviser and get a free throw of the dice** and a guide to walk you through the decisions before you make them.

# How to get an advantage

Notice the pattern? We've all played the game (even Warren Buffett) and continue to do so.

It's essential to talk to someone who can guide you in these important Work$^{Qs}$ before you make a decision and leap into the change, as there could be a dramatic effect on your long-term financial planning.

Research shows that if you have a financial adviser, you probably have an average of two times the net worth compared to a person without.

These are the other benefits:

- A better quality of life, as you tend to have more financial confidence in making decisions.
- Adviser fees are lower than the value or benefit received for the expense.
- You trust that your adviser will act in the best interests of you and your family.
- Your portfolio could perform between 1% and 5% per annum better than if you managed it yourself.

*The Game of Life$^{Qs}$. Sue McLennan*

## Let’s talk about our careers:

Say you live a long, healthy life to 85 years: one third is spent at school and getting a qualification; from age 25 you work until you retire at 65 (around 50% of your life); and from age 65 your savings must last you until death (say 20 years).

**What is within your control?**

Only four things:

1. Reduce your expenses
2. Increase your earnings
3. Save more
4. Work for longer

BACK TO YOUR WORK Qs

## How to win at the Game of Life^Qs

01

**Consult a financial adviser** to get you going.

02

**Make sure you have medical aid cover** of some sort. Hospitalisation or an accident resulting in medical expenses can cripple your finances overnight.

03

**Draft a will** and check that it's still relevant every year.

04

**Join your company's retirement fund** when you get your very first salary and make the deduction as close to 15% as possible. Fees will be lower than starting your own retirement investment and, in time, you won't notice the deduction from your salary. You are paying you, your main dependent, first.

05

**Insure your income** for the rest of your working life. If you are sick or in an accident and unable to work and therefore not earn an income, your employer will stop paying you. Risk cover will pay you an income so that you can remain independent.

Join your company's group risk scheme as this is cheaper than having your own individual cover. However, if you leave and start your own business, it's good to have a top-up risk cover plan that you can increase.

**Whenever you go through a money moment in your life, make sure you consult with a financial adviser before you make any decisions.**

BACK TO YOUR WORK^Qs

# CAREER CHANGES

Key insights

- Understand the new retirement and insurance benefits with your employer
- Budgeting and managing expenses
- Make lifestyle changes to help financial stability
- Consult with your financial planner for guidance
- Preserve existing retirement savings

Read the article here

CAREER CHANGES

# TURNING A CAREER CHANGE INTO A SUCCESS:

## HOW EXPERT FINANCIAL ADVICE MAKES A DIFFERENCE

Changing careers in South Africa can be both exciting and challenging. It involves many financial decisions, which can be overwhelming. Here's how we helped two clients – Sarah and Alex – transform their career changes into successes with smart financial planning.

*Shaun Chennells, CFP®*
*Paraplanner, BDO Wealth, Pretoria*

## Sarah and Alex's financial journeys and navigating their career transitions:

In today's fast-paced world, career changes are becoming increasingly common, especially for South Africans seeking fulfilment in their professional lives. At BDO Wealth, we believe in being financial guides for your everyday money moments. This philosophy is exemplified in the journeys of Sarah and Alex, two individuals who navigated significant career transitions with expert financial planning.

## Sarah’s leap into graphic design

Sarah, a 32-year-old marketing executive from Johannesburg, always harboured a passion for graphic design. After years in a stable yet unfulfilling role, she decided to embrace her dream. With a husband and a young child relying on her income, this transition required meticulous financial planning to ensure her family’s stability.

### Budgeting for a new path

To begin, we conducted a thorough review of Sarah’s finances. Despite her well-paying marketing job, we recognised the importance of a detailed budget to manage her living expenses, healthcare and the costs of graphic design courses. We advised Sarah to build a financial cushion by saving at least six months’ worth of expenses. This safety net allowed her to focus on her new career without the constant worry of financial strain. By creating a tailored budget, we identified areas where she could cut back without sacrificing her family’s quality of life, ensuring that her transition was financially sound.

## Freelancing for experience and income

To facilitate her transition, we advised Sarah to take on freelance graphic design projects while still working in marketing. This strategy not only provided her with valuable experience but also supplemented her income. By gradually shifting into her new role, Sarah minimised the stress of an immediate salary cut, allowing her family to adjust smoothly. Consulting with us helped her identify the right freelance opportunities that aligned with her skills and interests, maximising both her income potential and job satisfaction.

## Lifestyle adjustments for financial stability

Recognising the need for financial adjustments, Sarah made conscious lifestyle changes. She and her family opted to downsize to a smaller apartment and cut back on discretionary spending. These decisions were crucial in maintaining her family's financial health during her career transition. By prioritising her family's needs and making strategic adjustments, Sarah was able to navigate this change with confidence. Our guidance when setting realistic financial goals and tracking her progress provided her with a sense of control and accomplishment, reinforcing her commitment to her new career path.

## The power of financial guidance

Throughout Sarah's journey, the importance of consulting a financial planner became increasingly clear. Together, we not only mapped out her immediate financial needs but also established long-term goals that aligned with her family's aspirations. This holistic approach allowed Sarah to view her career transition as an opportunity for growth rather than a source of anxiety. By having a dedicated financial guide by her side, she felt empowered to make informed decisions that would positively impact her family's future.

## Alex's strategic job change and retirement planning

Alex, a 38-year-old accountant from Pretoria, faced a unique set of challenges when he switched to a new company. This transition involved not only a new role but also a new provident fund, requiring careful consideration of his long-term financial strategy.

### 01 Understanding new benefits

Upon Alex's acceptance of his new job, we reviewed the details of his new provident fund, the employer contributions and vesting periods, and how these elements fitted into his overall retirement strategy. We optimised his contributions to align with his long-term financial goals, ensuring he was making the most of his new benefits.

By clarifying the complexities of his new provident fund, we were able to create a tailored strategy that maximized his retirement savings while accommodating his current financial obligations.

### 02 Preserving retirement savings

We advised against Alex cashing out his old provident fund as he did not need the money and there would have been penalties and tax implications with an early withdrawal. Instead, we transferred his savings into a provident preservation fund. This approach allowed Alex to keep his retirement savings tax-deferred while simplifying his financial management.

By preserving his capital, we ensured that Alex's long-term financial health remained intact, providing him with peace of mind as he transitioned into his new role.

*Turning a career change into a success. Shaun Chennells, CFP®*

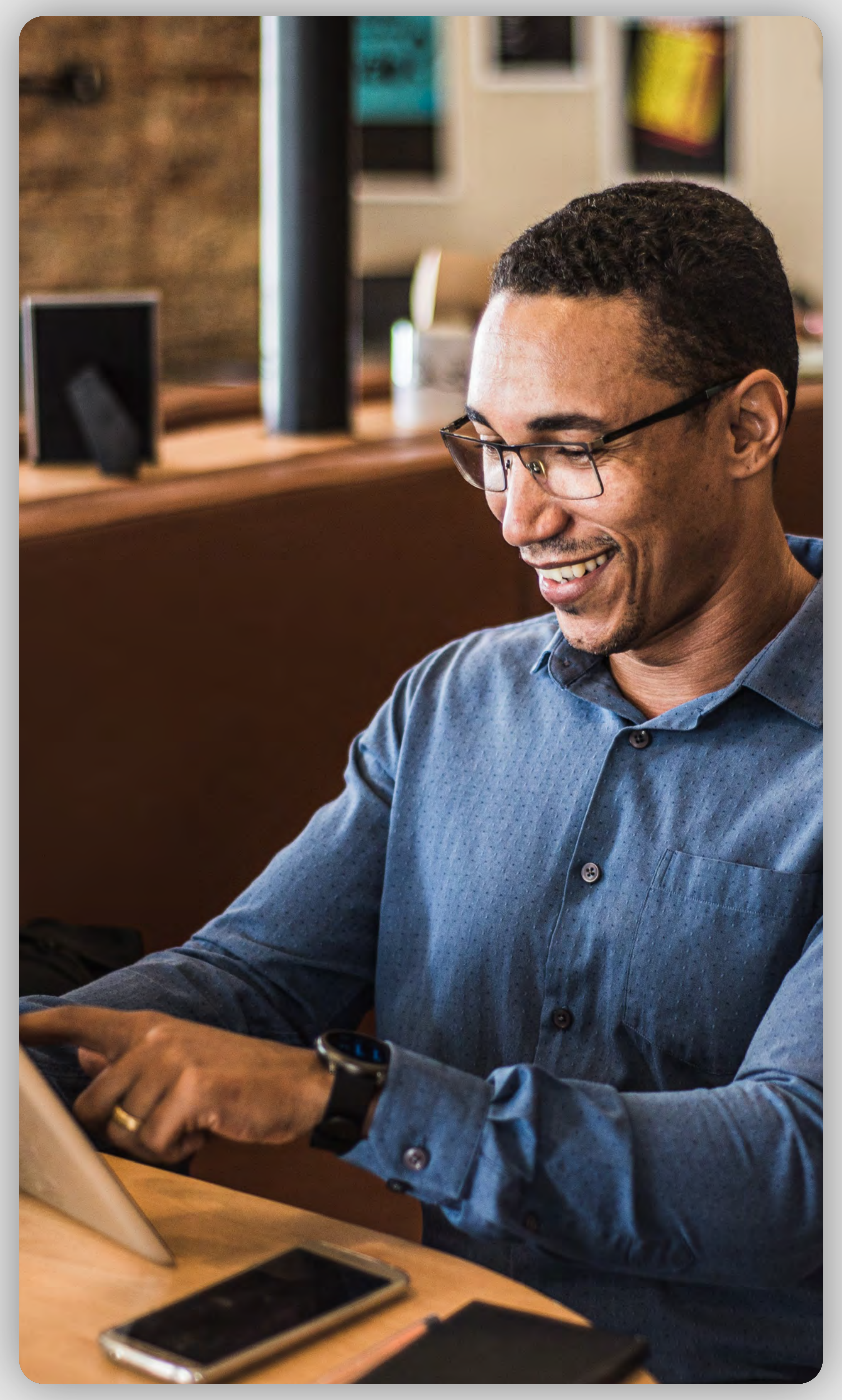
BACK TO YOUR WORK

## 03 Comprehensive expense management

With a new job came new expenses, including commuting costs and professional attire. We assisted Alex in updating his budget to reflect these changes, ensuring he could maintain his lifestyle without compromising his financial goals. We also explored tax deductions for work-related expenses, helping him maximize his savings. We also talked about setting up an emergency fund to cover unforeseen expenses, reinforcing his financial security during this period of change.

## 04 The value of expert financial planning

Alex's experience underscored the value of expert financial planning during significant career transitions. By having a financial advisor, he was able to navigate the complexities of his new job with confidence. Together, we established a thorough financial plan that addressed his immediate needs and laid the groundwork for future success. This proactive approach allowed Alex to focus on excelling in his new role, knowing that his financial future was in capable hands.



## Conclusion

Sarah and Alex's journeys highlight the invaluable role of expert financial advice during career transitions. From budgeting and managing new expenses to understanding retirement benefits, having a financial planner made a significant difference in their lives.

Consulting a financial planner during career changes not only alleviates stress but also empowers individuals to make informed decisions that impact their financial futures. With the right planning and guidance, career transitions in South Africa can lead to growth, stability and personal fulfilment.

BACK TO YOUR WORK

CROSSWORD

# LIFEQs PUZZLE

***Test your knowledge and preparedness for life's money moments. The questions follows on the next page, and the puzzle after that.***

*Lisa Griffiths, RFP™*
*Associate Director*
*& Financial Planner,*
*BDO Wealth, Cape Town*

BACK TO YOUR WORKQs

## ACROSS

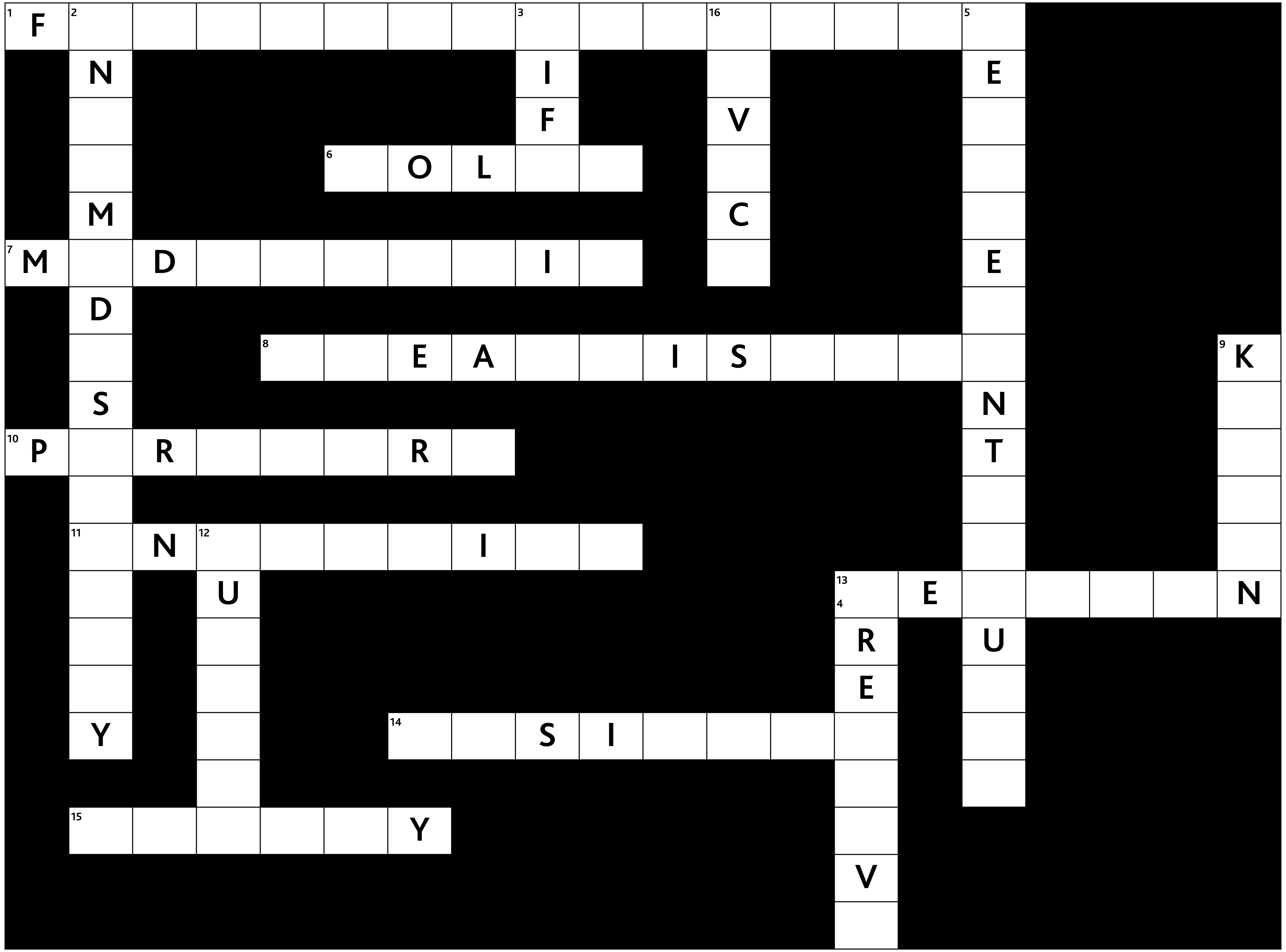
1. I am retiring next year. Who should I be contacting? (9;7)
6. In a family business, there are three main _ _ _ _ _ . Owners, employees and family. Some people are part of one group, some are part of two of these groups and some form part of all three groups! (5)
7. Used to cover healthcare expenses. (7;3)
8. Another name for critical illness cover, which provides a lump sum payout on diagnosis of a major health event. (5;7)
10. The _ _ _ _ _ _ _ _ _ in a business venture should have a buy and sell agreement in place. Covered by reciprocal life policies. (8)
11. The scourge of the saver! (9)
13. Most large employers will provide this type of retirement scheme. (7)
14. When you're engaged in commercial, industrial or professional activities, you can be seen as running a _ _ _ _ _ _ _ _ _ (8)
15. See 12 down.

## DOWN

2. I can't work due to ill health. My income will be safe, provided that my employer or I have this type of cover. (6;10)
3. A plan that provides a lump sum on the death of the holder. (4) + 16 Down (5)
4. I'm leaving my job. What do I need to do to my retirement fund? (8)
5. I need to reduce my PAYE. What should I be investing in? (10;7)
9. A business takes this cover out on an indispensable employee. (6)
12. Insurance cover for burial expenses. (7) + 15 Across (6)

**Fill in the puzzle on the next page**

Click here for the questions



Click here to see the answers

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## Your financial guide.

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THE PROFESSIONAL STANDARD


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