

SPRING CLEAN YOUR FINANCES

1. UNDERSTAND YOUR CURRENT POSITION – GET IT ALL TOGETHER

KNOW WHAT YOU SPEND

- Review your bank statements for the last 3 months and determine an average expenditure per month. Focus on 80% of the money and don't get tied up in the small amounts.

TAKE NOTE OF WHAT YOUR INCOME IS

- Review your total income and ensure that your total spend is less than the income.

LIST YOUR ASSETS and LIABILITIES

- Make a list of your assets. This will include the larger items like house, car, boat, second property. (Don't worry to include furniture and sports equipment here)
- Then list all your liabilities. These are amounts owed to the bank or others and will include the Bond account, car finance owing, other personal loans, amounts owing on credit cards and amounts owing on store cards.

LIST THE VALUE OF YOUR INVESTMENTS

- Listing the value of your investments will show how far you are in becoming financially independent. This will include your pension fund, preservation funds, retirement annuities, unit trusts, cash deposits and any other investments.
- Also, list how much you are investing into the investments on a monthly basis. Although the savings rate is unique for each person, this should be between 10% and 15% of your gross income.

LIFE INSURANCE – DARE TO TAKE A LOOK

- You want to know how much insurance you have for:
 - If you pass away
 - If you become disabled
 - If you suffer from a critical illness which affect your ability to earn an income
- You also want the details of what medical aid package you are on.

FIND YOUR SHORT-TERM INSURANCE CONTRACT

- Sometimes cars and houses are insured on separate contracts, make sure you get them all.

YOUR ESTATE

- Get a copy of your Wills

2. REVIEW YOUR POSITION

SPENDING

- Review each expense item and decide if it can be optimized or eliminated.
- Debit orders are something to take a careful look at.
- Plan for seasonal extra spending like Christmas and holidays.
- Insurance is a wasted purchase if it is not needed. This should be reviewed regularly.

ASSETS AND LIABILITIES

- Compare to last year and make sure you are going forwards and not backwards.
- Try to eliminate the use of store cards and any short term debt.
- When deciding to eliminate debt, start paying off all the smallest accounts first.

INVESTMENTS

- Where is your money invested and is it diversified?
- Review your Asset Allocation and your Offshore Exposure.
- Are you making use of the available tax breaks?
- Have you considered a tax-free savings account?
- Are you saving enough to be financially independent when you are too old to work?

LIFE INSURANCE

- Make sure you do not have more life insurance than you need. This changes over time.
- Adjust your disability cover in line with your income. With recent changes in tax law, you may be able to reduce it and save on premiums.
- Consider even a small amount of critical illness/dread disease cover. The occurrence of cancer/heart attack/stroke is very high and you will need the financial relief.
- Review your medical aid and ensure it still fits with your requirements. You can downgrade any time but can only upgrade each December.

SHORT-TERM INSURANCE

- Is the value of your house correctly insured?
- Have the values of your cars been depreciated so you are not over-insured?
- Has all the new furniture been added to the value of your home contents?
- Do your security arrangements comply with the policy?
- Have you removed all-risks items that no longer need to be insured?
- Consider Gap Cover to cover the difference between any hospital bill and what the medical aid pays.

YOUR ESTATE

- Read your will and ensure it still fits your circumstances.
- Check that the beneficiaries on your life policies, your pension fund, and your retirement annuities are all listed and still appropriate.
- Assets will help your loved ones in event of the un-thinkable.
- Many don't have a Will. Have one properly drawn up, or use the free Will available at <http://www.financialplanningsouthafrica.com/free-resources/>

3. TAKE ACTION

- A review won't help unless you take action. You need to implement what you discover during your spring clean.
- List the items that need attention and diarise their implementation.
- A professional financial planner will add value to your financial life – consider finding one.