Personal Finance for Professionals

"MAKING SMARTER INVESTMENT DECISIONS"

The Goal



- FINANCIAL INDEPENDENCE
- FAIL REASON FOR FAILURE

Keys to Financial Independence



- MANAGE YOUR BUDGET
- START EARLY
- PROTECTING YOUR RISKS
- ESTATE PLANNING

Pitfalls to Avoid

- INVESTMENTS GOES WRONG
- MISCALCULATION
- DEBT
- UNDER ESTIMATE THE IMPACT OF INFLATION
- PENSION FUND EARLY WITHDRAWALS
- LIFE STAGE INVESTMENTS

Gazing in the Crystal Ball



- 30% UP OR 30% DOWN?
- INVESTMENT THEMES

The Investment Environment: "The Big Picture"

- 100 YEAR US VIEW
- 35 YEAR RSA VIEW
- 12 YEAR INTEREST RATE VIEW
- 35 YEAR COMPANY VIEW
- INVESTMENT PRINCIPLES
- INVESTMENT PITFALLS
- INVESTOR SELF AWARENESS

Practical Application: Investment Plan

Investment options:

- PENSION FUND/ RETIREMENT PLANNING
- TAX FREE SAVINGS
- CASH
- SHARES/ ETFS/ UNIT TRUSTS
- PROPERTY
- SPECULATIVE
- GOLD
- OWN BUSINESS
- PRIORITY



MONITOR, REVIEW, REBALANCE



TAX PLANNING



ADVICE SERVICES



SUGGESTED SEQUENCE

DISCLAIMER

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THE GOAL

FINANCIAL INDEPENDENCE

Financial independence is …



You have created trees (assets) that will provide you with monthly fruit (income) that will outstrip your monthly expenditure today, and will continue to do so into the future.

You are thus not dependent on your monthly salary anymore.

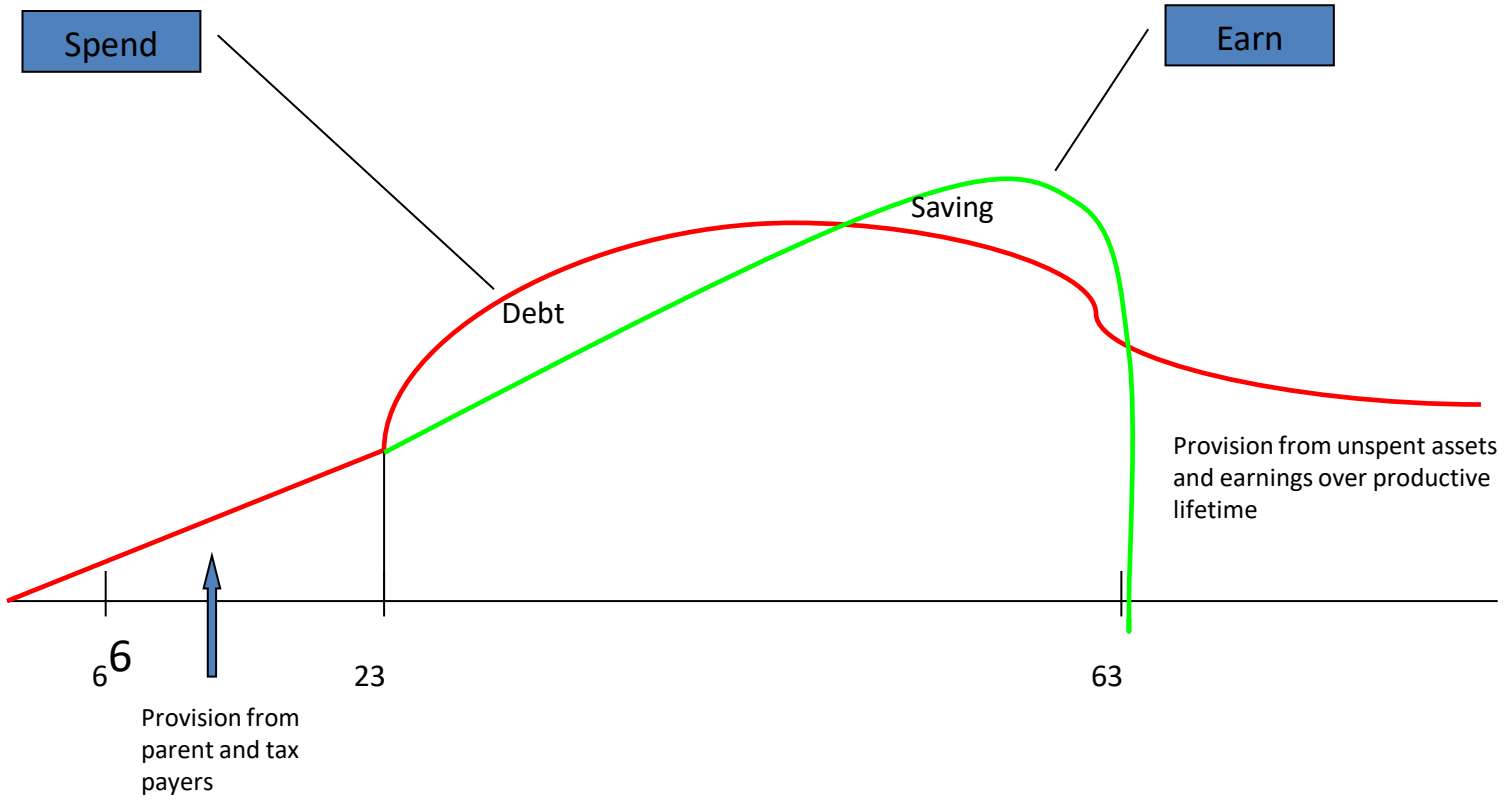
Ultimately you will leave your plantation behind for your children.

1% reaches financial independence, 4% covers basic needs, 22% keep on working, 28% live of government grants, 45% live of family support.

Why do more than 95% of people not reach financial independence?

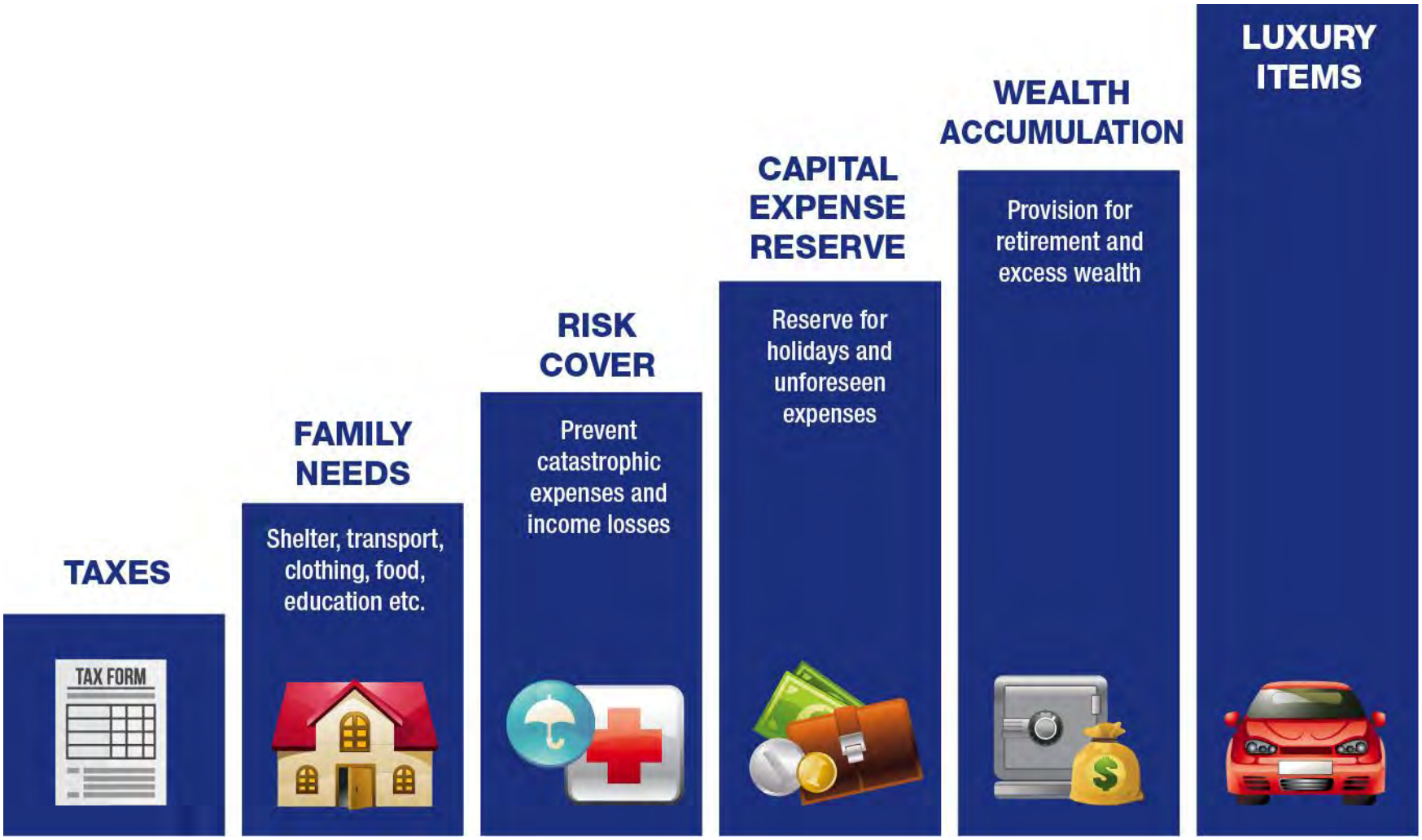
THE GOAL
REASON FOR FAILURE

They save too little over their period of earnings!!!



KEYS TO FINANCIAL INDEPENDENCE

MANAGING YOUR BUDGET – THE PRINCIPLES



KEYS TO FINANCIAL INDEPENDENCE

START EARLY

Johnny Start Early

Start Investing: Age 20
Invest: R1 000 per year in a JSE tracker fund
Increase: Each year with inflation
Stop investing: Age 30 (10 years)
Total Investment: **R14 000**

Investment Value at age 55**:** **R335 000**



Kevin Start Later

Start Investing: Age 30
Invest: R1 000 per year in a JSE tracker fund
Increase: Each year with inflation
Stop investing: Age 55 (25 years)
Total Investment: **R65 000**

Investment Value at age 55: **R200 000**

Source Calculation:
- MetaStock
- https://www.inflationtool.com/south-african-rand/

PITFALLS TO AVOID

GENERAL PITFALLS

- Investment of life savings goes wrong
- Spending the life savings when you have got access to it
- Underestimate the impact of lifestyle debt

- Miscalculate the savings you need in order to retire:

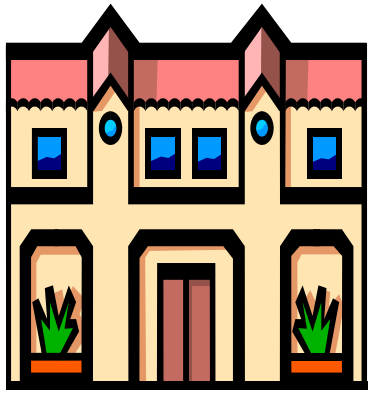
30% of MV of ownership (share options or co's)		R
+ MV of passive investments (unit trusts, shares, property)	R	
+ MV of home		R
- MV of home		R
- Total debt		R
+ Guaranteed PV of inheritance		R 0
= NET PRESENT VALUE OF QUALIFYING WEALTH		R (A)

Need R3m for every R10 000 pm if want to retire at age 55

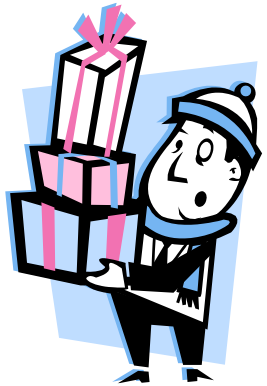
PITFALLS TO AVOID

IMPACT OF DEBT

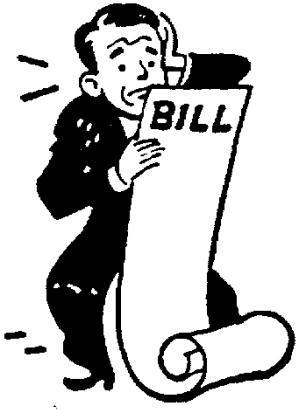
The Good



The bad



The ugly

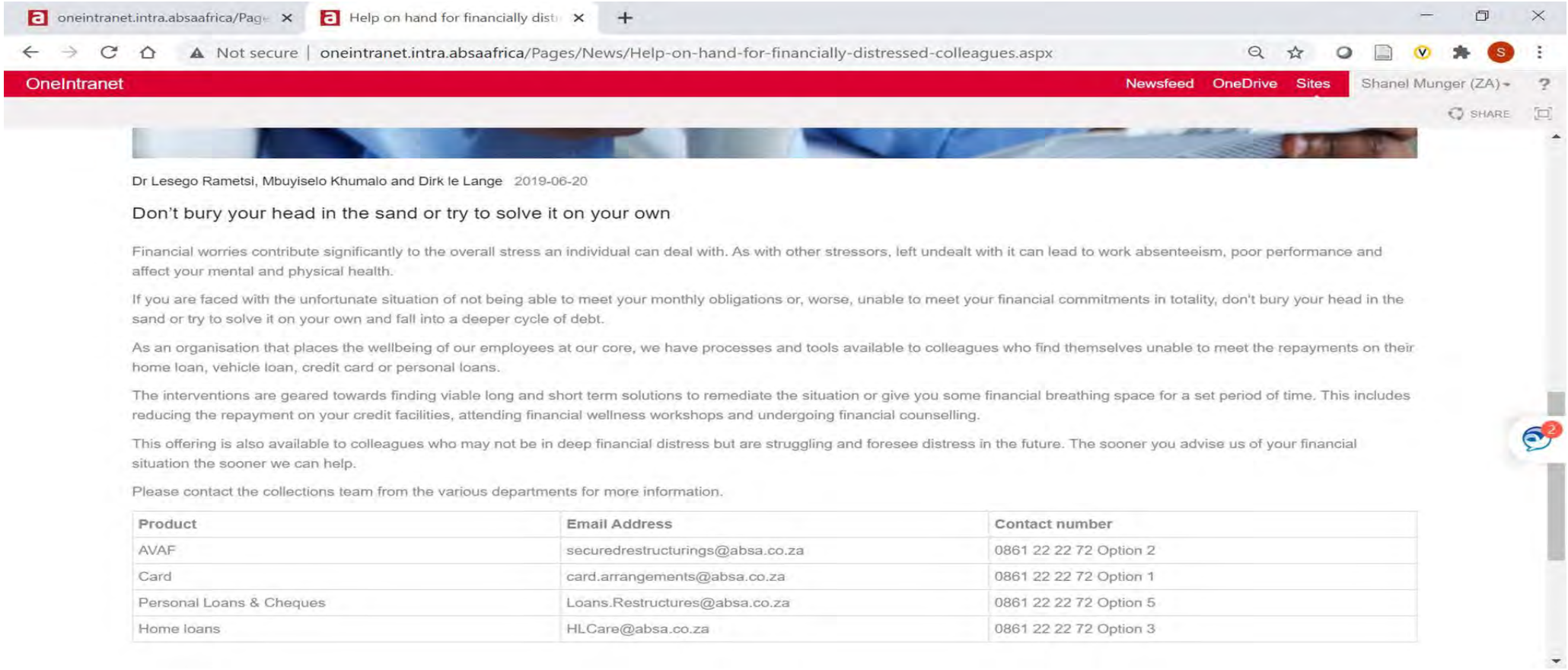


Notes:

- Guaranteed after tax return (±7% on mortgage loans)
- Understand who is benefiting from your debt
- Households owned R1.1 trillion, household income equaled R1.4 trillion (82%)
  Only Interest repayments represents 16% of total household income
  (Source: Star, Business Report 4 June 2008)
- Absa Help available myfinances@absa.co.za

ABSA HELP AVAILABLE

Take also note of the follow options available to you as employees:
ICAS offers financial counselling, assistance to all colleagues free of charge. Colleagues may call 0800 611 262 (free from cellphone) or request a call back by dailing *134*905#. This service is available 24 hours, 365 days a year.
Help on hand for financially distressed colleagues http://oneintranet.intra.absaafrica/Pages/News/Help-on-hand-for-financially-distressed-colleagues.aspx



Dr Lesego Rametsi, Mbuyiselo Khumalo and Dirk le Lange 2019-06-20

Don't bury your head in the sand or try to solve it on your own

Financial worries contribute significantly to the overall stress an individual can deal with. As with other stressors, left undealt with it can lead to work absenteeism, poor performance and affect your mental and physical health.

If you are faced with the unfortunate situation of not being able to meet your monthly obligations or, worse, unable to meet your financial commitments in totality, don't bury your head in the sand or try to solve it on your own and fall into a deeper cycle of debt.

As an organisation that places the wellbeing of our employees at our core, we have processes and tools available to colleagues who find themselves unable to meet the repayments on their home loan, vehicle loan, credit card or personal loans.

The interventions are geared towards finding viable long and short term solutions to remediate the situation or give you some financial breathing space for a set period of time. This includes reducing the repayment on your credit facilities, attending financial wellness workshops and undergoing financial counselling.

This offering is also available to colleagues who may not be in deep financial distress but are struggling and foresee distress in the future. The sooner you advise us of your financial situation the sooner we can help.

Please contact the collections team from the various departments for more information.

Product	Email Address	Contact number
AVAF	securedrestructurings@absa.co.za	0861 22 22 72 Option 2
Card	card.arrangements@absa.co.za	0861 22 22 72 Option 1
Personal Loans & Cheques	Loans.Restructures@absa.co.za	0861 22 22 72 Option 5
Home loans	HLCare@absa.co.za	0861 22 22 72 Option 3

PITFALLS TO AVOID
IMPACT OF INFLATION

Underestimate the impact of inflation!!



PITFALLS TO AVOID

EARLY WITHDRAWAL OF PENSIONFUND

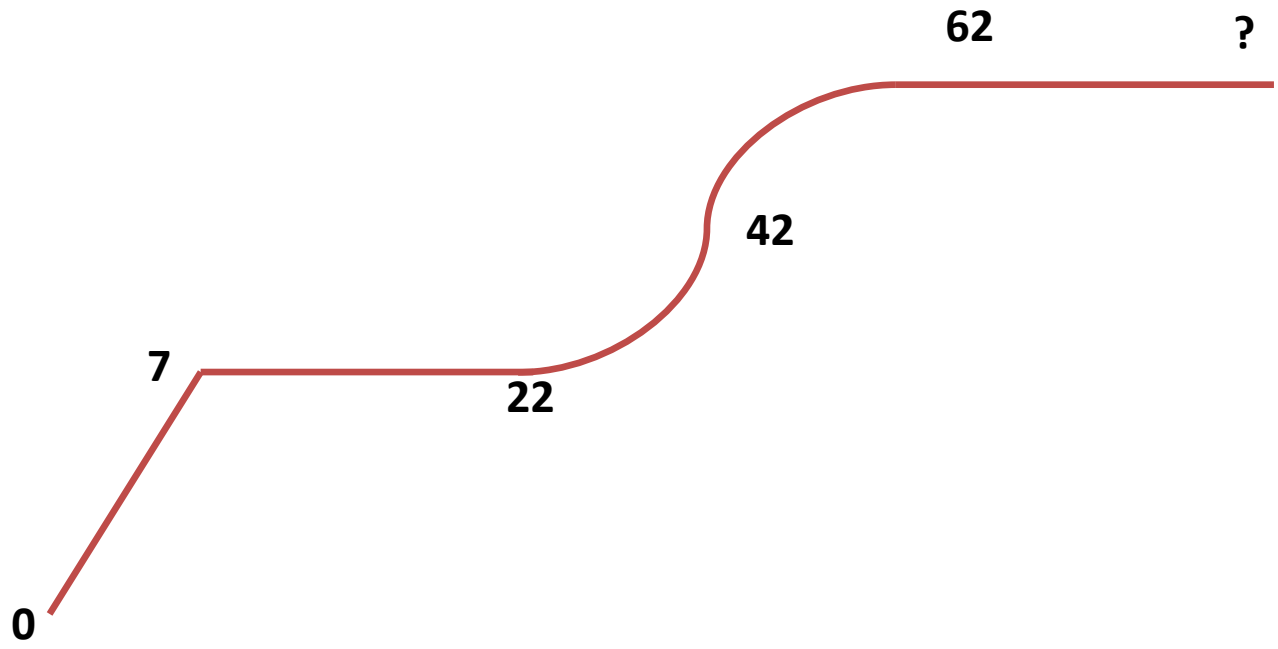
LUMP SUM	TAX LIABILITY
0 – R 500 000	0%
R 500 001 – R 700 000	18% of taxable amt exceeding R500 000
R 700 001 – R 1 050 000	R 36 000 + 27% of taxable amt exceeding R 700 000
R 1 050 001 and above	R 130 500 + 36% of taxable amt exceeding R 1 050 000

LUMP SUM	TAX LIABILITY
0 – R 25 000	0%
R 25 001 – R 660 000	18% of taxable amt exceeding R25 000
R 660 001 – R 990 000	R 114 300 + 27% of taxable amt exceeding R 660 000
R 990 001 and above	R 203 400+ 36% of taxable amt exceeding R 990 000

PITFALLS TO AVOID

INVEST IN EDUCATION IN THE RIGHT STAGE

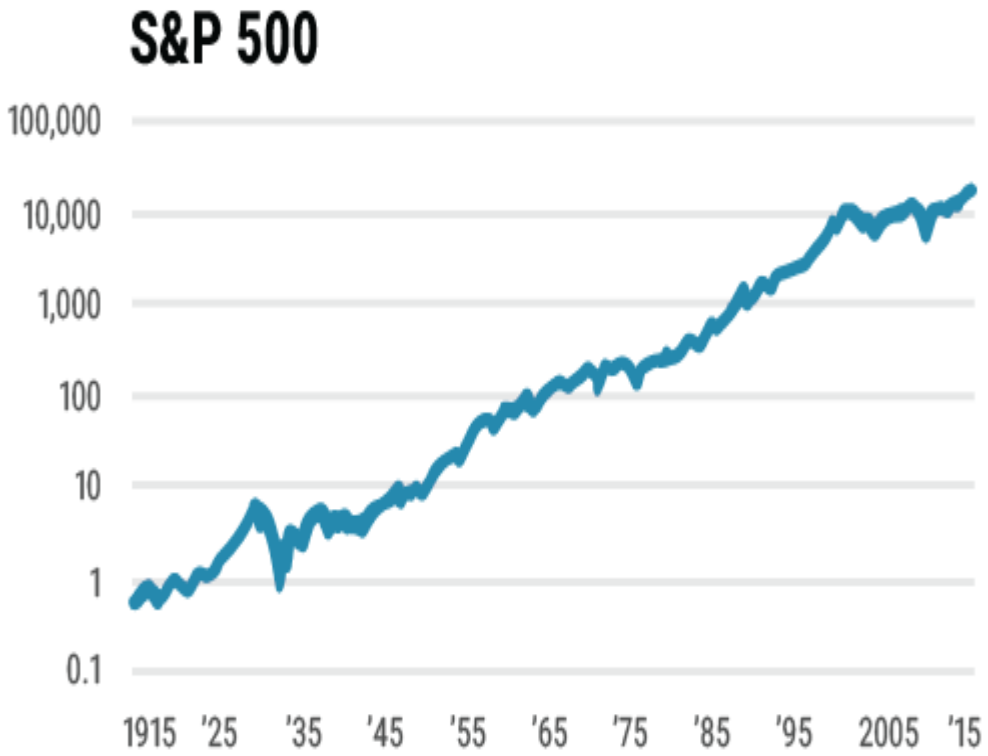
Your Life in 5 Stages



Source: Logic Filter

THE INVESTMENT ENVIRONMENT

THE BIG PICTURE – 100 YEAR US MARKET



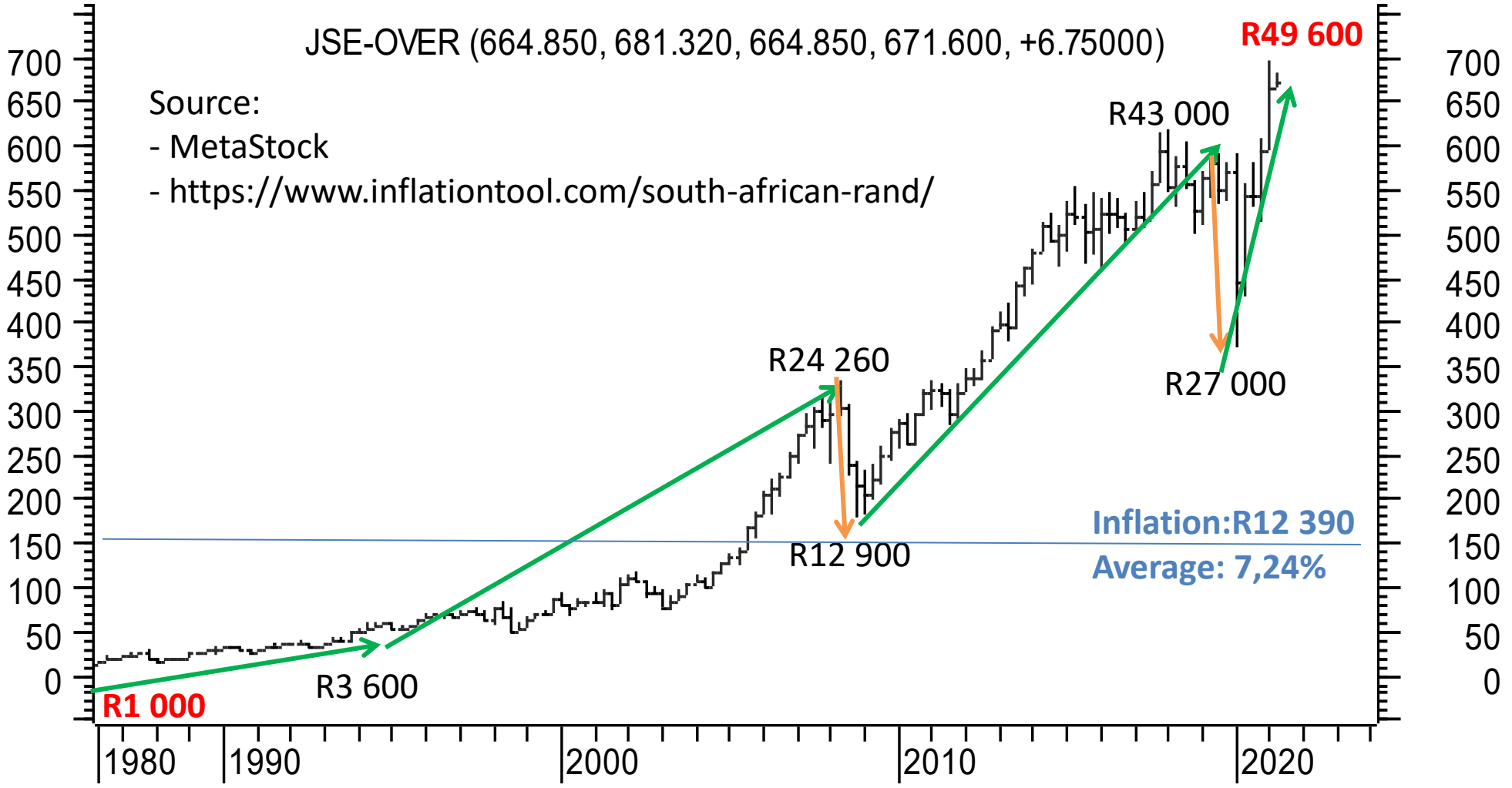
Data from S&P Capital IQ
Investment Insights from: Motley Fool
https://www.fool.com/

Insights

- 89 times stocks fell at least 10% — once every 11 months, on average
- 21 times stocks fell at least 20% — once every four years, on average
- 9 times stocks fell at least 30% — once every decade, on average
- 3 times stocks fell at least 50% — a handful of times in your lifetime (every 30 years)

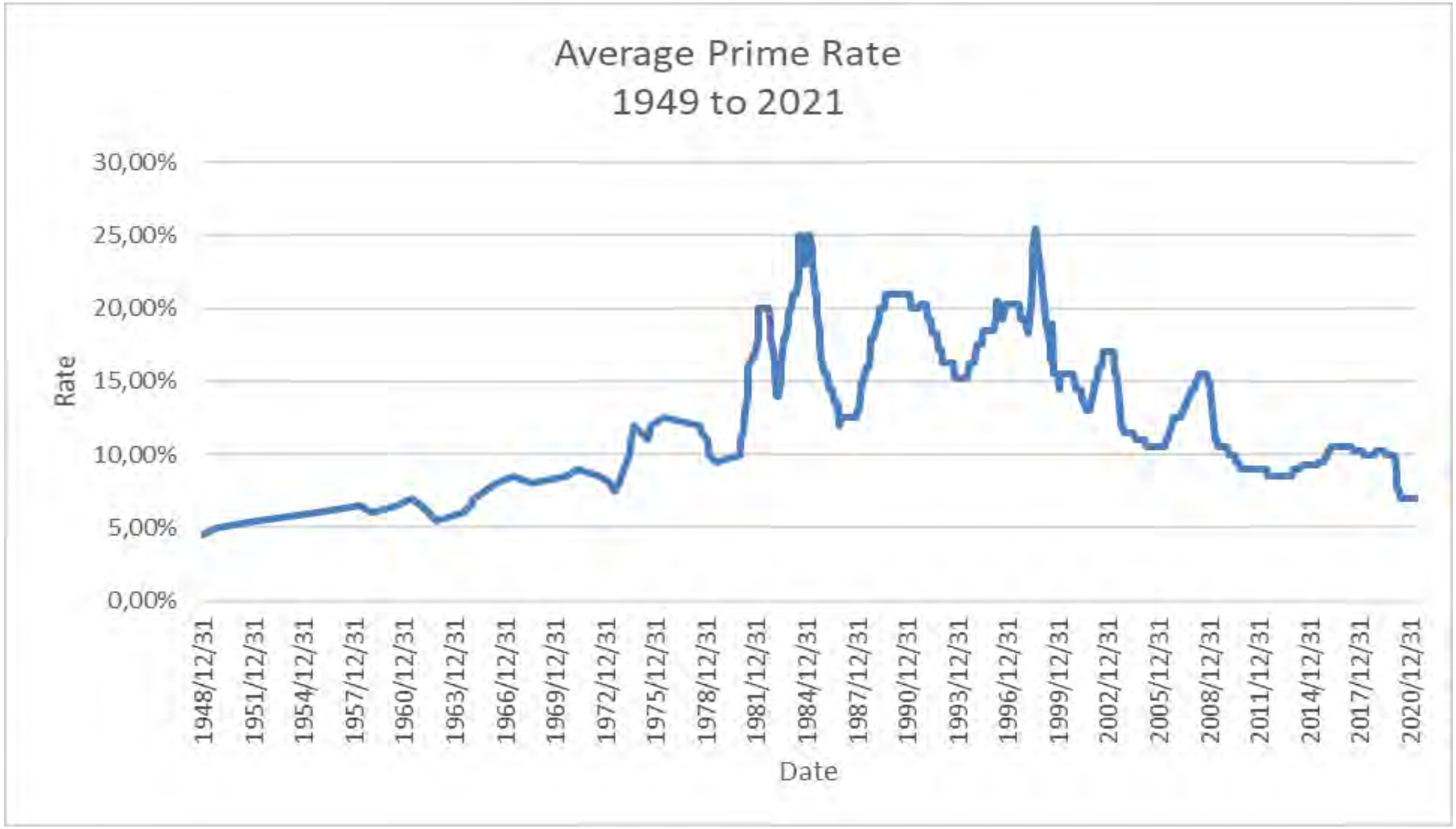
THE INVESTMENT ENVIRONMENT

THE BIG PICTURE – 35 YEAR JSE VIEW



THE INVESTMENT ENVIRONMENT

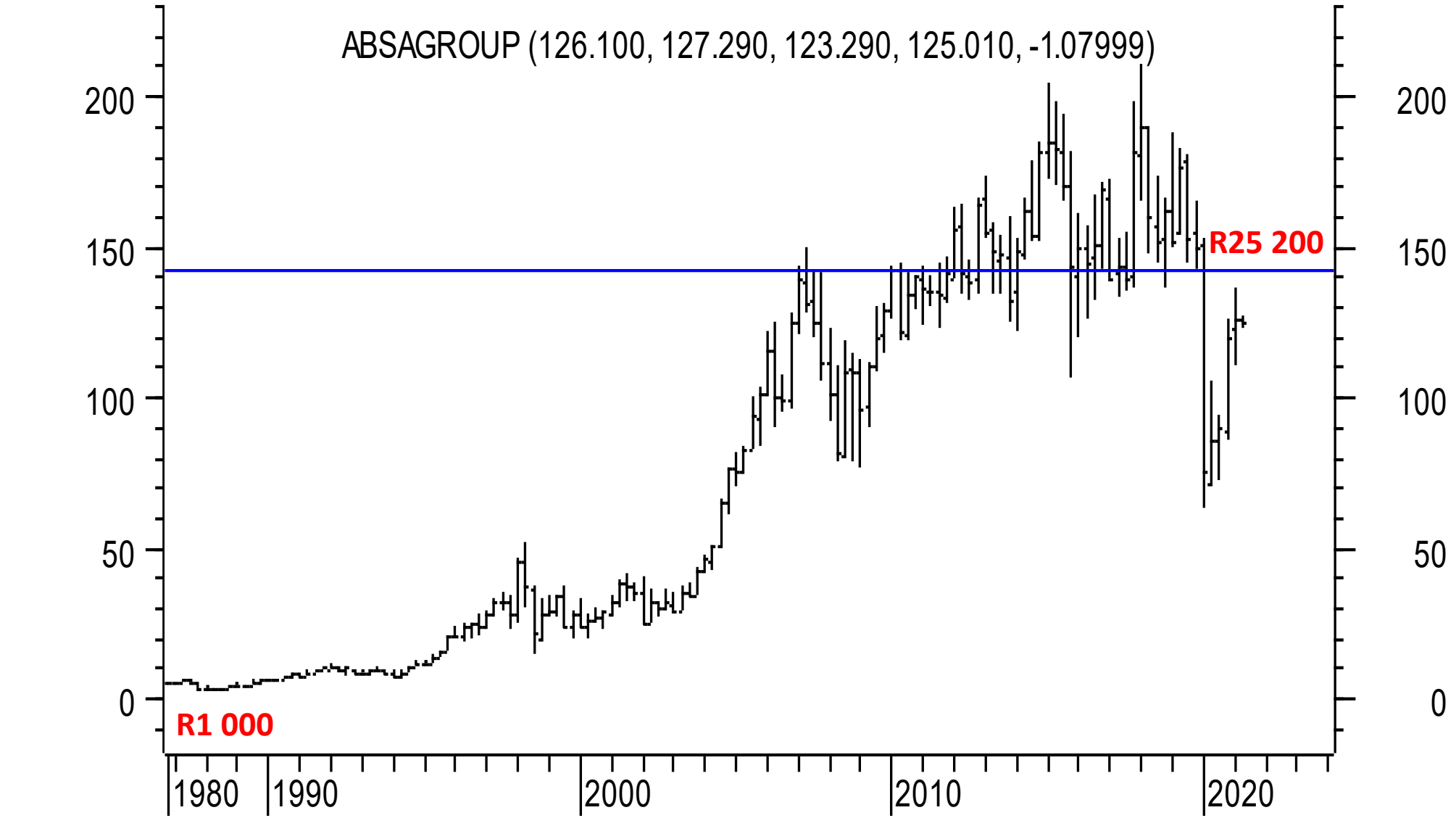
THE BIG PICTURE – 72 YEAR INTEREST RATE VIEW



Average Rate from 1982 = 14,43%, Currently = 7% (same as 1965)

THE INVESTMENT ENVIRONMENT

35 YEAR COMPANY VIEW: ABSA SHARE PRICE



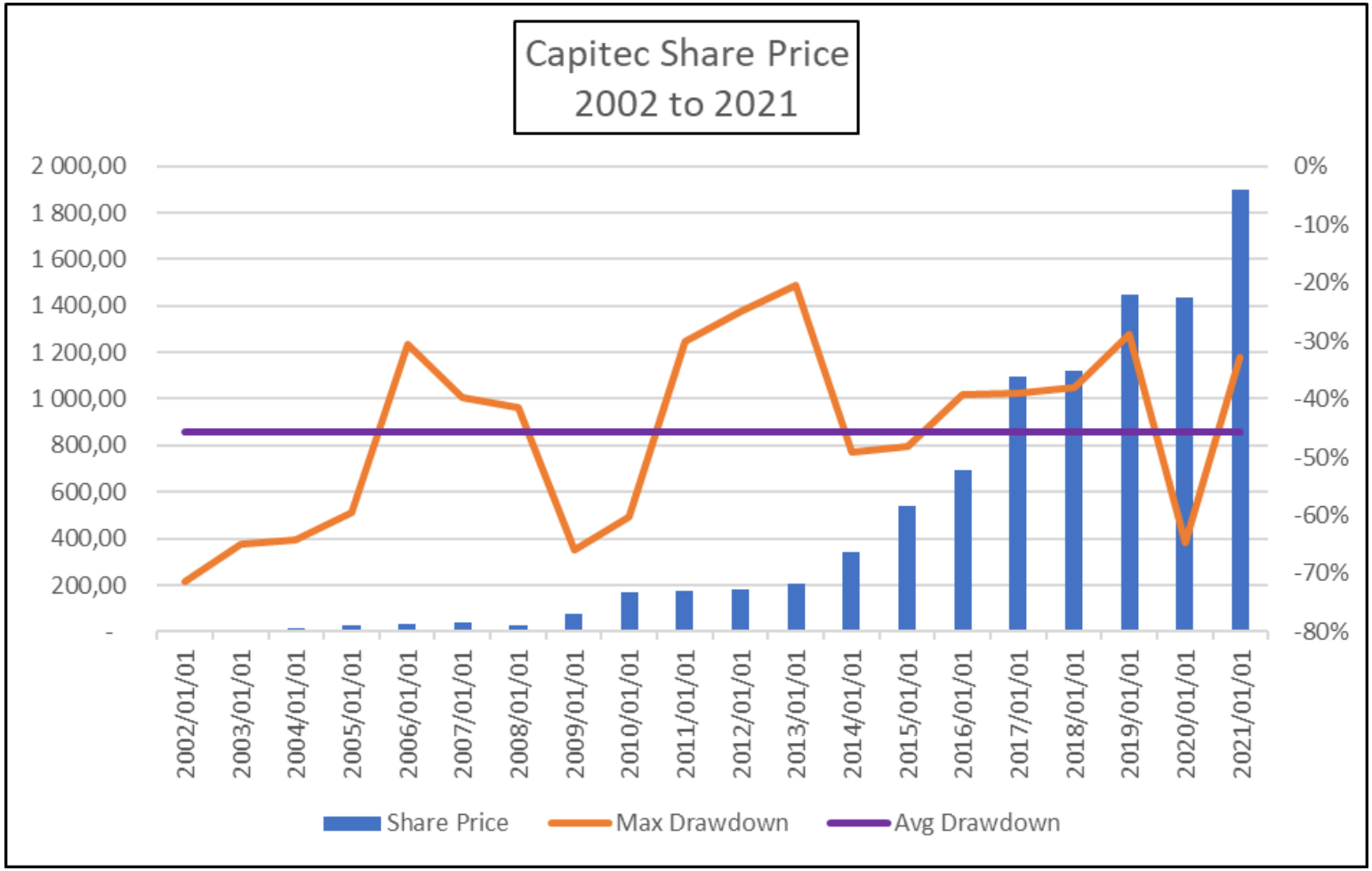
THE INVESTMENT ENVIRONMENT

20 YEAR COMPANY VIEW: CAPITEC SHARE PRICE



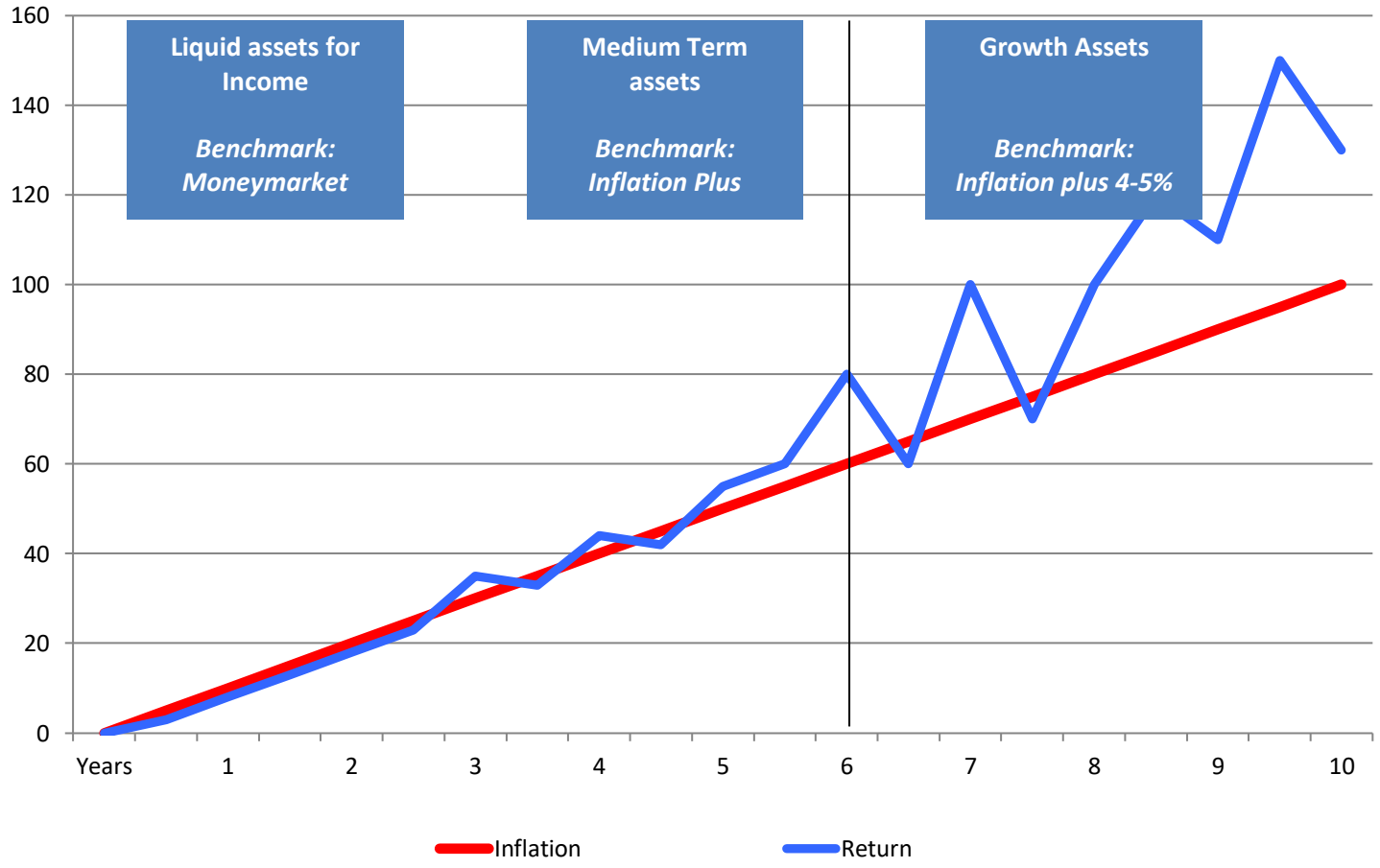
THE INVESTMENT ENVIRONMENT

20 YEAR COMPANY VIEW: CAPITEC SHARE PRICE



INVESTMENT PRINCIPLES

MANAGING THE INFLATION AND VOLATILITY



The risk of client-driven asset allocation

Money comes in when returns have been good (and vice versa)



INVESTMENT PITFALLS

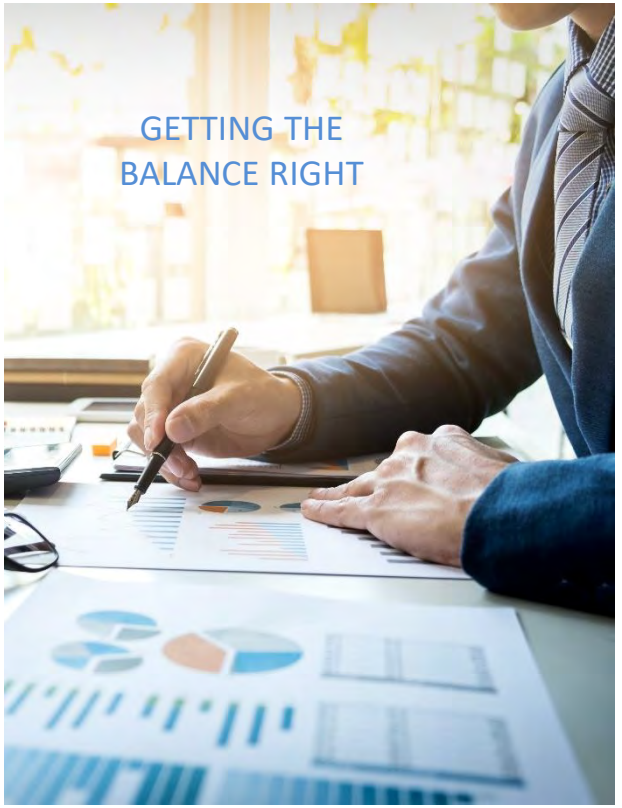
Fear Of Missing Out

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Global Cash 30.6	Global Cash 63.9	SA Listed Property 20.1	SA Listed Property 41.0	SA Listed Property 41.3	SA Listed Property 50.0	SA Equities 41.2	SA Listed Property 26.5	Global Bonds 56.6	SA Equities 32.1	SA Listed Property 29.6	Global Bonds 30.7
SA Listed Property 27.6	Global Bonds 58.7	SA Bonds 16.0	Balanced Portfolio 18.5	SA Equities 25.4	SA Equities 47.3	Global Equities 33.2	SA Equities 19.2	Global Cash 41.6	Balanced Portfolio 21.3	SA Equities 19.0	Global Cash 22.0
Global Bonds 24.9	SA Equities 32.6	1Inflation 2.4	SA Bonds 18.1	Balanced Portfolio 23.2	Balanced Portfolio 36.2	Balanced Portfolio 29.4	Balanced Portfolio 16.0	SA Bonds 17.0	SA Listed Property 14.1	Balanced Portfolio 18.0	Global Equities 15.8
SA Bonds 19.4	Global Equities 32.4	SA Cash 11.9	SA Equities 16.1	SA Bonds 15.2	Global Equities 23.4	SA Listed Property 28.4	SA Cash 9.6	SA Cash 11.4	SA Cash 8.0	SA Bonds 15.0	SA Listed Property 8.9
SA Cash 10.6	Balanced Portfolio 25.5	Balanced Portfolio 1.4	SA Cash 11.0	SA Cash 7.8	Global Cash 15.8	Global Bonds 16.9	Inflation 9.0	Inflation 9.5	Inflation 6.3	SA Cash 6.5	SA Bonds 8.8
Balanced Portfolio 7.9	SA Bonds 17.8	SA Equities -8.3	Global Equities 3.1	Inflation 3.4	SA Bonds 10.8	Global Cash 15.7	Global Bonds 8.2	SA Listed Property -4.5	Global Equities 1.6	Inflation 3.5	Inflation 6.1
Global Equities 7.3	SA Listed Property 14.0	Global Bonds -15.6	Inflation 0.3	Global Equities -1.9	SA Cash 7.1	SA Cash 7.7	Global Equities 7.0	Balanced Portfolio -9.9	SA Bonds -1.0	Global Equities 0.5	SA Cash 5.6
Inflation 7.0	SA Cash 10.1	Global Cash -27.2	Global Bonds -10.9	Global Bonds -5.9	Global Bonds 4.8	Inflation 5.8	SA Bonds 4.2	Global Equities -16.6	Global Bonds -20.8	Global Bonds -4.8	Balanced Portfolio 4.8
SA Equities 0.4	Inflation 4.6	Global Equities -42.4	Global Cash -22.2	Global Cash -13.7	Inflation 3.6	SA Bonds 5.5	Global Cash 2.0	SA Equities -23.2	Global Cash -22.2	Global Cash -10.4	SA Equities 2.6

INVESTMENT PLAN
INVESTMENT OPTIONS

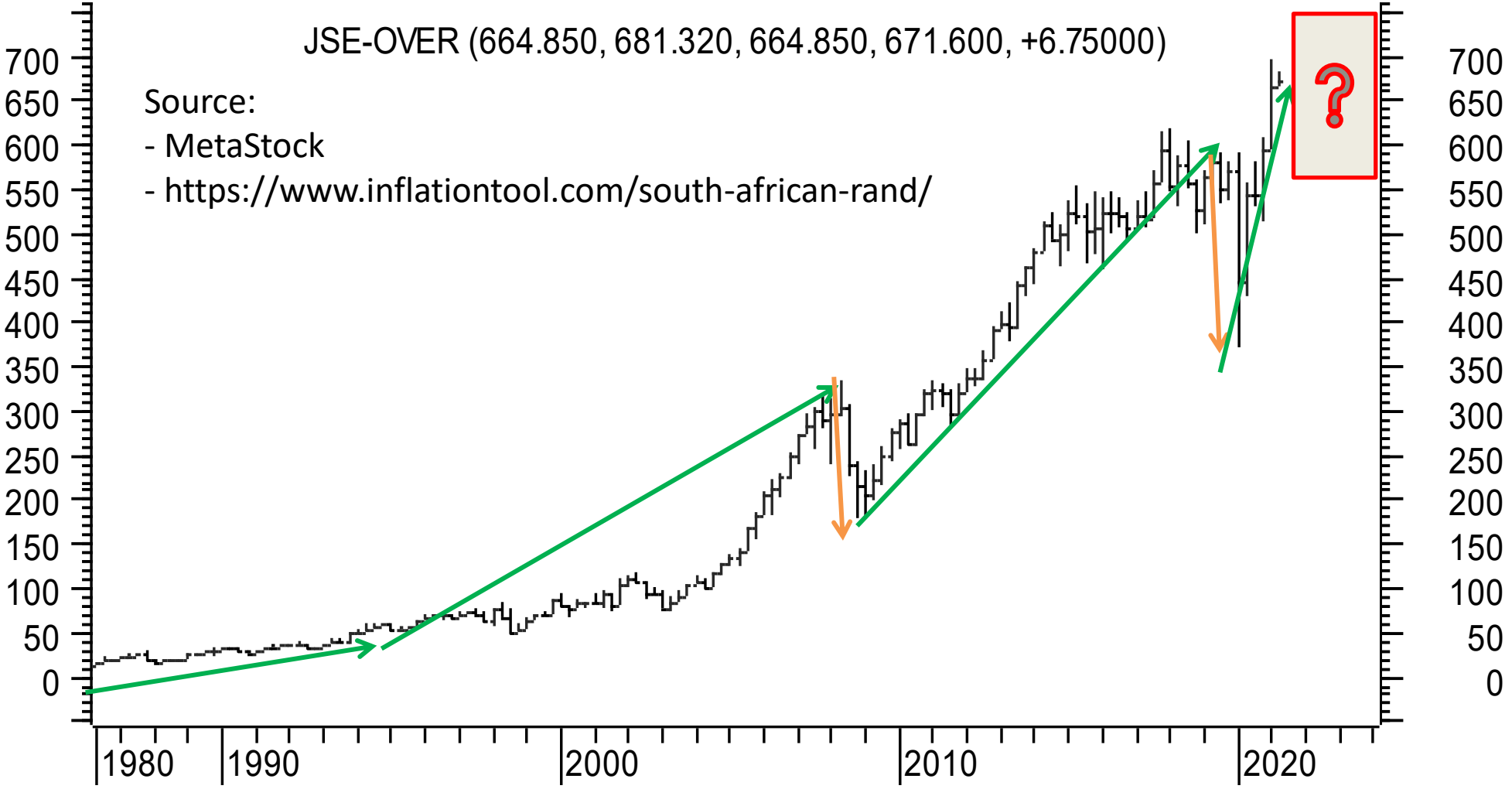
The following is an example of a generic income generating asset allocation model

Asset Allocation – Income Generating Assets	%
Pension Fund/ Retirement Planning	
Tax Free Savings	
Shares	
Gold/ Bitcoin	
Property	
Professional Investments	
Exchange Traded Funds	
Own business	
Cash	
Speculative Investing	

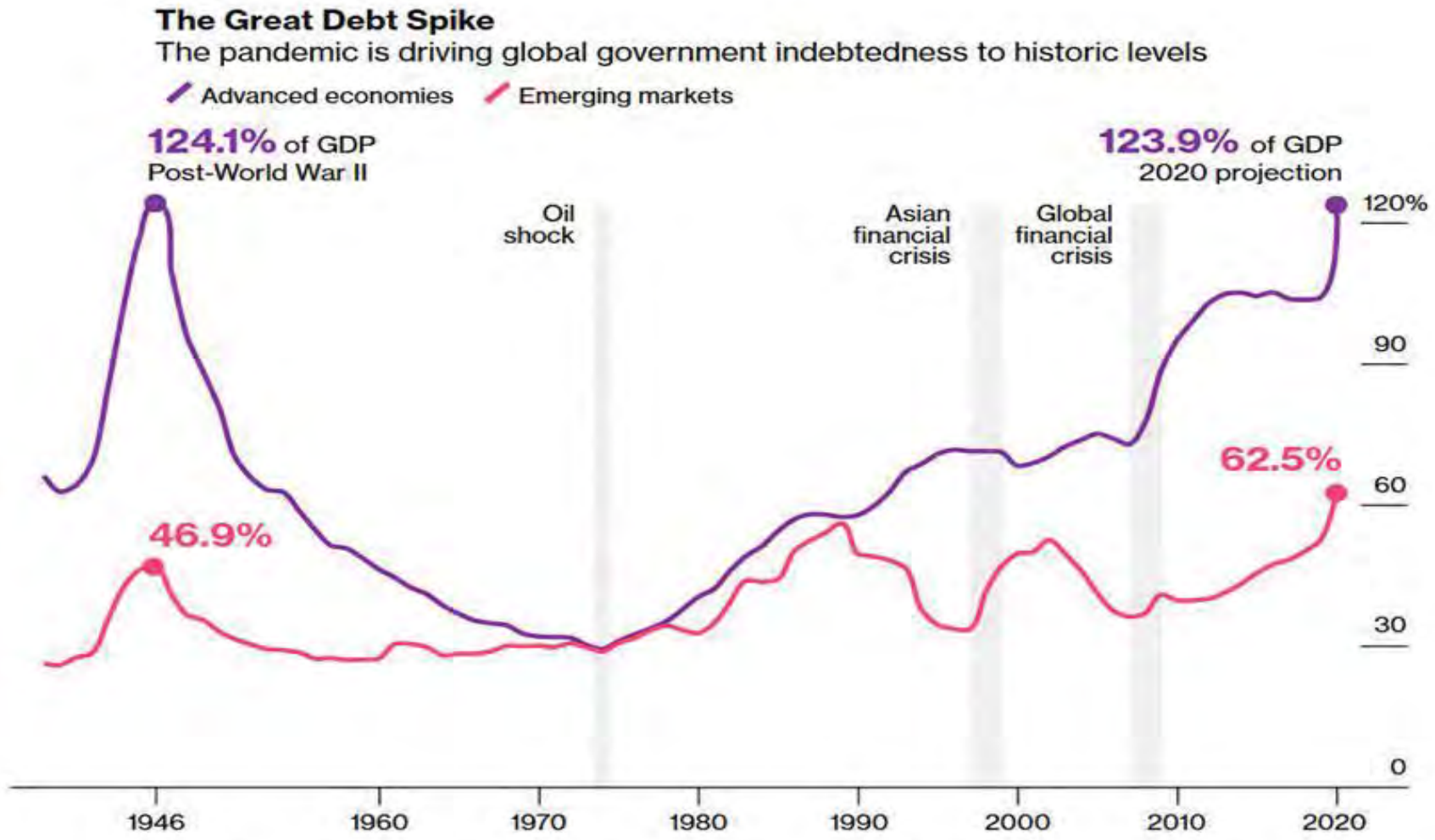


GAZING IN THE CRYSTAL BALL

20% UP OR 20% DOWN?



INVESTMENT THEMES:
THE GREAT DEBT SPIKE



Note: Advanced economies and emerging markets are a sample of 25 and 27 countries respectively.
Source: International Monetary Fund Fiscal Monitor, October 2020

Making Money during the pandemic:
Company A





This company's share price grew 330% in 7 months

Making Money during the pandemic: Company B





This company's share price grew 293% in 17 months

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The Most Valuable Resource



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MONITOR, REVIEW, REBALANCE



TAX PLANNING



ADVICE SERVICES

SUGGESTED SEQUENCE

THE MORE YOU LEARN, THE MORE YOU EARN

INDIVIDUAL COURSES

Focus Area 1: Banking Specific Skills

1.1 Training Course: Banking Masterclass – The Fundamentals of Banking (WMANBMVIR): R5 000
1.2 Training Course: Banking Masterclass – The future of banking (WBankFutVirt): R5 000
1.3 Training Course: International Anti-Money Laundering (IntAML): R5 000

Focus Area 2: Entrepreneurial and Business Acumen Skills

2.1 Training Course: Think like an entrepreneur (WTLEVirt): R2 500
2.2 Training Course: Business Strategy Translation (WBuStratVirt): R2 500
2.3 Program: Entrepreneurial skills development in the workplace (WEntSkilProg): R12 000

Focus Area 3: Financial Skills

3.1 Training Course: Finance for non-Financial Managers (WFinManVirt) : R5 000

Focus Area 4: Tools of the Trade

4.1 Exploring Excel for Banking (WExplExcel): R2 500
4.2 Training Course: Financial Modelling in Excel for Banking (WFinModVirt): R5 000
4.3 Training Course: Advanced Financial Modelling in Excel for Banking (WAdvModVirt): R5 000
4.4 Training Course: Visualisation of Data and Charts in Excel (WVisualData): R5 000

Focus Area 5: Personal Wellness

5.1 Training Course: Personal Finance – Getting the basics right (WFinUpVirt): R2 500
5.2 Training Course: Personal Finance for professionals (WPerFinVirt) : R2 500

THE MORE YOU LEARN, THE MORE YOU EARN

BUNDLES FOR 2022

"Making you a better banker"

Banking Skills Bundle (R8 000)
Banking Masterclass - The Fundamentals of Banking
Banking Masterclass - The Future of Banking

"Taking the fear out of Finance"

Financial Skills Bundle (R8 000)
Banking Masterclass - The Fundamentals of Banking
Finance for non-Financial Managers

Personal Finance for Professionals - Self Study (R1 00)

CONTACT US

ALLEGIANT
WEALTH
MANAGEMENT



Managing
your wealth into
the future

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