nmg BENEFITS

The Connector

Quarter 3

2022

Many South Africans are struggling to make ends meet, especially after the massive recent fuel price increases which have filtered into the prices of other goods and services. We have less disposable income than before because of inflation.

If you are struggling financially, it might help to set up a monthly budget. Have a look at the transactions on your bank account and see if there is any unnecessary spending taking place. Making some different financial decisions can help you save on expenses.

- Try cut down on fuel costs by reducing unnecessary trips or sharing lifts. Saving fuel for just a few days a month can make a difference in your monthly fuel cost.
- Look at what is going into your grocery shopping trolley. Favouring plant-based meals over meat can really help cut costs as can buying unprocessed foods.
- Find ways to socialise that are less expensive. Can you meet up while going for a walk or picnic rather than a restaurant visit?
- Be careful with shopping on credit. Buy only what you really need and not what you want.
- Is it possible to switch to pre-paid for example on your cell phone or electricity?

Having to stick to a budget can make you much more conscious of what is being spent.

Are you looking to ways for increase your income?

Have you thought about increasing your income in a way that doesn't interfere with your day job? Having a passive income can boost your personal financial goals and help you reach financial security by having more than one stream of income. This can help you afford expenses that you might not be able to achieve on the income from your day job alone.

It's important to find a passive income stream that works for your situation. Some passive income opportunities need you to have start-up money, while others need your knowledge and time. With the world open online, you aren't restricted to opportunities only on your doorstep.

Passive income that requires money upfront

Some traditional ways of earning a passive income are when you receive income from a rental property or when you receive dividends from share investments.

One way to earn a passive income through investment includes investing in property. A long-term rental is where you rent out part or all your property to a tenant for a fixed time, like a six month or one year lease. A short-term rental is when you rent out part or all your property for a shorter period, usually without a lease. Websites like Airbnb allow you to list your space for a night at a time.

Being a landlord or a host takes some effort, especially if you want to earn good reviews. There is some risk taking when renting out your home, but this can be mitigated to some extent by screening potential visitors or tenants. It's also important to understand the tax implications of receiving rental income and knowing what deductions can be claimed.

Another form of passive investing involves investing in shares. Companies you have invested in declare a dividend when they have made a profit which can provide passive income. If you are investing to generate a passive income, you need to invest in shares that have a good track record of issuing dividends at least once per year. There are risks to investing in shares as the capital value fluctuates. It's recommended that you research the business' profile and understand market trends when deciding which share to buy to maximise your dividends.

Passive income that needs time and knowledge

Nowadays, there are ways of getting a passive income that might not need you to put up money upfront. If you're hoping to increase your income but don't have enough money saved up to fund an investment, there are ways to earn passive income that use your knowledge and time instead.

Affiliate marketing is a source of passive income in South Africa as in the rest of the world. This is a tactic where companies and marketers pay individuals to promote their products to their followers. Whenever there is a sale, the promotor gets paid a percentage, like a commission. Affiliate marketers are often website owners, YouTubers, podcasters, social media influencers and bloggers.

This can involve more work than would typically be needed for a passive income and opens you up to public comment. On the other hand, it can give you the opportunity to follow your passion while supplementing your income.

We are living in an information age. If you know something that most people don't, there is an opportunity to sell the information. Some examples of this are where people create courses that they sell online, develop lessons for YouTube or get sponsors that support you in exchange for a mention.

Don't forget about the tax aspects of earning a passive income

For all these great ideas to make additional income, it's important not to forget about tax. Always remember to check if the income you are earning is taxable and don't forget about claiming deductions where possible. For expenses to be tax deductible against passive income, the expenses must be incurred (that means that it has been paid already or is due and payable), there must be a link between the expenditure and the passive income, and the expense cannot be of a capital nature. This means that the expense can't result in a long-term benefit. If you are in doubt, its recommended that you get assistance with the tax aspects.

Why is personal financial advice important?

Whether you're starting out or further along in your life journey, good financial advice can help you set goals and plan on how to achieve these goals. A financial advisor can help you create a financial plan and support you along the way. Financial planners are qualified professionals who use their knowledge to help individuals better prepare for life's ups and downs.

Many people look for financial advice when they have an important life event like getting married, starting a family, or when they are reaching retirement age, but financial advice can help you at any stage of your life.

Personal financial advice isn't only for complex situations. It could mean helping you with a budget and getting out of debt faster, making informed decisions about saving and investing, or looking after your insurance needs.

Qualified, professional financial advisors use a step-by-step approach with their clients. The advice process typically uses a phased approach:

Understand your needs

Your advisor gets to know you and understand your financial situation. They will assess your current financial health - your assets, liabilities, income, insurance, taxes, investments, and estate plan. At this stage, the advisor should explain how they charge for their services.

Define your goals and agree on the advice you need

The advisor helps you clarify your financial goals and set out what you are trying to achieve in the short, medium, and long term.

The advice you need depends on your financial goals, the stage of your life you are in and your current financial situation.

Make a recommendation and discuss this with you

The advisor makes recommendations for your financial plan. It's important that you read through the recommended plan.

If you have questions, this is the time to discuss these.
You can then decide to action any of the recommendations.

Help implement recommendation

The advisor is there to help you implement any decisions you make based on the recommendations.

Financial advisors must make sure that their recommendations are personalised to your circumstances. They can give peace of mind when their years of expertise and knowledge are applied to your personal financial situation.

5 Tips to teach your kids about saving

Many adults agree that personal finance should be a subject taught in school. Managing your finances is a crucial life skill but it doesn't come naturally. Without help, many of us live from one salary to the next and don't know how to effectively save or invest.

If we can teach our children money lessons while they are young, we can set them up for lifelong financial wellbeing. For example, learning about delayed gratification helps avoid unnecessary spending and appreciating the value of money. If we want the lessons to be understood, the money experts recommend that we keep the lessons simple.

1 Wants and needs

The first step in teaching the value of saving is to help your child understand the difference between "wants" and "needs". "Needs" include food, a roof over your head, clothing, health care and education. "Wants" are the "nice to have extras". Discuss how needs should be prioritised over wants, and that it's important to have money set aside for future needs.

2 Earning their own money

Allowing your children to earn money helps them understand the value of money and gives them the opportunity to learn how to use it. Some children thrive when they are encouraged to sell goods and others may need to sell their services to you in exchange for an "allowance" or pocket money.

3 Help set savings goals

It's hard to understand why we would want to save if there isn't a goal. Help your child set a savings goal, to motivate them to start saving. Once they have a goal, help them understand how long they need to save for to achieve that goal.

4 Where to save

It helps if children can visualise their money accumulating. Younger children may appreciate seeing physical cash being saved in an appropriate place while older children enjoy watching their balance grow in a savings account. Many of the banks have child-friendly saving accounts with mobile apps to help kids track their savings.

5 Track spending

Older children will be able to write down when they spend money and what they spent it on. Adding up the purchases is an important way to understand what money is being used for, and how this affects the savings goal.

In many families, even financially literate families, money matters aren't always discussed openly with children. If you want your children to learn good money habits for when they are older, ongoing conversations about saving and spending can help encourage a healthy attitude to money.

Teaching your children about saving equips them with knowledge that will benefit them throughout their lifetime.

YOUR INVESTMENTS IN Q2 OF 2022

Investment markets

Globally, investment markets finished the first half of 2022 as the weakest first half in decades. South African shares also had a weak second quarter, but stronger first quarter returns resulted in the year-to-date investment performance being better than its global peers. All major indices on the JSE reduced in value in Q2 of 2022. Only financial shares were positive for the six-month period to 30 June 2022.

Economy

After strengthening early in Q2, the rand weakened compared to the US dollar. The US dollar strengthened by around 8% during Q2, mostly because of tighter US monetary policy. Rand weakness was because of negative sentiment due to ongoing load shedding and other risks. Despite the negative sentiment, South Africa's current account has a surplus which would have helped to strengthen the Rand.

In the IMF's World Economic Outlook update, they forecast that global growth is likely to reduce due to the ongoing war in Ukraine, global high inflation, supply chain bottlenecks, and energy insecurity. The IMF revised South Africa's forecast growth higher, because of higher commodity prices, which in turn increases GDP.

Inflation

Globally, inflation has increased. For example, it has increased to 9.1% in the US and 8.6% in the Eurozone. The underlying reasons for higher inflation remain present even though commodity prices have begun to come down. In some economies, there is a risk of "stagflation". This describes the situation where inflation stays higher for longer while growth stays lower for longer.

South African inflation was at 7.4% in June 2022, the highest it's been since May 2009. This is the second consecutive month that inflation was higher than the SARB's targeted 3-6% range. Transport inflation is a key reason for higher inflation due to higher fuel prices, which has also resulted in high food inflation.

The South African Reserve Bank increased interest rates by 0.25% in March, 0.5% in May and 0.75% in July 2022. Around the globe, central banks have also been increasing interest rates as they are concerned that inflation may increase even more if they don't increase rates.

Key indices to 30 June 2022

Key Indices	1 Month to 30 June 2022	3 Months to 30 June 2022	1 Year to 30 June 2022	3 Year to 30 June 2022	5 Years to 30 June 2022
Local Shares FTSE/JSE All Share TR ZAR	-8,01%	-11,69%	4,69%	8,18%	8,74%
Local resource shares FTSE/JSE Resources 10 TR ZAR	-17,15%	-21,87%	8,49%	15,88%	21,66%
Local industrial shares FTSE/JSE Industrials l 25 TR ZAR	1,60%	-2,58%	-7,20%	5,22%	4,25%
Local financial shares FTSE/JSE Financial 15 TR ZAR	-13,55%	-15,60%	16,86%	-0,56%	4,92%
Local property FTSE/JSE SA Listed Property TR ZAR	-10,33%	-11,56%	0,22%	-9,02%	-7,33%
Local bonds Beassa ALBI TR ZAR	-3,06%	-3,71%	1,25%	5,78%	7,78%
Local cash STeFI Composite ZAR	0,40%	1,15%	4,18%	5,01%	5,93%
Global shares MSCI ACWI GR USD	-8,39%	-15,53%	-15,37%	6,71%	7,54%

Contact us

Tel: 011 509 3000

www.nmg.co.za

Finding a Better Way

Healthcare | Retirement | Investment Consulting | Personal Financial Services | Actuarial Services | Short-term Insurance