

Consumer Education Media Release
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Invest in advice for financial peace of mind

A solid long-term financial plan drawn up by a trusted adviser is the best investment you can make this year, according to Peter Dempsey, deputy CEO of the Association for Savings and Investment South Africa (ASISA).

Dempsey says consumers tend to identify a financial goal such as a wedding, their children's education, or their retirement and then save towards that goal in isolation. He points out that very few people plan for the financial impact of events such as losing a job, long-term disability, critical illness, caring for a loved one, or getting divorced.

"You may have been saving diligently for your retirement when unexpectedly one of your children survives a horrific accident and requires expensive medical care for a protracted period. Since you have no other way of funding the medical costs, you dip into your retirement savings. Suddenly, because of an unforeseen event, your family's future financial security is at risk."

Dempsey points out that many people don't realise that the role of the financial adviser is much wider than helping clients pick the right mix of unit trust funds for their investment portfolio.

"A good financial adviser will assess your unique situation holistically and help you implement a comprehensive strategy that will come to the financial rescue when unforeseen events present themselves as well as provide for planned events."

Dempsey says while any form of saving is better than nothing, a well thought through savings and investment plan will ensure that your efforts are maximised.

"There is little point in saving towards your children's education, for example, if you do not have adequate life and disability cover in place," he says.

He adds that independent research conducted on behalf of ASISA in 2010 has shown that the average South African income earner is underinsured by at least R600 000 in the event of death and by R900 000 in the event of disability. "This means that the average family would have to cut living expenses significantly if the main earner of a household dies or becomes disabled."

Research conducted by ASISA member companies also presents the shocking reality that only around 6% of South Africans can afford to retire comfortably.

In addition, the 2011 statistics for the Collective Investment Schemes (CIS) industry show that the majority of investors still hold their money in domestic fixed interest funds (money market, bond, income and varied specialist funds). "This means that over the long term these investors are forfeiting inflation beating capital growth for a false sense of security," says Dempsey.

Dempsey says there are many more credible pieces of research that provide irrefutable evidence that South Africans are in dire need of financial advice, that this need is growing and that good financial advice adds value.

"This value add does not only relate to higher returns or lower charges, but also to a comprehensive financial plan that is expertly managed to adapt as you move through your various life stages," says Dempsey.

He says research conducted among investors who use a financial adviser found that the following benefits are valued most:

- Recommendations based on actual needs.
- The provision of appropriate savings and investment options.
- Informed expert opinions.
- Personal relationships.
- Ongoing management of the financial plan and the underlying investments.

The reality, says Dempsey, is that saving and investing requires a fundamental shift in attitude. “The act of saving always requires a sacrifice. When you put money away for something that may happen in the future, you sacrifice the instant gratification of spending this money in the now.

“Making that sacrifice with the help of a trusted financial adviser ensures that this is at least a worthwhile sacrifice.”

Dempsey encourages investors to consider the following when saving and investing:

- Do not save towards a specific event in isolation. Anticipate that life will present you with curve balls and factor this into your long-term investment plan.
- Start saving from the day you earn your first salary and save all the time.
- Cover yourself and your family against the financial impact of tragic unforeseen events like death and disability.

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Association for Savings and Investment South Africa (ASISA)

ASISA represents the majority of South Africa’s asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies. These members hold assets under management of more than R4-trillion.