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For richer or poorer

A wedding is romantic but a marriage requires some forethought. We all need to consider several aspects of compatibility when it comes to evaluating a potential life partner in terms of personality, intelligence, values and more. A crucial piece that often gets overlooked is a partner's financial stability and spending mindset.

Why do we hesitate to bring up financial matters with our significant others? Well, social norms and fears of being seen as shallow or materialistic may play a role but here's the reality. Financial compatibility is a significant factor in relationship success. According to studies, it's one of the leading causes of divorce. Here are some of the key financial aspects that couples should explore before tying the knot.

Long-term financial goals are a fundamental aspect of compatibility. Aligning on long-term financial goals is crucial because it's a reflection of shared values and life aspirations. When making our vows one of the phrases that we always say is, 'for richer or for poorer'. One is better than the other and will significantly steer the course of the union. Not that richer is necessarily "better" than poor but financial stress is one of the worst strains a marriage may have to deal with. This compatibility creates a harmonious atmosphere, allowing couples to work as a team towards mutual aspirations.

Whether it's buying a home, travelling, investing or saving, it's important to align those goals. It will also reduce conflict, foster cooperation and ensure a smoother journey throughout the financial aspects of a life together.

Debt-to-income ratio

The debt-to-income ratio is a reflection of an individual's financial health, showing how much of their income is spent on debt repayments. For couples, a high combined debt-to-income ratio could limit their ability to secure loans or mortgages – affecting their lifestyle and future goals. So understanding and aligning on this ratio is crucial for managing debts effectively, and also planning for the future cohesively. We know that credit scores are often considered a measure of one's financial responsibility. Couples should ensure that they have a similar approach to debt and spending. A low score can severely impact individual and joint abilities to secure loans, mortgages, or even favourable interest rates. For couples with a joint low credit score, this could mean higher lending costs and restricted financial options, potentially straining the relationship as well. It is important to have open and honest discussions about the credit scores, and a collective effort to help improve them from both sides, which can safeguard the financial and emotional well-being of the rela-

tionship.

Budgeting

Budgeting is an important part of managing your financial affairs. When it comes to it, a mismatch in spending habits and financial priorities will affect the dynamics of a relationship. Mismatched spending habits and financial priorities can lead to tensions, disagreements – and can be a source of ongoing conflict. Such differences might translate to varied lifestyle expectations, savings goals, and investment strategies. Divergent financial values and goals can also lead to a lot of stress and resentment in a relationship and can impact the overall dynamics. Having an open, non-judgemental conversation about financial habits, about financial goals, about savings before the marriage will be key to the longevity of the relationship. Creating a unified, mutually agreeable budget between the two of you is a key aspect in managing these differences and fostering financial harmony in the relationship.

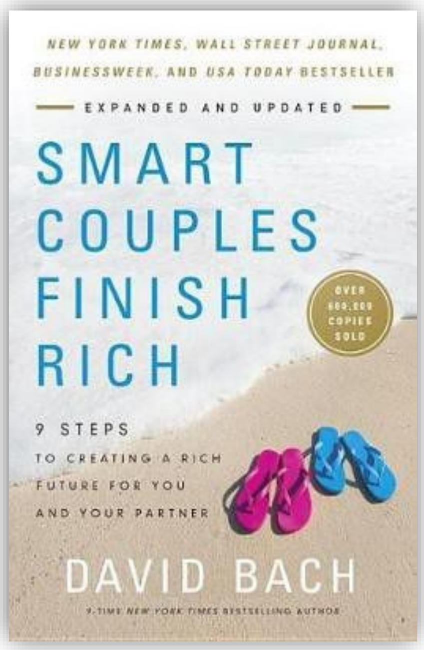
Financial responsibilities and expectations?

It is important for couples to create their own joint financial plan in the partnership or in the relationship. And this plan should be focused on income, expenses, savings, and investments. The couple should define each individual and shared financial responsibility. They should agree on financial contributions towards the household and discuss financial goals, individual goals, as well as family and household goals, and how each partner will contribute towards this specific goal. It's also very important to clarify the distribution of expenses. For instance, if there's a notable income disparity, will expenses be divided according to the earnings or will it be split equally? Establishing each partner's monetary contribution to the shared living space before marrying or moving in together can prevent a lot of unexpected and unnecessary financial challenges.

Children

When it comes to financially assisting children there can be a lot of differing opinions. How should older couples navigate this aspect to ensure a balanced approach? With a child (children) there are a lot of different financial aspects that need to be taken into account, especially in a marriage or a relationship environment. Navigating the financial assistance for children requires mutual agreement between both partners to ensure balance and harmony – not only in the house but also obviously in the finances. Couples should consider various options. Some of the options include establishing trust funds or savings accounts specifically for the children's needs, maybe setting up educational plans, agreeing on, say, a fixed monthly allowance or savings that you put away, determining proportional contributions based on the income disparity – who's going to pay for this, who's going to pay for that – and setting clear financial boundaries.

Also, investing in life insurance policies for children's security, and maintaining a family budget inclusive of children's ex-



Smart Couples Finish Rich, Revised and Updated: 9 Steps to Creating a Rich Future for You and Your Partner

Offers a nine-step program to help couples build and maintain their financial wealth through proven strategies for organization, communication, and smarter spending in the current economy.

Updated and revised for a new generation of couples, David Bach's classic money guide teaches couples how to build stable financial wealth that lasts.

David Bach, nationally renowned financial advisor and author of the bestselling Smart Women Finish Rich, knows that it doesn't have to be this way. After years of first-hand experience working with couples young and old, David Bach

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penses. The older they get, involve the children in these types of financial discussions to instill responsibility in them going forward as well. Establishing these measures through constant communication and shared values can foster a supportive and balanced financial environment for the children, while maintaining the financial stability and the harmony of the couple. A blended family, one where there are step children, will require further consideration regarding who takes financial responsibility and how joint finances are deployed to support these children. This is often a bone of contention and needs to be dealt with honestly at the beginning of the union and with consideration well into the future of the relationship.

Extended family

This is also worth exploring. How can couples find common ground and prevent unexpected surprises? Nothing can prevent unexpected surprises, however, an eye to the future and a clear understanding and agreement on what the approach would be will go a long way in avoiding potential conflict down the line. Have a plan in place, a personal financial plan that takes into account the possibility of caring for a parent or close relative. Transparent communication about something like this, about supporting extended family members, about the expectations, about the boundaries that you are going to set is crucial. So couples should discuss and agree on the extent and limits of the support to provide, and also ensure that responsibilities are divided in such a way that everyone is happy with.

Communication

A discussion of this kind should involve honesty, openness, and a non-judgemental attitude. Base this conversation on the six-step financial planning process and it can actually guide you towards having this conversation and also creating a financial plan in your relationship. First and foremost, establish and define the relationship with one another. The next step will be to gather all the information required. Know what you want to talk about, all the points discussed above; put those on the list and go through every one that can have a financial impact. Next will be analyse and evaluate the financial status of both partners – financial statements, commitments, the strengths, the weaknesses, all that type of stuff.

Then develop a plan that will work for you and go through that plan. And the most important part of it is to monitor it regularly. Go back to that plan, see if it's still on board with your goals and your needs. If life changes, if income changes, then you should change your plan as well. If you have something that you can actually work from it will create a lot of harmony for the couple.

Marital contract

Discussing these financial aspects will certainly aid couples in determining their appropriate marital contract, whether that's 'in community of property', 'out of community of property', or 'with accrual'. It will help in understanding individual and

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reveals that through communication and partnership, planning your finances together can be both fun and easy when you have the right tools.

In Smart Couples Finish Rich, Expanded and Updated, David Bach offers couples a step-by-step guide to building and maintaining financial wealth that has been tailored to fit our current economy, but will last for years to come. Instead of avoiding each other when it comes time to balance the checkbook, you and your partner will learn how to come together and identify your core values and dreams, creating a spending and saving plan that reflects your values as a couple. Packed with easy-to-use tools that will take you from credit-card management to long-term care, each chapter will guide you and your partner as a team toward a more rewarding financial plan based on the same overall financial objectives.

The Smart Couples Finish Rich nine-step journey provides every couple with strategies for organization, communication, and smarter spending that you can put into action immediately. This journey reveals:

- The Couples' Latte Factor -- how to build a sizable portfolio on $3.50 (R67) a day
- How to talk to your partner about money without fighting
- How to increase your income by 10 percent in nine weeks
- The FinishRich File Folder System -- giving yourself a financial clean-up
  The 10 biggest mistakes couples can make

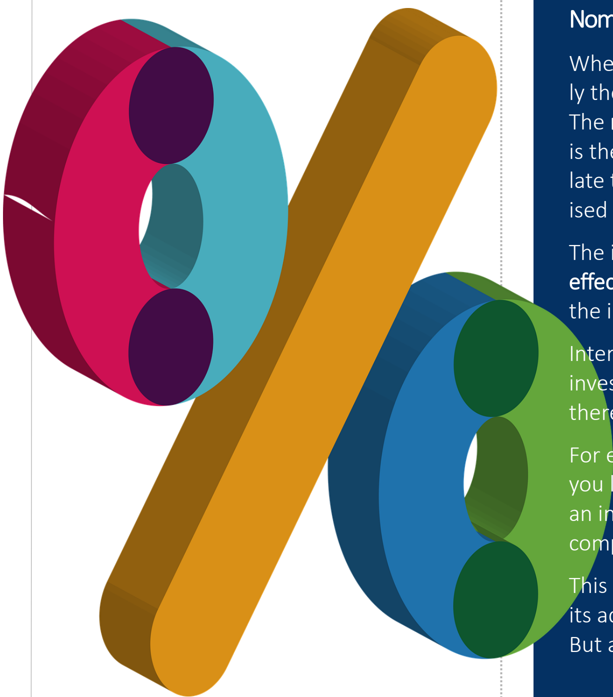
A book for couples of all ages and all tax brackets. The ultimate guide for creating a lifetime of wealth--both personal and financial.

combined assets and liabilities, and how they wish to structure their financial arrangements in marriage.

The future

Even though it may well be in the distant future, couples should also consider discussing their retirement plans, insurance needs, estate planning and risk tolerances, grasping each other's stance on financial matters in terms of savings and investments. Their respective comfort with financial risk is crucial. If you have a disparity in risk tolerance, with one leading towards high risks and the other being more conservative, it's beneficial for the couple to find a middle ground.

Understanding each other's attitude towards savings, money, and investments, can provide a full picture of financial compatibility and will allow the couple to build a stronger, more harmonious future together.



Nominal, effective and maturity rates

When it comes to advertised interest rates the bank is offering, it can be confusing, especially the actual interest rate being offered. This makes it difficult to compare the rates on offer. The **nominal** interest rate is the actual interest rate the bank pays a client each month. This is the best rate to use when making comparisons. The **nominal** interest rate is used to calculate the daily interest earned on your account balance, which accumulates until it is capitalised on an agreed date every month.

The interest is then either reinvested or transferred to your savings account. The annual **effective** rate is the interest rate compounded monthly over 12 months if you did not draw the interest out of the account each month.

Interest on **maturity** is the interest rate compounded monthly over the entire period of your investment. The longer the investment is held, the greater the compounding effect and therefore the higher the interest on **maturity**.

For example, Bank A pays a **nominal** interest rate of 9.65% on a 60-month fixed deposit. If you left the interest to be reinvested, it would have a compounding effect, which results in an interest on **maturity** of 12.48% per annum. It is the same 9.65% interest paid but left to compound.

This is why advertised rates can be confusing. If Bank A used the **maturity** rate of 12.48% in its advertising, it may look better than the **nominal** interest rate of 9.94% paid by Bank B. But actually, Bank B's interest rate is higher. Always make sure you compare the same rates.

We (South Africa) have significantly higher levels of female unemployment and around 50% of mothers are raising their children alone, with only around 20% receiving regular support from the father.

The gender (financial) gap

It is often argued that money is gender neutral and speaking specifically to women is patronising. It is correct that the type of investment products and the basic principles of money are gender neutral however what is not gender neutral is the fact that women continue to earn about 30% less than men and remain the main caregiver in the family. Some might say that women face poverty in retirement because they are penalised for unpaid work and for living longer. To be fair, the living longer bit cannot be blamed on men.

As a generalization, women do most of the "unpaid" work in the household even if they have full-time employment.

It is not surprising that a US study found that 92% of mothers with children under the age of 18 say they feel overwhelmed by the challenge of balancing workplace, parenting and domestic responsibilities.

Local ladies

If this is how women in the US are feeling, one can only imagine what mothers in South Africa experience.

We have significantly higher levels of female unemployment and around 50% of mothers are raising their children alone, with only around 20% receiving regular support from the father.

We are all told women need to save more for retirement, but the real issue is that women simply have less money than men for investing in their future.

The 2022 Women's Report, sponsored by the Stellenbosch Business School, found that women's careers are typically 30% shorter than those of men – because they have taken time out to be caregivers for their children and elderly parents.

The report acknowledged that "this type of work is largely unrecognised and unpaid, and can significantly erode a woman's ability to save for retirement".

Saving for retirement

A study by US investment house Fidelity found that, for many women, saving for retirement is simply not possible. They found that, while more women are investing than five years ago, men still saved twice as much as women and the primary reason is the gender pay gap – men simply have more money to invest.

Even in a family environment, women tend to focus their finances on their children while the husband tends to invest.

This leaves a woman financially vulnerable in divorce. Around 44% of marriages end before their tenth anniversary when a wom-

an is around 40 years old.

If a woman only starts saving for retirement at age 40, she then needs to save 40% of her salary to meet a basic retirement income.

Having children as a priority and saving 40% of a salary may not be realistic or even achievable for many women. Yet, living longer means women face higher healthcare costs than men and are also more likely to live alone in retirement.

The good news is that women are starting to invest more – we see these figures not only globally but in South Africa. This is particularly true of young women.

A prominent South African investment house found that around 42% of their client base is female compared with only 30% in 2015.

Confidence gap

When women do invest, they outperform men – a study of 5 million Fidelity customers over a ten-year period found women investors achieved higher returns than men.

However, the survey also found that women are less confident about their investment abilities than men.

This was highlighted in a survey by investment house BlackRock, which found that 72% of women rejected “riskier” assets such as equities, bonds or property, as opposed to 59% of men. Yet investing in these growth assets is the only way to grow wealth.

The Fidelity study found that there is a real knowledge gap between male and

female investors, which could also explain the confidence issue.

What does this mean for women and money?

While there is a bigger battle to win regarding the gender pay gap and compensation for unpaid work, there are some ways women can empower themselves:

- Use the time before you have a child to grow your investments. Do not cash in those investments when you have a child or get married. Allow the power of compounding to work for you.

- Educate yourself about investments. Do not leave all your money sitting in a bank account. Women tend to make good investors as they have a better sense of risk and reward.

- Have your own money plan with your own bank account and credit record. Even if you have taken time out to raise your children, you still need your own retirement plan, don’t just rely on your husband’s – it won’t be enough.

- Be empowered in your relationships. Have honest discussions around the “unpaid” work in the household and how you can remain financially independent.

- Plan for a second career. Women have more time and opportunity to work and earn an income once the children are grown up. For most women, this may be the only way to fund their retirement.

Remember to put the oxygen mask on yourself first. Your financial stability is critical to the survival of your family. You can only give if it is sustainable.

Executors fees - How it works

For undertaking his duties, the executor of a deceased estate is entitled to be remunerated from the estate. If the remuneration is not stipulated in the will, then the official tariff will apply: 3.5% of the value of the estate assets and 6% of income earned on assets administered by the executor. If the executor is a VAT vendor, then the executor's fee will attract VAT (currently 15%), with the result that the total executor's fee, inclusive of VAT, amounts to 4.025% of the estate assets and 6.9% of the income. It is an often overlooked fact that the maker of a Will can negotiate a reduced executor's fee which can then be stipulated in the Will. This cannot be done after the testator dies, and in the absence of any agreed reduction, the legal tariff will normally apply.

In cases where a family member is appointed as executor, he or she must usually appoint a suitably qualified person, such as a trust company or an attorney, to attend to the task on his or her behalf. The fee for the trust company or attorney should then be agreed between the parties when the appointment is made. In

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Death's duty - The role of the Executor

When a person dies, the property of the deceased does not immediately accrue to the deceased's heirs, but passes instead to a person who is tasked with administering the deceased estate until it is passed to the heirs. The person appointed to perform the task of such administration is termed the "executor" of the estate. This article examines the executor's duties and explains how the estate is wound up.

Frozen in time

Until an executor has formally been appointed, the deceased estate is "frozen" i.e. the assets of the estate, including banking accounts, may not be dealt with. In the absence of proper planning, this period of time is often extremely stressful for the surviving family. It can take months before an executor is appointed, particularly where a Will cannot be found. A power of attorney granted by the deceased prior to his or her death does not assist in the interim: a power of attorney ceases to have legal effect immediately upon the death of the person giving the power.

Appointment

The first questions that arise are who is the executor and how is he or she appointed? The executor is appointed and granted authority (called letters of executorship) to act in this capacity by the Master of the High Court. The Master is a government official whose duties include the overseeing of the winding up of deceased estates. The Master will usually appoint as the executor the person nominated for this purpose in the deceased's will. If there is no will or one cannot be found, then the Master will appoint a family member, such as the surviving spouse or an adult child, or suitably qualified professional person to the position of executor. In the case of a family member, the Master usually requires a professional person, such as an attorney, to assist the family member.

Security measures

Before confirming his appointment, the Master may request security from the executor, to protect the estate against any negligence or dishonesty on the part of the executor. The Master will usually not request security in cases where a surviving spouse, child or parent is appointed or where the requirement of security is dispensed with in the will. If a security bond is required, the executor will need to apply for this from an insurance company before their appointment, for which a fee will be charged, usually as a percentage of the value of the assets in the estate.

Small estates

Where the value of the assets in an estate is less than R250,000, the Master may decline to appoint a formal executor and instead direct an interested party such as a family member to wind up the estate informally. This person need not comply with the usual formalities, but simply collects the assets of the deceased and pays the creditors and the heirs. In cases where a formal executor is appointed, the executor must wind up the deceased estate in accordance with the provisions of the Administration of Estates Act.

The process

Upon the executor's appointment, his or her duties entail taking possession and control of the assets falling into the estate and the publishing of notices calling on creditors to lodge their claims with the executor. As soon as the initial formalities have been complied with, the executor will have the assets in the estate valued, and will draw the formal accounts of the deceased estate, setting out the assets and liabilities of the estate, and the manner in which the balance of the estate is to be distributed to the heirs. After the Master has inspected the account and it has been published and made available for inspection by interested parties, the executor is able to make payment to creditors and heirs. Once the estate has been finalised and the necessary formalities complied with, the executor will apply to the Master for his discharge.

Planning for delays

The entire estate process can often take a year or longer. For this reason, it is critical that one's financial planning provides for the direct availability of cash for surviving family during this time. Life assurance plays a vital role, as a life policy can be made payable directly to the heirs by way of a "beneficiary nomination". This ensures that the proceeds bypass the estate and are available to the heirs to see them through until their inheritances are paid.

The nomination of family members as direct beneficiaries on policies has multiple benefits. Not only would these proceeds avoid the 3.5% executor's fee, but would also provide the beneficiaries, a surviving spouse and children for instance, with a source of income while the estate is being wound up. If the estate was nominated as beneficiary to these life policies, the proceeds would be paid directly to the executor, to be held until the estate is finalised. As this could take a number of months or, in extreme cases, years, the family would have to approach the executor "cap in hand" for an interim advance – and there is no guarantee this would be given.

In certain cases, however, it is appropriate that the estate in fact be nominated as the beneficiary of life policies. This would be the case where the estate requires liquidity to provide working capital for a family business, or to pay cash legacies, creditors, estate duty and the executor's fee itself. Life insurance is clearly an extremely useful tool with which to provide funds for the executor of a deceased estate to pay not only estate duty and debts, but also to pay the executor his own fee.

Planning for the inevitable

An executor plays a key role following one's death, especially as they will need to deal with the surviving family. The nomination of an executor is a crucial consideration and one is advised to give the matter careful thought when executing a Will.

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the absence of any agreement then the appointed agent would usually be entitled to charge the tariff.

It is important to note that the executor's fee is levied on the "gross estate". This is the gross value of all the property and assets forming part of the estate, prior to the deduction of liabilities such as mortgage bonds on fixed property. Thus the executor's fee in respect of a property valued at R1 000 000 would be R35 000 plus VAT, notwithstanding the fact that the property is subject to a bond of the same amount, for instance. If the deceased was married in community of property, the fee is calculated on the value of the combined joint estate (i.e. including the assets held in the survivor's name)! The "gross estate" would include the proceeds of insurance policies of which the estate is the nominated beneficiary; the proceeds of other policies, of which the deceased's heirs or creditors are nominated beneficiaries, and not the estate, while possibly being subject to estate duty do NOT fall into the gross estate as such and would not attract the executor's fee.