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secure your financial independence

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Mind over matter

Breaking news: There might finally be an answer to the age-old question "Why am I like this?" It turns out that nearly every financial behaviour you have has its roots in something else, and many of these influences are so minor that you'd never recognize them.

“We attempt to put money into a vacuum instead of looking at how it really intersects with every area of our life,” says Ellyce Fulmore, a financial educator and author of *Keeping Finance Personal: Ditch the “Shoulds” and the Shame and Rewrite Your Money Story.* But in reality, all the pieces of our lives, experiences and identities “impact how we think about money, view money, spend money and the decisions that we make around money.”

Money thinking

Fulmore, who owns a financial literacy company and has over 530,000 followers on TikTok, likes to describe this as a “money story,” though it's also been called a “money script.” Basically, our financial beliefs, behaviours and attitudes are formed in accordance with an almost-infinite number of outside factors. These can range from culture, class and trauma to personality, birth order and movies we watch. (Turns out we're a lot more impressionable than we'd like to think.)

Sometimes this cause-and-effect situation is obvious — if you witness a friend being laid off, you might make the intentional decision to beef up your emergency fund. But often it’s instinctive.

Imagine you're standing in the grocery store, trying to choose between two boxes of cereal. Fulmore says your brain will make a decision based on everything you've experienced in your life thus far.

Maybe when you were young, your parents taught you to only buy cereal on sale; maybe you know that one of the cereal manufacturers donates to a politician whose values you don’t support. All of this information is swirling around in your mind, she adds, and “you make those snap decisions without even necessarily consciously thinking about them.”

Nature vs nurture

It's not just nurture, either. Nature, too, can influence your habits.

For example, research has found there’s a correlation between menstrual cycle phases and how susceptible people are to impulsive spending. Mental health can be a major determinant in how you handle money, as well.

Fulmore says folks who struggle with executive function (the mental skills that help you plan and meet goals) may have trouble sticking to a budget, while those who are wired to seek dopamine (a neurotransmitter and hormone linked to feelings of pleasure) may be more likely to

splurge. A person's anxiety might lead them to book the first hotel they find while vacation planning, even if it's more expensive than they'd like, because they have an underlying fear of not being able to get a room later.

The rub is that because these factors are so easy to overlook, they're often difficult to address. It's a lot simpler to overcome financial challenges when the solution is black and white.

Fulmore talks about when she was in college, she was always running late for class, so she ended up buying takeout and coffee most days. But if she'd asked a financial planner for advice on how to remedy the overspending, they'd likely say she should pack lunch and make coffee at home.

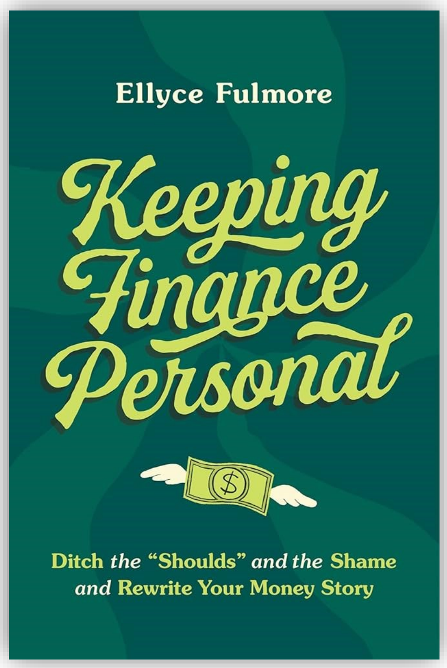
That wasn't the problem, though: "The issue for me was time management stemming from my undiagnosed ADHD, not the finances," she says.

To give yourself the best shot at mitigating the effects of outside factors on your financial behaviors, you first need to take a step back and recognize what's going on. Then you should carefully take that into account when designing a plan for your money.

"Block out the noise of what everyone else says you 'should' be doing with your money and focus on what's going to make the most sense for where you're at in your life," Fulmore says.

In a dynamic interest rate environment, you can adopt several strategies to optimise your portfolio:

- Diversification: Spread your investments across different asset classes, sectors, and geographic regions to manage risk and reduce the impact of interest rate changes on your portfolio.
- Duration management: For bond investors, managing the duration of your bond holdings is crucial. Shorter-duration bonds are less sensitive to interest rate changes, while longer-duration bonds offer higher yields but come with greater risk.
- Income generation: In a low-interest-rate environment, seek higher-yielding assets like dividend-paying equities, REITs, or high-yield bonds to generate income.
- Risk assessment: Understand the risk profile of each asset class and how it aligns with your risk tolerance and investment goals. Equities offer higher returns but come with higher volatility, while fixed-income investments provide stability but lower returns.
- Market analysis: Stay informed about economic indicators, SARB's monetary policy decisions, and market trends to anticipate interest rate changes and adjust your strategies accordingly.



Keeping Finance Personal

There's no magic formula for being "good with money." The perfect budgeting spreadsheet or debt repayment plan will never address the root of your money issues. When Ellyce Fulmore started her journey with personal finance, she was drowning in $35K of debt, had $60 to her name, and avoided looking at her bank account. Her own "aha" moment came when she realized that the reason she and so many others have struggled with finances has little to do with being "bad with money." Instead, it has everything to do with how identity and lived experience affect financial behaviors.

Festively frugal

The holiday season is just around the corner, and while it's a time of joy, it can also bring financial stress. But with some smart planning, you can enjoy the holidays without draining your wallet.

Set a Budget Early

Start by setting a realistic budget for the entire holiday season. This includes gifts, travel, food, decorations, and any other special activities. By defining limits early, you can avoid overspending.

Tip: Use budgeting apps or create a simple spreadsheet to track expenses.

Shop Smart

Don't wait until the last minute to shop. Look for sales throughout the year, especially on big discount days like Black Friday or Cyber Monday. Consider buying gifts in bulk or using price comparison tools to get the best deals.

Tip: Sign up for retailer newsletters to get alerts on deals.

Prioritize Experiences Over Things

Sometimes, the best memories come from experiences rather than material gifts. Plan activities like family dinners, movie nights, or outings that are memorable but cost less than expensive gifts

Tip: Create DIY gift vouchers for experiences like a day out or a home-cooked meal.

Get Creative with Gift-Giving

Instead of splurging on brand-new items, consider handmade or personalized gifts. They often hold more sentimental value and cost much less. Think about crafting, baking, or creating photo albums for loved ones.

Tip: Group gifts for families or couples can help you save and still impress.

Plan Holiday Travel Wisely

If travel is part of your holiday plans, booking early can save you significant money. Be flexible with dates and consider alternative airports or travel routes to get better deals.

Tip: Use fare alerts on travel websites to find cheaper flights or accommodations.

Potluck Holiday Meals

If hosting a large holiday dinner is on the agenda, consider a potluck-style meal. This way, everyone can contribute a dish, reducing the cost and effort on your part while still enjoying a festive feast.

Tip: Plan the menu in advance to avoid duplicated dishes and ensure a balanced meal.

Save on Decorations

Holiday decorations can add up, but there are ways to cut costs. Re-use decorations from previous years, make your own DIY décor, or swap decorations with friends

If travel is part of your holiday plans, booking early can save you significant money.

or family to refresh your home without spending extra money.

Tip: Focus on minimalistic yet festive decorations like lights and candles.

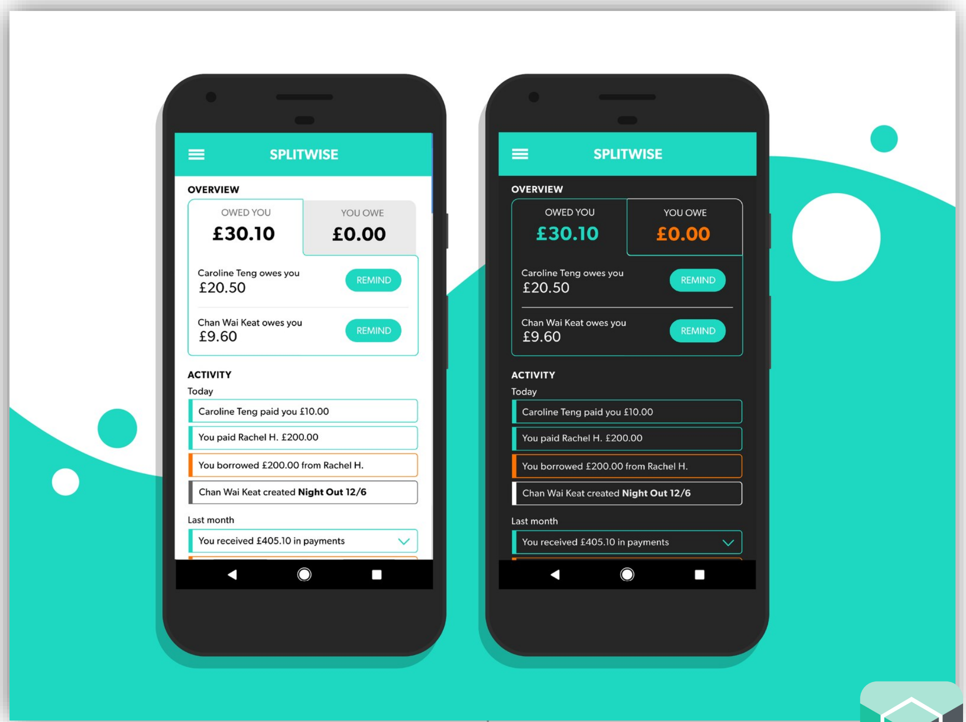
Use Credit Cards Wisely

If you're going to use credit cards for holiday purchases, make sure you're using cards with cashback or rewards programs. That way, you can earn something back from your spending.

Tip: Pay off the balance promptly to avoid high-interest charges.

Conclusion

Planning ahead and making thoughtful choices can help you enjoy the holidays without financial stress. By being mindful of your spending and focusing on what truly matters, you can celebrate the season to the fullest without the financial hangover.



Splitwise

Avoiding a holiday kafuffle

Splitwise is an app for splitting expenses with your friends. It lets you and your friends add various bills and keep track of who owes who, and then it helps you to settle up with each other. Here's a quick overview of how it works.

First, sign up for an account! Next, create a group. Groups are an easy way to split expenses with a particular group of people on an ongoing basis. For example, you might create a group for Summer Holiday. As part of creating a group, you'll be asked to provide contact information for the other members of the group. This allows all of those people to view the group on Splitwise, and to add expenses of their own. Splitwise also lets you add "non-group expenses" for items that don't deserve an entire group, like going to dinner with a few random friends.

Once you've created your group, you and your friends can all start adding expenses! Go to your group, then hit the "Add bill" button. You'll be asked for various details about your expense, like the total cost, who paid, and how much each person should owe. You can include a picture or additional notes, or even change the date (for example, if you're adding an expense from last week). As soon as you hit "Save", Splitwise will update everyone's balances to keep track of how much each person owes.

Later, after you've added a bunch of expenses, you'll probably want to settle up with your friends. Just hit the "Settle up" button to pay back your friend. Splitwise will calculate all the proportional contributions made by each member of the group and notify each member of what they owe or are owed.

Travelling with a group of friends can be a lot of fun. However, the financial aspect of it can be, at best, a pain and, at worst, a complete dissolution of a friendship.

Splitwise is a smartphone app that solves this problem. It allows a group of friends to pay for group activities at will and then proportionally split the expenses between each member in an equitable and fair fashion.

Taken on trust

Many people, when they hear the word "trust" in the context of financial planning, tend to think of a vague and mysterious concept which has no practical bearing on their lives. However, almost every one of us has been, or at some time will be involved with some type of trust.

Some practical examples of trusts in "everyday" life are, for example, the parents of young children who provide in their Will for the creation of a trust to look after their offspring's future inheritance in the event of their simultaneous deaths. Another example of a trust structure in common use is that of the "unit trust" (officially called a "collective investment"): the shares held by the investors in a so-called "unit trust" are in law held in a special type of trust and every unit trust investor is effectively a beneficiary of a trust. Similarly, a pension fund is simply a statutory form of a trust.

Despite often appearing at first glance to be a complex structure, the trust is in fact one of the most powerful tools available to a person when planning an estate - but what exactly is a trust and how does it work?

Trusts 101

Simply put, a trust is a structure in which a person transfers assets to other parties, who then administer and control the assets on behalf of one or more beneficiaries, in accordance with the trust instrument (which could be a trust deed or a Will).

The person who initiates the trust agreement is known as the "founder" (also sometimes called "the settler" or "the donor"). The trustees are the people (and/or an institution) nominated by the founder to be the legal owners of the assets in the trust and are responsible for the administration of the trust and its assets.

The beneficiaries are the people who benefit from the assets in the trust by earning income or receiving the capital of the trust at some point. A trust beneficiary can also be a trustee, and the founder can also be both a beneficiary and a trustee.

Trust types

The types of trusts one comes across can be described in various ways, depending on (a) how they are formed, or (b) what rights the beneficiaries have, or (c) for what purpose they are formed. These various tags which are commonly applied to trusts can lead to confusion. Simplistically, however, every trust can be categorised according to these criteria:

- Manner of formation - trusts can be formed during the founder's lifetime (known as an "inter vivos trust" – in Latin "between the living") or after his or her death based on instructions contained in

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a Will (known as a "will trust" or "testamentary trust")

- Rights of beneficiaries - trusts confer different rights on the beneficiaries concerning the distribution of income and capital. A "vesting trust" is one where the trust instrument stipulates precisely when and how income and capital is to be distributed to beneficiaries, whereas a "discretionary trust" allows the trustees to decide when and how such distributions are to be made
- Purpose of trust - trusts are also often described by the purpose for which they are formed, for example, "asset protection trust", "trading trust" or "business trust"

Thus, for example, a traditional "family trust" is usually an inter vivos trust set up during the founder's lifetime for the purpose of holding and protecting his family's wealth, with the trustees being given a discretion to distribute the income and capital between the various family members as they see fit, during the founder's lifetime or after his death (such a trust would thus be described as an inter vivos discretionary family trust).

A trust to die for - The Testamentary trust

In terms of estate planning, one of the most common forms of trusts is the testamentary trust. As this type of trust is created in the founder's Will, it does not come into existence until the founder's death.

A testamentary trust is most commonly used to administer and protect assets inherited by minor children or by anyone else not skilled at looking after money. Holding assets in a testamentary trust for minors until they reach their majority is the best way to protect the assets from being used for purposes other than their benefit and wellbeing. Furthermore, unless a testamentary trust of this nature is created in a Will, then there is a likelihood that a minor heir's inheritance will have to be paid into the State administered Guardian's Fund for the duration of the minor's minority. This would require the child's remaining guardian to approach the Fund whenever the child is in need, and fairly rigid and inflexible rules apply.

A living thing – The inter vivos Trust

An inter vivos trust is set up during the founder's lifetime. It is usually created by a trust deed – an agreement between the founder and the trustees, who are appointed in the trust deed. The trustees, who manage the trust fund for the benefit of the beneficiaries, usually have extensive discretionary powers.

This type of trust is ideal for accumulating and holding growth assets such as shares, unit trusts and fixed property in order to keep the growth on these assets out of the founder's estate. The increase in the value of the assets after they are placed in the trust occurs in the trust. This means that, at the founder's death, no estate duty is levied on the assets in the trust and the beneficiaries get the full benefit of their inheritance. While the founder is alive, he usually remains a potential beneficiary of the trust and thus can still enjoy the benefits of the assets in the trust. This trust therefore offers an excellent way to

Ferrari

Although technically not a film about finance, **Ferrari** is a 2023 American biographical sports drama film directed by Michael Mann and written by Troy Kennedy Martin. Based on the 1991 biography Enzo Ferrari: The Man, the Cars, the Races, the Machine by motorsport journalist Brock Yates, the film follows the personal and professional struggles of Enzo Ferrari, the Italian founder of the car manufacturer Ferrari, during the summer of 1957 as Scuderia Ferrari prepares to compete in the 1957 Mille Miglia. Adam Driver portrays the titular subject, and Penélope Cruz, Shailene Woodley, Sarah Gadon, Gabriel Leone, Jack O'Connell, and Patrick Dempsey co-star.

A trust facilitates multi-ownership of assets which may not be easy to split between heirs, such as a farm or block of flats - with a trust the beneficiaries can receive the income generated by the asset, while the asset itself is held intact in the trust

limit estate duty. However, it is important to transfer the assets to the trust well in advance in order for most of the growth in value of the assets to take place in the trust, rather than the founder's personal estate.

Other potential benefits obtained by placing one's assets and investments in an inter vivos trust include:

- Trust assets are excluded from the executorship process which occurs on one's death – these assets are thus not frozen in a deceased estate situation and are immediately available to surviving trust beneficiaries and executor's fees are not levied on the value of the trust assets
- The trustees appointed by the founder retain complete control throughout the whole process
- Due to the continuity of assets and property management with a trust, the founder's heirs enjoy uninterrupted income
- The founder's spouse and heirs avoid much of the emotional trauma, aggravation and frustration often associated with a normal Will
- If the founder becomes incapacitated, the trustees continue to handle the trust assets, avoiding the need to apply to the court for the appointment of a curator
- A trust protects the founder's children, and ensures his wishes are carried out after their death without being subject to outside attack. A trust allows the founder to control their wealth while alive and after death through written instructions to their succeeding trustees
- A trust offers protection from claims by the founder's personal creditors in some circumstances
- A trust protects the financial interests of minor children and other vulnerable beneficiaries
- A trust structure can prevent indiscriminate spending of the assets by less responsible heirs to the detriment of others
- The trust founder is assured of impartiality between beneficiaries after death, as the decisions of objective trustees should not likely favour any beneficiary
- A trust facilitates multi-ownership of assets which may not be easy to split between heirs, such as a farm or block of flats - with a trust the beneficiaries can receive the income generated by the asset, while the asset itself is held intact in the trust
- In certain circumstances income from a trust can be split amongst beneficiaries, thus reducing income tax liability

Conclusion

The trust may have an important role to play in estate planning, even if this is limited to a simple testamentary trust in a Will to protect minors' inheritances; for the wealthier estate planner, trusts can be invaluable tools for numerous reasons.

However, trust laws are complex and it's important to seek specialised financial and legal advice whenever a trust is considered.