



Prudential Investment Managers

AUGUST 2021

Give your finances a 'spring clean' this September

As many South Africans continue to battle against the economic fallout of the pandemic, this September might be slightly more difficult to get into the spirit of springtime. Traditionally a time of new beginnings, the season is viewed as a chance to do a 'spring clean' of your house, your garden and, of course, your finances and other affairs.

Over the past 18 months, the pandemic may have altered your financial situation and goals. Why not use the onset of spring as a catalyst to take a good look at where you are, and whether you need to make any changes?

1. Has your financial situation changed?

The pandemic has created change in so many areas of our lives. While loss has been the overriding theme – of friends and family, income and employment – the 'new normal' may also have had a few benefits. For example, many of us who are now working from home and shopping online, have been able to cut back on expenses. These include petrol, store-bought lunches, clothing and other accessories that go with showing up in the office every day. Could these savings be added to your investments? Taking stock of all the changes in your life that have affected your finances provides an opportunity to make new decisions going forward.

2. Should your investment goals change?

Given the changes to financial your situation, do you need to revise your investment goals, or set new ones? For example, if you had to pause your retirement savings for a while, you might need to push out your retirement date. Our [Retirement Calculator](#) can help you check if you're still on track, or help you determine how much you need to adjust your plan going forward. But whatever you do, try not to tap into your retirement savings -- no matter how tempting it might be. Not only will you incur heavy taxes, but you'll also increase the risk of running out of money when you finally retire.

Another potential change could be your attitude to risk. If you're behind in your savings, you may want to consider including more growth assets (like equities and listed property) in your portfolio with the potential to earn higher returns going forward. This could help make up for any shortfalls.

And if the past 18 months has taught us anything, it's the importance of having a healthy emergency fund. Is yours still intact? If not, what is your plan for building it up again?

3. Now look at your investments

If your goals haven't changed, neither should your portfolio. But if they have – say your timeframe or risk appetite – you should adjust your portfolio accordingly. Our [Fund Selector tool](#) can be helpful in this instance. Also, given the performance of various asset classes since the pandemic began, you may need to rebalance your asset allocation to bring it back in line with your objectives.

When rebalancing, do remember that Capital Gains Tax (CGT) could be due on those units that you sell for a higher price than what you paid for them. If instead, you incur a capital loss, the amount of that loss can be used to offset future capital gains. Remember that Prudential's Living Annuities and Tax-Free unit trusts are exempt from all local CGT.

While it may be tempting to put your investments and finances at the bottom of your spring-cleaning to-do list, the reality is that it's probably the first thing that you should look at. The economic impact of the pandemic has left many people in a different financial position from what they were just 18 months ago. Knowing just how your financial

position has changed is the first step to putting in place effective strategies to help you manage your investments and finances successfully, even if the pandemic has hit you hard.

For more information, please feel free to contact our Client Services Team on 0860 105 775 or email us at query@prudential.co.za.