



## What to expect in 2016 and how you can prepare for it.

### What you need to consider before making any financial decisions this year.

The year 2015 was probably the worst year we have had, economically, over the last decade. The rand depreciated by 25% to the dollar, South Africa's credit rating was downgraded to BBB- which is one level above junk status and the Johannesburg Stock Exchange All Share Index performed at a mere 4%.

There are several reasons as to why 2015 turned out this way – Some of which were, China's economic slowdown, the increase in interest rates in the USA and of course the most unnecessary reason of all – the removal of our finance minister by Jacob Zuma. The last reason, extinguishing any hope of an immediate recovery that we may have had as the credibility of our president and the politics of this country was lost.

I still remain optimistic and I do believe that it is a minor setback which we will recover from. With that in mind, enough of what happened and why it happened.

What I want to share with you as we head into 2016 is how you as an individual will be affected from this past year and what you need to take into consideration before making any financial decisions this year.

### How will you be affected?

- 1) Interest rates will be increasing
- 2) There is a good possibility that we will be paying more tax this year. I don't think there will be an increase in the personal income tax rate. It is more likely that the VAT rate will be increasing which will still be affecting us negatively.
- 3) The rand depreciation will result in an increase in the cost of goods and services. For example, an iPhone that would have cost R5000 will now cost you R6000.
- 4) There is new legislation coming into place which will make it more difficult to get personal loans.

So we are entering a situation where we will be paying more interest on all our debt, possibly paying more tax and our expenses will be increasing. To top it off, should the need arise where you require funds urgently, you may struggle to get a personal loan.



Source: By Munaf Mukadam - Liberty and STANLIB

### What can you do to prepare for this?

- 1) Ensure you have an emergency fund in place so you are prepared for the increase in the cost of... well, everything. A unit trust is the best option because you have instant access to your money while at the same time you earn market related returns.
- 2) Stay away from short-term debt such as personal loans and retail accounts.
- 3) If you are considering purchasing a vehicle or a property, take the monthly instalment and increase it by 20%. Then consider whether you can afford the increased monthly instalment. If you can, great. If you cannot, reconsider the purchase.
- 4) Do NOT live above your means. When an economy is booming, you may get away with this. But 2016 will not be a booming year for South Africa and living above your means will catch up to you.
- 5) Keep additional funds on hand so you can take advantage of grocery store specials (or any kind of specials for that matter). If milk is on special, stock up and save yourself R100. It's the easiest R100 you will make.
- 6) Be wise this year. Be pro-active about your finances. Look for ways to save money (e.g. reward programs) or ways to cut down on expenses. Essentially, you need to live away from the edge.

***Good Luck for 2016 and don't hesitate to us if you require any financial advice.***

Do not hesitate to contact us if you require any additional information or any clarity on your current portfolio :

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