Your Money Matters: Ep 5. Pageant queen to property dream: Investing with a plan.

[00:00:00] **Bruce** Managing money and knowing what is good for your financial wellbeing at every stage of life is a skill. It's a skill every person needs. Managing money well means having an adequate level of protection, more savings than debt, and knowing how the choices we make can either make us or break us. Of course, we're all human. So, in Your Money Matters, a podcast brought to you by Discovery, I unpack practical aspects on banking, life insurance, investments and more in discussion with experts. Join me for these interesting conversations and hear how small things we do can take us to greater financial security and more of life's rewards.

[00:00:43] **Bruce:** Hello again from me, Bruce Whitfield, your host in this series of discussions that we're having about you and how you manage your finances. This podcast is hosted by Discovery. It's called Your Money Matters – because it does, especially to you! And you may know that, intellectually – but putting the theory into practice is another kettle of fish altogether.

So today I'm very pleased be joined by Guy Chennells, who's the Product Head of Discovery Employee Benefits and an all-round retirement guru – as well one of the best examples I know of smart retirement planning in action – our case study: Jo-Ann Strauss who is a businesswoman, she's a public speaker, she's a model and I can't believe 20 years since you were Miss South Africa. It dates all of us. Not just you Joanne Strauss, it dates all of us.

[00:01:31] **Jo-Ann:** Well, thank you very much Bruce. Yes, 20 years is quite a while ago, but luckily, I've managed to fill it with quite a lot of interesting business and then quite a couple of kids. So yeah, it's been a busy 20 years.

[00:01:44] **Bruce:** It has and a productive 20 years, and a profitable 20 years and 20 years in which you've made a bunch of investments and I'd like to talk about those and just how much planning and thinking goes into it. But Guy Chennells, looking at it from a Discovery perspective, there are just so many options that are available to us in the world whether it be investing in fields of Goji berries, or herds of cows or buying properties or buying shares directly or investing in investment products. It's a big scary and variable world.

[00:02:19] **Guy:** It is indeed. It is totally bewildering. but I will try and make it simple as possible. But as you say it is a complicated world and that's not a bad thing. It's complicated because there are really lots of options that are available to suit everybody's needs but I suppose what often happens is people get stage fright, and so don't do anything. And so that's what we would hope to overcome today. What are the kind of next steps and simple things that you can apply to make sure you get on the right track?

[00:02:46] **Bruce:** Okay, we'll get to those. Jo-Ann Strauss, I'd like a couple of stories from you please, because I think you've been a very active investor in many things and from a very young age. I think from the moment you were crowned Miss South Africa you started taking some quite extraordinary, independent-minded investment decisions.

[00:03:05] **Jo-Ann:** Bruce, I think for me I realised also from an early age, I think somebody mentioned the quote that it is "the responsibility of your younger self to look after your older self" and my Miss South Africa prize money back in 2000 was a whopping R100000 and I managed to take that and as a lump sum put that into a deposit for my first-ever property, which I bought then at, ja, when I was 23 years old and I grew up with incredible parents who loved us and gave us everything they could possibly give us but my parents didn't grow up with money. So, to ask them for investment advice wasn't really something that you could do. I mean, bless my dad's heart, when I had my R100000 prize money, he said why don't I invest that into a car, and you know get a better car because obviously I was in Joburg at that point in time and I read this book Rich Dad Poor Dad by Robert Kiyosaki. I'm sure you know the book and based on that I started investing in property. So ja, it's been an interesting time for somebody with property, but I'm very grateful I made that first decision because the decisions that you make in your 20s do impact your 30s and your 40s immensely.

[00:04:21] **Bruce:** Most certainly do. I mean your dad was wanting the best for you and you had this fancy title and he wanted you to be portraying a positive image and a great image and it would have made sense from a R100000 20 years ago would have got you a really good car. Do you still have the flat?

[00:04:38] **Jo-Ann:** I do still have the flat and I do still have the car that I won as Miss South Africa, which I use as my just for in case car, so both were actually great [laughter]

[00:04:47] **Bruce:** So, you actually won a car as Miss South Africa. What car was it, by the way?

[00:04:51] **Jo-Ann:** I think it was the first-ever little A-Class Mercedes that they brought into South Africa, cute little box, a little box. But yes, I mean that's literally now the car that we use for a little runabout for guests etc. But it's 20 years old and not a lot of people drive 20-year-old cars anymore.

[00:05:09] **Bruce:** Welcome to the club of 20-year-old car owners. I think we should form a society Jo-Ann Strauss. Here's the thing when it comes to holding on to assets then, you strike me as somebody who's particularly good at doing that. You’re not a throwaway kind of person you seem to have incredibly good values when it comes to assets.

[00:05:30] **Jo-Ann:** Bruce, I think I was incredibly lucky in the sense that when I bought my first property it was just before the big property boom in Cape Town, so I managed to, I remember still you know, all my other friends were out and we were partying and I was always having one drink and sipping it for the entire night and sort of dosing it with lots of sparkling water to try and make the fizz last, but in the meanwhile I was having to pay bonds and it did stifle my partying days but it worked out well, but yes, I started with my first property and then I subsequently bought a couple of apartments in the same block because I understood how it ran and I think that's the other thing, there's a wonderful Afrikaans saying: "Ver van jou goed, naby jou skade". If you're too far away from your assets, you're not able to properly manage them. So, it was a good education in property management for me over the past couple of years.

[00:06:21] **Bruce:** Property is not everybody's cup of tea Guy. I mean it's high maintenance, literally, takes a lot of active management and you've got to be really in touch with it and also not particularly liquid when it comes to up and down with cycles. But Jo-Ann's story is wonderful from the point of view is here is this 24-year-old woman who is taking control of her financial destiny despite the advice of dad which is get something nice. Most kids ignore their parents and thank goodness Jo-Ann was one of those.

[00:06:53] **Guy:** Most parents are saying save and we ignore them and buy nice things. I love Jo-Ann's story and Jo-Ann, your last words I think were property management and I think therein lies the trick of property you think you're buying an investment and you're actually getting a second job and I'm sure you've experienced that, and you have to become somewhat of a property professional.

[00:07:14] **Jo-Ann:** I am an Airbnb super host, I am literally carrying towels around in between board meetings, so yes!

[00:07:22] **Guy:** So, it is worthwhile understanding what you're getting into and I think your advice about making sure you're close enough to those properties or have someone who can manage them is really important, you know, you can make big costly mistakes, illiquid mistakes getting into properties that you can't really manage, and you don't understand how the Board of Trustees is working and etcetera etcetera It can get quite hairy.

[00:07:45] **Bruce:** For most people though, they're not going to have the windfall of R100000 as a deposit on a property, Guy. For many people if they manage to buy a first property, they're willing and they become landowners and it forms a nice base. When it comes to the options that people have got for planning for retirement and suddenly, you're the age of 24 or 25 and you're expected to be thinking about retirement and it's a million years off. It's a million years away until suddenly it's not. Very few people, I think start thinking about money in a grown-up way nearly early enough.

[00:08:322] **Guy:** Absolutely. Something that may be helpful as a sort of rule of thumb is that if you want to retire and retire is actually an unfashionable word... let's change it. If you want to get a point where you have financial freedom one day, which is how I like to think of it. I know that when I'm sort of 65 or 70 or so I'll be my most productive high-potential self. I'll have the most that I have to give to the world and I'm going to want to choose how to give that to the world and that may mean giving a lot of time to family. It may mean giving time to volunteer organisations or just doing something interesting that I have built up as a passion and that's what we're aiming for. We're aiming for a point where you've got financial freedom and you can really live your best years, but to get to that point you need about 40 years of saving at about 12 to 15 percent of your salary, which is a scary thought and if you think that you can just shave off 10 years and it'll be okay, you're wrong and that's the big mistake a lot of people have, they sort of say well goodness 40 years, that sounds like a long time. What about 30? Let me start when I'm 30 and I'll save for 30 years and actually that percentage goes up to round about 20 percent if you leave it that that long and so it starts really running away from you. If you don't give it the time it needs and it needs that time because there is such a powerful force that can work for you if you give your money enough time, and that is the power of compound interest which many of you may have heard of, someone called it the eighth wonder of the world and compound interest basically does a whole bunch of heavy lifting after you've done the hard work of putting your money away and it can really work miracles so that the last 10 years of your saving period, if you've built up all this money and then you leave it for an extra 10 years that will give you another 50 percent roughly and so really the earlier you start, it makes it so much easier for yourself down the track.

[00:10:25] **Bruce:** These are universal rules, these are rules that are applied across the globe. Some people do it better than others, in a place like South Africa where markets have performed as badly as they have where the future is as unpredictable as it is do the rules still hold true?

[00:10:41] **Guy:** Gosh, it's a good question. I would say the broad rules still do, compound interest is still over the long time going to work for you. You still need a long time to save up enough money to be able to do what you would like to later. You know, those things are never going to change. I suppose the questions are: are there some tactical things one could do differently given where the world is and even there, I would say that that even things that you might do tactically differently all come with risk, but we'll all only know in five or 10 years' time.

[00:11:08] **Jo-Ann:** Luxury of hindsight, but I mean for me also, Bruce and Guy, what if you've never earned a salary? That to me is a difficult one because I've spent 20 years now as an entrepreneur, it's very hard to save when you don't have a certain amount of money allocated to your pension and your trying to grow a new business and I think also in this new world in which we're all operating there's going to be a lot more entrepreneurs than salaried people a couple of months ago.

[00:11:35] **Bruce:** Such a good point Jo-Ann. The world is of huge opportunity, but the immense uncertainty that it brings and the financial volatility it brings to each and every single one of us is something that we hadn't perhaps banked on a while back, Guy?

[00:11:50] **Guy:** Ja, absolutely hey... and I think your point about how difficult it is for people who are entrepreneurs or small business owners or in small businesses that don't kind of have established benefit structures or very volatile incomes or they're in the gig economy. This is uncharted territory actually and one of the benefits of what I do - the business that I'm in - is helping employers to provide these kinds of structures for their employees. One of the main benefits of that is that it overcomes these behavioural difficulties for people. People don't have to become experts, they just toe the line that the employers put in place and they don't need to overcome their own kind of short-termism and myopic thinking every single month or every time they have a windfall it sort of happens for them. If you're in that situation and you either earn in ups and downs or you have full control over what you earn you really need to think about putting in place behavioural strategies that can make up for that lack of structure because without that it's almost guaranteed, if you're a human listening to this, that you will do the wrong thing, you know, very few people do the right things to systematically over time. If I can add one more thing that I think is interesting from Jo-Ann's experience is that having done the right thing earlier on she built up an appetite for managing her finances and investing and doing the right thing and being responsible and seeing kind of how that can pay off. And so, I think it does also become easier as you implement, you know, some of these recommended actions you start to see them pay off and it becomes easier to do that over time.

[00:13:22] **Bruce:** In the real world of somebody whose income has been variable and volatile and fabulous and less wonderful at times, I'm sure Jo-Ann how have you managed to navigate that uncertainty in a way that has allowed you to build up an asset base?

[00:13:37] **Jo-Ann:** I think for me Bruce it's been one of those things that I've always expected, not... I wouldn't say expected the worst because I mean it makes me sound very pessimistic, but I think I've always saved more than I thought I needed to save which is hard when you work in an industry which celebrates you showing how much you have. So, I think even now in this time of social media, I always say stop spending money you don't have on things you don't need to impress people you don't know or even don't like. You know, we're in this interesting time where it's so important to show how well you're doing when perhaps you're not doing that well. For me, I saved, I would always love bargain-hunting, I mean, even when it comes to luxury goods, I'm the first one to be in the outlet store instead of the actual store or buying second-hand because with the job that I did it's all about showing how luxury is part of your lifestyle, but I would say... as my auditor says I always had my pannekoek geld. So as soon as I make anything, I put it away and I try to create a bit of buffer because as we know in the sort of economy of events you will have a big campaign and then for a few months you'll have nothing, so you just don't know.

[00:14:54] **Bruce:** So, how then when you look at your track record and you look the way in which you have navigated the ups and downs what have been your biggest wins? What has been your most significant attribute that you have applied over that time to make you more successful than the vast majority of people when it comes to putting money away for the future?

[00:15:17**] Jo-Ann:** Bruce I think for me the big thing was that I that I invested in property because that made me have to pay off the bonds. So, I had to save because I had a contract with a bank that if I didn't, I would lose my property so that sort of forced me into that. It's sort of a little piggy bank that's constantly making a noise. So, you know, you've got to sort out that oink. That to me was very important, and also I think the fact that I realised from a young age that I had to be careful about my spending also because I realised that it's not just myself I would look after but we do live in this time in which we have a sandwich generation, and I've had my kids now at an older age, my parents, one has to look after your parents and after your kids, so I said to myself I wanted to have all my kids by 40 and I wanted to be in a comfortable position to be able to work but to also be able to spend with my kids. So, it did require quite a bit of timing as a woman to start planning that in your 20s and not just start thinking about it as you're Reading the result that you're pregnant. So, it did take quite a lot of forward thinking.

[00:16:28] **Bruce:** And the importance of having a life partner, a spouse who is of the same mindset is I think absolutely invaluable.

[00:16:37] **Jo-Ann**: Bruce. I was very, very lucky to meet my future husband then. I was about 25 or 26 when we met, he was about 27. And he moved to South Africa, gave up a salary as a trainee surgeon in Europe to come and live in South Africa and he wasn't allowed to earn any income for three years. So, we also realised that he was my long-term investment and that I said to him too that at some point in time he'd have a proper job and he's actually a professor of orthopaedic surgery now, at UCT, and he works in state. But to me, it was also important that I understood that I'm the entrepreneur and he would eventually, when things worked out and he was able to work in South Africa, that he'd be the stable income because it gives me the opportunity then to take some risks. I'm less risk averse than he is and it actually, we looked at our finances as a team. And I think that was very important. But that was already from our 20s our late 20s.

[00:17:43] **Bruce:** It keeps coming back to the same point, Guy, it's all in our 20s. It's all in our 20s. Most people aren't that sussed that young and that I think is what one of the great drivers of the retirement crisis that we face.

[00:17:58] **Guy:** Ja, absolutely. It's useful to think - and if someone is hearing this in their 20s to get inspired - but I think we also need to speak to those who are not in their 20s and thinking well, gosh, did I miss the boat? You know? And I'd say you still have a number of really important levers you can pull if you've missed the boat in your 20s. They become increasingly harder to do but there's a surprising one as well. So first, I'll just mention the ones that aren't so surprising. The one is find a tool that can help you. Online, you'll be able to find a kind of retirement projection or savings tool. There's lots of these things out there, they're quite easy to use, just that can give you a sounding. You know, where am I? What am I heading on for and a lot of them then allow you to do this sort of scenario planning, you know? Okay. Well, if I save more if I retired later what would happen...

[00:18:44] Bruce**:** For many people though Guy that's like reading a Stephen King novel on Friday the 13th in a haunted house. Because it paints a very scary picture that prevents you from sleeping ever again.

[00:18:57] **Guy:** I know, I hear you. Actually, in the retirement product that Discovery provides to employers, we responded to some research we'd done around tools the research we've done is that people get into a tool, they see the result, they get the fright of their lives, the emotions they feel at this point - which is what was so interesting about the research is that it looked at: What are you feeling? What are you thinking? - the emotions they feel is a bit of fear, gratitude to the organisation that's helped them with this insight because it's really important information, and then they start clicking around looking for how to... "What do I do now? You know, okay you've given me the terrible news what I do?" and they found that there isn't anything to do and so their gratitude is quickly replaced by anger at this organisation for ruining their day, possibly their life and their disappointment that they’ve had this experience and their willingness to do something about it is this incredibly short-lived moment. And then a day or two later, if you poll them again, they've lost that willingness to do something about it. And so, what we built is that as you see your projected income and the gap that you have, we, through algorithms, can propose a savings plan that will steadily increase your savings over time that pretty much anybody can agree to and you can click on it and agree to it right there and then. So, it takes advantage of that spike and willingness to do something about it and I suppose that is a key. You could, like a Stephen King novel or movie, you can become desensitised to violence over time. So, the more that you get used to the idea that you're heading for trouble the less likely you are to do something about it. So, I'd say if you're listening to this get off your chair and do something about it now!

[00:20:36] **Jo-Ann:** I'm inspired! You're like the Oprah of Finance. I'm inspired. I'm actually making notes here to save more!

[00:20:43] **Guy:** The other thing, the other two levers. The one lever is just saving longer or not drawing down your income longer. So, planning for a period possibly post formal employment where you are not drawing down an income and starting to think about that. And you can do things to plan for a period like that. But linked to that is a really important asset that most people don't realise is critical to their retirement planning and that is your health! If you think about it, there's so much uncertainty. I mean, I'm about 40, I've got about 25 years or 30 years before I retire, goodness knows how long I'll be expected to live by the time that happens with advances in medical science it is really anybody's guess. By the time I get there, I will have saved enough for whatever I think I need now, and I'll probably be wrong. And if I'm wrong my fallback plan is my health. My fallback plan is being employable or being a sort of able to re-skill or retool or set up a kind of second career at that stage. And so, looking after your health, kind of surprisingly, is your fallback plan even if you're planning appropriately for the savings towards your retirement.

[00:21:52] **Bruce:** You live in the hustle the economy Jo-Ann Strauss. It's increasingly popular to say, well, you know, I'm going to get to retirement and then I'm going to have a side hustle. Well you can't have a side hustle if it requires your knees, and your knees don't work, or it requires you to be able to take rapid deep breaths and your lungs aren't what they were...

[00:22:09] **Jo-Ann:** Bruce, that's why I married a knee surgeon, so we had forward planning Bruce, do you see it Guy?

[00:22:18] **Bruce:** And your wedding song was "When I need you..." Anyway, there are many, many different strokes for different folks and I think that much is clear here, Guy, there is the retirement annuity way, there is the government, company pension plan, you can do property, you can do endowments, you can wrap everything up in trusts, you can get increasingly fancy and complicated about it, but you don't have the luxury of options unless you start and I don't care whether you 20, 30, 40 or frankly even 50 and you're way behind where you should be in terms of investments, it's about taking the "journey of a thousand miles begins with a single step.

[00:23:00] **Guy:** Ja, absolutely and I've encountered a number of people who are sort of in their 50s, 60s. They're at the peak of their earning, quite close to retirement. And so, the mental rationale seems to be - I'm sort of discerning from what people are saying - but it seems to be: "I haven't saved in a traditional retirement way up to now, maybe I have some properties, or I've got some money in the bank or an investment here or there and now it's too late to start that because I would never be able to save enough to provide my full income by the time I get to retirement. But I think that's a behavioural mistake and what perhaps those people are missing, anybody listening to this, is that at any stage in your savings journey, if you pay tax saving in a retirement type investment and that would be a retirement annuity or the pension or provident fund that your employer provides if you have that is the only way to get the tax man to save alongside you really significantly. Whatever you pay in tax, the tax man is effectively adding that to every contribution that you make if you save into a retirement fund because those contributions are made what's called before tax. So, the tax man… you've earned R10000 you would normally pay, if you're paying 25% tax, you pay R2500, but you save R2000. You save that R2000 you now only pay tax on the remaining R8000. So, you pay tax of R2000 rather than R2500. The tax man is actually contributing R500 out of your R2000 that you're saving. He's contributing a quarter of what you're saving. And so, if you are trying to look for a way to zoom up your savings, you've left a little bit too late, for goodness's sake get into a retirement type vehicle where you've got the help of the tax man rather than that kind of working against you.

[00:24:49] **Bruce:** Jo-Ann Strauss, with the wisdom of 20 years of making short-term sacrifices, putting sparkling water into your drink to keep the fizz going to and make it look like you're having just as fabulous a time as everybody else… from 20 years of responsibility has it gives you a position of freedom today, which many of your peers simply don't have?

[00:25:15] **Jo-Ann:** Bruce, I'm going to say this. I am very grateful for the decisions I've made. I look back and I am very grateful also that, for example, with my years at Top Billing that I was able to sort of show this glamorous life without it having come out of my own pocket, but I am very grateful for the situation that I am in now, but it's still not enough. You know when you bring into play, like the different factors, like your parents that you'll look after, the fact that you've got four children, the fact that the world economy has changed. All my international events this year were cancelled, so I've had to think of very different ways to stay relevant or to earn income and it is one of those things that I'm very grateful for the decisions I made. I agree with you also the point that you made about your health. Somebody said also you don't want to look back in your 60s and realise that you paid for your wealth with your health. I believe in living a balanced lifestyle. I believe in having enough money, but not too much because too much money and you worry about it and too little money you worry about it. So, I'm always looking for my happy balance, but I'm very lucky that I do that with a partner who is on the same page. So, yes, I'm in a good position, but it could always be better.

[00:26:27] **Bruce:** And it's enabled you to have a better lockdown than you might otherwise have had I love this tale with which to end if you don't mind?

[00:26:35] **Jo-Ann:** Oh, yes. It has helped me to have a better lockdown. I think Bruce the fact that I started investing in property in my 20s helped me to get to the point where on the day of lockdown we moved into our new home. I had driven up this road, which we've moved into 15 years ago on a Top Billing shoot. I'd never seen the road before and we were actually shooting at a house about 10 houses down the road and I said to my crew at that point in time and I actually remember it, I said one day this is where I want to raise my kids and in those 15 years the decisions I made in those 15 years culminated in the 27th of March this year when we were able to move into our dream house and raise our kids, our soon-to-be four kids on the street that had thought of back 15 years ago. But again, these are decisions that you have to make from an early age, and I agree it's not all doom and gloom for us almost 40-year-olds, but I do think that if there are 20-year-olds listening, it is an important step to take even if it's something small that you save but save something because no one knows what the future holds. No one could have predicted the situation we find ourselves in in 2020, but those savings that you accumulate during your most productive years really do stand you and your family in good stead.

[00:28:00] Bruce**:** Guy I want to wrap up with you with the idea of a goal and Jo-Ann subconsciously or consciously set a goal for herself. So, she said this is the street in which I want to live, and it became a goal for which she was able to aim and in 15 years, she's achieved that goal and it does go down to that core point. Having the goal, aiming at the goal, and then working to achieve the goal. The goal doesn't unfortunately I only wish it did realise itself.

[00:28:28] Guy**:** Hmm, absolutely and I think that is such an important part of getting yourself on board around your savings for retirement is to think about it and make it practical, make it real. How do you want those years of your life to look? And just as a shout out to those who are actually getting closer to that point, you're probably thinking in broad terms as you go closer to it, that goal becomes quite real. I've got a little framework Bruce, that I think is quick but is really helpful for those getting closer to that retirement event. And that is that there's three money needs you need in retirement and it's very helpful to think of them in these three buckets.

The first one is your core expenses. Think about the fact that as long as you're alive, there's some things you're going to have to spend money on and you want to make sure that you are totally immunised for those expenses. By immunised I mean no matter how long you live you want an investment you've made to pay out that income so that you can cover those core expenses and there is an investment type that meets that exact need. It's called a life annuity or traditional annuity pays out as long as you're alive. It's a fantastic thing that you can get to make sure you never have to eat dog food. The second one though is kind of preferred expenses. You know, things that you want to spend money on but if you were to outlive your money, it wouldn't be the end of the world for you to not spend on those things. And for those you can buy something called a living annuity which allows you to draw down more or less each year and you get the benefit of all of the investment returns, but then finally this is an important one not to lose sight of there's ad hoc type expenses; the risk of a medical shock or a big overseas holiday or a big purchase or something and that sort of thing you'll need to fund with some kind of a cash reserve and so you want to make sure that you aiming for those three pots and that as you get to that planning in the last couple of years and months before retirement you're providing for those three pots of money in appropriate ways from the first one as your top priority through to the third.

[00:30:28] **Bruce:** What a treat to be joined by Guy Chennells – Product Head of Discovery Employee Benefits – and Jo-Ann Strauss, former Miss South Africa, who had her priorities straight and her head screwed on from an early age. Don't we all wish we had the same sort of insights. If you've been inspired by this talk to start being more intentional about your retirement planning, don't let the feeling go to waste! Head to discovery.co.za where you can find loads of free educational resources, calculators, quizzes, and financial tools to help you put thought into action. And – if want to learn more about exciting opportunities in the global investment space – tune into our next episode, where we tackle offshore investing – and what questions you should be asking before you start.

[00:31:12] **Bruce:** Thank you for listening to this episode of Your Money Matters, brought to you by Discovery. Share the podcast and join the conversation on social media with the hashtag YourMoneyMatters, and Tag @Discovery underscore SA (@Discovery_SA). You can subscribe to the Discovery podcast channel, Discovery South Africa on your favourite podcast app or visit discovery.co.za to listen to all our shows.