By Craig Gradidge

INTRODUCTION

How to advise for a lifetime

A person's financial journey starts at a young age. Traditional perspectives on advising a client along the money continuum may need a rethink in order to be more effective.

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I remember my first encounter with money. It was not a good one. I was five years old and my mom had given me a shiny new half cent coin. This was the first time I had held money that was mine.

Two minutes later I was walking up the road to buy my favourite sweets. I remember being happy and doing a little dance while walking to the shop. Somewhere in that dance was a stupid spinning human helicopter manoeuvre. Two seconds later my shiny new coin flew into the thick bush across the road. I remember standing on the side of the road in a state of shock and confusion.

I spent the next hour or so scouring the bush for my coin. I eventually gave up and walked back home defeated, sad, teary and peeved at my own stupidity. Fast forward to May 1998 when I needed to buy a car, and did not have enough coins or money in the bank to pay for it with cash. I went to my bank and walked out with vehicle finance.

Being a black graduate with some work experience counted for little back then and prime plus 1% was the deal, a rate of 19.25%. By September 1998 prime had shot up to 25.5%! My finances were in ruins as a result. Fortunately, rates dropped as fast as they went up, and I was soon able to start on my journey as an investor.

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Being responsible for compiling the *Unit Trusts Handbook* back then, I had a front row seat to all the excitement around small caps and global technology shares. My investments in Didata and Brainwave fell faster than I could blink.

My experiences along the money continuum were not great, but thankfully they were not final either. They helped shape future financial decisions and the mindset I took into those encounters. But as someone who works in "the industry" I totally missed the fact that my engagement with the industry was disjointed and product-driven.

Things have improved since the late 1970s when I was losing coins, and the late 1990s when I became economically active, but clients' interactions with the industry remain largely disjointed, siloed, product-centred and ineffective in helping them make the necessary trade-offs along the money continuum to their benefit.

Industry stalwart Anne Cabot-Alletzhauser does a deep dive into the money continuum and trade-off debate. She highlights the shortcomings of advisers in assisting clients in managing these financial trade-offs effectively. Financial advisers are best-positioned to pull the disparate parts of the industry together to help clients manage these trade-offs. Our clients and the industry would be better off if this were done more effectively.

Author and academic Deborah James unpacks some of the complex social underpinnings that have and continue to contribute to the debt statistics that we see in South Africa. She unpacks the role of debt in the rapid rise of the black middle class. It provides plenty food for thought for market commentators and advisers who understand the theory of the impact of debt but lack the insight into some of the drivers behind South Africans' behaviours.

Whether we've accumulated debt through a lack of mindfulness at the tills, poor financial decision-making in managing trade-offs, or as we've risen to middle class status, that debt must be repaid at some point. Sydney Sekese joins in the conversation with a revision of debt and how to deal with it in a practical manner. He explores the different types of debt and shares ideas on dealing with it.

In his article, David Kop explains that when we begin to understand more fully the role that money plays in enhancing our physical, mental and emotional lives we can begin to appreciate that we should perhaps be a bit more circumspect about many of the "rules of thumb" that our industry likes to apply in money matters. In the end, the money continuum is not an abstraction – rather, it is integral to our whole sense of value and self. That means that, as handy as rules of thumb might be, unless we understand the value system of the person making the trade-off decisions, the advice we give may be inadequately thought through.

Wynand Gouws touches a little on the behavioural side of money and takes a deeper dive into the main threat to the value of money, and the best defence against that threat. Inflation is like a cancer which, if left unchecked, has the power to destroy nations. There is an equally powerful counter force in the principle of compounding.

And finally, in his article, Deslin Naidoo does a great job of describing the transition and the unexpected consequences of these changes. It is easy to be aware that we are running out of money when there are fewer notes in our wallet than when there is a lower credit balance on a card. We need to embrace a new "mindfulness" about money as a result. ■

Craig Gradidge is executive director at Gradidge Mahura Investments.