



Lynn Bolin
Head of Communications and Media

DECEMBER 2020

Cleaning up the financial mess of 2020

For myriad reasons, the Coronavirus pandemic has left many of us with a financial mess on our hands. As we approach 2021 with renewed optimism due to the development of several effective vaccines to fight the virus, we should also be considering how we can improve our financial health as well, to begin the new year on a more positive footing. Here we bring you six suggestions on how to help clean up your finances to get off to the right start.

Yes, 2020 has been a very unusual and difficult year for everyone, whether it comes to our physical, mental or financial health, or even all three. Many of us have faced extreme circumstances that we've never had to deal with

before, such as being separated from our families, living with a lower income, or losing a job. And while we may have turned to medical experts to help us with our physical or mental health, investment flows in South Africa suggest that we haven't done the same for our finances. Rather than speaking with a financial adviser to help with the tough times, some people have gone for the "easy" option of borrowing more on their credit cards to maintain their standard of living. Others have panicked in the face of the market crash and put their money into the lowest-risk cash-type investments, and still others have raided their retirement funds (where possible).

Being human, it's unfortunately a natural reaction to fall into these "unhealthy" choices amid a crisis like the Coronavirus pandemic. Now many people are facing the consequences such as having to repay a mountain of debt, trying to cope with badly reduced retirement savings, or being unable to benefit from the improving financial conditions to help recoup their losses from earlier in the year.

Are you one of these people? If so, **consulting an experienced financial adviser is probably the first thing you should do.** They can very likely find ways to help you clean up much of the financial mess the pandemic brought with it, such as by introducing you to different solutions for saving, borrowing and investing. Some of the suggestions an adviser might have for you could include the following:

- 1. Don't overspend for the holidays.** By all means, celebrate with your family and friends, but try to stay within your financial means. Don't blow your money on extravagant gifts and holidays.

- 2. Work out a budget with your financial adviser.** This would include identifying new potential sources of income and reviewing your regular spending patterns to find lower-cost services and other ways to save money.

3. Reduce your debt as quickly as possible. Interest rates on credit cards are very high relative to other lending sources, so try to make this debt a priority. Mortgage bond rates, meanwhile, are at historic lows.

4. Delay big purchases like cars, holidays and other non-essentials. If this isn't possible, go for affordable, practical options.

5. Develop a new long-term plan to rebuild your savings.

6. Position your portfolio appropriately. This should be done in a way that takes advantage of the current financial market conditions in light of your investment return and risk parameters. With interest rates currently very low, you may want to avoid cash-related investments and consider more attractive assets like SA bonds (now offering high yields relative to their history) and SA equities, where market valuations are also cheap on a historic basis. Prudential's portfolios are positioned to take advantage of the excellent valuations now on offer – you can read more about them on our [insights page](#).

While these six steps may seem daunting, they can be made much easier with the help of a financial adviser. For your own financial (and mental) health, it's a good idea to start off 2021 on a sound, less messy, financial footing and be able to look forward to a better year ahead.

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

<https://www.prudential.co.za/insights/articlesreleases/cleaning-up-the-financial-mess-of-2020/>