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FINANCIAL INSIGHTS

by

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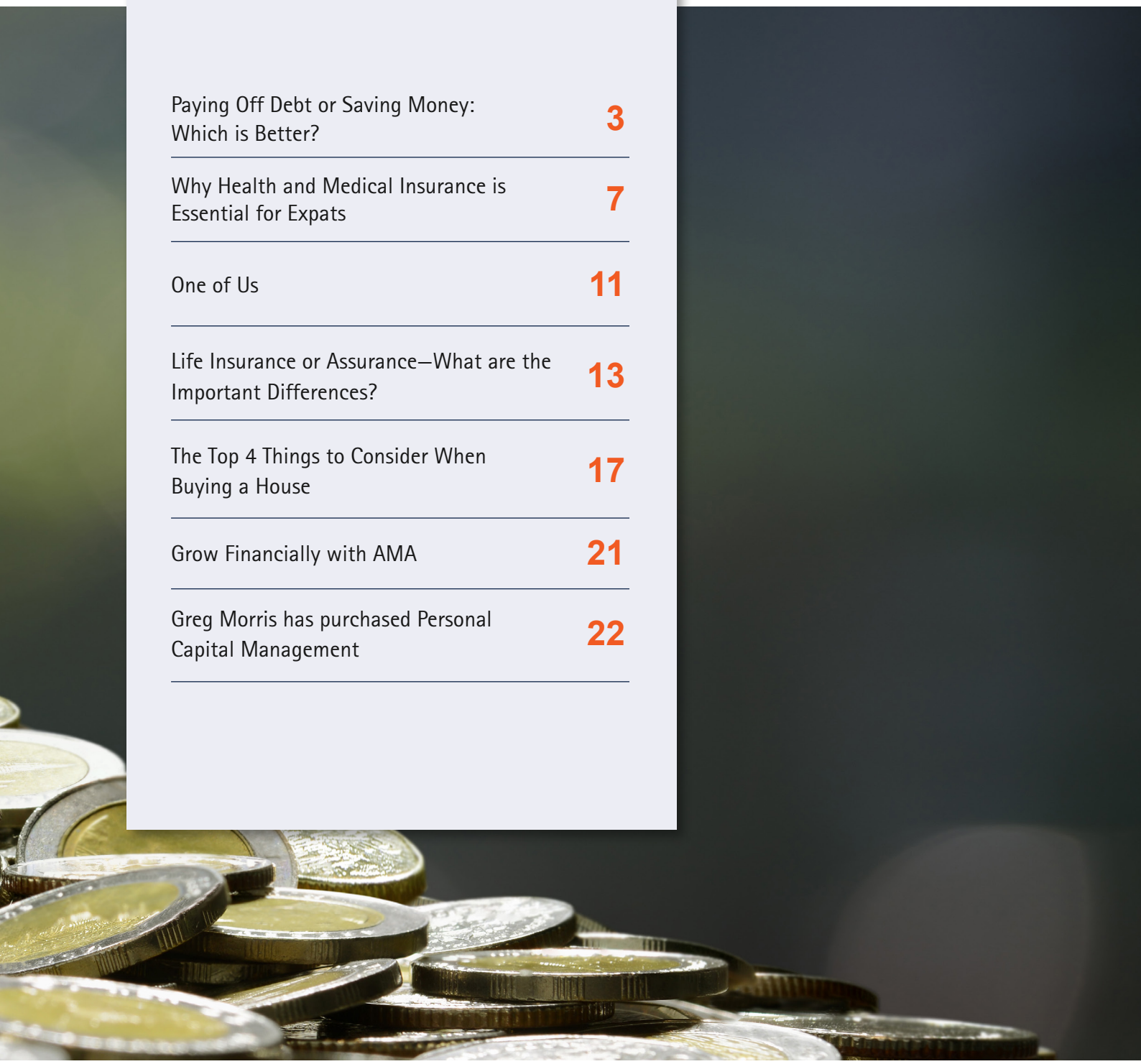
CONTENTS



PAYING OFF DEBT OR SAVING MONEY: WHICH IS BETTER?

Suppose you're starting to take steps to control your financial situation, making smart money choices to safeguard your and your family's future. In that case, you've already asked yourself: should I prioritise paying off debt first to rid the long-term burden they present or saving money so that I can afford the expenses of the future?

There are several benefits to paying off debt early and saving for the future, but which one you should prioritise will depend on your unique financial situation

SO, WHAT ARE THE BENEFITS OF PAYING OFF DEBT EARLY?

In addition to relieving a source of stress, paying off debt early usually allows you to pay less than if you only paid the minimum repayments – this is especially significant with high-interest debt such as credit card debt, which adds up exponentially over time.

When paying off debt with a high interest – 15%, for example – you'll end up paying way more than 15% of what you borrowed if you only make the minimum repayments each month, paid over a number of years, and you could end up paying 40-50% of the borrowed amount purely as interest.

ON THE OTHER HAND, if you paid off the debt earlier, over the years, you would have more money available to contribute to your savings goals, rather than having to watch it be siphoned away gradually by long-term debt repayments.

Then, once you've paid off all your debt, you can work on your savings goals full time, without having to factor in the cost of monthly debt repayments.

Moreover, less debt contributes to a better credit score, which has several advantages such as lower interest loans for the future – and greater leverage to negotiate these lower interest loans – and a higher likelihood of approval if you choose to rent, or opt to take out another loan in the future.

THEN, WHAT ARE THE BENEFITS OF PRIORITISING SAVING MONEY OVER PAYING OFF DEBT?

Like paying off your debt, saving money is one of the best things you can do for your financial – and general life – health.

For one, saving money allows you to safeguard against unexpected financial situations in the future – such as your boiler breaking down, a car part needing a replacement or something else equally costly – which you may otherwise have needed a (likely high interest) loan to pay for, incurring more debt.

More than this, it allows you to prepare for everyday financial situations – the expenses that you don't necessarily need to pay now, but know you'll need to pay for in the future – such as saving for your children's education, a wedding or another high-cost event or item you expect you will need.

And, the sooner you begin saving, the sooner you can take advantage of compounding interest, which allows you to make money from saving money, adding to your total savings pot.

However, caution should be exerted when weighing up the value of compounded interest, as loans (particularly with high interest) are likely to cost you more than you'll make through compounded interest over the same period of time.

To figure out whether saving or paying off debt is best for you, you should calculate how much interest you will incur from a particular loan over a period of time and how much compounded interest you'll make from saving your target value over the same length of time.

SO, WHICH IS BETTER?

Well, the smartest path you can take financially is to do some amount of both at the same time – prioritising paying off your highest interest debts while building funds to take care of future expenses.

However, you should prioritise – and put more money towards each month – should depend on your unique situation.

For example, suppose you have a stable job and a reliable source of income but have a number of high-interest debts to pay off. In that case, it's probably a good idea to put the majority of your allotted debt-paying/saving money towards paying off your debt earlier.

On the other hand, if you don't have a secure job, and your financial future feels a little uncertain – or maybe you're expecting some significant expenses in the not too distant future – then it would make sense to prioritise building your savings.

This allows you to protect yourself from future uncertainty and give you some time to get back on your feet without worrying about being completely broke.

Prioritising saving in these instances would be particularly prudent if you don't have any high-interest loans and only have low-interest loans such as student loans, mortgages and car payments to contend with each month.

So, if you want to secure your financial future, make sure to pay your high-interest debts off early and save some amount of money each month to allow your financial health to be the best it can be.

WHY HEALTH AND MEDICAL INSURANCE IS ESSENTIAL FOR EXPATS

Whether health and medical insurance are required by law in the country you live in, or you're given the option to make your own mind up about whether to get insurance, there are countless reasons why health insurance is an essential part of expat living.

When abroad, you may not know the language or may be unfamiliar with the healthcare system. So having health insurance provides peace of mind, a blessing if you or a partner or family member suddenly become ill or have an unexpected accident or injury. It can make all the difference to the quality of care you receive.

HEALTH INSURANCE OFTEN PROVIDES ACCESS TO BETTER HEALTHCARE FACILITIES...

In countries with both public and private healthcare systems, where the former is free or at least inexpensive, the latter is significantly more costly yet offers a higher standard of care. Health insurance allows you to benefit from top-quality care for both your routine healthcare needs and in unexpected medical scenarios.

While plenty of countries have decent quality public healthcare, private healthcare will almost always be better, providing a more comfortable, reassuring care experience, whatever the circumstances.

HEALTH INSURANCE MAY ALLOW YOU TO BE TREATED MORE QUICKLY...

In countries with an in-demand public healthcare system – in the UK, for example, where most healthcare is free – waiting times for appointments, emergency care, and prescriptions are typically long.

On the other hand, if you choose to invest in health insurance, with many health insurance packages, you're granted access to your chosen country's private healthcare system, which often have drastically shorter waiting times so that you can get the healthcare you need more quickly.

HEALTH INSURANCE ALLOWS YOU TO SAFEGUARD YOUR FINANCES...

In many countries, healthcare doesn't come cheap. High unexpected medical costs – such as emergency surgeries or extended hospital stays – can drain your savings, nosedive you into debt and result in a complete upheaval of your financial situation.

More than this, even minor medical situations can seriously eat through your savings, with one-night hospital stays costing up to £1000 in some countries. Globally, medical care costs are continuing to rise due to the development of superior yet more expensive medical technology and treatments.

Therefore, one of the biggest reasons to get health insurance is to ensure that you're covered financially should you need access to healthcare while you're abroad: to protect your savings, avoid debt and reduce finance-related stress, should you have to undergo unexpected medical treatment.

HEALTH INSURANCE ALLOWS YOU TO ACCESS ANY PREVENTATIVE CARE YOU MAY NEED...

When abroad, it can be complicated to keep up to date with preventative care, such as attending cancer screenings and blood tests for conditions such as high cholesterol, diabetes and high blood pressure, which are essential to maintaining health, particularly above a certain age and with a history of certain family illnesses.

Moreover, should you be in a country where it's recommended to have particular shots and vaccinations – but you haven't yet managed to get them, or you didn't realise you needed to have them before entering the country – then having health insurance allows you to quickly and affordably get these in the country you're staying?

In this way, health insurance can be the difference between acquiring a preventable disease or being protected from it – and between catching a health problem early, so that it can be treated with maximum effectiveness or later when it may have already done damage to the body.

HEALTH INSURANCE ALLOWS YOU TO PROTECT YOURSELF AND YOUR FAMILY BETTER...

Whether you're an alone expat or traveller or have an entire family responsible for abroad, getting health insurance allows you to take care of yourself and your family from every angle.

In addition to ensuring that you and your family have access to the best possible care in the country you're staying in and shortening the waiting time for that care, which could be crucial depending on the medical situation, health insurance protects you and your family financially.

In addition to evading debt, which puts a strain on any family unit, having your financial situation protected ensures that your assets are kept safe – such as your house and car – and you can continue to support family members financially, such as paying for your children's education or supplying quality care for your elderly relatives.

So, if you've been debating whether or not to take the plunge and invest in health insurance for yourself and maybe your family, too, then consider the reasons why you should. So that you can enjoy your expat experience with the assurance that your and your family's health and wellbeing are being taken care of.

ONE OF US

In 'One of Us', we share intimate conversations with colleagues, thought leaders, and financial experts to educate, enlighten, and entertain you.

This month we caught up with our Head of Healthcare - Westley Van Rooijen

Q: Thank you so much, Westley, for taking the time to do this interview. Can we start by letting our audience know a bit about your background and your role in AMA?

A: It's My pleasure, it's wonderful to be asked to take part in this interview.
My career in the Insurance Industry began 13 years ago. Before that, I was a trained chef in the UK and a Head Chef in Johannesburg.

When I began working in the Insurance Industry, my focus was always short-term insurance; however, in 2010, my focus moved more towards healthcare as a speciality.

Between 2010 and 2016, I ran a successful healthcare brokerage called Sure Select Solutions. We focused on staff group benefits and innovative healthcare products that positively impacted our client's lives.

Q: You ran your own medical insurance brokerage for over 6 years. Why did you join AMA?

A: In 2016 in search of further growth and diversification, I merged Sure Select Solutions with Austen Morris Associates Africa.

With my expertise as a Key Individual of my own brokerage, it was a mutually beneficial merger.

Austen Morris Associates offered me a platform for more significant growth in the healthcare industry with the backing of an established and well-respected brand.

With this in mind, I took on the dual role of Key Individual and Head of Healthcare.

Q: What's the most common situation that I would need short term medical insurance? In which circumstances do people usually forgo getting short term medical insurance but would regret it later?

A: In South Africa, there is a common concern amongst us that if I get sick or in an accident, I do not want to end up in a State Hospital; it is probably the number 1 concern when discussing a client's health care needs. What I aim to offer our clients is that peace of mind, not only giving them access to quality private care but at affordable rates that suit their budget and needs. We are experiencing higher medical aid costs across South Africa, which has accelerated over the past 10 years.

Medical Aids across South Africa have reached a ceiling in membership. Most South Africans can no longer afford Medical Aid, and new membership shows very little growth. In keeping ahead of the times and working with like-minded underwriters and product houses, I have been able to steadily increase membership with AMAA by introducing low cost-benefit options. Speaking to budget-conscious clients, I can offer a benefit-rich insurance product at a fraction of the price, bridging the gap in South African's that are not covered. In fact, our low cost-benefit options have increased in membership by 30% year on year, with this accelerating during the pandemic.

Unfortunately, not making provision for private health care in South Africa can have detrimental consequences for South African's both financially and for their lives. Unplanned health care events have forced many into financial ruin and deep in debt. It is always best to plan ahead for unforeseen circumstances like this.

Q: Deductibles, co-payments and co-insurance. We often hear jargon in the medical insurance world, but some of us don't quite understand. Can you explain these to us in a nutshell?

A: In a nutshell, sure, these terminologies were not as 'relevant' in the near past, but are becoming more widely known as they affect our client's pockets. We had means of governance regarding the cost of South Africa's healthcare services before July 2010. This was the NHRPL (National Health Reference Price List); this list guided the industry when charging for services. Unfortunately, this was scrapped in 2010, leaving doctors and medical schemes relying on their own perceived worth. In essence, a Deductible, co-payment and co-insurance are the same things, a portion due by the client once a claimable event occurs. A co-payment is sharing the cost with the insurer, a portion from your pocket and a portion from the insurer.

A deductible is a set amount payable upfront before a procedure, typically payable to the hospital and on specific procedures defined in the client's policy. Co-insurance also shares a cost, typically a defined percentage as agreed upon between the client and insurer; that way, the client is not responsible for the whole account. We have a new concept growing here in South Africa as well, pre-paid healthcare. Pre-paid healthcare is purchasing healthcare upfront before a client is aware they need certain services. For example, buying 3 doctors consults now, which can be used over 6 months, fully paid for now.

Q: Knowing what you know now, is there anything you would have done differently when you were first starting out in business?

A: To be honest, I would not change my start in the industry as the experiences I have had, and lessons I have learned have helped me grow and are invaluable.

The early years of setting myself up and exploring the industry have helped make me a healthcare specialist.

Q: Being a husband and a father, if you would give one piece of advice for a better work-life balance, what would it be?

A: My daughter is in primary school, so It's really easy to manage my time. I have the whole day to myself to be productive and grow the business.

I am very organised and plan my day; this helps me find the right balance between family and work.
During the day, while my daughter is a school, I push hard and work as efficiently as I can. Then, my evenings and weekends are for my family and me.

My advice is simple to plan your daily tasks and stick to your schedule, and your free time will be just for you and your family.

LIFE INSURANCE OR ASSURANCE–WHAT ARE THE IMPORTANT DIFFERENCES?

When we make a positive decision to take out insurance of any kind, we are essentially hoping to protect what is most important. Regardless of the specific type of insurance, it might be, we are willing to hand over a portion of the money to reassure their safety. Insuring our own lives (and those of the ones we care for most) is one of the most important decisions we can make.

But where is the best place to start?

The very first port of call is to clarify what the products are that we are looking for. You will likely be familiar with the term life insurance already. Perhaps you have even taken out a policy in the past. The term 'life assurance' may not be quite as familiar. If you are curious to know the key differences between these two strikingly similar terms, then you're in the right place.

LIFE INSURANCE VERSUS LIFE ASSURANCE– WHAT'S THE DIFFERENCE?

As you may have already noticed, the two definitions here are strikingly similar. To an untrained eye, they might seem identical. Life insurance and life assurance are commonly interchangeable terms. They are often misused in one another by those who are ill-informed of their format and unique benefits.

SO IS THERE A CLEAR DIFFERENCE? YES–THERE IS!

Life insurance is defined as a contract between an insurer and an individual policyholder. Paying premiums guarantees that the insurer will release a sum of money to the titled beneficiaries of the specific policy in place.

Life assurance is defined as a contract between an insurer and an individual policyholder also. The policy will pay out a set amount once the policyholder passes away to the beneficiaries in the same manner as a life insurance policy.

Life insurance and life assurance are forms of protection designed to provide a payout (of varying measure) after the policyholder passes away. In this way, they produce the same result. They are also set up in the same way, in terms of the policy buyer purchasing the cover to ensure that a financial payment will be released in the event of their passing.

The significant difference between the two is the actual term that the policy covers!

Life insurance pays out a tax-free sum to whoever the policyholder has previously chosen. In contrast, life assurance usually covers the policyholder for the entirety of their life. Life insurance is limited to the period of time where premiums are paid, whereas life assurance is not constructed with these same time limitations.

LIFE ASSURANCE SOUNDS GOOD—WHAT DOES IT INVOLVE?

In a similar manner to life insurance, life assurance pays out one payment of tax-free funds to the designated payees once the purchasing policyholder has passed away. Life assurance is also commonly termed as 'whole life cover'. However, it might be uncomfortable to consider for many of us—death is eventually guaranteed for us all. Therefore, within a life assurance agreement, the payment is also a sure result.

The ultimate payout amount that your designated individuals will receive can increase and decrease depending on the type of cover you have chosen to take out. In contrast, life assurance quite literally offers assurance for life, as the title suggests. This form of peace of mind can be incredibly invaluable to someone who has loved ones concerned about following their passing later down the line.

OKAY—LET'S TAKE ANOTHER LOOK AT LIFE INSURANCE...

As we have already explored, life insurance covers a specific period rather than the entire remaining life period of the purchasing policyholder. Essentially, once the payments end, the cover will end shortly (if not immediately) afterwards. In contrast to life assurance, it is not guaranteed that your family will receive a lump sum payment. In this way, life assurance can be more attractive to those who value stress-free reassurance.

There are three different types of life insurance to consider; level, increasing and decreasing.

The level cover provides the same amount of coverage for the duration of the policy. Increasing cover accounts for inflation, and it increases during the period of cover that has been purchased. As the title suggests, decreasing life insurance decreases gradually in the same way that a repayment mortgage model would decrease over time.

STILL UNSURE WHICH OPTION TO CHOOSE?

When it comes to making financial decisions of any kind, it is always wise to gain an informed opinion from a qualified expert. Although initial internet research might offer some clarity, nothing replaces the trained expertise that a professional financial adviser can offer. Before you commit time and money to either a life assurance or life insurance policy, seek the support you need to make the very best choices for yourself and your family.

The particular details of any policy (whether insurance or assurance) will inevitably vary. The specific pros and cons will be unique to each policy depending on what the organisation offers and what you as a policyholder are willing to invest. It might be the case that your personal financial situation alters over time, and thus you have more economic flexibility to boost or adjust your policy. This is where the input of a financial adviser is naturally recommended.

Ultimately—the peace of mind that either life assurance or life insurance can offer is invaluable. Knowing that your loved ones will be financially taken care of in your absence is both great comfort and true liberation from concern. Although you may not be able to put a price on human life, you certainly can set up the proper support to ensure that those you love will be economically cared for in the future and beyond.

THE TOP 4 THINGS TO CONSIDER WHEN BUYING A HOUSE

For many, the decision to buy a house is the most significant financial decision they'll make in their lifetime, as homes are typically the highest value purchases a person can make.

So, it makes sense that there are several things you need to consider before taking the plunge and deciding to buy a house, including whether you're financially ready and whether the house itself is a good investment for you and your future.

So, here are the top 4 things you need to consider before buying a house.

ALL OF THE COSTS.

While this is the most obvious thing to consider – and probably the factor you've thought about most – you may not be taking into account all of the costs involved with buying a house.

Of course, there's the price of the house. Although, for most people – as most won't buy a place straight out and will acquire a mortgage instead – the more relevant cost will be the price of the deposit and the monthly mortgage payments you'll have to make until the mortgage is paid off.

On top of this, though, there are the costs you don't think about: valuation surveys carried out by your mortgage lender; stamp duty, if you're buying a property for over £125k; possible buildings surveys and homebuyers reports, in addition to any moving costs, the costs of fixes, repairs and refurbishments and any new furniture needed.

These less considered costs can add up to thousands and even tens of thousands of pounds, which can put a wrench in your financial situation.

THE LOCATION – BOTH AS IT IS AND IN THE FUTURE.

Most people check the location before buying a house, but often home buyers – and especially first-time homeowners – underestimate what they need and want from an area.

Is the neighbourhood considered safe? Are there amenities you need nearby – for example, shops, schools, parks or a gym? If you don't have a car, is there good public transport? Are the nearby roads a nightmare at rush hour?

More than this, though, you need to consider what the location you've chosen will look like in the future, in order to determine if your home is going to be right for you in the long-term, in addition to the likelihood of its value increasing – or, at least, not decreasing – over time.

Look at the upcoming plans for potential main roads, bridges, and building developments in the area you've chosen, and, after taking these into account, you can then decide if your desired home is genuinely in the right location for you.

THE HOUSE ITSELF.

When deciding whether the house itself is worth your hard-earned money, there are two things you need to consider: whether the house is structurally sound and whether it has everything you need to function.

To decide the latter, you should create a list of 'non-negotiable' items before you even begin house hunting, including the number of bedrooms and bathrooms you want, taking care to consider how much storage you'll need and whether the house has enough well-positioned power outlets.

If having lots of natural sunlight is important to you, you'll also want to make sure your house is south-facing, and if you have pets, you'll need to decide whether the place you have your eye on has enough outdoor space.

More importantly, however, you need to make sure the house is structurally sound so that you don't accidentally end up with a money pit that costs tens of thousands to repair.

This is why it's highly recommended that you pay for a thorough inspection of the house before you buy, which will bring to light any structural problems – or conditions such as damp and mould – which will save you money and hassle in the long run, by protecting you from a bad home investment.

THE MARKET.

On the whole, buying a house is usually a good long-term investment, as house prices tend to increase over time.

However, to be sure that you're getting a good deal and that you're buying at the right time, you need to have a decent understanding of the housing market and any economic context that could influence the market and whether the housing market is currently depressed or high.

Moreover, it's also possible for rent to be high. At the same time, house prices are low, so if the cost of monthly mortgage payments is currently less than the cost of rent payments per month, this is a strong argument for buying rather than renting if you decide between the two.

Conversely, if rent is low and house prices are inflated, then it might be a better idea to rent until house prices depress again if you want to increase your chances of making the best investment long-term and save money on your home in the short term.

GROW FINANCIALLY WITH AMA

At Austen Morris Associates, we know how the right financial decisions can make all the difference to your long-term security, quality of life and the realisation of your dreams. We also understand the importance of working closely with you over the long-term to understand your unique needs and help to meet any challenges along the way.

Since 1994, we have been committed to the core values of trust, professionalism and partnership to the benefit of our International Clients around the world, resulting in the successful long-term relationships that are the foundation of Austen Morris Associates today. As Independent Financial Advisors, we provide unbiased advice and give you access to the world's top investment management groups.

Our Consultants offer a wealth of experience in providing a full spectrum of financial advice. Our commitment to ensuring your peace of mind reinforces our focus on trust and partnership. By focusing on your specific needs and situation, we tailor plans to reach your financial goals while maximising the benefits of international investing.

Austen Morris Associates is a truly international company with its global registered office in Seychelles and wholly-owned registered offices in China, South Africa, Hong Kong, Mauritius, the USA and the Philippines. To begin your journey towards total financial security, we invite you to meet with one of our Consultants to understand our financial planning approach and why our clients become loyal and long-term partners.

Get in touch with us today for a free no-obligation consultation.
https://austenmorris.com/contact-us/

GREG MORRIS HAS PURCHASED PERSONAL CAPITAL MANAGEMENT

We are delighted to announce that Greg Morris (Founding Senior Partner, The Austen Morris Associates Group of Companies) has purchased Personal Capital Management (PCM). We have over 7,500 clients across more than 90 countries across the world. Founded in 1994, we strive to reward the trust our clients have placed in us by sourcing leading and competitive investment products and solutions that best suit our client's individual needs.

At The Austen Morris Associates Group of Companies, we have always sought industry presence and success on a global scale. In pursuance of this, we have offices and representation in Africa, China, North America, Europe, Philippines and Mauritius. Austen Morris Associates International already has a presence in Mauritius, being the holders of a Global Business – Investment Advisor (Unrestricted) license.

With PCM's more than 30 years' experience in the financial services industry and a culture that values client relationships the purchase was a great fit for The Austen Morris Associates Group of Companies.

In a world dominated by advances in technology, financial services providers have had to evolve, adapt and ultimately compete on levels of customer interaction and service never before experienced. AMA is one such company. Elements of our service include 24-hour investment monitoring through an interactive client app, access to a range of dynamically managed global portfolios and platforms offered by industry leaders across the planet, and a tailored client relationship management system. AMA do not underestimate the power of the human touch, as such, these services are managed by a team of experienced Financial Consultants that make sure each client receives the level of service and contact that they desire.

"In handing over the reins of PCM to AMA, I am confident that I have made the right decision, both for myself and for our clients. They are the perfect institution to take over, and I have no doubt that each client will benefit enormously from their professionalism and global expertise." Mark Blencowe, PCM Managing Director and Owner

We wish Mark a happy and well-deserved retirement with his family back in the United Kingdom.

"With well in excess of $1,2BN dollars under management and contractual obligations, offices and representation in .....we are very pleased and privileged to have completed this acquisition. My best wishes go out to Mark Blencowe and I thank him for his professionalism and dedication over the past three decades within the financial services industry. This is the third acquisition over the past twenty-four months- exceeding on our strategy to grow our footprint globally. At The Austen Morris Associates Group of Companies these acquisitions and growth have been a perfect way to celebrate our 27th year anniversary.

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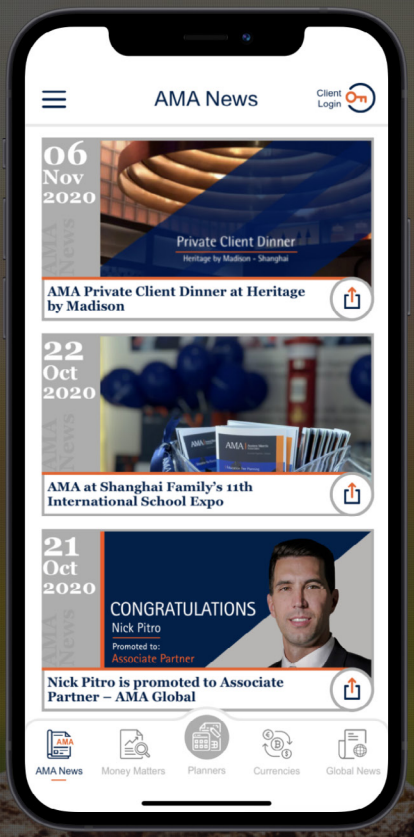

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