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MONEY STORIES & SAVING FOR RETIREMENT

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The retirement landscape in Botswana has changed significantly with the introduction of the Retirement Funds Act, 2022, which came into effect on 14 October 2022. The amounts which pension fund members can access on resignation, dismissal, retrenchment, and retirement have been revised upwards. The impact of these revisions on the benefit that a member ends up receiving as their monthly pension during their retirement years has become a subject of much debate.

By no means are the revisions referred to above

imposed on pension fund members. That is to say, even though you are now entitled to receive the greater of 25% or P25 000 of your total pension benefit as cash (less tax) when you resign, for example, you have the option of encashing an amount that is less than the stipulated amounts or not encashing any amount at all. Not encashing any portion of your pension benefit effectively means that you preserve your entire pension benefit, which would continue to be invested and earn interest over the years until you reach retirement age.

To Cash in or Preserve?

The decision to cash in or preserve your pension benefit depends on several factors. For the purpose of this article, we will focus on the aspect of money stories and their impact on financial decision-making.

What is a Money Story?

A money story is a personal narrative about money and informs a person's beliefs, thoughts, and feelings about money. In so doing, it affects their financial behaviors. Everyone has a money story, and nobody gets to choose their money story.

Money stories are formed early in life and are a direct result of your childhood experiences and observations - from comments which were made in passing at home, to conversations that were held around the dinner table, to how you observed your caregivers handling financial situations. Even the absence of conversations about money contributed to your money story.



The Importance of Being Aware of Your Money Story

Whether you realize it or not, your financial decisions are influenced by your money story. These decisions range from the type of clothes you buy to deciding whether to cash in on a portion of your pension benefit when you change jobs.

When you're anxious about the short term, when you view your resources as limited, or when you're concerned about access to resources, it's natural to want to access your money at the first opportunity you get. This can be useful, provided it is founded on a legitimate need. If the need is not a real need, it can be harmful and result in you making decisions that are not in your best interests.

Re-creating Your Money Story

Not all of us have negative money stories. However, we may have internalized negative narratives about money that constrain our financial lives.

As with most things, the first step to re-creating your money story is self-awareness. The following are some of the questions which can help you to uncover your money story:

- What lessons about money did your parents or caregivers teach you?
- What do you recall about how your parents or caregivers spoke to each other about money?
- While growing up, how did you feel when you spent money?
- Did you have more or less money compared to your peers?

Giving up old habits often means replacing them with new ones. Revisiting your core values and what you derive meaning from is a good place to start and will serve as a reference point when making financial decisions.

The following questions can assist in your decision-making:

- What is at stake?
- What would happen if you reached your goal?
- What would happen if you didn't reach your goal?
- Who would benefit?
- Who would be harmed?

Retirement is one of life's key transitions. Life transitions by their very nature can be challenging. Perhaps it's high time money stories were openly discussed and adequately addressed, lest we unknowingly sabotage our financial success through the decisions we make. Unearthing and challenging your money story will bring about the change needed to put you in a better position to meet your long-term financial goals.

What is your money story, and how has it affected your decision to "cash in or preserve" when leaving employment, changing jobs, or retiring? Going forward, how will you align the things that matter to you with your intended course of action?

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