

Refirement Social Network

This is a new social network that I have set up for Refirement Network. Please join and invite all other Baby Boomers.

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They came, they saw and WE conquered.

South Africans did a great job of showcasing our country. We may not have won on the field but each and every South African that met, talked to or helped a visitor contributed to the victory.

I took a trip on the new Gautrain this past week. This together with all the other wonderful infrastructure remains as a legacy for our Nation. The challenge from a leadership perspective is that we have shown the world we can manage a global event with excellence. How wonderful if the real legacy will be that all South Africans commit together with the leadership of this Nation to continue to do this for our own people.

I have had the privilege this past month to be on a program called Financially Speaking. They ran a two part series on Retirement. The link to these videos is included in this newsletter. I also did an interview with Redi Direko on 702 and Cape Talk. This topic covered the age at which we need to retire and should this change. The podcast of this interview is also included in this newsletter.

I have been working with Iona Minton who is a financial journalist. This month I have included an article she wrote titled " So what's your net worth? Most of us avoid this subject or doing the exercise. Read the article and be challenged to look at your own situation. It is only when we take control and face the truth that we have the ability to look to the future with a sense of clarity.

I will be in Cape Town from the 18th to 20th of August. I am in the process of organizing a workshop. Please let me know if you are interested in attending? Date and time will be confirmed as soon as I have clarity on my other meetings. I would value an email if you are interested so that I can let you know. lgsmith@mweb.co.za

The World Cup is over. Life will continue. Take time to chat to a friend about their next ten years. You may be surprised by the conversation.

Warm Regards,
Lynda

Radio 702 Interview

Please click and follow the link below to hear the radio 702 Interview

<http://www.pod702.co.za/podcast/bestofred/20100630BESTREDIB.mp3>



Financially Speaking - Post Retirement Living

After surviving decades of meetings, deadlines and targets an important and exciting event draws ever closer: that of retirement. But as you dream of exchanging your worn-out office chair for a low-slung beach lounger, the traditional views of retirement are changing rapidly. Whether by circumstance or choice, the baby boomer generation are re-writing the rule book on how to live out your golden years.

So whats your net worth? - Iona Minton

Assessing your net worth.

When you hear the term 'financially independent' you may imagine bling encrusted fat cats cruising the Med in an ocean going yacht, using Moet as a surface cleaner. While that may indeed be a fair representation of some financially independent individuals, it only applies to a fraction of people who lay claim to this status. In reality being financially independent does mean "rich". It simply means that you can support yourself in retirement in the same manner as you did when you were working. In other words if you could not afford to go on holiday, splash out on clothes and eat out at restaurants when you were working, it will be more of the same when you retire, if you are lucky! Most people have to further restrict their lifestyles in retirement.

Rich comes into play when you can afford to pursue a lifestyle that is more than just day to day living. In order to achieve this, your investments will have to generate enough returns to support this privileged lifestyle without eating into the capital. The trick of course is to get the capital in place. Many people fool themselves into believing that they are "OK". They feel that because they are gathering assets, they will be on track when it comes to retirement. Now for the wake-up call. If you want to get a snap shot view of where you really stand- calculate your net worth.

Going through this process of determining your "net worth" will put you solidly in the picture, the good the bad and the not so rosy. You will not like me much after going through this exercise but I have never claimed to be your fairy god mother, I am more like the 'ghost of actions past'. The good news is you can start to do something about the situation.

This example will help you see roughly how much money it takes to be financially independent.

In order to generate a pre tax Income of :

10,000 per month you would need R1 million invested yielding a 10% pa return

For 16,000 pm you would need R2 million invested

For 20,000 pm you would need R2.5 million invested

For 25,000 pm you would need R3 million invested

For 30,000 pm you would need R3.6 million invested

For 41,000 pm you would need R5 million invested.

Ideally you would not use all the income generated so some of it could be reinvested to preserve the capital. Even to maintain a R10,000 per month lifestyle you need a hefty amount invested. Of course it goes without saying you would also have to be completely debt free.

In order to plan financial independence it is important to establish your net worth. Your net worth simply stated is your assets minus your liabilities.

Knowing your net worth provides you with a useful barometer of your financial health.

So here's a simple exercise to calculate your net worth.

Add up the value of everything you own – the value of your house, your car, furniture and household effects, personal goods (jewellery, heirlooms) shares, insurance policies, savings accounts, credit balances in your current accounts. Now while you are doing this, err on the side of conservatism. Just because your solid gold flamingo statue has appeal to you, it may not be easy to sell to a third party and all it may be worth is its weight in gold. The same applies to jewellery you pay retail prices for your bling but when it comes to resale value you will be lucky to get wholesale prices, unless of course it's a rare collectable from Tiffany's.

Add to this any amounts which are owed to you, money you have perhaps lent out, outstanding commissions etc – and which you have a good chance of receiving! This total represents your assets.

Now add up everything you owe. This includes the outstanding bond on the house, the balance of the lease on your car, clothing accounts, credit card balances, overdrafts, balances owing on furniture and appliances, outstanding bills etc. This total represents your liabilities.

The next step is to deduct the liabilities from the assets. If your liabilities add up to more than your assets, then your financial situation is a little grim and that ocean going yacht may have to be downgraded to a dingy. If your assets add up to more than your liabilities, you're on the right track but it does not mean that you can crack open the champagne just yet. The difference between the two figures will give you an accurate reflection of your true net worth. People assume that because they see their neighbours driving flashy cars and taking regular skiing trips that they are wealthy. Not so-if these manifestations of wealth are funded by debt, they could be worse off than the guy driving the old Volksie down the road.

If this exercise has you reaching for tranquillisers then its time to do something about it. Getting your net worth in positive territory is the only way you will be able to achieve financial independence. You will need to set up a system that will help you keep your finger on the pulse of your finances from now on. The first step to take is to put yourself on a strict debt elimination plan and hopefully you will see that the scales will start to dip into positive territory.

Once you have a handle on the debt monster the next step is to make sure that your savings strategy is effective. You will need the help of a financial advisor to achieve this. But remember, he or she can give you the right vehicles, but it is you that has to make the commitment to the savings plan. Make a habit of updating this balance sheet every 6 months that way you will gain encouragement as you watch your net worth grow.

<http://ionaminton.com/2010/05/19/so-whats-your-net-worth/>



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