

How to create certainty when life happens

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Benjamin Franklin famously said that in this world nothing can be certain but for death and taxes. Annalise De Meillon-Muller, Manager: Distribution and Sales Support and Linda Blom, Business Development Manager – both of Glacier by Sanlam - investigate how this holds true when an investor is looking for some certainty.

Does certainty exist?

The concept of certainty and whether it is real, is something that has kept philosophers busy throughout the ages. Apparently, the philosophical search for certainty dates back to Socrates and Plato. It is amazing to realise that people born 2 491 years ago, had already wondered about whether one can trust anything with certainty. These ancient philosophers then debated and wondered about the correlation between certainty and 'knowledge', 'logic', 'predictability' and 'causality'.

Let's move forward many hundreds of years to the early twentieth century, when two British philosophers debated the issue. G.E. Moore concluded that one cannot be certain unless you know it. He said that if nobody knows a particular 'thing', the thing could still be true, but it cannot be certain. Ludwig Wittgenstein disagreed. His view was that knowledge was radically different from certainty. Wittgenstein argued that certainty is not correlated to 'understanding' (he called it seeing) that something is definite, but rather connected to one's own actions.

Perhaps certainty is then after all something that relies on each one of us personally knowing, seeing and reacting positively to make it real.

Let's look at Emily's situation as an example

Emily was a 42-year-old schoolteacher when she was involved in a serious car accident (in which her husband also tragically passed away) at the beginning of 2021, which left her permanently unable to work. Emily was left to raise their thirteen-year-old twins by herself. Before the accident Emily earned R23 000 gross income per month. Emily received a total claim value of R8.2 million for the accident and death of her husband and therefore had this amount available in cash and

needed a solution that would take care of her and her children.

Emily needed:

- to cover her medical aid premium for life,
- to replace her gross income for life,
- emergency funding to pay for additional medical expenses,
- a guaranteed capital amount to be available in five years' time to cover her children's university fees. Her calculations indicated she will need exactly R1 340 000 at the time and
- for each child to inherit R1 000 000 at her death.

What Emily opted for in December 2021:

- A voluntary life annuity that funds her medical aid premium. The capital amount spent on this was equal to R1 250 000.
- An income plan that includes a capital preservation option, that replaced her gross income. This plan will also provide a guaranteed capital pay-out at death of R1 000 000 to each of her children. The capital amount spent on this was equal to R5 400 000.
- A unit trust investment of R550 000 to provide for unforeseen medical aid expenses or funding for emergencies.
- A fixed return plan to provide a fixed maturity value after five years in order to fund her children's university fees. The capital amount spent on this was equal to R1 000 000.

Emily spent all her available funds on crafting a sustainable solution for the future. The rate she received on the fixed return plan in December 2021 was 6.11% with a projected maturity value of R1 344 988.09 in 2026. In January 2022 there was an unfortunate legislative development around the value of assessed losses available to corporate taxpayers. This change was unforeseen and meant that Emily's rate on her fixed return plan would reduce from 6.11% to 5.80%, leaving her with a deficit of R14 351.64 on the amount needed for her children's tertiary education. If Emily had chosen a Sanlam fixed return investment, she would have received an amount of R1 344 988.09 maturity value in 2026 as the company recently announced they were absorbing the impact of the legislative change on behalf of their investors for this particular solution.

Planning for the unforeseen

Needing certainty to help one plan for the unforeseen changes that happen, is a somewhat difficult task if one considers the philosophical question as to whether you can ever really be certain of anything. If certainty is relative to an individual and what they know, see, understand and act upon then it really does leave us with trusting our instincts when choosing financial partners. Trust is generally defined as an assured reliance on character, strength, ability and truth. Trusting in the promise of certainty requires confidence on many levels. Van Gogh is quoted as saying that for his own part he knew nothing with any certainty, but that the sight of the stars made him dream. This

is probably true for most of us but at the very least people should have confidence in the partners they choose. Partners that have the experience and track record of knowing, seeing, understanding and reacting to make dreams come true with the most certainty plausible.

All monetary values in this article are assumptions for illustrative purposes only. As markets fluctuate and every client is different, values, rates and incomes will vary.

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