

How to view your client's investment through a 4D filter

2 September 2024

Before you release even one rand of your client's funds into the investment market, there are four dimensions, (let's call them the 4D filter) that provide a good start to the process of turning your client's investment goals into a tangible financial plan. Sherwin Govender, Business Development Manager at Glacier by Sanlam, explains that the filter helps to establish the client's reasons for investing; how they should invest; the tax benefits of choosing one solution over another; the level of liquidity required; and the level of risk they could tolerate. Ultimately, this translates into the best solutions that are appropriate for them and propels them forward and closer to achieving their investment goals.

The 4D filter, through which your client's investment goals could be viewed, ensures that the most appropriate solution is designed for them. The filter includes return, risk, liquidity and tax – the four material factors that need to be taken into account in any investment solution. So, let's consider questions that the 4D filter would need to help answer for your client:

1. Return: "If I invest, what will I get in return?"

Returns are the reason clients invest. It's that simple. When calculating returns, however, we need to take into account factors like goal-related inflation when saving for medical expenses, holidays and education. Another consideration is the growth in value of the capital as opposed to the interest it accrues. Importantly, the strength of the return is impacted by many elements, with portfolio management being an essential one. Intricately linked to return is risk, which is the cost of the return.

2. Risks: "What do I need to worry about?"

Naturally, returns cannot be considered without taking risk into account. Market risk is commonly the only consideration, but it's a small part. From a goal perspective, the biggest risk for your client is for them not to realise their investment goals, despite following your advice. Some goals have a specific term (for example, investments to ensure children's education) with deadlines that cannot move, so the goal has a hard deadline. A goal to travel abroad on holiday, on the other hand, would

have more flexibility, so it has a soft deadline. If investments are negative at the time of wanting to travel abroad, the trip can be postponed. The more flexible the goal is, the more investment risk can be taken on. The travel goal has the additional exchange rate risk that needs to be included in the planning as well.

3. Tax: "What will I need to pay SARS?"

Understanding the tax implications for your client on all of the solutions in their diversified portfolio is a huge step toward confident investing. It is one of the big advantages to using a financial planner, but complete tax efficiency is not always planned for. A tax-free savings plan and an endowment could achieve tangible tax savings in a portfolio.

4. Liquidity: "When will my money be available for me to spend?"

Goal-based investing has a clear link to access or liquidity. In the case of education for children as an investing goal, your client knows exactly when their child will start school and therefore will create hard goal. It sets the term, investment risk budget and potential tax savings by using lower liquidity solutions. Generally, the later the liquidity is required the more investment risk and higher return potential can be achieved.

Investment planning cannot be viewed from just one dimension or perspective. Using the 4D filter helps to reveal so much to the adviser about the investor's goals and the best solutions, funds and vehicles that could be included in their diversified portfolio.

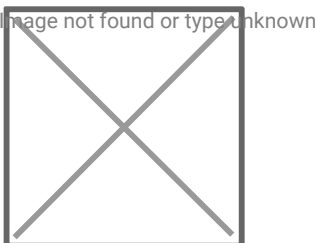
Glacier Financial Solutions (Pty) Ltd is a licensed financial services provider.

Sanlam Life Insurance Ltd is a licensed life insurer, financial services and registered credit provider (NCRCP43).

Sherwin Govender

Sherwin has been a business development manager at Glacier since 2016, when he relocated to Cape Town from Kwa-Zulu Natal, where he had joined Glacier in 2011. He is responsible for developing and maintaining an investment intermediary portfolio of Sanlam tied agents and independent planners. This involves growing relationships with intermediaries through his support with technical expertise and planning. His career in financial services spans more than a decade, having fulfilled roles at Old Mutual Wealth, Nedbank Financial Planning and Alexander Forbes. Sherwin holds the following qualifications:

- Bachelor of Business Science in Finance and Economics, University of Kwa-Zulu Natal, 2004
- Postgraduate Diploma in Financial Planning, University of Free State, 2007
- Senior Management Development Programme, University of Stellenbosch, 2015
- MBA, University of Stellenbosch, 2021
- He is a Certified Financial Planner®



This document is intended for use by clients, alongside their financial intermediaries. The information in this document is provided for information purposes only and should not be construed as the rendering of advice to clients. Although we have taken reasonable steps to ensure the accuracy of the information, neither Sanlam nor any of its subsidiaries accept any liability whatsoever for any direct, indirect or consequential loss arising from the use of, or reliance in any manner on the information provided in this document. For professional advice, please speak to your financial intermediary.

Glacier Financial Solutions (Pty) Ltd.

A member of the Sanlam Group

Private Bag X5 | Tyger Valley 7536 | Email client.services@glacier.co.za | Tel +27 21 917 9002 / 0860 452 364 | Fax +27 21 947 9210 | Web www.glacier.co.za | Reg No 1999/025360/07

Licensed Financial Services Provider | Glacier Financial Solutions (Pty) Ltd. is also a Licensed Discretionary Financial Services Provider FSP 770, trading as Glacier Invest | Sanlam Multi-Manager International (Pty) Ltd. | A member of the Sanlam Group

Private Bag X8 | Tyger Valley 7536 | Tel +27 21 950 2600 | Fax +27 21 950 2126 | Web www.smmi.com *|*Reg No 2002/030939/07

Licensed Discretionary Financial Services Provider, acting as Juristic Representative under the Glacier Financial Solutions FSP 770
Glacier International is a division of Sanlam Life Insurance Limited

Sanlam Life Insurance Ltd. | Email life@sanlam.co.za | Tel + 27 21 916 5000 / 0860 726 526 | Fax +27 21 947 9440

Reg No 1998/021121/06 | Licensed Financial Services Provider