



The FINANCE column in SA Family Practice features articles for sound personal and practice financial advice. Kindly send any suggestions for future topics to: douw@medpharm.co.za , fax (012) 664 6276 or Finance column SAFF, PO Box 14804, Lyttelton, 0157.



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Understanding the importance of a Financial Needs Analysis

"A financial advisor who gives financial advice without doing a financial needs analysis, is like a doctor who does a diagnosis upon the first handshake!" - Anonymous

Identifying and understanding your financial needs is a cornerstone of financial planning. Financial planning entails a detailed analysis of your personal and financial information, identifying your financial needs, prioritizing these needs and ensuring that products appropriate to your specific circumstances and risk profile are added to your portfolio. Legislation now requires financial services providers to do such a financial needs analysis (FNA) for you prior to providing you with financial advice. **You should be placed in a position to make an informed decision.**

There is no one plan that will suit everyone and there are five factors that will independently affect everyone's financial needs. These are:

1. Wealth;
2. Income;
3. Health;
4. Dependants;
5. Goals.

A financial needs analysis, almost like a visit to the doctor, will identify:

- Your symptoms (what you already have in assets);
- Your diagnosis (what you need to achieve); and
- Your treatment (what you can afford and where to use your financial resources to the best advantage).

The following factors should be considered during the FNA process:

- Your needs if you become **disabled**;
- Whether you have **dependants**, and their needs if you die or become disabled;
- Your **assets**: The more assets you have, the lower your insurance needs become.
- Your **liabilities**: The more debt you have, the more risk assurance is needed and the greater the necessity for properly constructed and targeted savings and investment plans;
- Your **income and spending**: Current and future income and spending will determine the design of your financial plan, allowing you to decide on risk and/or investment priorities in various scenarios.
- Your **health**: A person in good health has fewer risks than someone who is not;
- Your **current risk assurance**: Assess your current cover and compare it to the needs identified; and
- **Time** period: Risks should be reassessed over regular intervals

A financial needs analysis needs to be done on a regular basis, particularly when circumstances change for example:

- If you have not had an FNA done in more than two years;
- When you get married;
- When you have children;
- When you get divorced;
- When you have lost a spouse;
- When you are planning to retire; or
- When you have started your own practice or acquired a practice.

In next month's edition we will look at the standards of financial advice and the Code of Conduct as prescribed by the FAIS Act.