

South Africans Embrace a Global Mindset to Secure their Family's Future

Exploring the socioeconomic dynamics that are changing how South Africans are organising their wealth, employment and families.

Research corroborated via multiple domestic and international authoritative sources – including SARS, the SARB, DTIC, IEASA, SAICA, the OECD, World Bank, New World Emigration, Henley & Partners, and HSBC – reveals how wealthier South Africans are globalising their affairs, which far exceeds simply investing funds abroad or holding hard currency.

In this article, we delve into this evolving phenomenon as South Africans transition from a domestic mindset to a far more globalised one. They're restructuring significant parts of their lives and wealth to mitigate domestic socio-economic risks.

Key Trends And Insights

Rex Cowley, Director and Co-founder of the specialist international pensions and fiduciary business, Overseas Trust & Pension, spoke to this topic when he addressed South Africa's financial advisory community at the Financial Planning Institutes' annual conference held in Johannesburg in 2023 and at their recent Retirement Master Class in May 2024.

He identified the significant breadth of this trend, noting that it encompasses not only investment-related activities but also sees South Africans taking advantage of global investment, opting for cross-border employment opportunities, adopting migration strategies, and accessing other socioeconomic markets, including education, second citizenships, etc., which are now open to South Africans.

Already recognised internationally as a thought leader in his field, he summarised three emerging and interrelated parts of this phenomenon: investment, employment, and the organisation of the family unit. He groups these concepts under a phrase he coined, 'Globalisation of the South African Private Client,' which he first introduced in 2015.

Human Needs And Behaviour

Cowley explained how these trends are underpinned by changing behaviour driven by the need to address several socioeconomic needs that are no longer adequately serviced in the domestic South African context. This has transformed South African wealth from a local to a far more internationally orientated one.

As pointed out earlier, independent research supports this hypothesis and shows South Africans are increasingly exploring opportunities beyond national borders to meet a broader range of financial and psychological needs.

When explaining the above research findings, Cowley argues that while clients' needs remain constant, how they fulfil these needs is changing due to a range of pressures.

He points to the popularity of cross-border investing, the increase of employment options abroad, either delivered by those living in SA or elsewhere, the growing demand for foreign university education, foreign property purchases, and the take-up of secondary residencies and dual citizenships. He also looks at the migration patterns in and out of South Africa.

He further explains how our human need for safety and certainty plays a vital role in shaping our behaviour. Our desire to protect what we have accumulated or will

accumulate, including all our belongings, expertise, skills, and values, not just financial property, also plays a significant role in shaping our behaviour.

He also considers our desire to achieve the best educational outcomes for our children and to be able to provide them with a 'foot up in life' and our need for financial certainty for us and our spouse in retirement.

Lastly, he speaks about the family unit and how fragmented many South African families have become across all demographics. He emphasises the importance of family ties and unity in life fulfilment. Hence, there is a need for family reunification, albeit not necessarily in South Africa but possibly in a second country.

Cowley concluded by raising the outcomes that clients are seeking from this more global approach to needs satisfaction, stating that peace of mind, personal security, financial certainty, protection and preservation of one's wealth, including intangible skills and value, tax efficiency, succession, the financial well-being of a spouse, and career opportunities for the children are the primary outcomes sought.

Risks And Considerations

However, opting for a cross-border approach comes with many risks and considerations that must be carefully considered. Matters such as the quality of product providers, regulation, legal safeguards of assets, navigating foreign tax systems, the implications of passing away with foreign assets, and how to get recourse if something should go wrong all need to be considered.

This evidences a significant opportunity for financial advisers and their clients to adopt a more globalised approach to wealth, work, and family organisation to meet their needs. However, this approach is complex, carries risks, and requires comprehensive cross-border advice if clients are to benefit from the outcomes they seek. Therefore, understanding and managing these risks and having a well-thought-out financial planning strategy is crucial.

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