

**A RECONCEPTUALISED PERSPECTIVE OF THE SIX-STEP  
FINANCIAL PLANNING PROCESS**

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# **A RECONCEPTUALISED PERSPECTIVE OF THE SIX-STEP FINANCIAL PLANNING PROCESS**

**BY**

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Nelson Mandela University

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**APRIL 2023**

## **DECLARATION**

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**QUALIFICATION:** PHD (BUSINESS MANAGEMENT)

**TITLE OF PROJECT:** A RECONCEPTUALISED PERSPECTIVE OF THE SIX-STEP FINANCIAL PLANNING PROCESS

### **DECLARATION:**

In accordance with Rule G5.11.4, I hereby declare that the above-mentioned thesis is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

**SIGNATURE:** The signature is a stylized, handwritten name in black ink. It begins with a large, looped capital 'J' that extends downwards. The rest of the name 'Kinsman' is written in a cursive, flowing script to the right of the 'J'.

**DATE:** 24 MARCH 2023

## DEDICATION

*I dedicate this thesis to my daughter, Ivy Esther Kinsman.*

*Thank you for being my inspiration, my example of resilience and constant reminder of why I  
need to persevere. I hope I have made you proud.*

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## ABSTRACT

The globally applied six-step financial planning process which is used by CFP® professionals to provide financial advice is designed to ensure that the financial advice is suitable, based on the needs of the consumer. However, given the diverse cultures in South Africa, this study argues that the six-step financial planning process (as it is currently applied) may not be suitable, as it requires contextualisation based on the unique needs of South African consumers. The various population groups in South Africa have their own sets of beliefs, values and cultural practices, and thus view aspects such as wealth (the creation, preservation and transference thereof), marriage, death and retirement, differently. Thus, financial planners who are not knowledgeable about different cultures, diverse financial needs, or the provisions of customary law, may not be able to provide suitable advice. The primary objective of the study is thus to reconceptualise the six-step financial planning process to be more inclusive, in order to better serve the financial planning needs of South African consumers.

A comprehensive literature review was undertaken to provide the context and framework within which the reconceptualisation of the six-step financial planning process could be approached. An investigation of the financial planning environment and the financial planning process was completed to determine how the six-step financial planning process is currently applied in the South African context. Further, an investigation of culture and the cultural dimensions – power distance, uncertainty avoidance, individualism, masculinity, time-orientation and indulgence – was conducted, as it was clear that these cultural dimensions cannot be generalised to all South African consumers, due to the large degree of diversity within the population. It was also determined that there are various factors that contribute towards the cultural diversity of South African consumers, which may influence their financial needs and the type of financial advice that is required. These factors include race and ethnicity, marital regimes, procreation and family structures.

To further illustrate the diversity of financial needs of South African consumers, a discussion of Black households and the application of financial planning legislation and customary law was provided. Black households are considered to be under-served, historically financially excluded, have low levels of financial literacy, and are mostly collectivist in nature. It is for these reasons that Black households are the focus of the study. Some of the financial needs that

are common among Black households include land and property ownership, family wealth, family homesteads, *lobola* capital and ‘black tax’ expenditure.

Given that the literature review established how the six-step financial planning process is *currently applied*, an interpretivist research philosophy was adopted in order to gain a deeper understanding of how the six-step financial planning process *should be applied* in a South African context. Further, the research approach in the context of this study is an inductive one, as the six-step financial planning process is an existing theory that was reconceptualised by considering the perceptions and experiences of 16 CFP® professionals and 14 Black South African households. A mono-method qualitative research methodology was used, with a single qualitative method of data collection (semi-structured interviews), and a single qualitative method of data analysis (latent content analysis).

The findings of the study were used to provide a reconceptualised perspective of the six-step financial planning process which takes into consideration the fact that the image of a financial planner plays an important role when trying to establish a professional relationship with a client. The findings reveal that Black consumers in particular, generally have a negative image of a financial planner, which is influenced not only by their perceptions of a financial planner, but also by their self-perception of their own financial situation. The reconceptualised perspective of the six-step financial planning process also incorporates the finding that discussions around personal finances are considered impolite and taboo among the Black African community, which influences their ability to talk about these topics, trust a financial planner, and establish a professional relationship with them.

The findings also reveal that a racial and gender bias exists among Black consumers – they prefer interacting with a White male financial planner, as they perceive them to be more competent and have more experience with finances and wealth accumulation. It was also found that CFP® professionals believe that having cultural awareness and cultural intelligence can reduce bias in the way that questions are asked, so as not to offend the client. Thus, cultural awareness was also incorporated into the reconceptualised perspective of the six-step financial planning process. It was also noted that it is important to ascertain clients’ level of financial literacy during the information gathering stage. Black consumers opined that in this regard, it is the role of the financial planner to both ascertain and ensure their clients’ financial literacy, and to offer financial education to ensure client understanding.



Although the premise of the study is that South African consumers have unique financial needs due to the high degree of diversity among the population, it was the opinion of CFP® professionals that Black consumers, in particular, do not have unique financial needs – instead, they define their needs differently, have different exposures to financial resources to address their financial needs, and also prioritise and satisfy their needs differently. The prioritised financial needs of Black households (sub-themes) that emerged from both participant groups include the need to make provision for black tax, estate planning, funerals, and property ownership. Black household participants mentioned (to a greater extent than CFP® professionals did) the need to make provision for *lobola* and initiation schools, as these form part of several traditional ceremonies. The need to make provision for a family home was mentioned by Black household participants but not by CFP® professionals. It was discovered from Black household participants that *stokvels* are the most common micro-finance tool used by Black consumers, for various reasons. In fact for some, *stokvels* are preferred over formal financial products because they perceive that they yield a higher return, and others use them successfully to supplement their current provisions. These findings (among others) were incorporated into the reconceptualised perspective of the six-step financial planning process which is presented in this study.

This study has made a contribution to the financial planning body of knowledge by presenting a reconceptualised perspective of the six-step financial planning process, and providing new knowledge on each of the associated six steps and their suitability in a South African context. This study also provides justification and evidence for the inclusion of aspects within the six-step financial planning process that enhance the understanding of cultural diversity and needs of Black households in particular.

Justification has also been provided for the inclusion of cultural aspects and diverse needs of Black consumers in the academic curriculum of FPI and FSCA recognised qualifications, as well as the facilitation and learning outcomes of business and product-specific training that FSPs are required to provide to their representatives. The study findings also have implications for the development of the academic curriculum and assessment materials for CFP® professionals by recognised education providers, the FSCA regulatory examination, and the FPI professional competency examination. In addition, the study has provided evidence for the need to develop financial products, or customise existing financial products, that address the

needs of Black households – especially culture-specific financial needs such as black tax, *lobola* and funding for initiation schools.

Key words: Black households; CFP® professionals; culture; diverse needs; reconceptualisation; six-step financial planning process.

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## **CHAPTER ONE**

### **INTRODUCTION AND BACKGROUND TO THE STUDY**

#### **1.1 INTRODUCTION**

Financial planning has been recognised as a formalised profession in the financial services industry in South Africa since the introduction of the Financial Advisory and Intermediary Services (FAIS) Act No. 37 and supporting legislation in 2002 (Guedes 2013:25). Financial planning has, however, been recognised as a profession since 1973, when the first group of Certified Financial Planner<sup>®</sup> professionals (CFP<sup>®</sup>) received their certification. This was as a result of a movement from 1969 when a group of professionals – who were offering advice in their respective fields (including tax, law and accounting) – discussed how to better offer financial advice to assist Americans in taking control of their finances (Cull 2009:26; Financial Planning Standards Board 2019).

Financial advice is provided globally by applying the six-step financial planning process which is advocated by The Financial Planning Standards Board (FPSB). The FPSB is an international standards-setting body for the financial planning industry, which was established in 2004 and oversees the CFP<sup>®</sup> designation (FPI 2019a). The CFP<sup>®</sup> certification determines the financial planning standards that must be followed by all financial planning professionals globally (van Schalkwyk 2018:1087). As of 2021, there were approximately 203 300 CFP<sup>®</sup> professionals in 26 different territories. Among these territories who apply the globally recognised six-step financial planning process, South Africa ranks sixth based on the number of registered CFP<sup>®</sup> professionals (approximately 4 800) (Financial Planning Standards Board 2022: Hesse 2019).

The FPSB's six-step financial planning process represents best practice regarding financial planning methodology (Goodall, Rossini, Botha, Geach, du Preez and Rabenowitz 2022:17). It is also designed to assist CFP<sup>®</sup> professionals to meet certain statutory requirements as set out by the Financial Intelligence Centre (FIC) (to combat money laundering), as well as by the FAIS Act (to ensure the provision of suitable financial advice to consumers) (van Schalkwyk 2018:1087). The six-step financial planning process includes the following steps (Goodall *et al.* 2022:17):

- Step 1: Establish and define the professional relationship with the client
- Step 2: Collect the client's financial information
- Step 3: Analyse the information to determine the client's current financial situation
- Step 4: Identify and evaluate possible financial planning strategies
- Step 5: Implement the client's financial planning recommendations
- Step 6: Review the client's financial situation

When considering the six-step financial planning process in a South African context, it is important to note that South Africa has an ethnic diversity score of 0.8800 (1 indicates most culturally diverse) and is ranked as the eighth country globally for ethnic diversity (Wee 2019). South Africa's diversity is evident in the fact that there are 11 official languages and various population groups, races and cultures (van Rooyen 2000:9). All these population groups have their own sets of beliefs, values and cultural practices, and thus view aspects such as wealth (the creation, preservation and transference thereof), marriage and retirement, differently (Afolayan 2004).

It can be argued that there is disparity in how wealth is measured in South Africa, given its representation in different cultures. It is also reasoned that these population groups have different financial needs and goals (Hofstede 2011; Hunt 2004). The population group that is considered under-serviced – and thus excluded – is the Black population, referring to African, Coloured, Asian and Indian citizens of South Africa by birth or naturalisation (Broad Based Black Economic Empowerment (BBBEE) Act No 46 of 2013). It is important to consider the diverse needs of South African consumers from different cultural backgrounds as these needs and how they are prioritised will have different financial implications for the consumers, which in turn, may require alternative financial planning advice.

Amongst the Black population, wealth is represented by the amount of livestock that is owned (Mdolo 2017). However, this is only recognised as 'wealth' if it is in a commercial capacity, in the form of capital assets (Korhonen 2018). Livestock also plays a significant role in the marriage traditions of Black South Africans, such as *lobola*, where the exchange of livestock signifies the acceptance of both sets of parents of the union between the couple concerned (Khomari, Tebele and Nel 2014:143). However, in the six-step financial planning process, financial planners do not consider livestock as constituting wealth, nor as an income generating tool. Thus, when providing advice according to the six-step financial planning process, this

information may not be elicited from the consumer, as it may not be regarded as material when determining the client's financial position and financial goals.

Another aspect which is unique to many African countries, including South Africa, is customary law. According to Himonga and Bosch (2000:310), the provisions of customary law contend that every person in South Africa has the right to use and participate in the culture of their choice. Customary law has a large impact on the lives of the majority of South Africans as it pertains to marriage, inheritance and traditional authority (Ndulo 2011:88). This may have financial planning implications as these aspects are currently governed by formal legislation, such as South African common law, the Matrimonial Property Act (MPA) No. 81 of 1987, the Intestate Succession Act No. 81 of 1987, the Divorce Amendment Act No. 95 of 1996, and the Estate Duty Act No. 55 of 1955. In African and Muslim communities, many estates are administered informally by family members or traditional leaders (Truter 2017). For example, under customary law, females are not allowed to inherit any assets in the event of the death of their parents or husband (Ndulo 2011:106). If there is a valid will in place, the deceased would have had to formally bequeath any assets to the daughter or wife, or specify that common law must be applied as opposed to customary law (Grant 2006:11).

With the recent introduction of the Recognition of Customary Marriages Amendment Act No. 1 of 2021, women are able to inherit and own property under customary law. It is important to note, however, that if estates are administered informally by family members or traditional leaders, there is no guarantee that these provisions are implemented and enforced (Truter 2017). Financial planners who are not knowledgeable about different cultures or the provisions of customary law may not be able to identify these financial planning risks, and in turn, would not be able to provide suitable advice.

According to Zeka (2019), saving for retirement is not perceived as a priority among Black South Africans, compared to saving for funerals. From a cultural perspective, the prominence of the deceased individual increases the size and cost of the funeral (Ndlovu 2018). From a financial planning perspective, this notion may seem excessive, especially if the financial planner does not understand the client's cultural beliefs which necessitate this financial imperative. Among the Black and Coloured populations, there is a cultural phenomenon that is informally referred to as 'black tax'. Black tax refers to the situation when parents within these population groups often make considerable financial sacrifices to ensure that their children are



educated (Ngwadla 2018). Once their children have an established career, it is assumed that in turn, they will support their parents and extended family (Mtolo 2018).

Manyike (2019) states that black tax is a concept derived from traditional African family structures, where families co-existed and wealth was shared amongst everyone. This changed over the years as a result of the apartheid system which separated many families (Nair 2019). Despite the financial burden that Black tax creates for the younger generation, many do not mind this responsibility (Manyike 2019). However, if a financial planner does not understand this responsibility (due to being unaware of this cultural belief), it may be perceived as an unnecessary expense or liability, and therefore not catered for in the financial planning process.

Consumers need financial planners who understand their cultural beliefs, needs and differentiated financial services based on those needs. Financial advice is intangible in nature, as the benefits thereof are only realised in the future; therefore, clients rely on a relationship of trust with their financial planner (Botha, du Preez, Geach, Goodall, Palframan and Rossini 2019:9). Therefore, if South African consumers do not perceive that their financial planner understands their cultural beliefs, needs and thus do not trust that they are able to address their needs and goals, a large majority of consumers may be excluded from participating in the financial planning industry and associated financial products and services. This may lead to a financial planning advice gap because consumers are not receiving appropriate advice to address their financial needs.

A financial planning advice gap does, in fact, exist in South Africa (KPMG 2016). According to Roberts, Struwig and Gordon (2016:53), 88% of South African consumers often consult friends and family for financial advice. Attempts have been made to bridge this advice gap by means of automated advice in the form of robo-advisors (Arde 2019) yet a small number of financial planners employ robo-advisors in practice (Sarpong 2020:5). Some South Africans consult churches, *stokvels* and *mashonisas* (loan sharks) for financial advice. It is likely that this phenomenon is a result of cultural beliefs which may not be accommodated by robo-advice. Furthermore, Black South Africans from lower income categories do not know where to find financial advice, nor do they find the relevant advice that they are seeking (Struwig, Roberts and Gordon 2012:67). A follow-up study conducted in 2015 indicates that Black South Africans are the least resilient population group, as the majority are not confident that they

would be able to maintain the required level of household income should the main breadwinner pass away (Roberts *et al.* 2016:53).

Given that Black consumers account for 92.1% of the South African population (STATS SA 2019:302), it can thus be argued that the needs of the majority of South African consumers are not catered for in the financial planning industry. There is thus a pressing need for a South African approach to the six-step financial planning process that will include aspects that are unique to South African consumers. This can be achieved by ensuring that the information gathered by financial planners, the way it is analysed, and the financial planning strategies that are formulated, are relevant and within the context of the cultural needs and diverse financial needs of South African consumers. Furthermore, when recommending financial products, it is important that those recommendations do not exclude cultural beliefs of Black households.

## 1.2 PROBLEM DEFINITION

Individuals who offer financial services of both an intermediary and advisory nature in the South African financial services industry, must meet specific regulatory competency and professional requirements (Goetz, Tombs and Hampton 2005:232; Millard and Maholo 2016). The academic curriculum of financial planning programmes in South African higher education institutions – as well as industry specific training – aims to address those competency requirements, to ensure that financial planning representatives are equipped to provide suitable advice (FPI 2019b). The FAIS Act makes specific reference to providing *suitable* advice by considering both the needs and goals of the individual. A financial planner is thus not able to provide suitable advice if he/she is not trained to address the complex needs of a South African consumer. Despite South Africa having a well-established and well-regulated financial planning industry, an adapted approach that is more relevant to the South African context is necessary when providing financial advice.

Given that South Africa is one of the most diverse countries in the world, it can be argued that the global six-step financial planning process that assists in providing professional financial advice is not appropriate for addressing all the diverse and unique needs of South African consumers. It can also be argued that the academic curriculum of recognised financial planning education providers – as well as product and business-specific training provided by financial

services providers (FSPs) as per the fit and proper requirements outlined by the FAIS Act – is not comprehensive enough to address the unique needs of South African consumers.

Most research conducted in the field of financial planning in a South African context is focused on specific areas of financial planning, as shown by the following examples. In retirement planning, research is focused on retirement intentions, retirement funding adequacy and retirement attitudes (Butler 2012; Kajauchire 2015; Nkoutchou and Eiselen 2012; van der Merwe 2009; Zeka 2017). Estate planning research focuses on the impact of estate duty on wealth, taxes and the use of trusts (Carrol 2010; Ostler 2012; Roeleveld 2012; Venter 2014). Health insurance and risk management practices in small businesses have been the focus of research on risk and insurance planning in South Africa (Kirigia, Sambo, Nganda, Mwabu, Chatora and Mwase 2005; Munro and Snyman 1995; Smit and Watkins 2012; van Wyk, Bowen and Akintoye 2008). The focus of investment management research has been on gender differences in investment selection and socially responsible investment practices (Hamilton, Jo and Staman 1993; Herringer, Firer and Viviers 2009; Viviers, Bosch, Smit and Buijs 2009; Willows and West 2015).

Research on holistic financial planning based on the six-step financial planning process is limited in South Africa; however several studies have been conducted in a global context in regions such as America, Europe and Australia. Sharpe, Anderson, White, Galvan and Siesta (2007) investigated the role of communication in establishing a relationship of trust and commitment between the financial planner and client (step one). Asbedo and Seay (2015) considered positive psychology when analysing the financial needs of clients (step three). Chieffe and Rakes (1999) attempted to produce an integrated financial planning model by reconceptualising the six-step financial planning process into a matrix that considers whether anticipated events are current or future orientated, and whether these events may be expected or unexpected. Boon, Yee and Ting (2011) reconceptualised the six-step financial planning by integrating financial literacy into the reviewing and monitoring stage (step six). Finally, Knutsen and Cameron (2012) reconceptualised the financial planning process into a financial coaching advice model that emphasises the client's financial accountability by integrating financial literacy at every stage of the process.

It is evident that previous research conducted in South Africa in the field of financial planning focuses on certain knowledge areas of financial planning, and findings on the process of

providing advice in a South African context are lacking. As mentioned, previous research conducted in a global context has focused on only some of the steps in the six-step financial planning process. This study thus aims to address the research gap by focusing on all of the six steps in the financial planning process. The research problem is thus formulated as the main research question as follows:

*How can the six-step financial planning process that is currently applied in the financial planning industry be reconceptualised to be more inclusive and better serve the financial planning needs of South African consumers?*

### **1.3 RESEARCH OBJECTIVES**

In order to address the main research question of the study, the following research objectives are presented, namely the primary, secondary and methodological objectives of the study.

#### **1.3.1 PRIMARY OBJECTIVE**

The primary objective of the study is to reconceptualise the six-step financial planning process to be more inclusive to better serve the financial planning needs of South African consumers.

#### **1.3.2 SECONDARY OBJECTIVES**

To give effect to the primary objective of the study, the following secondary objectives of the study are presented:

SO<sup>1</sup>: To investigate how the six-step financial planning process is currently applied in the financial planning environment by CFP® professionals with South African consumers, based on their diverse financial planning needs.

SO<sup>2</sup>: To investigate the appropriateness of the six-step financial planning process from a South African perspective, by considering the perspectives of CFP® professionals and decision-makers in Black households in South Africa.

### 1.3.3 METHODOLOGICAL OBJECTIVES

To assist in achieving the secondary objectives of the study, the following practical methodological objectives are presented:

- MO<sup>1</sup>: To conduct a theoretical investigation on the financial planning environment as well as the six-step financial planning process and the diverse financial planning needs of consumers in the South African context.
  
- MO<sup>2</sup>: To design an appropriate research methodology as a strategy to collect and analyse primary and secondary data relevant to addressing the research questions.
  
- MO<sup>3</sup>: To collect and analyse primary data using semi-structured interviews with CFP® professionals and decision-makers in Black households in South Africa.
  
- MO<sup>4</sup>: To make appropriate recommendations to the financial planning industry by presenting a reconceptualised six-step financial planning process to: ensure that more suitable advice is provided to South African consumers; provide suggestions to Financial Planning Institute (FPI)- recognised education providers to ensure a relevant academic curriculum for financial planning qualifications; and to assist law-makers in improving legislation to support CFP® professionals and representatives of FSPs in providing advice to South African consumers.

## 1.4 BRIEF LITERATURE OVERVIEW

This section presents a brief literature overview on prevalent theories on which financial planning is based, indicating the need for the current study. Thereafter, the diverse needs of the South African population are discussed. To conclude, an overview of the six-step financial planning process is presented. A more comprehensive literature review is provided in Chapters Two, Three and Four of the study.

#### 1.4.1 THEORETICAL ORIGINS OF FINANCIAL PLANNING

Financial planning is recognised as a profession; however, it lacks its own theoretical framework (Yeske 2010:40). As a result, financial planning as an academic field of study draws from established fields of economics and finance theories (Altfest, 2004; Black, Ciccotello and Skipper, 2002; Cull, 2009).

According to Modigliani and Brumberg's (1954) Economic Life Cycle Theory, utility is a function of consumption, which in turn, is dependent on current and future resources. This Economic Life Cycle Theory considers that consumers make decisions about how much they want to spend at different stages in their lives, depending on the level of resources they have available at any one time (Altfest 2004:55). Consumers prepare for this cycle by acquiring assets during their lifetime and consuming them after retirement (Ando and Modigliani 1963). Altfest (2004:55) contends that the Economic Life Cycle Theory is the underpinning theory that financial planners use to conduct a capital needs analysis. It is important to note, however, that most South African households cannot afford to retire before the age of 67 and are forced to continue working, if at all possible (Butler 2012:12). In addition, consumption often increases after retirement due to deteriorating health and additional needs (Botha *et al.* 2019:131). The Economic Life Cycle Theory cannot be applied in a South African context as it does not take into account South Africa's poor savings culture, nor the tendency to access retirement savings in cases of emergency (South Africa Savings Institute 2017).

Becker's (1965) economic approach to human behaviour assumes that as long as a household remains intact, it may be treated as a single entity in which all resources are pooled and then reallocated according to some common rule. This theory refers to individuals in a household as 'human capital' – particularly those who are able to contribute towards household costs (Teixeira 2014:2). Again, this theory does not take into account the definition of families in the South African context (Murray 1980). From a western perspective, a family is understood to consist of two parents who are married and maintain a household with their children, while other family members are considered to be extended family (Siqwana-Ndulo 1998:407). However, in African society, particularly among the Xhosa-speaking population, 'family' refers to a much wider circle of kin and non-kin, which is multigenerational in nature (Russel 1994:57). The same author contends that the major difference is that western households are based on individualism and independence, whereas African households are based on

collectivism and interdependence. This distinction is important, given that a study conducted by Eaton and Louw (2000) found further differences in the levels of collectivism and individualism among a heterogeneous sample of students of different ethnicities, religions and cultures.

Contrary to economic theories, financial management theories take *risk* into account (Altfest 2004:55). This is evident in Modigliani and Miller's (1958) theorem which contends that with rational investors and the absence of taxes, the use of debt (instead of equity) may increase earnings, but the market may react to the additional risk posed by increased levels of debt and therefore decrease the valuation of a company. This also has implications for Fama's (1970) Efficient Market Hypothesis Theory which considers that markets are efficient when all privately and publicly held information is evident in the markets, and as a result, securities are valued fairly.

The two theories mentioned above are applicable in a South African context, but it is important to note that a large majority of South African consumers have been excluded from participating in the use of financial instruments. Despite the end of apartheid in 1994, many South African consumers have low levels of financial literacy and do not necessarily invest according to the principles illustrated by these theories (van Rensburg 2017). Furthermore, as a result of these low levels of financial literacy, one can conclude that South African consumers are not able to make rational financial decisions, as assumed by financial management theories.

Finally, Markowitz's (1952) Modern Portfolio Theory considers that investment selection is not based on return alone, but on its return in relation to risk. The higher the risk, the higher the possible returns (Chang and Thomas 1989:271). However, as previously mentioned, it is important to note the high level of financial exclusion and lack of local participation in South African financial markets (van Rensburg, 2017). South Africans are also faced with wealth inequalities (Seekings 2008). Therefore, given the wealth inequality and financial exclusion of the majority of South Africans, it is important to understand that investment selection may not be based on the consideration of risk in relation to return, as determined by Markowitz's (1952) Modern Portfolio Theory.

The theories that form the foundation of the financial planning academic discipline are assumed to be applicable when providing financial advice and when training FSPs. However, few of the

theories take into account financial planning in a South African context. Due to the earlier exclusion of Black consumers from participation in investments and other formal financial products, it is important to understand how investment selection (including the purchase of financial products and services) is made from an African perspective. In addition, it is important to consider how these theories are applied and how financial planning decisions are made, given the diverse and unique needs of the South African population.

#### 1.4.2 DIVERSE NEEDS OF THE SOUTH AFRICAN POPULATION

The apartheid system in South Africa led to inequality and injustice for Black communities (Moloi 2011:1). Due to these inequalities, the Black community did not have access to the formal financial services industry (Matuku and Kaseke 2014; Schulze 1997). Black communities developed community savings programmes such as *stokvels*, burial societies and credit rotating programmes that operate as some form of financial service offering platforms (Swart 2016).

According to Ndwandwe (2016), the word *stokvel* might have originated from the word ‘stock fair’ which was the term used by English settlers for ‘auctions’. The same author defines *stokvels* as a savings or investment group, usually made up of like-minded individuals with similar goals, to which members contribute an agreed amount regularly. A *stokvel* can also be described as a self-help initiative where individuals form groups to save, invest and attain assets. *Stokvels* were created by the Black community to assist black people in accessing financial services without having to deal with inequalities in formal banking systems. According to Phahlane (2018:6), numerous women who are faced with challenges still start *stokvel* groups as a way to empower, guide and support each other through difficult situations. *Stokvels* play a huge role in alleviating poverty and ensuring that individuals are not financially excluded (Matuku and Kaseke 2014). According to Moloi (2011:1), *stokvels* are a form of survival for Black communities, that aim to provide support to individuals through savings, emotional support during hardships, and entertainment.

According to Kretzmann (2015), Black South Africans consider funerals as a big occasion that reflects the prestige of the deceased individual; therefore they avoid cutting costs and using less expensive alternatives. Burial societies were developed by Black communities to cover expensive funeral costs (Kretzmann 2015). Burial societies operate like *stokvels*, where



contributions are made monthly and the money is paid out in the event of a death. The benefits of burial societies include low premiums, no extra costs, the funds can be easily accessed, there is no waiting period, and members of the society lend a helping hand on the day of the funeral (Botes 2016).

Another indigenous financial alternative is credit rotating societies. In this system, only relatives or friends are allowed in a specific group, and each individual in the group earns a certain amount of credit, either weekly or monthly. This system is rotated among all the members until each of them receives the proceeds and then it starts with the first member again (Schulze 1997). Credit rotating societies are prevalent among South African Indians in KwaZulu Natal, who refer to them as *chita* or *chitu*. Among Black South Africans and similar to *stokvels*, a *mahodisana* is a credit rotating society which is exclusive to female participants (Ardener 1964:207).

South Africans suffer from low levels of financial literacy, in that only 42% of South African adults are considered to be financially literate (Klapper, Lusardi and van Oudheusden 2015:8). Matemane (2018:13) adds that despite being in possession of tertiary qualifications, Black South Africans are the least financially literate, in comparison to other population groups in South Africa. According to Rootman and Antoni (2014:476), the lack of financial literacy among Black consumers could lead to financial unpreparedness.

Another aspect that is unique to South Africa is customary marriages among Black South Africans and the Muslim community. Customary marriages are regulated by the Recognition of Customary Marriages Act No. 120 of 1998 (RCMA). The Act also allows a husband to enter into more than one customary marriage, which could have financial planning implications at death and divorce (Moore and Himonga 2018:62). Clearly, South African consumers have needs that are unique and diverse in terms of their cultural and religious needs, the financial services that they require, and their levels of financial literacy. It is thus important to consider these needs in the context of the six-step financial planning process.

#### 1.4.3 OVERVIEW OF THE SIX-STEP FINANCIAL PLANNING PROCESS

As mentioned in section 1.1, the FPSB is an international standards settings body which oversees the CFP® certification and sets forth the financial planning standards that must be followed by all financial planning professionals. The FPSB has developed the six-step financial

planning process which represents best practices regarding the financial planning methodology (Financial Planning Standards Board 2019).

The first step in the FPSB financial planning process is to **establish and define the professional relationship with the client**. At this stage, the financial planner needs to inform the client about financial planning and make various disclosures as per the FAIS Act. Knutzen and Cameron (2012:35) add that the parameters and scope of engagement should also be established at this stage. The second step is to **collect the client's financial information**. After establishing and defining the future relationship with the client, it is necessary to gather relevant information in order to understand the client's circumstances (Financial Planning Standards Board 2019). This involves collecting quantitative information such as their age, lifestyle factors, and current financial statements relating to their income, expenses, assets and liabilities (Knutzen and Cameron 2012:35). Qualitative information must also be collected, such as the client's values, attitudes towards money, and their propensity to save (Botha *et al.* 2019:20).

After the financial planner has gathered the necessary data from the client, the third step of the financial planning process is to **analyse the information to determine the client's current financial situation** (Knutzen and Cameron 2012:38). It is important to analyse the data in the context of the primary components of financial planning, which include personal financial management, investment management, risk management, tax planning, retirement planning, estate planning and business financial planning (Botha *et al.* 2019:27). Based on the analysis of the information gathered from the client, the financial planner needs to **identify and evaluate possible financial planning strategies** in the fourth step of the financial planning process. After deciding which of these strategies would best meet the client's needs and goals, the financial planner develops financial planning recommendations in the form of a financial plan (Botha *et al.* 2019:29).

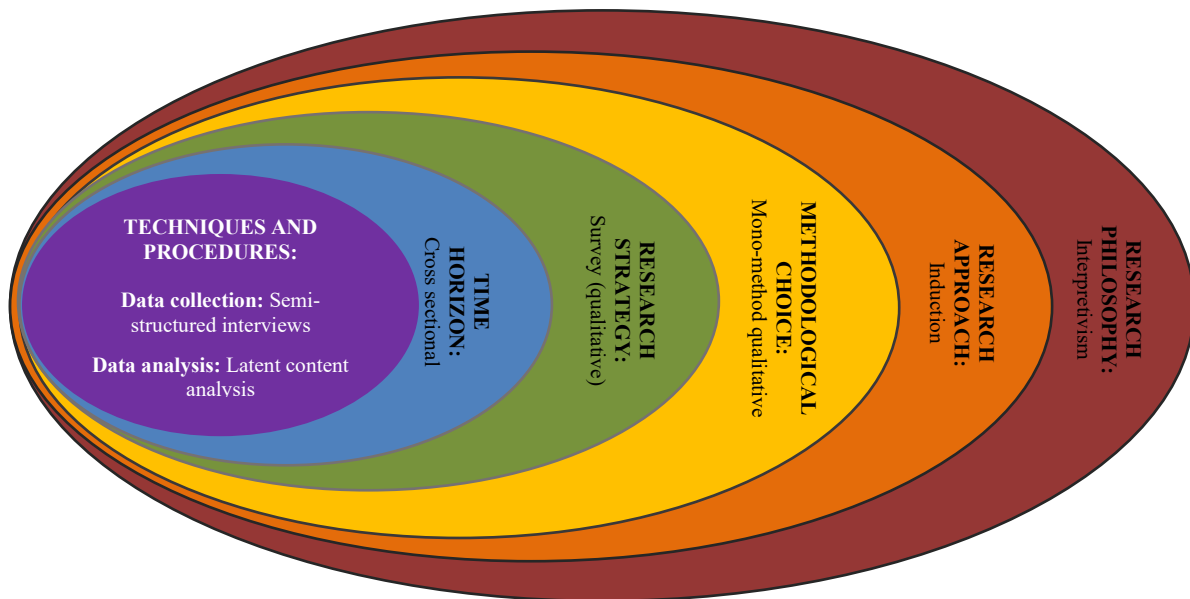
The fifth step of the financial planning process is to **implement the client's financial planning recommendations**. Once the client has accepted the recommended strategies, the implementation process commences, usually by obtaining commitment from the client. Thereafter, appropriate products and services are identified and the financial plan is implemented (Botha *et al.* 2019:31). The final step in the financial planning process is to **review the client's financial situation** in order to ensure that the implemented financial plan is achieving their goals. Various circumstances warrant additional reviews of the financial plan,

such as changes in the client's personal situation, including marital status, financial goals and objectives, employment or death (Irving 2012:25). Changes in the environment may also warrant a review of a client's financial plan, such as legislation, the economic environment, political changes, or the introduction of more suitable products and services (Botha *et al.* 2019:32).

## 1.5 RESEARCH DESIGN AND METHODOLOGY

The research design and methodology of the study are discussed in the context of the 'research onion' as described by Saunders, Lewis and Thornhill (2019). Saunders *et al.* (2019) refer to the research process as different layers that need to be peeled away and understood, as the researcher aims to resolve the problem and research questions (see Figure 1.1).

**Figure 1.1: The research onion as applied to the study**



**Source: Adapted from Saunders *et al.* (2019:130)**

The first few layers of the research onion (as applied to this study) include the research philosophy, research approach, methodological choice, research strategy and time horizon of the study, which are discussed in the following sub-section. Thereafter, the techniques and procedures used for data collection and data analysis are described and followed by a discussion of the trustworthiness and ethical considerations of the study.

### 1.5.1 AN OVERVIEW OF THE RESEARCH DESIGN AND METHODOLOGY

A **research philosophy** is also referred to as a research paradigm and represents the system and beliefs about the development of knowledge and the assumptions that are made in a research study (Saunders *et al.* 2019:130). For the purpose of this study, an **interpretivist research philosophy** was adopted. Interpretivism advocates the need to consider subjective interpretations of human beings and their perceptions of the world in their social context or natural environment (Maree, Creswell, Ebersohn, Eloff, Ferrira, Ivankova, Jansen, Niewenhuizen, Pietersen and Plano Clark 2016:60). Given the nature of this study, it is important to gain a deeper understanding of the financial planning needs of individuals based on their context, thus an interpretivist research philosophy is deemed to be most appropriate.

The **research approach** in a study refers to the role that theory plays in the study. Specifically, the research approach indicates whether the aim of the study is to develop theory, or to test existing theories (Saunders, Lewis and Thornhill 2009:124). The appropriate research approach for the purpose of this study is an **inductive approach**. An inductive approach aims to generate theory in the form of a conceptual framework by collecting data to explore a phenomenon (Cavaye 1996:234). In the context of this study, the data collected will be used to reconceptualise the existing six-step financial planning process.

The **methodological choices** form the basis of the study, and specify how data will be collected and analysed (Hussey and Hussey 1997:54). For the purpose of this study, a **mono-method qualitative** research methodology was adopted. Qualitative research seeks to understand a phenomenon from the perspective of those experiencing it (Vaismoradi, Turunen and Bondas 2013:398). A qualitative research methodology is deemed appropriate as the aim of this study is to understand rather than explain human behaviour as it relates to financial planning (Babbie and Mouton 2012:53). Data collection thus used qualitative methods of data collection (semi-structured interviews), with subsequent qualitative data analysis techniques (latent content analysis).

Once a methodological choice has been made, Saunders *et al.* (2009:141) contend that it is important to select an appropriate **research strategy** which is guided by a study's research questions. For the purpose of this study, a **qualitative survey research strategy** was adopted, which is a less structured research strategy and is used to gain in-depth information about

people's underlying reasoning and motivations, using observation and interviews as data collection methods (Thorne 2000). A qualitative survey strategy is appropriate for this study since in-depth data analysis is necessary in order to reconceptualise the six-step financial planning process.

The **time horizon** of a study refers to the period over which the research is conducted (Babbie and Mouton 2012:641). For the purposes of this study, a **cross-sectional study** is appropriate. The aim of the study is not to monitor change in financial planning objectives and needs over time, but rather to collect data from participants at a specified point in time, regarding their financial planning objectives, perceptions, needs and experiences, in their context. Therefore, a cross-sectional time period is deemed to be appropriate.

#### 1.5.2 AN OVERVIEW OF THE TECHNIQUES AND PROCEDURES USED FOR DATA COLLECTION

Data collection refers to the process of finding information that is relevant to a particular study (Hox and Boeije 2005:593). Maree *et al.* (2016:88) note that, as part of the data gathering process, it is important to draw a distinction between a literature review (secondary research) and a textual analysis (primary research). Primary data collection should be informed by secondary research which usually collects data by conducting a thorough literature review.

**Secondary data collection** refers to collecting information and findings from studies that have previously been published, which form the basis of the literature review (Maree *et al.* 2016:88). To ensure the credibility and authenticity of the secondary data collected in this study, international and national databases were used, which are accessible through the Nelson Mandela University library. Secondary data was sourced from these journals and databases, and a literature review was conducted on the financial services industry and the financial planning profession. **Primary data** is sourced directly from the participants or organisations in question, and may be in published or unpublished forms (Hox and Boeije 2005:593). In this study, **semi-structured interviews** were conducted online and used to collect data from participants in order to provide insights on what unique South African aspects should be included in the existing six-step financial planning process, which will provide a basis for the reconceptualisation of the process (Collis and Hussey 2014:133; Struwig and Stead 2013:90).

The **population** for a study is a body of people or a collection of items that is under consideration for research purposes, and a sample represents a subset of the population (Collis and Hussey 2014:197). In qualitative research, to ensure the generalisability of inferences based on samples to the broader population, participants should be purposefully selected based on the contribution that they can make to the study (Collis and Hussey 2014:131). To identify and select the sample of individuals for participation in this study, **criterion sampling** was used from a heterogeneous population. To gain access to the sample, an element of **convenience sampling** as well as **snowball sampling** was also used (Koerber and McMichael, 2008:460; Struwig and Stead 2013:129). When determining the **sample size** in qualitative studies, reference is made to data saturation (Malterud, Siersma and Guassora 2016:1753). Data saturation occurs when the collection of new data does not provide any further insights on the issue being investigated (Mason 2010). Although the study aimed to reach data saturation, the principles of information power was used to ensure that the sample size was adequate. Malterud *et al.* (2016:1754) state that the larger the information power the dataset holds, the smaller the sample is required to be. By applying the principles of information power, it was determined that the collective sample size of 30 participants (16 CFP® professionals and 14 decision-makers in Black households) was adequate (Guest Namey and Chen 2020; Malterud *et al.* 2016). Although qualitative studies are more concerned with the richness of the data than the number of participants, the final sample size was consistent with the initial aim of acquiring 15 and 30 participants, as suggested by Lopez and Whitehead (2012:127) – in each of two population groups. The two population groups, the relative samples, sample sizes, sampling methods and data collection tools are presented in Table 1.1.

**Table 1.1: A summary of the primary data collection methods**

Population	Population size	Sample	Sample size	Sampling method	Data collection tool
CFP® professionals	Approximately 4 800 in South Africa	A diverse sample of CFP® professionals across the major cities in South Africa	15 - 30	Criterion sampling to select participants	Semi-structured interviews

Decision makers in Black households	Approximately 58 million in South Africa	Black South African consumers who are the financial decision-makers in their household and either <ul style="list-style-type: none"> <li>▪ make use of a financial planner</li> <li>▪ are self-employed</li> <li>▪ earn multiple streams of income, or</li> <li>▪ engage in investment activities</li> </ul>	15 - 30	Convenience sampling to access participants	Semi-structured interviews
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**Source: Researcher's own construction**

The justification of the primary data collection methods presented in Table 1.1 are discussed in more detail in Chapter Five.

### 1.5.3 AN OVERVIEW OF THE TECHNIQUES AND PROCEDURES USED FOR DATA ANALYSIS

Data analysis refers to making sense of raw data through statistical or qualitative analysis procedures (Struwig and Stead 2013:156). **Content analysis** is a systematic process of coding and categorising textual information to determine trends, patterns, relationships and discourses of communication within the information (Vaismoradi *et al.* 2013:400). **Latent content analysis** is concerned with deeper thoughts and the underlying meaning of the words and phrases used by participants, which emerges from the data (Hsieh and Shannon 2005:1283).

In this study, the data collected from the interviews conducted with both samples – namely CFP® professionals and decision-makers in Black South African households – was collated and transcribed. Thereafter, the data was coded and further analysed, using latent content analysis. A latent content analysis is deemed to be most appropriate for this study, as it may yield a deeper understanding of the unique financial planning needs of Black South African consumers, in order to effectively reconceptualise the six-step financial planning process.

### 1.5.4 TRUSTWORTHINESS AND ETHICAL CONSIDERATIONS

According to Rossman and Rallis (2017:50), for a study to be useful, the potential users of the findings must believe and trust in the integrity of the study, and the findings should be credible. In qualitative research it is important to ensure **trustworthiness** (Maree *et al.* 2016:40).

Credibility, transferability, dependability and confirmability are criteria that are used to ensure the rigour and trustworthiness in qualitative research (Struwig and Stead 2013:137).

To ensure **credibility** in this study, interviews were conducted with participants with the intention of reaching data saturation. The audio-visual recording software of the online meeting platforms (Microsoft Teams and Zoom) were used to record the interviews and appropriate research software was used (Babbie and Mouton 2012:276). In addition, a copy of the transcript was sent to each participant to confirm and verify that they had been represented accurately (member-checking). **Transferability** was ensured by using a purposive sampling method (criterion sampling) to ensure that a variety of information was sought from diverse research participants (CFP<sup>®</sup> professionals and Black South African households) (Babbie and Mouton 2012:277). For the purposes of the study, **dependability** was promoted by coding the primary data collected from the interviews with the guidance of the secondary data collected (Struwig and Stead 2013:137). In addition, records of all the documentation that is relevant and necessary for the replication of the study. **Confirmability** was ensured by keeping records of all the material used to collect data, including audiotapes, transcriptions of interviews, and all drafts of the coding sheet (as recommended by Babbie and Mouton 2012:278; Struwig and Stead 2013:137).

According to Maree *et al.* (2017:44), it is important to consider the **ethical implications** of conducting research. In particular, confidentiality of the data collected needs to be ensured (Struwig and Stead 2013:69) and the identities of research participants need to be protected. Full ethics approval was granted by the Nelson Mandela University Research Ethics Committee for Human Participants (REC-H). More details on the ethical considerations of the study and how it was addressed are provided in Chapter Five.

## 1.6 SIGNIFICANCE AND CONTRIBUTION OF THE STUDY

It is clear that this study differs from previous studies as it aims to make the following theoretical and practical contributions.

Financial planning lacks a theoretical framework and requires further academic development (Altfest 2004; Black *et al.* 2002; Cull 2009). By reconceptualising the six-step financial planning process, this study thus seeks to make a theoretical contribution to the academic



discipline of financial planning by investigating all the steps in the six step financial planning process and to reflect on and include aspects in the financial planning process which are relevant to a South African context.

The FPI currently recognises eight education providers that offer accredited curricula for financial planning (or related) qualifications, ranging from NQF level 5 (higher certificate) to NQF level 8 (postgraduate diploma) (FPI 2019b). By making a theoretical contribution to the academic discipline through a reconceptualised financial planning process, the academic curriculum can be improved to better equip prospective financial planners.

In addition to education requirements, financial planners are required to undergo product and business-specific training as a competency requirement (FAIS Act Board Notice 194 of 2017). By integrating a reconceptualised six-step financial planning process into business training and business practices, prospective financial planners will be more appropriately equipped to provide suitable advice and products to South African consumers. The study also aims to make a contribution to the financial planning industry by recommending financial products that cater for the diverse needs of Black households.

By reconceptualising the existing six-step financial planning process in a South African context, the financial planning process will be more appropriate to address the needs of South African consumers. In doing so, it is hoped that financial planning will be seen as a less exclusive domain, with the potential to improve the financial well-being of all South African consumers. It is hoped that a contribution will be made to the profession of financial planning, as it will assist the industry to become more inclusive in offering financial planning services.

## **1.7 STRUCTURE OF THE RESEARCH**

The thesis is structured according to the following chapters.

**Chapter One** introduces the research study by providing a background to the subject under investigation, followed by the problem definition. The research objectives are introduced – namely the primary, secondary and methodological objectives which the study aims to achieve. A brief literature overview is provided, which addresses the theoretical origins of financial planning, the six-step financial planning process as it is currently applied, and the diverse needs

of the South African population. The research design and methodology are discussed, followed by the significance and contribution of the study. The chapter concludes with an overview of the structure and the contents of the thesis.

**Chapter Two** provides a literature review of the financial planning environment and the financial planning process. The overview of the financial environment includes a discussion on industry regulators, consumer protection bodies, primary legislation governing the industry, and professional bodies, and draws a distinction between financial planners and financial advisors. The chapter then focuses on FSCA and FPI competency requirements in order for individuals and companies to offer financial services, financial planning knowledge areas, and the FPSB six-step financial planning process. The chapter concludes with a discussion on previous research conducted on the six-step financial planning process.

**Chapter Three** provides a literature review of the diverse financial planning needs in South Africa. The chapter commences with a discussion of culture and cultural diversity. Thereafter, Hofstede's (2011) cultural dimensions are discussed as they apply to the South African context. The chapter concludes with an overview of the factors that contribute to diverse consumer needs in South Africa.

**Chapter Four** presents a discussion on Black households and the application of financial planning legislation in the light of customary law. A distinction is made between a family and a household, followed by a discussion of various types of households, with a focus on Black households. The financial needs of Black households are then described, followed by a discussion of customary law as it pertains to Black households.

**Chapter Five** provides details of the research design and methodology that were implemented in this study. The data collection procedures are discussed, relating to the populations and subsequent samples that were studied, the sampling techniques, and the research instruments used. In addition, the data collection methods, and the strategies used to administer the research instruments are discussed. The chapter concludes by detailing the data analysis techniques used in this study, as well as the ethical clearance procedures that were followed.

**Chapter Six** reports on the empirical findings from the analysis of data collected from the interviews conducted with CFP® professionals.

**Chapter Seven** reports on the empirical findings from the analysis of data collected from the interviews conducted with decision-makers in Black South African households.

**Chapter Eight** is the final chapter of the study and presents a summary of the contents of the preceding seven chapters. Conclusions based on the empirical findings are provided with recommendations. In particular, practical recommendations are provided to FPI-recognised education providers, CFP® professionals, and professional and regulatory bodies, as well as a reconceptualised financial planning process. To ensure that the objectives of the study have been achieved, Chapter 8 links the primary, secondary and methodological objectives to the earlier chapters, which are considered to contain the expected outcomes of these objectives. Figure 1.2 provides a graphical illustration of the relationship between the objectives and the chapters in the thesis.

**Figure 1.2: Framework of the research process**

PRIMARY OBJECTIVE	SECONDARY OBJECTIVES	METHODOLOGICAL OBJECTIVES	EXPECTED OUTCOMES
	<p><b>SO<sup>1</sup>:</b> To investigate how the six-step financial planning process is currently applied in the financial planning environment by CFP® professionals with South African consumers, based on their diverse financial planning needs.</p>	<p><b>MO<sup>1</sup>:</b> To conduct a theoretical investigation on the financial planning environment as well as the six-step financial planning process and the diverse financial planning needs of consumers in the South African context.</p>	<p><b>Chapter Two:</b> An overview of the financial planning environment and the financial planning process</p> <p><b>Chapter Three:</b> An overview of the diverse financial planning needs in South Africa</p> <p><b>Chapter Four:</b> Black households and the application of financial planning legislation and customary law</p>
<p>The primary objective of the study is to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers</p>	<p><b>SO<sup>2</sup>:</b> To investigate the appropriateness of the six-step financial planning process from a South African perspective by considering the perspectives of CFP® professionals and decision-makers in Black households in South Africa.</p>	<p><b>MO<sup>2</sup>:</b> To design an appropriate research methodology as a strategy to collect and analyse primary and secondary data relevant to addressing the research questions.</p>	<p><b>Chapter Five:</b> Research design and methodology</p>
		<p><b>MO<sup>3</sup>:</b> To collect and analyse primary data using semi-structured interviews with the financial decision-makers in Black households as well as South African CFP® professionals.</p>	<p><b>Chapter Six:</b> Findings from the interviews with CFP® professionals</p>
		<p><b>MO<sup>4</sup>:</b> To make appropriate recommendations to the financial planning industry by presenting a reconceptualised six-step financial planning process to: ensure that more suitable advice is provided to South African consumers; to provide suggestions to FPI-recognised education providers to ensure a relevant academic curriculum for financial planning qualifications; and to assist law-makers in improving legislation to support CFP® professionals and representatives of FSPs in providing advice to South African consumers.</p>	<p><b>Chapter Seven:</b> Findings from the interviews with Black households</p>
			<p><b>Chapter Eight:</b> Summary, conclusions and recommendations</p> <p><b>Reconceptualised financial planning process</b></p>

**Source: Researcher's own construction**

Also, in Chapter Eight, how the aforementioned research objectives were addressed is presented. The contributions and limitations of the study are discussed, along with recommendations and suggestions for future research.

## CHAPTER TWO

### AN OVERVIEW OF THE FINANCIAL PLANNING ENVIRONMENT AND THE FINANCIAL PLANNING PROCESS

#### 2.1 INTRODUCTION

The primary objective of the study is to reconceptualise the FPSB six-step financial planning process to be more inclusive and to better serve South African financial planning consumers. To give effect to the primary objective, the first secondary objective is to investigate how the six-step financial planning process is currently applied in the financial planning environment by CFP® professionals for South African consumers. To achieve this objective, it is necessary to conduct an extensive theoretical investigation on the financial planning environment as well as the six-step financial planning process and the diverse financial planning needs of consumers in the South African context, specifically in Black households (MO<sup>1</sup>). These investigations are presented in the form of three literature chapters, the first being Chapter Two, as illustrated in Figure 2.1.

**Figure 2.1: The role of Chapter Two in achieving the objectives of the study**

PRIMARY OBJECTIVE The primary objective of the study is to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers.	SECONDARY OBJECTIVES	METHODOLOGICAL OBJECTIVES	EXPECTED OUTCOMES
	SO <sup>1</sup> : To investigate how the six-step financial planning process is currently applied in the financial planning environment by CFP® professionals for South African consumers based on their diverse financial planning needs.	MO <sup>1</sup> : To conduct a theoretical investigation on the financial planning environment as well as the six-step financial planning process and the diverse financial planning needs of consumers in the South African context.	<b>Chapter Two:</b> An overview of the financial planning environment and the financial planning process
			<b>Chapter Three:</b> An overview of the diverse financial planning needs in South Africa
			<b>Chapter Four:</b> Black households and the application of financial planning legislation and customary law

**Source: Researcher's own construction**

Firstly, the existing financial planning environment is discussed. Aspects such as financial services industry regulators, consumer protection bodies, and primary legislation (external

environment) are discussed, followed by information on professional bodies and individuals in the profession (internal environment). Thereafter, the competency requirements to practise as a financial advisor or a CFP® professional are discussed, and the financial planning knowledge and practice areas as prescribed by the Financial Planning Institute (FPI) are described. Then the six-step financial planning process is explained, by describing how it is applied in the South African financial services industry. Thereafter a discussion of previous research on the six-step financial planning process is provided, highlighting studies that have been conducted on the reconceptualisation of selected steps, or of the entire financial planning process. The chapter concludes by discussing factors that specifically influence the application of the six-step financial planning process in South Africa.

## **2.2 THE FINANCIAL PLANNING ENVIRONMENT**

Financial planning is defined as the process of developing strategies to assist clients in managing their financial affairs, in order to meet their lifestyle and financial goals (FPI 2019c). Botha *et al.* (2019:3) add that financial planning is not a static event, but a dynamic, long-term process. According to Asbedo and Seay (2015:50), financial planning has evolved from merely assisting clients to function financially, to empowering them to align their financial situation with their lifestyle aspirations. Irving (2012:50) suggests that planning for the future allows clients to feel more in control of their future, which in turn increases their perception of their psychological well-being.

Financial planning is a profession within the financial services industry and is thus influenced by the legislation and regulators that govern the financial services industry. The financial planning profession is also regulated by national (FPI) and international (FPSB) practice standards that all financial planners are required to adhere to (Brown 2008:4). Various role players are present and interact within the financial planning environment, thus playing an important part in how financial planning is applied, particularly in the South African context.

The financial planning environment consists of external elements (regulatory trends, economic changes, demographic and consumer changes) that have an impact on the internal elements of the financial planning industry (financial services industry regulators, professional membership bodies, FSPs, consumer protection bodies, financial advisors, CFP® professionals and financial planning consumers) (Botha *et al.* 2019:11). Changes to any of these elements may have an

impact on the ability of a CFP® professional to apply the financial planning process appropriately, with any inability to navigate these elements having an adverse effect on consumers.

In the context of the *external* financial planning environment, the following sections discuss financial services industry regulators, consumer protection bodies and financial services legislation which is enforced by those regulators. The professional bodies in the financial planning profession and the individuals and institutions which offer financial services (FSPs, key individuals and representatives, financial planners and financial advisors) are discussed in the context of the *internal* environment.

### 2.2.1 FINANCIAL SERVICES INDUSTRY REGULATORS

The financial services industry is an important segment of the economy, and comprises a variety of individuals and corporations that offer financial services to other individuals and corporations (Cull 2009:26). The financial services industry broadly encompasses insurance, investments, real estate and banking services. South Africa is currently undergoing financial reform towards a Twin Peaks regulatory model (Scalco and Naidoo 2019). This concept introduces two regulatory bodies that act as a prudential authority and a market conduct authority (Schmulow 2018). South Africa is the first developing economy – and the sixth economy in the world – to implement the Twin Peaks regulatory model (FSCA 2019:6). The first phase of this financial reform commenced with the Financial Sector Regulation (FSR) Act No. 9 of 2017, which made provision for the introduction of the two regulatory bodies in the Twin Peaks model, namely the Financial Sector Conduct Authority (FSCA) (the former Financial Services Board – FSB) and the South African Reserve Bank (SARB) (prudential authority) as of 1 April 2018 (Botha *et al.* 2019:23) (see Table 2.1).

The second phase commenced with the Conduct of Financial Institutions (CoFI) Bill, which was tabled in Parliament in 2020 (Botha *et al.* 2019:24). The aim of the second phase of the reform is to consolidate and harmonise all the relevant legislation in the financial services industry into one legal framework within which financial institutions will operate (FSCA 2019:12). In the context of financial reform, the purpose of the FSR Act is to provide the regulatory framework for the Twin Peaks model by establishing who the regulators are and how they must operate (Schmulow 2018). The CoFI Bill then sets the requirements and

outcomes that financial institutions must adhere to, that fall within the jurisdiction of the FSCA (FSCA 2019:13).

The introduction of the FSR Act made provision for the implementation of the Twin Peaks model of regulation to improve and maintain financial stability, consumer protection and market conduct, in order to expand access to financial services and to combat financial crime (National Treasury 2018). In addition, the transition to this financial system aims to be risk-based and focused on positive consumer outcomes. This means that larger institutions (which may pose a significant risk to consumers) will be subject to more intrusive supervision than smaller financial institutions (Masthead 2016).

The FSCA is responsible for enhancing the efficiency and integrity of the financial system. As a result of the shift to the Twin Peaks regulation model, all aspects of financial services (including banking) now fall within the jurisdiction of the FSCA (FSCA 2019:14). Table 2.1 provides a brief overview of the main regulatory bodies in the financial services industry.

**Table 2.1: Regulatory bodies in the South African financial services industry**

ROLE OF THE BODY		REGULATORY BODY	OBJECTIVES
TWIN PEAKS MODEL	Prudential Authority	South African Reserve Bank (SARB)	<ul style="list-style-type: none"> <li>Protect and enhance financial stability</li> <li>If a systemic event has occurred or is imminent, restore and maintain financial stability</li> <li>Promote and enhance safety and soundness of financial institutions that provide financial products and securities services</li> <li>Promote and enhance the safety and soundness of market infrastructures</li> <li>Protect customers against the risk that financial institutions may fail to meet their obligations</li> </ul>
	Market Conduct Authority	Financial Industry Conduct Authority (FSCA)	<ul style="list-style-type: none"> <li>Enhance and support efficiency and integrity of the financial system</li> <li>Protect consumers by promoting fair treatment of financial consumers by financial institutions</li> <li>Provide financial consumers with financial education programs, and otherwise promote financial literacy and the ability of financial consumers to make sound financial decisions</li> <li>Assist in maintaining financial stability</li> </ul>
INTER-AGENCY CO-OPERATION AND COLLABORATION		National Credit Regulator (NCR)	<ul style="list-style-type: none"> <li>Promote a fair and non-discriminatory marketplace for access to consumer credit</li> <li>Provide for the general regulation of consumer credit</li> <li>Prohibit unfair credit and credit marketing practices and promote responsible credit granting and use</li> </ul>
		Financial Intelligence Centre (FIC)	<ul style="list-style-type: none"> <li>Provide a central point for all matters relating to money laundering and terrorist financing in South Africa</li> <li>Assist in the identification of proceeds of unlawful activities and the combating of money laundering activities</li> <li>Serve as a collection point for information</li> </ul>

Source: Botha *et al.* (2019); National Treasury (2017)



Table 2.1 shows that there are four regulatory bodies that play a collaborative and inter-agency role between the Twin Peaks model, and the NCR and the FIC (Scalco and Naidoo 2019). The NCR is responsible for the general regulation of consumer credit and the prohibition of unfair credit and credit marketing practices, with the aim of promoting responsible credit granting and use. The FIC is the central point for investigating all matters relating to money laundering and terrorist financing in South Africa (Botha *et al.* 2019:25).

The former FSB was responsible for oversight of the non-banking financial services industry from 1991 to 2018. This role included providing financial education and enhancing financial literacy of consumers as part of consumer protection and financial inclusion initiatives (Chitimira 2020:289). However, the FSB failed to improve financial inclusion and financial literacy for low-income earners in South Africa, as only 51 percent of consumers are financially literate (Chitimira and Ncube 2020:9). In other words, approximately half of South African consumers have adequate levels of financial knowledge and access to basic financial products and services. The shift from the FSB to the FSCA is thus a welcome change, and it is hoped that access to financial products and services as well as financial literacy will improve.

## 2.2.2 CONSUMER PROTECTION BODIES IN THE FINANCIAL SERVICES INDUSTRY

There are six main consumer protection bodies in South Africa, that are responsible for ensuring compliance in the financial services industry and promoting financial literacy (Table 2.2). A consumer protection body is an institution that is often established within an industry to deal specifically with matters that relate to the infringement of consumer rights (Chitimira 2020:290). Often these consumer protection bodies are referred to as an ‘ombudsman’, meaning an impartial person or organisation with the authority and responsibility to receive, investigate or formally address complaints (National Treasury 2017:2). Such a free service plays an important role in the regulatory environment to ensure that the provisions of relevant legislation are enforced.

An ombuds scheme can be established either through legislation or by an industry initiative (Botha *et al.* 2019:27). There are currently six ombud schemes in the financial services industry, however none of them follow the same rules and procedures. Therefore, with the implementation of the Twin Peaks model of regulation and additional financial reform, an

Ombud Council was created as a full-time statutory body that regulates all ombudsman and consumer protection bodies (Godwin 2017:152; Ombud Council 2022).

**Table 2.2: Consumer protection bodies in the financial services industry**

CONSUMER PROTECTION BODY	OBJECTIVES
<b>Ombudsman for Financial Services Providers</b>	<ul style="list-style-type: none"> <li>Established by the FAIS Act, often referred to as the FAIS Ombud.</li> <li>Considers matters relating to advice and intermediary services offered by FSPs.</li> </ul>
<b>Ombudsman for Banking Services</b>	<ul style="list-style-type: none"> <li>An independent and impartial body that reports to the Banking Adjudicators Commission, and not to banks.</li> <li>Only has jurisdiction to consider complaints relating to advice or financial products and services offered by banks.</li> </ul>
<b>Pension Funds Adjudicator</b>	<ul style="list-style-type: none"> <li>Established by the Pension Funds Act 24 of 1956 to consider complaints from members, employers and beneficiaries of retirement funds.</li> </ul>
<b>Ombudsman for Short-term Insurance</b>	<ul style="list-style-type: none"> <li>Established to consider matters relating to the repudiation of short-term insurers under a policy where the insured considers the repudiation to be wrong or legally unsound.</li> </ul>
<b>Ombudsman for Long-term Insurance</b>	<ul style="list-style-type: none"> <li>Established to mediate between insurers and policyholders in disputes relating to long-term insurance.</li> </ul>
<b>National Consumer Commission</b>	<ul style="list-style-type: none"> <li>Established by the Consumer Protection Act 68 of 2008 to promote and advance the social and economic well-being of consumers.</li> <li>The objective of the commission is to investigate consumer complaints that are in violation of the National Credit Act 34 of 2005 and the Consumer Protection Act 68 of 2008.</li> </ul>

**Source: Botha *et al.* (2019); National Treasury (2017)**

As previously discussed, regulatory bodies are established by statute and are responsible for ensuring compliance with financial services legislation. In the event that financial planners contravene any of the provisions of legislation to the detriment of consumers, consumer protection bodies are independent and impartial intermediaries that assist consumers in seeking a remedy (Chitimira and Ncube 2020:8). Financial planners are thus required to adhere to the regulations as provided by the relevant regulatory bodies, to ensure that consumers are treated fairly.

The advice that is provided by financial planners often overlaps and falls across several sectors in the financial services industry. It is thus important that financial planners are knowledgeable of, and compliant with the provisions of the relevant regulatory bodies; and also for them to ensure that consumers are aware of the various consumer protection bodies that are available to assist them.

### 2.2.3 PRIMARY LEGISLATION GOVERNING THE FINANCIAL SERVICES INDUSTRY

Individuals and financial institutions who offer financial services are required to adhere to the provisions of the various regulatory bodies and relevant financial services legislation. Certain primary legislative instruments apply to all areas of the financial services industry, namely the Financial Intelligence Centre Amendment (FICA) Act No. 1 of 2017, the National Credit Act (NCA) No. 34 of 2005, the Financial Advisory and Intermediary Services (FAIS) Act No. 37 of 2002, and the Financial Sector Regulation (FSR) Act No. 9 of 2017. There are further specific pieces of legislation that are relevant only to a particular area in the financial services industry (e.g. health care, retirement, investments, etc.).

The FIC is responsible for administration and enforcement of FICA Act. The objectives of FICA are to assist in identifying proceeds from unlawful activities, to make information collected by the FIC available to investigating authorities, and to exchange information with similar bodies in other countries regarding money laundering activities and similar offences (De Koker 2004:716). These objectives are pursued by obliging accountable institutions to adhere to certain control measures and duties (Botha *et al.* 2019:99). The most common control measure is the duty to conduct customer due diligence by verifying the identity of potential consumers (using their identity documents and proof of residence) (De Koker 2004:716) during the provision of any type of financial service.

The purpose of the NCA is to protect consumers from predatory lending and other practices that lead to high levels of indebtedness, as well as exploitation by micro-lenders, debt administrators and debt collectors (Goodwin-Groen 2006:8). Protection activities are managed by requiring all credit providers to be registered and to engage debt counsellors to assist consumers in managing their debt (Roestoff, Haupt, Erasmus and Coetzee 2017:248). The NCR and the National Consumer Commission (NCC) are responsible for administering the NCA.

The FAIS Act is one of the most important pieces of legislation for authorised financial services providers as it provides a comprehensive framework to regulate the advice and intermediary services they offer (Botha *et al.* 2019:43). The FAIS Act prescribes the minimum standards of knowledge, experience and ethical conduct that is required to operate in the financial services industry, which is referred to as the “fit and proper requirements” (FAIS Act Board Notice 194

of 2017). The FSCA is responsible for supervising and overseeing compliance with the FAIS Act.

In order to provide advice or intermediary services of a financial nature, individuals and financial institutions need to meet the FAIS fit and proper requirements and apply for a licence to offer those services. When dealing with clients who exhibit unusual behaviour or make suspicious transactions, FICA requires the service provider to do due diligence to establish their identity as well as their intentions, to ensure that they are not engaging in money laundering activities. All regulatory requirements need to be adhered to, regardless of whether an individual is a financial advisor or a CFP® professional. On the other hand, professional bodies are voluntary bodies which individuals who offer financial services can elect to join.

#### 2.2.4 PROFESSIONAL BODIES IN THE FINANCIAL PLANNING ENVIRONMENT

Greenwood (1957) highlights several elements that are common among professions. An individual in a professional occupation needs to possess superior skills, based on a systematic body of theory which gives them a sense of authority. The professional service provider determines what is best for the client, as opposed to a non-professional occupation where customers determine the products and services they want (Goetz *et al.* 2005:232). As a result of this authority over clients, and to protect the clients' interests, most professions have a code of ethics and practice standards that need to be adhered to (Greenwood 1957). The financial planning industry has a code of ethics in the form of global practice standards that all financial planning professionals need to adhere to (Grable and Ruiz-Menjivar 2015).

A profession usually operates through a network of formal and informal groups and has an organisation or professional body that is responsible for replenishing the profession's supply of talent, as well as expanding the body of knowledge (FPI 2019b). In South Africa, professionals in the financial planning environment must adhere to the practice standards as outlined by the international standards setting board (FPSB) as well as the national professional body (FPI).

The FPSB is the global standards setting board for the financial planning profession. It works through national organisations in each country, which are referred to as 'affiliates'. There are

26 national organisations which are affiliated to the FPSB. These affiliate countries manage training, compliance with global standards, and the Certified Financial Planner (CFP®) certification. The FPSB is also responsible for developing the six-step financial planning process that all financial planners are expected to apply when providing advice.

The FPI is the national affiliate organisation that is responsible for the certification, training and regulation of the financial planning profession in South Africa. It is the only recognised professional body for financial planning in Africa. The FPI is affiliated to the South African Qualifications Authority (SAQA) and is one of nine approved Recognised Controlling Bodies (RCBs) recognised by the South African Receiver of Revenue (SARS) (SARS 2019).

To be considered a professional financial planner, the FPI outlines specific competencies that must be met (Botha *et al.* 2019:19) and accreditation is required, usually through a licence. Financial planners must be able to use their skills obtained through education and experience to collect, analyse and synthesise information based on the core knowledge and practice areas in the field of financial planning (FPI 2019c). Services offered must be based on ethics and the practice standards embodied in the six-step financial planning process. Individuals in the financial services industry who are able to comply with these requirements successfully are distinguished as financial planners.

#### 2.2.5 FINANCIAL ADVISORS AND FINANCIAL PLANNERS

It is important to distinguish between a financial *advisor* and a financial *planner*. A financial advisor is any financial services provider (FSP), key individual or representative who meets the fit and proper requirements specified by the FSCA to provide financial advice to customers (FPI 2019a). A financial planner, however, is someone who is authorised by the FPI to use the CFP® professional designation to provide financial advice to clients (Haldane 2020). Financial advisors are able to give advice based only on the FSCA licence category for which they are authorised, whereas financial planners can provide advice based on all the knowledge and practice areas in financial planning (FPI 2019c).

According to the FAIS Act, *financial services providers* (FSPs) are juristic or natural persons who provide advice or intermediary services to consumers in the financial services industry (Goodall *et al.* 2022:114). To practise as an FSP, authorisation needs to be obtained from the

FSCA by applying and qualifying for an FSP licence (Botha *et al.* 2019:45). A *key individual* is a natural person who acts on behalf of an FSP, who is a juristic person such as a trust, company or close corporation. If the FSP is a sole proprietor, they can also be considered as the key individual (Goodall *et al.* 2022:115). Key individuals are responsible for managing and overseeing the activities of an FSP. A *representative* is any individual that renders financial services on behalf of an FSP by reason of employment of any other mandate (Goodall *et al.* 2022:115). Representatives do not require a licence to provide financial services for an authorised FSP. However, they are required to meet the fit and proper requirements (Botha *et al.* 2019:49; Guedes 2013; Millard and Botha 2012).

The FPI offers three levels of membership, namely a Registered Financial Practitioner (RFP™), a Financial Services Advisor (FSA™) and a Certified Financial Planner (CFP®) (FPI 2019e). The CFP® designation is the highest recognised professional designation in the financial planning profession globally (Botha *et al.* 2019:19). In addition to the FSCA's fit and proper requirements for all FSPs, key individuals and representatives, four requirements need to be met in order to be a member of the FPI and obtain a professional designation. Reference is also made to the “four E's” namely education, examinations, experience and ethics requirements (see Section 2.3).

## **2.3 FINANCIAL PLANNER COMPETENCY REQUIREMENTS**

Financial planners are required to possess certain skills and competencies to provide financial services and offer suitable advice to their clients, based on six main knowledge and practice areas, as depicted in Table 2.3.

**Table 2.3: Fit and proper and FPI competency requirements**

Fit and proper requirement		FSP (Juristic person)	FSP (Natural person)	KI *	Rep #	FPI req	RFPT <sup>TM</sup>	FSA <sup>TM</sup>	CFP <sup>®</sup>
Personal character qualities of honesty and integrity and good standing		✓	✓	✓	✓	Ethics	8 principles of the FPI code of ethics		
Competency requirements	Minimum experience	n/a	✓	✓	✓	Experience	1 year	2 years	3 years
	Minimum qualification	n/a	✓	✓	✓	Education	NQF 5/6	NQF 6/7	NQF 8
	Regulatory examinations	n/a	✓	✓	✓	Exam	Professional Competency Exam		
	Continuous Professional Development	n/a	✓	✓	✓	CPD <sup>+</sup>	35	35	35
	Class of business training and product specific training	n/a	✓	✓	✓	n/a	n/a	n/a	n/a
Operational ability		✓	✓	✓	✓	n/a	n/a	n/a	n/a
Financial soundness		✓	✓	n/a	n/a	n/a	n/a	n/a	n/a

\* Key individual; # representative; ✓ requirement that needs to be met; <sup>+</sup> minimum CPD points required n/a requirement is not applicable

**Source: Botha *et al.* (2019:49); Board Notice 194 of 2017 of the FAIS Act**

Table 2.3 shows that the requirements to practise as a CFP<sup>®</sup> professional are higher and more cumbersome than those required to offer financial services as an FSP per the FSCA. Financial services that are offered by FSPs, key individuals and representatives are limited to the category of licence for which the FSCA authorises them, and are usually limited to a single transaction. CFP<sup>®</sup> professionals, however, are held to a higher standard (also evident in Section 2.3.1) by the FPI, and are required to have extensive knowledge in various practice areas to ensure that they are able to provide comprehensive advice that is suitable to their clients.

The competency requirements of FSPs, key individuals, representatives – as well as CFP<sup>®</sup> professionals – are discussed further in the following sections. It is important to consider these competency requirements, because in proposing a reconceptualised financial planning process, the educational requirements of financial planners will need to be revised. The required experience as well as the content of the examinations will need to be reviewed, and continuous professional development activities will have to be re-evaluated to ensure that individuals who will be implementing the reconceptualised financial planning process are competent to do so.

### 2.3.1 COMPETENCY REQUIREMENTS TO OFFER FINANCIAL SERVICES

Given the differences between financial planners who are authorised by a professional body (FPI) to provide financial planning services *versus* FSPs, key individuals and representatives who are authorised by the financial services regulatory body (FSCA), it is important to distinguish between the requirements in offering financial services (including investments, lending, planning and management of finances).

The Board Notice 194 of 2017 of the FAIS Act prescribes the following fit and proper requirements that must be met by FSPs, key individuals and representatives as per the FSCA: personal character qualities of honesty and integrity, competency requirements (experience, qualifications, regulatory examinations, continuous professional development, class of business and product specific training), operational ability and financial soundness. To ensure that FSPs provide financial services that are in line with the interest of the client, the FAIS Act requires all FSPs to possess **personal character qualities of honesty and integrity and have a good standing** in society. Directors, members and trustees of FSPs are also required to demonstrate personal characteristics of honesty and integrity through their corporate behaviour and conduct.

The requirement to have character qualities of honesty and integrity is expanded by the FPI as the **ethics** requirement, where prospective CFP® professionals need to adhere to the ethics and practice standards of the FPI. The FPI code of ethics is rules-based and is intended to promote ethical behaviour (FPI 2022). Failure to adhere to the FPI code of ethics may result in disciplinary action. The FPI code of ethics consists of eight principles (Botha *et al.* 2019:9):

- |                             |                                |
|-----------------------------|--------------------------------|
| ▪ Principle 1: Client first | ▪ Principle 5: Competence      |
| ▪ Principle 2: Integrity    | ▪ Principle 6: Confidentiality |
| ▪ Principle 3: Objectivity  | ▪ Principle 7: Diligence       |
| ▪ Principle 4: Fairness     | ▪ Principle 8: Professionalism |

Financial planners are required to use these principles to assess whether their decisions, analysis and actions are professional and ethically sound (FPI 2022). FSPs, key individuals and representatives must also meet and maintain several competence requirements, one of which relates to relevant and adequate **experience** in the financial services industry. Experience involves active and ongoing gaining of knowledge, skills and expertise.



The **minimum qualification** competency requirement applies to all FSPs, key individuals and representatives. The FSCA publishes a list of recognised qualifications that are applicable to various licence categories (FPI 2019b). An exemption applies when FSPs, key individuals and representatives are appointed only to perform the execution of sales for financial products (no advice required). In that case, only a Grade 12 National Senior Certificate is required. To meet the **education** requirement of the FPI, an appropriate undergraduate qualification (NQF 6 or 7) is required to practise as an FSA™ (old NQF 5 or new NQF 6 to practise as an RFP™), and a postgraduate (NQF 8) qualification is required from an FPI approved education provider to practise as a CFP® (Goodall *et al.* 2022:7). The education requirement to be a CFP®, FSA™ or RFP™ is thus much higher than that of a financial advisor or representative, who merely needs to meet the fit and proper requirements.

FSPs, key individuals and representatives are required to pass **regulatory examinations** that are set by the FSCA (Goodall *et al.* 2022:117). The purpose of these examinations is to assess the knowledge, understanding and application of all financial services legislation (FPI 2019d). The regulatory examinations are administered by recognised examination bodies and are set in accordance with standard criteria specified by the FSCA. The FPI requires prospective CFP® professionals to successfully complete the **Professional Competency Examination (PCE)**, which is also informally referred to as the FPI ‘Board exam’ (Goodall *et al.* 2022:117). The PCE examination is structured in the form of two sessions of three hours each, with an average minimum grade of 60% being required to pass (FPI 2019c). The PCE examination assesses all the knowledge areas of financial planning in the form of a case study, and is thus not a theoretical or academic examination. The aim of the examination is thus to assess the candidate’s ability to collect, analyse and synthesise information in order to provide advice based on realistic financial planning problems (FPI 2019c).

**Continuous Professional Development (CPD)** competency requirements must be met by all FSPs, representatives and key individuals. It is important to maintain minimum standards of competence that are relevant to the function and role of these authorised providers. The FSP is responsible for ensuring that policies and procedures are established for key individuals and representatives to maintain their existing knowledge, update their skills on a regular basis, and acquire new knowledge and skills to enhance their current role (Goodall *et al.* 2022:116). FSPs, key individuals and representatives are required to obtain a minimum of six to 18 CPD points in a 12-month cycle, depending on the class of business activity or the number of sub-categories

of financial products they provide (Goodall *et al.* 2022:117). In order to retain their licence, CFP<sup>®</sup>, FSA<sup>™</sup> and RFP<sup>™</sup> professionals are required to obtain at least 35 CPD points, of which five need to be for ethics in any 12-month cycle (FPI 2019d).

All FSPs, key individuals and representatives are required to receive **business and product specific training** that is relevant to the authorised product that they are licenced to sell (FPI 2021). The training must cover the range of financial products, their general and specialist characteristics, the risks associated with those products, as well as the appropriateness thereof, depending on the client's needs (Goodall *et al.* 2022:117). This is not a requirement for CFP<sup>®</sup> or FSA<sup>™</sup> professionals, as they are independent practitioners who are required to have knowledge of all financial products to provide the most suitable product to meet their clients' needs (Goodall *et al.* 2022:117).

**Operational ability** is also specified as a fit and proper requirement. The FSP is responsible for adopting a suitable governance framework that is central to treating clients fairly, according to prudent management principles (Goodall *et al.* 2022:118). The operational ability requirement includes having a fixed business address, adequate access to communication facilities, storage and filing systems, and a bank account with a registered bank (FPI 2019d). FSPs that furnish 'automated advice' need to ensure that appropriate human resources are allocated, with the required knowledge and understanding of the algorithms used to provide automated advice (FPI 2019d).

**Financial soundness** is a fit and proper requirement that applies to all FSPs (natural and juristic) and juristic representatives. Adequate financial resources must be maintained to conduct all business activities and meet liabilities (FPI 2019d). It is also required that the FSCA must be provided with a warning if the liabilities of an FSP exceed their assets by 10 percent (Goodall *et al.* 2022:118).

### 2.3.2 FINANCIAL PLANNING KNOWLEDGE AND PRACTICE AREAS

As previously mentioned, financial planners must be able to use their skills and competencies to collect, analyse and synthesise client information, based on core knowledge and practice areas of financial planning. In particular, financial planners should be knowledgeable in the following practice areas: personal financial management, investment planning, risk and

insurance management, tax planning, retirement planning and estate planning (Altfest 2004:54; Chieffe and Rakes 1999:262; Hanna and Lindamood 2010:2). Each of these practice areas is discussed in the sub sections that follow.

#### 2.3.2.1 Personal financial management

Personal financial management refers to the process of planning and managing one's financial activities (income generation, spending, saving, investing, income and asset protection), which is usually recorded in the form of a budget (Raijas 2011:557). This involves collecting and analysing personal or household financial information, to ascertain whether a person is living within their means and to make appropriate reductions in debt to meet short-, medium- and long-term financial goals (Botha *et al.* 2019:127). savings and

Personal financial management is considered to be one of the most important aspects in the financial planning process (FPI 2019d). Before developing strategies and recommendations for long-term goals such as retirement and estate planning, it is important to ascertain what the client or household's current financial capacity is, in the form of the household cash flow (Knutsen and Cameron 2012:35). Information pertaining to a client or household's assets and liabilities, their cash flow, financial obligations and their net worth needs to be collected by a financial planner in order to develop a financial management plan or budget (FPI 2019d). The role of the financial planner is then to identify areas where cash flow can be released in order to make adequate provision for savings and investments.

Personal financial management is also determined by factors such as the client's socio-economic status, their marital status and the family's phase in their life cycle (Raijas 2011:556). Therefore, it is important for financial planners to collect qualitative information to understand how the client or household makes financial decisions, their propensity to save and their attitude towards debt. It is also necessary to determine the client's actual purchasing and saving behaviour, including their budget, their actual income and expenditure, balance statements of long- and short-term debt, as well as any existing investments. All this information will assist the financial planner in determining the financial goals of the client.

### 2.3.2.2 Investment planning

Investment planning refers to allocating financial resources to financial products with higher potential for risk and reward, in order to meet the long- and short-term financial goals and objectives of the client (Altfest 2004:54). This involves collecting information pertaining to the client's financial needs, their current investment products, their risk appetite, as well as their risk capacity, all of which the financial planner will use to create an investment plan. One of the main long-term goals for clients and households is often wealth creation. This refers to the economic and social value of the net assets that contribute towards individual, group or intergenerational well-being (Pender, Marré and Reeder 2012:535).

Investment planning is thus one of the most important aspects of financial planning as it assists clients in achieving their financial goals. The investment advice that is recommended by the financial planner must take into account the impact of risk, inflation, taxation and the need for liquidity (Botha *et al.* 2019:373). According to Diacon (2004:190), there are significant differences between how expert investors and lay investors perceive risk in relation to investment products. The role of the financial planner is to review the characteristics of the client's current investment products and to assess the tax implications of acquiring or disposing of assets (FPI 2019d). It is also important to collect information pertaining to the client's expectations on the return of proposed financial products, and to determine whether these are consistent with the client's risk tolerance and risk capacity (Knutsen and Cameron, 2012:37).

### 2.3.2.3 Risk and insurance management

Risk refers to the probability of an adverse deviation from an expected outcome (Diacon 2004:180). In the context of financial planning, risk can affect a client or household in a personal, investment or business capacity (FPI 2019d). Risk management is the process of identifying, analysing and developing strategies to minimise the impact of the risk in a financially feasible way, in accordance with the client or household's goals and objectives (Botha *et al.* 2019:153). Altfest (2004:54) refers to risk management as the incorporation of insurance and other strategies to establish and mitigate risks that households may be exposed to.

Households are exposed to various types of risks, such as income risks which arise due to loss of income or the ability to generate income, though injury, illness, disability or premature death (Showers and Shotick 1994:492). It is the role of the financial planner to collect information about the client's existing insurance coverage, their preference for handling risk exposure, and their lifestyle and health issues. The financial planner also needs to assess the client's exposure to financial risk, and based on this information, to determine the most suitable risk management strategy (FPI 2019d). Possible strategies could include risk prevention, risk avoidance, risk reduction (such as remedies to mitigate risks), risk retention (which usually applies to smaller risks that the client may have the capacity to bear), or more commonly, risk transference to an insurer (Botha *et al.* 2019:228).

#### 2.3.2.4 Tax planning

Financial planners do not need to be tax practitioners; however, they do need to understand the client's current tax situation, be knowledgeable about the tax implications of the recommendations that they make, be able to identify future tax liabilities and make provisions accordingly. The role of the financial planner is thus to collect information pertaining to the client's tax position, identify the taxable nature of products and investments, and identify the current, deferred and future tax liabilities of the client (FPI 2019d).

There are different types of tax in South Africa, which may each have a direct impact on consumers when applying the six-step financial planning process. Normal tax consists of income tax on gross income from different sources in cash or in kind, and capital gains tax (CGT) is a tax on the proceeds from the sale of a capital asset (Eighth Schedule to the Income Tax Act 58 of 1962). Any donation that is made to another person or organisation is subject to donations tax (Thungo 2007:12). A donation is a gratuitous disposition of property without financial consideration, or remuneration below market value (Omarjee 2019). Donations tax was introduced to deter individuals from trying to reduce their deemed level of income and thus pay less income tax, or to reduce their gross estate in order to pay less estate duty at death (Thungo 2007:12). Certain donations are, however, exempt from donations tax, and others are tax deductible. An annual exclusion of R100 000 per year of assessment applies to natural persons (Omarjee 2019).

It is important for financial planners to be aware of the implications that various taxes may have on clients' levels of disposable income, as they may reduce the amount of cash available for saving and investments (Botha *et al.* 2019:261). In addition, these taxes affect the net return received from investments, since any income may be subject to income tax (e.g. rent, interest and dividends), and capital gains are subject to CGT (Income Tax Act No. 58 of 1962).

According to Gcabo and Robinson (2007:357), tax paying behaviour in South Africa is influenced by tax literacy, tax awareness and societal attitudes towards paying tax. Oberholzer (2014:5) claims that a tax gap exists in South Africa, which can be attributed to ignorance, but mostly to aggressive tax planning by individuals who want to reduce their tax liability as much as possible. It is thus important for financial planners to collect information pertaining to clients' attitudes towards paying taxes, as well as their level of awareness pertaining to the tax benefits that they may be entitled to (exemptions, exclusions and deductions), or any tax liabilities that they may face for current or future income.

#### 2.3.2.5 Retirement planning

Retirement planning refers to a collection of activities that are aimed at ensuring that an individual has sufficient capital available for day-to-day living expenses and any other retirement goals, after they withdraw from formal employment (van Rooij, Lusardi and Alessie 2012:466). To retire is to formally withdraw from one's occupation and active working life. This usually occurs between the ages of 55 and 65. The first phase of retirement planning occurs during the client's working lifespan, during which provisions for retirement are made through various savings vehicles. The second phase occurs at least a year prior to retirement, when specific issues associated with retirement should be addressed. During the final retirement phase, the client needs to ensure that their financial planning is adequate (Botha *et al.* 2019:131). The role of the financial planner is to assess the client's financial requirements at their desired retirement age, and to determine whether their retirement objectives are realistic (van Rooij *et al.* 2012:466). It is also important to assess whether the retirement products recommended to the client are suitable, and to determine the tax implications of acquiring or disposing of those retirement products (FPI 2019d).

According to Cameron and Fourie (2018:1), in South Africa less than 10 people in 100 are able to retire being financially secure and to maintain the lifestyle that they had prior to retirement.

Most South Africans leave retirement planning until a few years before they intend to retire, as they do not perceive it to be a priority given that it is a future event (Zeka 2019). This often results in them having to continue working, reduce their standard of living, rely on the goodwill of family and friends, or rely on social grants from the government (Cameron and Fourie 2018:16).

Retirement planning is thus an important aspect of financial planning and is influenced by an individual's retirement age, tax bracket, rate of return on investments before and after retirement, their life expectancy, and the level of annual income required after retirement (Greninger, Hampton, Kitt and Jacquet 2000:233). These factors also need to be considered in the context of rising health care expenditure after retirement (Butler and van Zyl 2012:32). Financial planners thus need to collect information about current spending behaviour, retirement needs, and goals such as paying off long-term debt or purchasing a smaller and more manageable home.

#### 2.3.2.6 Estate planning

Estate planning refers to implementing a plan for transferring an individual's wealth at death to their heirs or other beneficiaries. This requires an assessment of the individual's net value based on their assets and liabilities, together with the needs of their dependants at death (van der Merwe 2009:52). This process needs to be done in a tax efficient manner, in order to reduce or eliminate the tax burden at death. Estate duty is an additional tax that is payable at death, at the rate of 20% on the net estate of the deceased person, if it exceeds R3.5 million (Estate Duty Act No. 55 of 1955).

The role of the financial planner in estate planning is to collect information in order to analyse assets and liabilities that are related to the client's estate, their distribution objectives, the taxable nature of their investments and other assets at death, and to determine the impact that legal agreements and documents might have on the client's distribution strategies. Financial planners also need to understand the impact that the financial products and strategies that they recommend will have on the client's estate.

It is important to note that customary law has a large impact on the lives of the majority of South Africans, as it pertains to marriage, inheritance and traditional authority (Ndulo 2011:88)

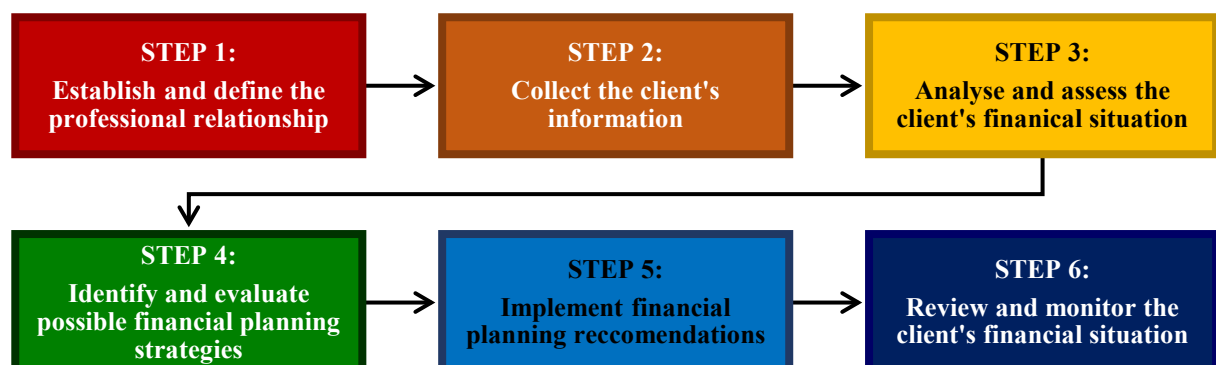
– particularly for African and Muslim consumers (FPI 2019d). This may have financial planning implications as these traditional aspects are currently governed by formal legislation, such as South African common law, the MPA, the Intestate Succession Act No. 81 of 1987, the Divorce Amendment Act No. 95 of 1996, and the Estate Duty Act No. 55 of 1955. In the event of a client dying without a valid will, financial planners will distribute the estate according to the Intestate Succession Act No 81 of 1987. However, this may be in contravention of traditional customs, since many estates are administered informally by family members or traditional leaders (Truter 2017).

To ensure the suitability of advice provided, financial planners are required to apply their skills, competencies and knowledge of the aforementioned financial planning knowledge areas, according to the FPSB and FPI practice standards. This can be done in practice by following the six-step financial planning process.

## 2.4 THE SIX-STEP FINANCIAL PLANNING PROCESS

To ensure high standards of advice whilst complying with the relevant legislation, and that clients are treated consistently and fairly, financial planners are required to adhere to the FPSB and FPI practice standards, which are embodied in the six-step financial planning process (Cull 2009; Irving 2012:48). Applying the six-step financial planning process transforms the engagement with a client from product-driven to service-driven, as the sale of a product becomes a natural consequence of the financial planning process. Furthermore, following the guidelines as prescribed by the six-step process enables financial planners to comply with the requirements of the FAIS Act without it feeling like a burdensome activity (Goodall *et al.* 2022:16). Figure 2.2 provides an illustration of the six-step financial planning process.

**Figure 2.2: The six-step financial planning process**





**Source: Botha *et al.* (2020:17); Collins and O'Rourke (2012); Cull (2009); Yeske (2010)**

According to Hanna and Lindamood (2010:2), use of the financial planning process by financial planners may create or increase wealth, reduce losses and smooths household consumption for their clients. Asbedo and Seay (2015:51) add that financial stability and financial security are indicators of successful financial planning. The outcome of the six-step financial planning process is a written financial plan that outlines the financial planning strategies that the client and financial planner agree to implement, based on the client's long-term goals (Botha *et al.* 2019:121).

A previously mentioned, Section 8 of the FAIS Act places the onus of ensuring the suitability of advice on financial planners, who are required to act with due care, skill and diligence. This is done by understanding the client's financial situation (Section 8(1)(a), conducting a needs analysis (Section 8(1)(b), and identifying appropriate financial products to address the needs identified by the financial planner (Section 8(1)(c). The application of the six-step financial planning process ensures that financial planners meet the requirements of Section 8 of the FAIS Act.

The following sub-sections provide further discussion of the six-step financial planning process, as well as the role of the financial planner and compliance with the relevant legislative requirements in each step.

#### 2.4.1 STEP ONE: ESTABLISH AND DEFINE THE PROFESSIONAL RELATIONSHIP WITH THE CLIENT

The first step of the financial planning process is to establish and define a professional relationship with the client (Botha *et al.* 2019:124). As part of building this relationship, the financial planner must inform the client about financial planning and make various disclosures as per the FAIS Act. Knutzen and Cameron (2012:35) add that the parameters and scope of engagement should also be established at this stage. According to Botha *et al.* (2019:18), building a relationship with the client is important due to the intangible nature of financial products and services. Since the benefits of financial planning will be realised and visible only in the future, the client relies on a relationship of trust with their financial planner. According

to Gill, Boies, Finegan and McNally (2005:289), a relationship of trust is more likely to occur if the client believes that the financial planner has the necessary knowledge, skills and competencies, benevolence and integrity. Collins and O'Rourke (2012:44) add that a relationship of trust is important, as clients are then more likely to feel free to reveal their goals to their financial planner. Financial planners also have to trust their client's vision of success, in order to help facilitate measurable objectives in trying to achieve their client's goals.

While some clients may seek one-time advice or services, financial planners tend to engage in ongoing professional relationships with their clients. Collins, Baker and Gorey (2007:15) posit that financial planners who have the facilitation skills of financial coaches – that are complementary to their technical skills – are likely to establish successful long-term relationships with their clients. Collins *et al.* (2007:20) further add that establishing a successful relationship with a client involves setting the foundation through ethical and professional standards, effective communication through active listening, co-creating a relationship of trust, and facilitating learning through creating financial awareness and managing progress and client accountability.

#### 2.4.2 STEP TWO: COLLECT THE CLIENT'S INFORMATION

After establishing and defining the future relationship with the client, it is necessary to gather relevant information from the client to understand their circumstances (Financial Planning Standards Board 2019). To ensure the suitability of the advice given by a financial planner, Section 8(1)(a) of the FAIS Act requires financial planners to understand the client's current financial position by gathering both quantitative and qualitative information that relates to the client's current financial status, their current financial provisions, and their future financial goals. Quantitative information relates to ascertainable facts that can be measured and verified, such as their age, lifestyle factors such as their health, and current financial information relating to their income, expenses, assets and liabilities (Knutzen and Cameron 2012:35). Legal information can also be ascertained quantitatively, such as the client's marital status (such as an antenuptial agreement or divorce decree), where applicable.

Qualitative information is more concerned with the quality of the information collected, as opposed to verifying quantitative information. Important qualitative information to gather includes information pertaining to the client's values, goals, attitudes towards money, and their

propensity to save (Botha *et al.* 2019:20). Irving (2012:52) adds that qualitative information about a client's perceptions of wealth and their own financial well-being can be determined by asking clients for their overall judgement about their financial situation and their control over it, and comparing this to the actual financial resources that they have available.

The information that is collected must be recorded by the financial planner as per Section 9(1) of the FAIS Act, in the form of a *record of advice*. The record of advice must include a summary of the information that was collected by the financial planner, and must be made available to the client. This summary of the client's information will form part of the client's financial plan (Masthead 2016).

#### 2.4.3 STEP THREE: ANALYSE AND ASSESS THE CLIENT'S FINANCIAL SITUATION

At this stage, the financial planner's skills and competencies play an important role in analysing the information collected in the previous step of the financial planning process. Once the financial planner has gathered the necessary data from the client, they need to analyse the information to determine the client's current financial situation (Knutsen and Cameron 2012:38).

Section 8(1)(b) of the FAIS Act requires financial planners to conduct a needs analysis that is based on the information that was collected in step two. It is important to analyse the data in the context of the knowledge and practice areas discussed above, namely financial management, investment management, risk management, tax planning, retirement planning and estate planning. It is also important to consider the existing products and financial planning strategies that clients have in place, and to determine whether it is necessary to replace, modify or provide financial services to complement them (Botha *et al.* 2019:27).

#### 2.4.4 STEP FOUR: IDENTIFY AND EVALUATE POSSIBLE FINANCIAL PLANNING STRATEGIES

Based on the analysis of the information gathered from the client, the financial planner needs to identify and evaluate possible financial planning strategies or financial products that will assist the client in meeting their financial goals. This is the fourth step of the financial planning

process (FPSB 2019). After deciding which strategies would best meet the client's needs and goals, the financial planner develops financial planning recommendations in the form of a financial plan (Botha *et al.* 2019:135). Again, the financial planner requires certain skills and competencies to formulate appropriate financial planning strategies.

Financial planning strategies could include: reallocating the client's investment portfolio to produce a higher return in the long term; refinancing high interest loans with lower interest loans; reducing a client's risk through the purchase or variation of insurance products; reducing the withdrawal rate of retirement annuities after retirement; or establishing a trust to ensure that beneficiaries are provided for in the event of the client's death (Hanna and Lindamood 2010:2). These strategies should incorporate the client's existing financial resources, and recommendations must be aligned with their needs.

To ensure that the recommendations and strategies that are developed at this stage of the financial planning process are suitable, Section 8(1)(c) of the FAIS Act requires FSPs to identify appropriate financial products based on the information collected and analysed in previous steps. Section 9(1) of the FAIS Act requires that the *record of advice* must include a record of the financial product(s) that have been recommended, with an explanation as to why they were selected in relation to the needs and financial goals of the client. The record of advice forms the foundation of the client's financial plan.

#### 2.4.5 STEP FIVE: IMPLEMENTATION OF FINANCIAL PLANNING RECOMMENDATIONS

The fifth step of the financial planning process is to implement the financial planning recommendations. Once the client has accepted the strategies that have been recommended, the implementation process commences, usually by obtaining commitment from the client (FPSB 2019). This commitment is obtained by agreeing on the implementation responsibilities of both the client and financial planner in writing (Goodall *et al.* 2022:32). The relationship of trust that should be formed at the first stage of the financial planning process is important when it comes to obtaining commitment from the client to implement the financial planning strategies.

Financial planners need to ensure that the recommendations align with, and support the client's personal and financial goals, and communicate to the client how they are consistent with their needs, values and priorities (Sharpe *et al.* 2007:10). Botha *et al.* (2019:136) state that some reasons why clients resist financial advice may be due to the level of the client's financial knowledge, their perceived value of the recommendations, or their perception that their needs have not been addressed. Botha *et al.* (2019:137) add that clients should also be reminded of the implications of not following the recommendations provided to them.

Once a client's commitment to implementing the recommended strategies has been obtained, appropriate products and services are identified to execute the financial plan (Botha *et al.* 2019:31). Knutsen and Cameron (2012:36) add that the implementation of the financial plan should be customised to the client's needs and readiness. According to Gilliam and Bagwell (2005:58), addressing non-financial issues and attitudes of clients are often challenging when it comes to the implementation of financial planning recommendations, due to constant changing of circumstances, such as unexpected illness, continuation of work after retirement, changing careers, or caring for ill parents.

#### 2.4.6 STEP SIX: REVIEW THE CLIENT'S FINANCIAL SITUATION

The final step in the financial planning process is to review the client's financial situation on an ongoing basis to ensure that the implemented financial plan is achieving their goals (FPSB 2019). Various changes in the client's personal situation warrant the review of the financial plan, such as a change in marital status, employment, death or a change in financial goals and objectives (Brinkman and Morgan 2010:6). External changes may also warrant a review of a client's financial plan, such as changes in legislation, the economic environment, political changes, or the introduction of new products and services that are more suitable for the client (Botha *et al.* 2019:32).

According to Christiansen and De Vaney (1998:7), maintenance of the ongoing relationship is important, since the implementation and monitoring of the client's financial plan takes a lot of time and effort. It is also important for financial planners to explain how and when their communication will take place, and to ensure that the reasonable expectations of the relationship on both sides are met. However, according to Sharpe *et al.* (2007:4), clients who are not truthful in their declarations at the beginning of the relationship, or a lack of

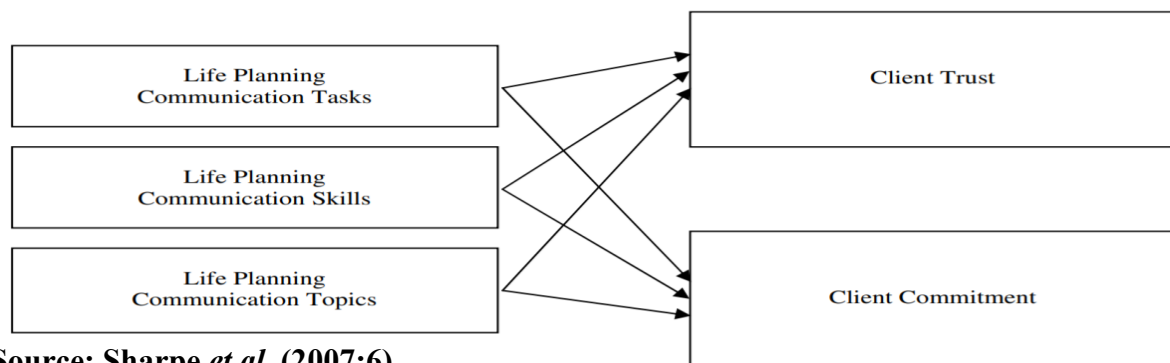
communication from the client, can hamper the relationship and in turn, the success of the financial planning process.

The six-step financial planning process – as discussed above and implemented in the financial planning industry – is part of the FPSB and FPI practice standards and is required as part of professional designation requirements. From an academic perspective however, various authors have conducted research on how to improve the existing six-step financial planning process.

## 2.5 PREVIOUS RESEARCH ON THE FINANCIAL PLANNING PROCESS

Communication plays an important role in the six-step financial planning process. Sharpe *et al.* (2007) investigated the role of communication in establishing a relationship of trust and commitment between the financial planner and the client. As per Figure 2.3, they suggest that communication tasks, communication skills and communication topics influence client trust and commitment.

**Figure 2.3: The relationship between specific elements of communication, and client trust and commitment**



**Source: Sharpe *et al.* (2007:6)**

Sharpe *et al.* (2007) suggest that specific *communication tasks*, as outlined by the FPSB, influence client trust as well as client commitment. These communication tasks include establishing a professional relationship with the client (step one) and determining the client's goals and expectations, as well as their basic attitudes and characteristics (step two). *Skilful communication abilities* are also necessary to facilitate client trust and commitment, namely verbal (strategic questions and continuous reflection), non-verbal (active listening and body language), and spatial arrangements for client interactions (comfortable and private settings) (Collins, Schrimmer, Diamond and Burke 2011:159; Wilkinson and Snell 2012:289).

*Communication topics* are also guided by the FPSB, which requires that financial planners initiate conversations about the client's values, attitudes, expectations and time horizons as these affect their goals, needs and priorities (Goodall *et al.* 2022:21). According to Sharpe *et al.* (2007), these topics create an emotional connection to the financial plan, which in turn, increases client commitment to the financial plan.

Chieffe and Rakes (1999) attempted to produce an integrated financial planning process by reconceptualising the six-step financial planning process into a matrix that considers whether anticipated events are current or future orientated, and whether they are expected or unexpected (Figure 2.4). The financial planning aspects that have been included as part of the matrix are based on the American professional body for CFP® professionals, which is referred to as the CFP Board (CFP Board 2020).

**Table 2.4: Integrated model for financial planning**

	CURRENT PERIOD	FUTURE PERIOD
PLANNED EVENTS	MONEY MANAGEMENT	INVESTING FOR GOALS
UNPLANNED EVENTS	EMERGENCY PLANNING	TRANSFERENCE PLANNING

**Source: Chieffe and Rakes (1999:262)**

According to Chieffe and Rakes (1999:263), short-term planned events involve money management activities, such as budgeting and income tax planning, where long-term planned events include investment planning for events such as education and retirement. Short-term unplanned events require emergency planning through risk management and healthcare planning, and long-term unplanned events require transference planning in the form of estate planning and life insurance. This integrated model for financial planning is an effective tool for steps three (analysing information) and four (presenting recommendations) of the six-step financial planning process. However, no reference is made to establishing and defining a professional relationship with the client before commencing with financial planning. This could be due to the fact that this aspect is lacking in the CFP Board code of ethics and standards (CFP Board 2020).

Several authors (Collins 2010; Collins, Baker and Gorey 2007; Goetz *et al.* 2005; van Rooij *et al.* 2012) have considered incorporating financial coaching and financial literacy into the financial planning process. Boon *et al.* (2011) reconceptualised the six-step financial planning

process by integrating financial literacy in the reviewing and monitoring stage (step six). A financial coach assists clients by facilitating the formulation of realistic goals, enhancing client accountability, and providing opportunities for practice, but unlike financial planners, financial coaches do not provide financial advice (Collins 2010:2). Most notably, Knutsen and Cameron (2012) reconceptualised the financial planning process into the Financial Coaching Advice Model (FCAM), which includes aspects of financial coaching and emphasises financial accountability by the client by integrating financial literacy at every stage of the financial planning process. Table 2.6 depicts the differences between the six-step financial planning process and the FCAM.

**Table 2.6: A comparison of the advisor/client role in the six-step financial planning process and the FCAM model**

	Six-step financial planning process	Financial Coaching Advice Model (FCAM)
Step One	Advisor attends to initial compliance; builds rapport; provide process overview and sets the terms of engagement.  Client agrees (or not) to proceed and signs terms of engagement.	Advisor attends to initial compliance; builds rapport; provides process overview and sets the terms of engagement.  Client commits to actions for change and signs terms of engagement.
Step Two	Advisor completes fact finding including: <ul style="list-style-type: none"> <li>• identifies financial goals,</li> <li>• assesses financial capacity i.e. cash flow,</li> <li>• assesses threats to the financial plan, and</li> <li>• surveys client for risk tolerance.</li> </ul> Client hands over financial data and responds to risk tolerance survey.	Advisor assesses financial literacy in relation to budgeting, and: <ul style="list-style-type: none"> <li>• educates on benefits of effective budgeting / saving,</li> <li>• provides cash flow analysis toolset, and</li> <li>• identifies and discusses client's wealth potential.</li> </ul> Client completes budget and identifies: <ul style="list-style-type: none"> <li>• financial goals and behaviours;</li> <li>• knowledge gaps</li> <li>• other threats to wealth creation.</li> </ul>
Step Three	Advisor researches strategy and product to support attainment of client's financial objectives; selects best option as the basis for the financial plan.  Client waits for advisor's response.	Advisor engages client in: <ul style="list-style-type: none"> <li>• collaborative SWOT analysis of financial objectives and opportunities,</li> <li>• education pathways to develop financial literacy, capability and informed expectation of risk.</li> </ul> Client commits to education pathway and to reducing controllable risks to their wealth creation, e.g. overspending.
Step Four	Advisor documents and presents recommendations in the SoA*.  Client acknowledges understanding of the advice and agrees (or not) to proceed.	Advisor continues to coach client towards wealth creation and reinforces accountability. Advisor prepares SoA and checklist detailing advice and tasks to complete for next session.  Client updates financial analysis tools; engages in progress evaluation and commits to next instalment of wealth creation tasks.
Step Five	Advisor processes financial product application paperwork and schedules review meeting.  Client co-signs applications and agrees to review schedule.	Advisor coaching continues; knowledge gaps continue to be filled and support is scheduled according to client's need. Advisor maintains client motivation with consistent and regular communication.  Client completes assigned tasks and records progress.



	Six-step financial planning process	Financial Coaching Advice Model (FCAM)
Step 5	Advisor evaluates actuals to the plan and identifies changes to previous recommendations.  Client confirms changes.	Advisor coaching sessions scheduled every two months.  Client continues to record progress, addressing commitment and any issues affecting progress.

\*SoA: Statement of advice (South African version of the Record of Advice)

**Source: Knutsen and Cameron (2012:37)**

In the six-step financial planning process, the financial planner assumes responsibility for the strategies and the implementation thereof and thus also serves as a transactional agent of financial products and services, whereas in the FCAM model, more responsibility for implementation of the strategies are transferred to the client. There is also more emphasis on client education and awareness creation in the FCAM model, as the client is tasked with analysing their own financial situation as opposed to the financial planner using their skills and competencies to do so in the traditional six-step financial planning process. It is also important to note that in the review and monitoring stage, the premise of the FCAM is for engagement to take place more often to review the client's progress with their own financial plan, whereas the traditional six-step financial planning process requires financial planners to review the financial plan only when the need arises.

Given previous research conducted on the financial planning process, it is clear that further reconceptualisation of the financial planning process is needed. In particular, given the unique needs of South Africa consumers due to so many diverse cultures and traditions, a review of the six-step financial planning process in the South African context is a serious gap in the current body of knowledge.

## **2.6 FACTORS INFLUENCING THE FINANCIAL PLANNING PROCESS IN SOUTH AFRICA**

Following the discussion of the six-step financial planning process and corresponding focus areas in previous research – and in order to address the objective of this study, which is to reconceptualise the financial planning process – this section highlights possible influencing factors specific to the South African context.

When considering the first step of the financial planning process (establish and define the professional relationship with the client), in a South African context it is important to consider

the fact that individuals from different cultural backgrounds establish relationships in different ways (Hofstede 2011). According to the ‘similarity attraction model’, clients relate better to financial planners who present similar characteristics to themselves, such as age, race, culture or gender (Sommer, Lim and MacDonald 2018). Criado, Herreros, Miller and Ubeda (2015:131) explain that this is due to stereotypes about different ethnic groups, discrimination, and the prevalence of social norms. According to Hutchison and Sibanda (2017:384), human relations and networks play an important role in repeated or ongoing transactions, particularly among the African community. Furthermore, it is important to note that contracts in South African customary law usually affect the entire family or broader community, and require or expect the head of the family (usually a male) to consult with the older male members of the family before concluding a contract (Hutchison and Sibanda 2017:381). Financial planners need to be aware of cultural nuances when approaching or addressing clients who are from different cultural backgrounds, since a lack of awareness may hinder their ability to establish professional relationships with the clients.

As discussed, step two of the six-step financial planning process (gathering information or data) includes the collection of qualitative information, such as the client’s propensity to save, or their attitude towards money. When considering the client’s attitude towards money, it is important to note that perceptions and beliefs about wealth and poverty may differ amongst clients, according to their ethnicity. According to Hunt (2004), White and Black people have individualistic views about wealth, namely that wealth generation is dependent on individual ability. However, White and Black people differ in their perceptions related to poverty, since Black people perceive poverty as being structural, that is, it is due to poor wages, low quality school education, and discrimination (Seekings 2008). This perception is fuelled by wealth inequality in South Africa (Nattrass and Seekings 2001:45). At this step in the process, it is also important to consider the diverse needs of consumers in determining what information is important and what information might have future financial implications. Financial planners who are not aware of needs that are unique to different cultures may overlook information that is relevant and important to their clients.

Step three requires financial planners to analyse the information that was collected from their client. In order to do so, they are required to comply with the FPI competency profile, and analyse and synthesise the information based on the knowledge and practice areas as these pertain to their clients (Knutsen and Cameron 2012:38). Thus, if financial planners are not

appropriately trained, or lack experience in dealing with consumers with culturally diverse needs, their analysis of client information may not be accurate and as a result they will be unable to provide suitable advice.

Vast knowledge of suitable financial products and strategies is required to make suitable recommendations, which is related to step four of the six-step financial planning process (FPI 2019b). However, very often, traditional financial products and practices are overlooked when recommending financial planning strategies. Furthermore, the poor savings culture in South Africa – in addition to low levels of financial literacy – also needs to be taken into consideration when obtaining commitment from the client to implement these recommendations (step five).

South Africa's low levels of financial literacy necessitates client education about the principles of investment and how fluctuations in financial markets will affect their investments (Rootman and Antoni 2014:476). Furthermore, if there is a disconnect between the perceived needs of the client (step three) and the recommendations made (step four), an advice gap is created which makes implementation of the financial planning recommendations (step five) considerably more difficult. A financial advice gap occurs where wealthier clients with more complex needs receive comprehensive advice, whereas lower income earners with simpler needs receive only basic or generic advice. Similarly, middle-income earners (who are considered to be the mass market) are under-serviced and thus unengaged (Hurman and Costain 2012).

Given South Africa's low levels of financial literacy and the financial advice gap as a result of wealth inequality, it is possible that South African consumers may not understand the advice that is provided. It is thus important that before the recommendations are implemented, clients should be sensitised and educated on the implications of not following the advice provided by the financial planner (Goodall *et al.* 2022:32). This will also create buy-in and accountability by the client for the implementation of their own financial plan, and in turn this might ensure that the review and monitoring process (step six) will be focused on improving the client's financial position. In addition, if a financial planner cannot recognise when a more frequent review is necessary (besides the annual review required by the FSCA) (Goodall *et al.* 2022:34), clients may not be committed to the plan, or may deem it to be unsuitable.

Based on the above discussion, it is clear that factors specific to the South African context are relevant to, and influence the way in which financial planning is offered, implemented and

experienced in the country. Thus it can be argued that a review of the six-step financial planning process is warranted.

## **2.7 SUMMARY AND CONCLUSIONS OF THE CHAPTER**

Chapter Two has provided an overview of the financial planning environment in South Africa, as it currently exists. Since financial planning operates within the financial services industry environment, key role players were identified – being the FSCA and SARB – who are the two primary bodies in the Twin Peaks regulatory model. The FIC and NCR were identified as supporting regulatory bodies who play a collaborative and interagency role in the regulation of the financial services industry. These regulatory bodies are responsible for enforcing some of the primary financial services legislation (namely the FSR Act, FAIS Act, FICA and NCA). Professional bodies were identified as key role players, specifically the FPSB (international professional body) and the FPI (national professional body).

A distinction was made between financial advisors and financial planners, being that financial planners are individuals who are authorised by the FPI to provide financial planning services, and financial advisors are FSPs, key individuals and representatives who are authorised by the FSCA to provide limited financial services based on the category of licence which they hold. The skills and competency requirements for financial advisors and financial planners were further discussed, as these are important requirements when providing financial planning services to South African consumers. Financial advisors and FSPs are required to meet the fit and proper requirements as per the FSCA. Financial planners can elect to be members of the FPI and obtain the CFP® professional designation, provided that they meet the “four E” competency requirements: ethics, experience, education and examinations.

Financial planners are required to use their skills and competencies to collect, analyse and synthesis each client’s information based on six knowledge and practice areas namely financial management, investment planning, risk and insurance management, tax planning, retirement planning and estate planning. The six-step financial planning process was described as it is applied in a South African context and previous research on the reconceptualisation of the six-step financial planning process was highlighted. The chapter concluded by discussing factors that may possibly influence the application of the six-step financial planning process in a South

African context. Many aspects were highlighted that warrant a review of the six-step financial planning process, given the unique challenges and diverse needs of South African consumers.

Chapter Three thus provides more in-depth information relevant to the South African context and discusses aspects that need to be considered when applying (or reconceptualising) the six-step financial planning process.

## CHAPTER THREE

### AN OVERVIEW OF THE DIVERSE FINANCIAL PLANNING NEEDS IN SOUTH AFRICA

#### 3.1 INTRODUCTION

To give effect to the primary objective of this study (to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers) and to achieve the first of the secondary objectives of the study, an extensive theoretical investigation was required, which is presented as three literature chapters. Chapter Two established the context of financial planning in South Africa and how it is currently applied, using the six-step financial planning process. Linked to this secondary objective and to proceed towards the attainment of the primary objective, it is important to turn the focus to South Africa's diverse financial planning needs. The aim of Chapter Three (the second literature chapter) is thus to provide an overview of how South Africa's cultural diversity presents unique financial planning needs. Figure 3.1 illustrates the role of Chapter Three in achieving the objectives of the study.

**Figure 3.1: The role of Chapter Three in achieving the objectives of the study**

PRIMARY OBJECTIVE To reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers.	SECONDARY OBJECTIVES	METHODOLOGICAL OBJECTIVES	EXPECTED OUTCOMES
	SO <sup>1</sup> : To investigate how the six-step financial planning process is currently applied in the financial planning environment by CFP® professionals for South African consumers based on their diverse financial planning needs.	MO <sup>1</sup> : To conduct a theoretical investigation on the financial planning environment as well as the six-step financial planning process and the diverse financial planning needs of consumers in the South African context.	<b>Chapter Two:</b> An overview of the financial planning environment and the financial planning process
			<b>Chapter Three:</b> An overview of the diverse financial planning needs in South Africa
			<b>Chapter Four:</b> Black households and the application of financial planning legislation and customary law

**Source: Researcher's own construction**

The first section of Chapter Three provides an overview of *culture* and how different dimensions are used to describe the characteristics of culture. Thereafter, the factors which contribute to South Africa's cultural diversity, which include race and ethnicity, wealth creation and distribution, marital regimes, procreation and family structures are described.

### **3.2 AN OVERVIEW OF CULTURE AND CULTURAL DIVERSITY**

In terms of cultural diversity, Africa is ranked as the most culturally diverse continent and South Africa has been ranked 15<sup>th</sup> globally among 180 countries surveyed for the extent of its cultural diversity, with an ethnic diversity score of 0.7289 (where 1 indicates most culturally diverse) (Wee 2019). South Africa's diversity is evident in that there are 11 official languages and various population groups, races and cultures (van Rooyen 2000:9). Each population group has their own culture, set of beliefs, and values, and thus they view aspects such as wealth (the creation, preservation and transference thereof), marriage and retirement differently (Afolayan 2004:9-24). These cultural differences present different financial planning needs. Therefore, it is important to first discuss culture, and then to identify the different financial planning needs that cultural diversity brings.

Hofstede (1980) is considered to be the seminal author in the discussion of culture and cultural diversity. Hofstede (1980) considers culture to be the collective mental programming or conditioning of people in a specific environment. He further adds that it is a patterned way of thinking, feeling and reacting, which is expressed through symbols, artefacts, traditions and customs that are shared among a given group of individuals (Hofstede 1981:23). More recently, Hofstede (2011:3) contends that every culture has a distinct generalised response to the same universal realities that are experienced by all humans alike. These realities include the existence and relationship between two genders, the need for the satisfaction of basic human needs, as well as the presence of individuals of different ages and of differing physical and other capacities. Culture can also be described as shared perceptions of the social environment, and specifies which behaviours (norms) are desirable for members of a particular culture, the individuals (their roles) in the social structure, as well as the principles and goals (values) that are considered important (Robert, Probst, Martocchio, Drasgow and Lawler 2000:644). According to Ghauri and Usunier (2003:99), culture is a learned behaviour that individuals are not consciously aware of. Despite being considered the seminal author when discussing culture, Hofstede's work is based on developments recorded by several earlier authors.

Parsons and Shils (1951) first suggested the Theory of Action, which holds that cultures can be distinguished based on five pattern variables which offer a degree of choice (on a continuum) between contrasting behaviours. These variables are described as the extent of **affectivity** (the need for gratification versus the restraint of impulses), **orientation** (self-orientation versus collective-orientation), **universalism in contrast to particularism** (applying general standards versus taking particular relationships into account), **ascription in contrast to achievement** (judging others by who they are versus judging them by what they do) and **specificity in contrast to diffuseness** (limiting relations to others versus no prior limitations regarding relations to others).

Kluckhohn and Strodtbeck (1961) then described culture based on value orientations in relation to five different human problems. These human problems include the evaluation of basic human nature, humans' relationships with their natural surroundings, their orientation towards time, their orientation toward activities, and their relationships with other people. How a group of individuals is inclined to understand, give meaning to, and solve these common problems is an outward manifestation of their innermost values (Kluckhohn and Strodtbeck 1961). Based on these aspects, Kohls (1981) developed the Value Orientations method which is used as an assessment tool in cultural diversity or to determine a culture typology (see Table 3.1).

**Table 3.1: Description of common human concerns and possible responses**

ORIENTATIONS	POSSIBLE RESPONSES		
<b>Human nature:</b> What is the basic nature of people?	Evil	Mixed	Good
<b>Man-nature relationship:</b> What is our appropriate relationship to nature?	Subordinate	Harmony	Dominant
<b>Time-sense:</b> How should we best think about time?	Past	Present	Future
<b>Activity:</b> What is the best mode of activity?	Being	Becoming	Doing
<b>Social relations:</b> What is the best form of social organisation?	Hierarchical	Collateral	Individual

**Source: Brink (1984); Gallagher (2001); Kohls (1981)**

Based on the Value Orientations method (as presented in Table 3.1), researchers found that European and American cultures believe that some people are good and others are inherently evil, they aspire to be dominant over nature, are future orientated, focus on working hard with



the understanding that their efforts will be rewarded (doing), and they emphasise individualism (Carter 1990; Gallagher 2001).

Conversely, native or indigenous cultures believe that humans are inherently good, they aspire to be in harmony with nature, they tend to be past orientated and draw their values from historic traditions, they believe that it is not necessary to accomplish great things in life to derive self-worth, and they emphasise collateral relations (Gallagher 2001). Inkeles and Levinson (1954) summarised anthropological and sociological studies conducted about culture on a national level, and concluded by discussing three aspects of culture referred to as “standard analytic issues”. These standard analytic issues are based on how individuals relate to authority, their self-concept and perception of masculinity and femininity, how moral dilemmas or conflicts are dealt with in their context, as well as the expression (or inhibition) and control of aggression (Hofstede 2011:5).

Given these findings and propositions of previous authors, Geert Hofstede is considered a seminal author as he has conducted extensive research on what is referred to as the six ‘dimensions of culture’, supported by further empirical studies (Eaton and Louw 2000; Fernandez, Carlson, Stepina and Nicholson 1997; Hofstede 1980; Hofstede 1981; Hofstede 1984; Hofstede 2011; Hofstede and Minkov 2010). These cultural dimensions are: power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, long-term versus short-term orientation, and indulgence versus restraint (Hofstede 2011; Hofstede and Minkov 2010). The dimensions relate to how different cultures view the world and their role in it, and how people from different cultures relate to each other and those beyond their own culture. For the purpose of this study, it is important to describe these dimensions in the context of South African culture (see Section 3.3).

### 3.2.1 POWER DISTANCE

Power distance, as one of the dimensions of culture, refers to the extent to which inequalities among people are seen as acceptable and appropriate (Robert *et al.* 2000:644). In other words, power distance is the degree to which people within a particular culture are comfortable and accepting of the fact that power is distributed unequally in society (Basabe and Ros 2005:192). Hofstede (2011:9) suggests that this inequality of power is endorsed equally by the followers and the leaders within a given culture or society. Ghauri and Usunier (2003:78), however, contend that this endorsement of unequal power may lead to large inequalities of income and

wealth which may be detrimental to the society. Power distance among cultures can be classified or measured as small (low) or large (high). Table 3.2 indicates some of the key differences between small and large power distance cultures.

**Table 3.2: Key differences between small and large power distance cultures**

SMALL (LOW) POWER DISTANCE	LARGE (HIGH) POWER DISTANCE
The use of power should be legitimate and is subject to criteria of good and evil.	Power is a basic fact of society ante-dating good or evil: its legitimacy is irrelevant.
Parents treat children as equals.	Parents teach children obedience.
Older people are neither respected nor feared.	Older people are both respected and feared.
Student-centred education is favoured.	Teacher-centred education is favoured.
Hierarchy means inequality of roles established for convenience.	Hierarchy means existential inequality.
Subordinates expect to be consulted.	Subordinates expect to be told what to do.
Pluralist governments based on majority vote and changed peacefully.	Autocratic governments based on co-optation and changed by revolution.
Corruption is rare; scandals end political careers.	Corruption is frequent; scandals are covered up.
Income distribution in society is even.	Income distribution in society is uneven.
Religions stress equality of believers.	Religions with a hierarchy of priests.

**Source: Hofstede (2011:9); Sewlall (1996:20)**

In large power distance cultures, there is a high degree of separation between authorities and subordinates based on status, hierarchical roles, conformity, paternalism, and what is considered valued within these cultures (Clark 1990:73; Matusitz and Musambira 2013:46). Respect and reverence are awarded to parents and elders, as they are considered to be authority figures in the hierarchy of the social unit (Basabe and Ros 2005:192; Clark 1990:73). In other words, there is a high dependency of subordinates on authority figures, thus demonstrating paternalism (Matusitz and Musambira 2013:46). In addition, Hofstede (1984) contends that cultures with a large power distance are more likely to conform to standard norms and traditions. On the level of national culture, a high degree of paternalism can be observed where protective functions of the family are transferred to the government (Naumov and Puffer 2000:715). In Eastern cultures such as Russia, several generations reside together in the same household, indicating a high degree of dependency (Naumov and Puffer 2000:716). This is also evident in Black African cultures where multi-generational family members reside together in one household (Russell 1994:53).

Conversely, cultures with a small power distance exhibit low levels of paternalism, which is evident in Western cultures where the parents' role in protecting and providing for their children recedes upon the children becoming adults, when the children voluntarily detach themselves from their family in terms of financial support (Naumov and Puffer 2000:716). There is also less conformity in small power distance cultures as the individuals within that culture or social unit are less likely to follow social norms and traditions (Matusitz and Musambira 2013:46).

### 3.2.2 UNCERTAINTY AVOIDANCE

According to Hofstede (2011:10), uncertainty avoidance refers to a culture's level of comfort when presented with ambiguous, unstructured, unknown or unusual situations. This level of comfort or tolerance translates into the desire for predictability and control that a culture exhibits through behavioural codes, laws and rules that are both written and unwritten (Hofstede 2011:10; Naumov and Puffer 2000:711; Zhang and Zhou 2014:152). Uncertainty avoidance can be classified or measured as weak (low) or strong (high) among or within cultures. Table 3.3 highlights key differences between weak and strong uncertainty avoidance cultures.

**Table 3.3: Key differences between weak and strong uncertainty avoidance cultures**

WEAK UNCERTAINTY AVOIDANCE	STRONG UNCERTAINTY AVOIDANCE
The uncertainty inherent in life is accepted and each day is taken as it comes.	The uncertainty inherent in life is felt as a continuous threat that must be fought.
Ease, lower stress, self-control, low anxiety.	Higher stress, emotionality, anxiety, neuroticism.
Higher scores on subjective health and well-being.	Lower scores on subjective health and well-being.
Tolerance of deviant persons and ideas: what is different is curious.	Intolerance of deviant persons and ideas: what is different is dangerous.
Conformable with ambiguity and chaos.	Need for clarity and structure.
Teachers may say 'I do not know'.	Teachers are supposed to have all the answers.
Changing jobs is not a problem.	Staying in a job, even if it is disliked.
Dislike rules – written or unwritten.	Emotional need for rules – even if not obeyed.
In politics, citizens feel and are seen as competent towards authorities.	In politics, citizens feel and are seen as incompetent towards authorities.

WEAK UNCERTAINTY AVOIDANCE	STRONG UNCERTAINTY AVOIDANCE
In religion, philosophy and science: relativism and empiricism.	In religion, philosophy and science: belief in ultimate truths and grand truths.

**Source: Hofstede (2011:10); Sewlall (1996:31)**

Cultures with weak or low uncertainty avoidance establish rules when necessary, as deviance from normative behaviour is condoned and tolerated (Naumov and Puffer 2000:711). In addition, risks are taken with confidence and new ideas, thoughts and opinions are not viewed as threatening (Ghauri and Usunier 2003:77). According to Matusitz and Musambira (2013:51), weak uncertainty avoidance cultures generally have a positive outlook and are more trusting of foreigners beyond their culture. Examples of countries with weak uncertainty avoidance include Sweden and Denmark (Matusitz and Musambira 2013:51), as well as some countries in Southern Africa (Ojera 2018:89).

According to Ghauri and Usunier (2003:77), strong or high certainty avoidance cultures feel threatened by ambiguity and deviant behaviour. Uncertainty is avoided in these cultures by evading conflict and high-risk situations. There is also a strong desire for rules and their outlook on life is negative, distrustful and they are suspicious of foreigners beyond their culture (Matusitz and Musambira 2013:51). According to Naumov and (Puffer 2000:711), the need for rules and structure within strong uncertainty avoidance cultures is driven by emotions and can often lead to the rules being irrational, unclear and inconsistent. Hofstede (2011:11) contends that individuals in uncertainty avoiding (strong) cultures are more inclined to make decisions based on their emotions and nervous energy. Examples of these types of national cultures include Belgium, Japan and France (Ghauri and Usunier 2003:77), as well as the Philippines (Matusitz and Musambira 2013:51).

### 3.2.3 INDIVIDUALISM VERSUS COLLECTIVISM

The individualism dimension refers to the relationship between an individual and his or her fellow individuals within a social unit (Ghauri and Usunier 2003:77). Hofstede (2011:11) refers to this dimension as the degree to which people are integrated into their respective groups. Booysen (2001:41) adds that it refers to the extent to which a society encourages and rewards individualistic or collectivistic behaviour. It can be argued either that individualism and collectivism are on opposite ends of a continuum (Györkös, Becker, Massoudi, Antonietti, Pocnet, de Bruin and Rossier 2012:311; Hofstede 2011:11), or that they may be considered as

independent constructs (Robert *et al.* 2000:644). Vogt and Laher (2009:41) add that individualism and/or collectivism can be viewed as a personality trait at the individual level and as a cultural trait at the societal level. Table 3.4 highlights the key differences between individualist and collectivist and cultures.

**Table 3.4: Key differences between collectivist and individualist cultures**

COLLECTIVIST	INDIVIDUALIST
People are born into extended families or in groups which continue to protect them in exchange for loyalty.	Everyone grows up to look after him/herself and his/her immediate (nuclear) family.
Identity is based on the social network to which one belongs.	Identity is based in the individual.
Children learn to think in terms of “we”.	Children learn to think in terms of “I”.
Harmony should always be maintained, and direct confrontation avoided.	Speaking one’s mind is a characteristic of an honest person.
High-context communication with non-verbal elements of facial expressions and gestures.	Low-context communication with emphasis on the verbal elements.
Trespassing leads to shame and loss of face for self and group.	Trespassing leads to guilt and loss of self-respect.
Purpose of education is learning how to do.	Purpose of education is learning how to learn.
Diplomas provide entry into higher status groups.	Diplomas increase economic worth and /or self-respect.
Employer-employee relationships are perceived in moral terms, like a family link.	Employer-employee relationships are a contract supposed to be based on mutual advantage.
Hiring and promotion decisions take employees in the group into account.	Hiring and promotion decisions are supposed to be based on skills and rules only.
Management is management of groups.	Management is management of individuals.
Relationships prevail over tasks.	Tasks prevail over relationships.

**Source: Hofstede (2011:11); Sewlall (1996:25)**

Györköös *et al.* (2012:311) define individualism as the tendency to value personal goals over one’s group goals. In individualistic cultures, ties between individuals are loose and everyone is expected to look after themselves and their immediate family (Ghauri and Usunier 2003:77; Hofstede 2011:11; Robert *et al.* 2000:644). Individualistic cultures thus prioritise personal freedom and achievement, and reward social status and accomplishments that make an individual stand out (Gorodnichenko and Roland 2011:3). According to Ghauri and Usunier (2003:77), the United States, Great Britain and the Netherlands display characteristics of an individualistic culture.

Collectivist cultures, however, are integrated into cohesive groups from birth and assume responsibility for themselves as well as their extended families (Hofstede 2011:11).

Individuals' identities are derived from the group to which they belong, and the group's needs, values, norms and goals are deemed to be more important than those of the individual (Robert *et al.* 2000:644). Individuals within collectivist cultures emphasise maintaining relationships within their respective groups and are expected to consider only the opinions and beliefs that are held by the specific group (Ghauri and Usunier 2003:77; Vogt and Laher 2009:41). According to Gorodnichenko and Roland (2011:3), collectivism encourages conformity, productive individuals are viewed as suspicious, and individuals are encouraged to share their surplus with the rest of the community. Countries that display higher levels of collectivism include China, North Korea and Japan, where family and group goals are prioritised over individual goals and desires (Ghauri and Usunier 2003:77).

### 3.2.4 MASCUINITY VERSUS FEMININITY

According to Sewlall (1996:34), Hofstede's masculinity versus femininity dimension of culture refers to the extent to which the dominant values within a culture are associated with masculinity. This dimension is more distinctive in cultures where there are sharply defined social gender roles for men and women (Naumov and Puffer 2000:716). According to Hofstede (2011:12), the masculinity versus femininity dimension as a societal characteristic refers to how values are distributed between genders. Table 3.5 illustrates key differences between feminine and masculine cultures.

**Table 3.5: Key differences between masculine and feminine cultures**

MASCUINITY	FEMININITY
Maximum emotional and social role differentiation between genders.	Minimum emotional and social role differentiation between genders.
Men should be assertive and ambitious, and women should be tender and take care of relationship.	Men and women should be modest and caring.
Work prevails over family.	Balance between family and work.
Admiration for the strong.	Sympathy for the weak.
Fathers deal with facts, mothers deal with feelings.	Both fathers and mothers deal with facts and feelings.
Girls cry, boys do not; boys should fight back, girls should not fight.	Both boys and girls may cry, but neither should fight.
Fathers decide on family size.	Mothers decide on number of children.
Few women in elected political positions.	Many women in elected political positions.
Religion focuses on God or gods.	Religion focuses on fellow human beings.
Moralistic attitudes about sexuality; sex is a way of performing.	Matter-of-fact attitudes about sexuality; sex is a way of relating.

**Source: Hofstede (2011:12); Sewlall (1996:25)**

Masculinity is the extent to which a culture expects men to be assertive, ambitious, competitive, and to strive for material success. There is also an expectation in masculine cultures that women should take care of children and those who are physically weak (Vitell, Nwachukwu and Barnes 1993:754). Besides not having to care for others, the acquisition of money and material things is considered to be a characteristic of masculine cultures (Sewlall 1996:34). Masculine cultures place more emphasis on achievement, performance and purposefulness (Rinne, Steel and Fairweather 2012:96). These aspects may contribute to some unethical behaviour, as a masculine culture tends to be more conducive to unethical conduct (Vitell *et al.* 1993:758). Examples of masculine national cultures include Spain (Buunk, Carmona, Peiró, Dijkstra and Dijkstra 2011:29), Japan, German-speaking countries, Latin countries like Mexico, as well as some English speaking Western countries (Hofstede 2011:12).

It is important to note that feminine cultures do not indicate the extreme opposite of masculine cultures; instead, in feminine cultures, social roles overlap, and both men and women value more than mere material well-being (Naumov and Puffer 2000:716). Feminine cultures prioritise the quality of life, helping others and preserving the environment, regardless of gender (Rarick, Winter, Barczyk, Pruett, Nickerson and Angriawan 2014; Rinne *et al.* 2012:96).

According to Vitell *et al.* (1993:754), in feminine cultures, neither men nor women need to be overly ambitious or competitive, and qualities such as interpersonal relationships and concern for the weak are valued. Both men and women exhibit qualities of modesty and a concern for the quality of life, as opposed to material success (Buunk *et al.* 2011:29). This is in contrast to masculine cultures, where those qualities are expected to be shown only by women (Buunk *et al.* 2011:29). Examples of feminine cultures include countries such as the Netherlands, France, Portugal and Thailand (Buunk *et al.* 2011:29; Hofstede 2011:12). In the African context, countries such as Kenya, Libya, Nigeria and Morocco are more masculine, whereas countries such as Algeria, Angola, Malawi and Ghana are more feminine in nature (Hofstede Insights 2022).

### 3.2.5 SHORT-TERM VERSUS LONG-TERM ORIENTATION

According to Sharma (2010:788), time orientation as a dimension of culture refers to whether a particular culture is short- or long-term oriented. Rarick *et al.* (2014) state that the time

orientation dimension indicates the extent to which a particular culture rewards and encourages future-oriented behaviour. The time orientation dimension is often referred to as ‘Confucian work dynamism’, as it reflects the Confucius philosophy – a set of principles often followed by Asian cultures (Tang and Koveos 2008:1051). Table 3.6 illustrates the key differences between short- and long-term oriented cultures.

**Table 3.6: Key differences between short- and long-term oriented cultures**

SHORT-TERM ORIENTED	LONG-TERM ORIENTED
Most events in life occurred in the past or take place now.	Most important events in life will occur in the future.
Personal steadiness and stability: a good person is always the same.	A good person adapts to the circumstances.
There are universal guidelines about what is good and evil.	What is good and evil depends upon the circumstances.
Traditions are sacrosanct.	Traditions are adaptable to changed circumstances.
Family life is guided by imperatives.	Family life is guided by shared tasks.
One is supposed to be proud of one's country.	One should try and learn from other countries.
Service to others is an important goal.	Thrift and perseverance are important goals.
Social spending and consumption is common.	Large savings quota, funds available for investment.
Students attribute success and failure to luck.	Students attribute success to effort and failure to lack of effort.
Slow or no economic growth in poor countries.	Fast economic growth in countries up to a level of prosperity.

**Source: Hofstede (2011:15)**

Individuals in short-term oriented cultures reflect a static and tradition-oriented mentality (Hua and Omar 2016:112). Sharma (2010:788) adds that short-term oriented cultures display characteristics of stability, respect for tradition, and a focus on the past or the present – with a tendency to favour instant gratification, which is often exhibited by Western cultures. Bearden, Money and Nevins (2006:457) consider the short-term orientation characteristics of respect for tradition and learning from past behaviour to be positive. Fang (2003:348) adds that reciprocation of greetings, gifts and favours are behaviours associated with short-term orientations. Fang (2003:348) cites Pakistan, Nigeria, Canada, Zimbabwe, the United Kingdom, the United States of America, New Zealand, Australia and Germany as short-term oriented national cultures.

Cultures that exhibit long-term orientations reward future-orientated behaviour such as planning, delaying gratification, investing in the future, perseverance and thriftiness (Rarick *et*



*al.* 2014). Long-term orientated cultures take a pragmatic and future-oriented approach to activities and exhibit characteristics such as benevolence, morality and social consciousness (Sharma 2010:788). Hua and Omar (2016:112) add that long-term oriented cultures show a preference for saving and long-term goals, with a dynamic and future-orientated mentality that is more accepting of radical changes. Fang (2003:348) cites national cultures such as Japan, Thailand, China, Hong Kong and Taiwan as examples of long-term oriented cultures. In the African context, it is interesting to note that most African countries are deemed to be short-term oriented (Ghana, Libya, Malawi, Nigeria, Mozambique, Zambia) (Hofstede Insights 2022).

### 3.2.6 INDULGENCE VERSUS RESTRAINT

The indulgence versus restraint dimension of culture is Hofstede's most recent addition, and refers to the degree of happiness within a given culture (Hofstede 2011:15), or the happiness values in a given culture (Ismail and Lu 2014:41). Table 3.7 illustrates the key differences between indulgent and restrained cultures.

**Table 3.7: Key differences between indulgent and restrained cultures**

INDULGENT	RESTRAINED
Higher percentage of people declaring themselves very happy.	Fewer happy people.
A perception of personal life control.	A perception of helplessness: what happens to me is not my own doing.
Freedom of speech is seen as important.	Freedom of speech is not a primary concern.
Higher importance of leisure.	Lower importance of leisure.
More likely to remember positive emotions.	Less likely to remember positive emotions.
In countries with educated populations, higher birth rates.	In countries with educated populations, lower birth rates.
More people actively involved in sports.	Fewer people actively involved in sports.
In countries with enough food, higher percentages of obese people.	In countries with enough food, fewer obese people.
In wealthy countries, lenient sexual norms.	In wealthy countries, stricter sexual norms.
Maintaining order in the nation is not given a high priority.	Higher number of police officers per 100 000 population.

**Source: Hofstede (2011:16)**

Indulgence refers to the tendency of individuals within a cultural group to seek gratification of basic human desires without boundaries (Rinne *et al.* 2012:96). Individuals in indulgent cultures prefer happiness and create a perception of freedom, health and control over life

(Ismail and Lu 2014:45). These individuals perceive leisure, freedom of choice, and control over one's life to be important (Beugelsdijk, Maseland and Van Hoorn 2015:19).

A culture of indulgence leads to impulsive buying behaviour which could be detrimental to an individual or household's personal financial management strategies (Duh and Struwig 2015:96). According to Cakanlar and Nguyen (2019:12), rational buying behaviour is a process of recognising a need, setting a budget, gathering information, identifying satisfactory product offerings, and making a decision accordingly. Impulsive buying on the other hand, is a sudden and compelling feeling which results in a rapid purchase without further deliberation, reasoning or an assessment of alternative choices (Kacen and Lee 2002:163). According to Hofstede (2011:15), indulgence is prevalent in national cultures such as South and North America, Western Europe and parts of Sub-Saharan Africa.

Kacen and Lee (2002:163) found that impulsive buying behaviours exist in individuals from various different cultures. For example, people of East Asian descent are more likely to show restraint and self-control, and therefore less likely to exhibit impulsive buying behaviours. Conversely, individuals of Western descent tend to place a higher value on instant gratification and are more likely to engage in impulsive buying behaviour (Zhang, Winterich and Mittal 2010:946).

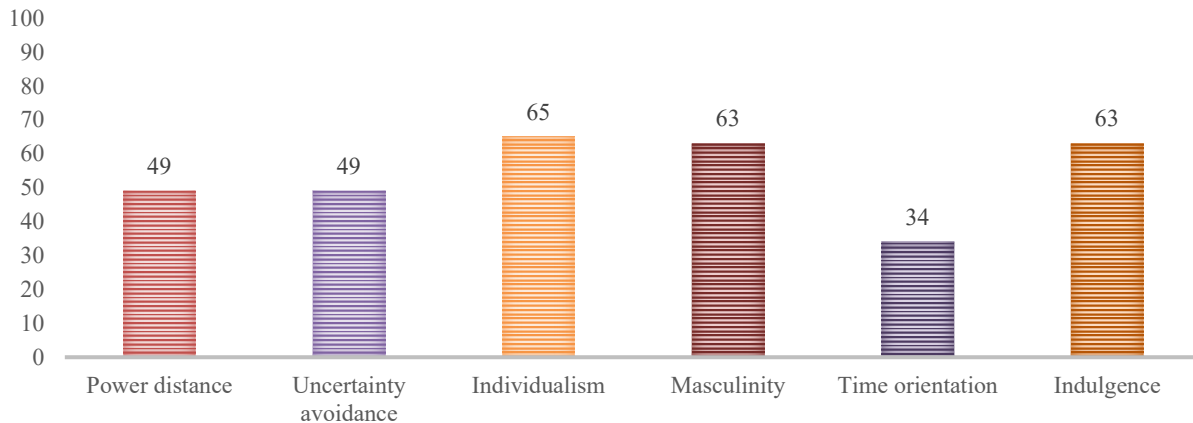
Highly restrained cultures display characteristics of moderation, cynicism, being disinterested in what is considered impure, and having few desires (Sample 2013:364). Rinne *et al.* (2012:96) add that individuals in restrained cultures believe that the gratification of one's needs should be curbed within strict social norms. Happiness is suppressed and the perception that life events can be controlled is created in restrained cultures (Ismail and Lu 2014:45). Restrained national cultures can be observed in Eastern Europe, Asia and within the Islamic community (Hofstede 2011:15).

### **3.3 HOFSTEDE'S CULTURAL DIMENSIONS APPLIED TO THE SOUTH AFRICAN CONTEXT**

For the purpose of this study, the dimensions of culture as per Hofstede's model are now discussed in the context of South Africa. The scores out of 100 for each of the cultural dimensions in South Africa are illustrated in Figure 3.2. It is important to note however, that

only the White population was surveyed, despite the majority of the South African population being Black (Hofstede Insights 2020). The findings are thus representative of only the White South African population.

**Figure 3.2: Hofstede’s cultural insights on South Africa**



**Source: Hofstede Insights (2022)**

Following the information provided in Figure 3.2, each of the cultural dimensions is now discussed in the context of the different aspects that make South Africans unique. Financial planning implications, as linked to the cultural dimensions, are also identified and discussed in the context of the financial planning knowledge areas and the relevant financial planning process steps (discussed in Chapter Two).

### 3.3.1 POWER DISTANCE IN SOUTH AFRICAN CULTURES AND FINANCIAL PLANNING IMPLICATIONS

South Africa scored 49 for **power distance**, indicating that South Africans, to a large extent, accept a hierarchical order where everybody has a place in society and that inequalities are acceptable. This is consistent with the wealth and income inequality in South Africa, which is more prevalent among Black South Africans (Nattrass and Seekings 2001; Orthofer 2016; Seekings, Jooste, Langer and Maughan-Brown 2005). Thus, South Africa can be regarded as a large power distance culture. South Africa’s power distance can be observed through the receding role of parents in providing for their children financially, which is more evident among White South African cultures. This is aided by their ability to transfer generational wealth which has been accumulated and passed down from one generations to the next (de Vos 2020). This enables some White South Africans to promote their children’s independence by

purchasing assets such as cars or aiding in the payment of tuition fees to pursue higher education (Anwar 2017). This is also evident in the fact that only 6.1% of recipients in the National Student Financial Aid Scheme (NSFAS) are White students – where the criteria to qualify for funding are financial need and academic requirements. The transfer of generational wealth exacerbates existing income and wealth inequality in South Africa.

Countries like South Africa with high concentrations of power at government level (large power distance) play a significant role in improving financial inclusion. The legacy of apartheid (which continued until 1994) has prevented access to financial products and services. This wealth inequality is also evident when considering that some White South Africans households have high incomes and large amounts of wealth, whereas, even if some Black South African households have high incomes, they have very little wealth (Orthofer 2016:21). Power distance in the Black African culture can be observed when considering the fact that earlier generations never spoke about money or saving with their children, as this was viewed as being inappropriate (Chauke 2011:26).

There is thus a financial planning need among Black South Africans for assistance and encouragement in wealth generation (investment planning and retirement planning), as well as wealth preservation and transference (estate planning). This need should be considered when collecting (step two) and analysing (step three) information from these households.

### 3.3.2 UNCERTAINTY AVOIDANCE IN SOUTH AFRICAN CULTURES AND FINANCIAL PLANNING IMPLICATIONS

South Africa has a low **uncertainty avoidance** (49), indicating a more relaxed attitude and deviance from social norms. More specifically, Thomas and Bendixen (2000:512) found that a significant difference in the uncertainty avoidance between White and Black cultures. Their study also reported differences between Xhosa, Zulu and Sotho cultural groups within the Black African population in South Africa. Varying levels of uncertainty avoidance have financial planning implications when considering perceptions of risk in different cultures, and consequently their attitude and risk capacity. Specifically, Dickason and Ferreira (2018:10854) assert that White individuals are more risk tolerant than non-White individuals – which can be attributed to their increased access to financial institutions, investment opportunities, and their focus on the future. Varying risk attitudes and risk capacity thus influence investment practices

among different cultures (Dickason and Ferreira 2018:10854). This determines whether individuals intend seeking financial planning advice at all, as well as their risk management and insurance practices.

If Hofstede's Insights (2022) are to be applied in a South African context, it is implied that White South Africans (who are predominantly descendants of Western cultures) have a low uncertainty avoidance and are more comfortable with taking risks for investment purposes, while Black South Africans are more conservative and risk averse. Dickason and Ferreira (2018:10854) consider the reason for this to be because White South Africans have traditionally had more access to financial services and investment opportunities and are more future oriented than Black South Africans. Based on the same assumption, Black South Africans would be considered more risk averse, and make financial decisions based on their emotions and their anxiety about uncertain situations. This is echoed by Metherell (2011:77) who states that there are significant differences between the financial risk tolerance of Indian and White South Africans, as well as between Black and White South Africans. This reiterates the need for a more inclusive financial planning process in South Africa, to cater for different financial planning needs, noting particularly that different cultures show varying levels of risk tolerance.

According to Thomson and Posel (2002:85), due to the prior exclusion of Black South Africans from participating in formal financial products and services, personal and financial risks were managed through burial societies and stokvels. Therefore, when applying the second step of the financial planning process (gathering information and data) when dealing with Black clients, uncertainty avoidance should be considered by including questions about traditional risk and insurance products. Such an approach will contribute to Black consumers perceiving suggested risk management strategies as being relevant for them and their needs. In addition, due to financial exclusions, Black South Africans may not be aware of appropriate financial products and services that may be able to address their financial needs, and as a result, may be resistant to implementing the financial planning recommendations (step five).

### 3.3.3 INDIVIDUALISM IN SOUTH AFRICAN CULTURES AND FINANCIAL PLANNING IMPLICATIONS

On the dimension of **individualism**, South Africa scored 65 (the highest for any of the dimensions) indicating a high degree of individualism, where people are expected to take care

of their immediate families only. This is in contrast with literature findings, as the predominant ethnic group in South Africa is Black (92.1%) (STATS SA 2019:8) and African cultures are considered to be collectivist in nature (Gorodnichenko and Roland 2011:3; Hutchison and Sibanda 2017:385). Ojera (2018:89) contends that the colonial history of South Africa has resulted in many cultural differences. According to Eaton and Louw (2000:212), White South African individuals come from cultures with individualistic characteristics, while Black, Coloured and Indian South Africans come from more collectivistic cultures. Furthermore, Booysen (2001:47) found that Black South African managers are more collectivist in nature, while White South African managers have a more individualistic style of management.

According to Györkös *et al.* (2012:314), the concept of *ubuntu* plays an important role in the collectivist nature of the African culture. It is an underlying principle in all African cultures, demonstrating relatedness and interdependence among everyone (Chuwa 2012; Metz 2007a; Murithi 2006; Radebe and Phooko 2017). As a result, the fact that South Africa scored a high value for individualism – despite the majority of South Africans being Black and therefore more collectivist in nature – is indicative of the need for a more inclusive financial planning process which is representative of all South Africans.

Collectivist cultures require financial planning that considers the broader family as defined in the African context, as well as their wealth accumulation and wealth sharing practices, taking into account the ‘black tax’ phenomenon. According to Chadda and Deb (2013), Asian and Indian cultures are largely collectivist in nature, with larger households and joint family structures, as is the case among Muslim communities. Chadda and Deb (2013:1) further state that these cultural groups are very involved in caring for their members, and thus the burden of taking care of older members of the family is often greater than in more Western cultures. It is therefore important that when financial planners establish a relationship (step one) with consumers in collectivist households, they determine who the consumer is financially responsible for beyond their immediate dependants, how financial decision-making occurs, and by whom financial decisions are made. These are aspects that a financial planner should consider when collecting information from clients (step two), over and above what is required as per the six-step financial planning process.

### 3.3.4 MASCUINITY IN SOUTH AFRICAN CULTURES AND FINANCIAL PLANNING IMPLICATIONS

Because women and men think and behave differently, and have different attitudes towards money, Stendardi, Graham and O' Reily (2006:223) posit that the financial planning process should be tailored to different genders. South Africa is considered to be a **masculine** society with a score of 63. This indicates that individuals are motivated by material success, and an expectation exists that women should take care of children and the physically weak. Another reason to consider differences in the approach to financial planning for different genders, is that women tend to live longer than men, retire earlier than men, have lower earnings and consequently lower retirement savings (Fonseca, Mullen, Zamarro and Zissimopoulos 2012:90). Furthermore, males and females engage differently with financial information and therefore pursue different household decision-making processes (Stendardi *et al.* 2006:224). In most households where joint decision-making takes place, females usually make short- to medium-term decisions regarding the household budget, groceries and childcare, whereas males often make medium- to long-term decisions about investments.

It is also important to consider gender in the context of social roles and expectations that exist from a cultural perspective. The prevailing norm among different cultures is that women's position or status in society is often determined by their access to, and their role in paid employment, as well as their reproductive and domestic roles within their households. In some cultures, women's social roles are considered to be care givers and home-makers (perceived as a less valuable contribution), whereas men are viewed as the breadwinners (perceived as a more valuable contribution) (Kehler 2001:44). This cultural belief is prevalent in Black African cultural groups, where men have very dominant and patriarchal roles in society, women and children are submissive to male authority, polygamy is permitted, and women are expected to leave their families to join their husband's family (Ngubane 2010:21). Although this is a traditional perspective, and many practices and beliefs have become more modern, males are still considered to be the main breadwinners, as well as the financial decision-makers in the household – even if they are absent, and work and live in another area (Kurian 1998:415).

In Black African households, women are considered to be the head of the household only if they are widowed with no male sons, or never married. This may have negative financial implications for women, especially if they are not aware of any financial provisions that are in

place in the event of the death of their spouse. This need reinforces the notion that the financial planning process should be tailored according to the gender of the client, as well as that of the household financial decision-maker (Stendardi *et al.* 2006:226). This is clearly important when financial planners approach and engage with women, in building a relationship of trust (step one) and showing how they are listened to and acknowledged when gathering the relevant financial information (step two).

### 3.3.5 TIME ORIENTATION IN SOUTH AFRICAN CULTURES AND FINANCIAL PLANNING IMPLICATIONS

A score of 34 for **time orientation** indicates that South Africa is short-term oriented with a great respect for tradition, and a small propensity to save for the future, while seeking instant gratification. According to Adams and Rau (2011:181), being too preoccupied with the present – or an unwillingness to plan for the future – has an impact on pre-retirement planning. Failure to plan for the future results in individuals being ill-prepared for retirement. Gamst-Klaussen, Steel and Svartdal (2019:775) add that healthy financial decisions require the ability to recognise the long-term consequences of short-term decisions. The same authors add that procrastination is related to poor financial behaviour, which leads to postponed retirement savings, unplanned expenditures, and not paying financial commitments on time which may lead to unnecessary penalties. The time orientation of different cultures thus has important financial planning implications for personal financial management, where money can either be spent (now), saved (short term), or invested (long term) (Chauke 2011:12).

Chauke (2011:81) found that among Black South Africans, long-term plans are not a priority, and they do not deem it important to save or transfer wealth to their children or grandchildren. The majority of the Black respondents in that study did not inherit wealth from their parents or grandparents, which is consistent with the characteristic of respect for tradition that is evident in short-term oriented cultures. For White South Africans, however, long-term investments are very important, regardless of which generation will benefit from the wealth created.

The low score for time orientation and the low propensity to save are consistent with South Africa's poor saving behaviour (Lawler 2019), which could be the result of the different family structures that are prevalent. Hoos (2010:90) states that the more young dependants and the more elderly persons there are in a household, the lower the savings rate will be. The same



author states, that on the other hand, in a household where the income level is higher, the level of education is higher, and more women are in the workplace (as opposed to being home-makers), the higher the household savings rate will be.

Therefore, it is important for financial planners to determine their clients' time orientation as it relates to their culture, when applying step two of the financial planning process. This will influence the client's investment horizon, their propensity to save, their appetite for instant gratification, and their ability to meet short-, medium- and long-term financial goals. Time orientation also influences the propensity for instant gratification and impulsive behaviour, which are related to indulgence.

### 3.3.6 INDULGENCE IN SOUTH AFRICAN CULTURES AND FINANCIAL PLANNING IMPLICATIONS

South Africa scored high for **indulgence** (63), indicating that South Africans exhibit a willingness to satisfy their impulses and desires, place a high degree of importance on leisure, and spend money as they wish. This has personal financial management implications in the context of financial planning, as the need for instant results and instant gratification affects effective budgeting as well as saving behaviour.

Chauke (2011:7) adds that the need for materialism and instant gratification has led to an increase in debt, as debt levels represent 80% of household expenses in South Africa. Many people tend to spend their money on purchases that do not increase long-term wealth, or assets that depreciate rapidly, such as expensive vehicles. This type of spending leaves less disposable income for investment planning, saving, retirement planning, or emergencies – and worse still, often causes large burdens of debt. Chauke (2011:8) adds that in South Africa, particularly among Black South Africans, copious amounts of money are spent on funerals, since these are often associated with status in the community. This need for status in the community can lead to poor financial decisions which may result in unnecessary debt.

For financial planners, it is important to determine their client's extent of indulgence and self-control (during step two) as it relates to their financial decision-making. This information will have implications on whether the client has the patience to stick to the agreed financial plan

(step five), since the rewards of financial planning are intangible in nature and are only witnessed in the future.

Besides the fact that previous studies show varying conclusions on the application of Hofstede's (2011) cultural dimensions to South Africa (as discussed above), it should again be noted that Hofstede's survey reports only on the perceptions of White South Africans. In other words, since the majority of the South African population (92.1%) consists of Black South Africans, the application of the cultural dimensions in South Africa might be different to what is reported above (STATS SA 2019:8). This emphasises the need for more research that focuses on ensuring inclusivity to better serve all South Africans (in the case of this study, through the financial planning process). The cultural differences in South Africa can be pinpointed by considering various factors that contribute to the diverse needs that are evident among the country's population groups.

### **3.4 AN OVERVIEW OF THE FACTORS THAT CONTRIBUTE TO DIVERSE CONSUMER NEEDS**

The history of South Africa and the effects of apartheid are well documented in the literature (Bank 1997; Moya 2005; Orthofer 2016; Molefe 2018). This has created a diverse and complex country, with a range of different racial and ethnic, religious and cultural groups, each with their own sets of beliefs, attitudes and value systems. This study argues that the global six-step financial planning process (discussed in Chapter Two) cannot be applied in South Africa without taking into consideration the country's diverse financial planning needs. Specific contributing factors include race and ethnicity, wealth creation and distribution, marital regimes, and procreation and family structures, each of which is discussed in this section.

#### **3.4.1 RACE AND ETHNICITY**

According to Blakemore (2019), race is related to an individual's genetic and biological make-up, whereas ethnicity refers to how a large group is classified based on their common racial, tribal, religious, linguistic and cultural origins. Seekings (2008:1) adds that ethnicity refers to a cultural group's characteristics such as their norms, traditions and values. Due to the history of apartheid in South Africa, race and ethnicity have played a huge role in how different societies identify themselves within their cultures (Seekings 2008:1). White South Africans

usually describe themselves based on their appearance (race), whereas Black, Coloured and Indian South Africans often describe themselves based on their cultural aspects (ethnicity) (Seekings *et al.* 2005:31).

South Africans can be classified according to four main population groups (Black African, Coloured, Asian and White) which speak a variety of the country's eleven official languages (STATS SA 2019:5). Black South Africans form the majority (92.1%) and are considered to be collectivists in nature, with an emphasis on the extended family and traditional values (Eaton and Louw 2000:211; STATS SA 2019:5).

Black (African) South Africans comprise nine different groups, commonly distinguished by language: Tsonga, Pedi, Venda, Sotho, Tswana, Swati, Xhosa, Zulu and Ndebele (Adams, Van de Vijver and De Bruin 2012:378). Lutz (2009:315) contends that the Xhosa group is more individualistic than the Zulu, Tsonga and South Sotho groups – so there is even diversity within one population group. According to Adams *et al.* (2012:378), due to colonisation and modernisation, Black South Africans have tended to incorporate more Western beliefs into their daily cultural practices.

The Coloured population group is made up of people of mixed ancestry, which may include European, indigenous Khoi San, African, or immigrant Asian groups (Adams *et al.* 2012:378). According to Seekings (2008:3), Coloured people are descended originally from Malay slaves who were brought from South-East Asia and settled in the Western Cape. Coloured people are the second largest population group in South Africa (8.8%) but are considerably fewer in number than Black South Africans (STATS SA 2019:5). They speak either English or Afrikaans. The Coloured population group considers themselves as culturally distinct from other population groups in South Africa; however they do share some religious and customary practices with the groups from which they are descended, and are generally considered to be collectivistic (Adams *et al.* 2012:378).

The Asian population group consists of individuals descended from South Asian slaves who were brought to South Africa, or who emigrated in the 1900s from India (Adams *et al.* 2012:379). This group is predominantly English speaking and makes up 2.6% of the South African population. They can be considered collectivist in nature as they maintain the traditions and customs of their Indian heritage (Adams *et al.* 2012:378; STATS SA 2019:5).

The White population group consists mainly of individuals of European descent. They are subdivided into two cultural groups based on the language they speak, namely English or Afrikaans (Seekings *et al.* 2005:31). Afrikaans speaking White South Africans are known as Afrikaners and are of Dutch, German and French Huguenot descent. English speaking White South Africans are descendants of British, Irish, Western and Eastern European immigrants (Adams *et al.* 2012:378). White South Africans make up 7.9% of the population (STATS SA 2019:8) and are considered individualistically oriented, although English-speaking White South Africans are significantly more individualistic in nature than Afrikaners (Lutz 2009:315).

Given South Africa's diverse ethnic groups, it is important for financial planners to take into consideration how their clients relate to the norms, values, customs and religious views of their respective ethnic groups. Norms among different cultures (such as black tax, exorbitantly expensive funerals), customs, and religious views (such as the practice of Islamic finance) have an impact on the nature of the information that a financial planner should collect. They also affect how financial advice is given and the type of financial products and services that are offered.

### 3.4.2 WEALTH CREATION AND DISTRIBUTION

According to Olson, Shutts, Kinzler and Weisman (2012:1885), wealth is a factor that distinguishes an individual or groups of individuals according to their social status. Property such as land is usually associated with the amount of wealth an individual or families have. Cull (2009:28) adds that in African cultures, the concept of wealth is traditionally associated with fertile land, water (wells), livestock and grain. Land is important because it is associated with African identity and spirituality, since certain traditional customs and ceremonies – such as the rite of passage, the welcoming of a new family member, appeasing ancestors, marriage, births and burials – are associated with land (Radebe and Phooko 2017:243).

It is important to note that in line with the principles of *ubuntu*, in the African culture wealth is accumulated or created on a cooperative basis, as opposed to a competitive basis (Metz 2007a:325). In other words, property such as land is owned collectively and the labour that is associated with it is for the sake of the community, and not for the purposes of making a profit.

Radebe and Phooko (2017:244) add that because land is collectively owned for the benefit of the entire community, poverty was a foreign concept in South Africa, prior to apartheid. This notion is supported by Hunt (2004:828), as well as Metz and Gaie (2010:277), who state that it is a Western perception to view wealth accumulation as the result of individual efforts.

Wealth is distributed in South Africa according to the same principle in which it is accumulated. In African societies, wealth is distributed in a way that will uphold the greater benefit of the community (Metz and Gaie 2010:277). According to Metz (2007a:326), it is considered a moral obligation to distribute wealth according to the needs of the community. Mwipikeni (2018:330) further supports this notion by adding that wealth distribution in the African culture prioritises mutual sharing and the preservation of life, over the individualistic accumulation of wealth. This is contrary to Western principles where it is believed that wealth should be distributed based on individual rights, the individual's contribution to the creation of wealth, or his or her productivity in the community (Mwipikeni 2018:330).

In the Muslim culture, the perception of wealth is determined by the religion of Islam, which holds that all human activities seeking profit in the Islamic financial environment require justification according to Sha'riah law (Qasaymeh 2011:276). Therefore, when investing, individuals in the Muslim culture must ensure that they invest in financial instruments that meet the ha'laal (permitted) requirements, which state that: (Billah (2019:4)

- investments must not involve interest;
- investments must not be in unethical or immoral businesses;
- economic rewards should be profit or fee based; and
- investments must not involve prediction, speculation, uncertainty or gambling.

Wealth, according to the Islam religion, should thus be accumulated and distributed based on the principle that it should be enough for one's family and not excessive or more than what is needed. Hence any interest that is accumulated from investments must be donated to charity (Basah and Tahir 2019:14).

In order for financial planners to generate, increase and transfer wealth for consumers with diverse financial needs effectively, it is important to consider what wealth means to their clients and how it is viewed, particularly from a cultural perspective. It is also important to ensure that

the financial advice provided and the financial products and services that are recommended are consistent with their norms and values.

### 3.4.3 MARITAL REGIMES

In South Africa, marriage is governed by the Matrimonial Property Act (MPA) No. 88 of 1984 which recognises three types of marriages: in community of property, ante-nuptial agreement with accrual, and ante-nuptial agreement without accrual. Individuals need to determine – before they get married – whether or not they wish to enter into an ante-nuptial agreement. Marriages without an ante-nuptial agreement are deemed to be ‘in community of property’ (Botha *et al.* 2019:458). This means that spouses have a joint estate with each spouse being entitled to 50% (half) of each asset in the joint estate at termination of the marriage (through death or divorce) – whether it was acquired prior to or during the marriage.

As per the Matrimonial Property Act No. 88 of 1984, marriages that are not in community of property require an ante-nuptial contract that provides for, or excludes, the accrual system. The application of the accrual system means that both spouses have distinct estates on entry into the marriage, but they share in the growth that occurs during the marriage. This is applied at termination of the marriage (through death or divorce), where the individual whose estate shows a greater increase in value since the commencement of the marriage shares some of that growth with their spouse. Marriages out of community of property (i.e., with an ante-nuptial agreement) that were entered into after 1 November 1984 automatically include the accrual system, unless the ante-nuptial agreement specifically excludes it. The third recognised type of marriage is out of community of property, but without the accrual system. Simply stated, under this arrangement, spouses have distinct estates prior to and during the marriage, and do not share (at dissolution of the marriage) in the profits or the losses that were made in each respective spouse’s distinct estate.

Customary marriages are recognised under the Recognition of Customary Marriages Act No. 120 of 1998 (RCMA). A customary marriage is one that is negotiated or concluded according to indigenous African customary systems. In South Africa this excludes marriages that are concluded in Hindu, Muslim or other religious customs, despite Islam being the second largest religion in South Africa after Christianity (Nkosi 2020). As per the RCMA, a customary marriage within the African culture is considered valid if it has been performed according to

traditional customary law, and is between two competent and consenting adults older than 18 years of age. The payment of *lobola* is customary, although not required. Valid customary marriages are automatically considered to be in community of property.

In the Muslim community, Islamic marriages are concluded in a nikah ceremony which is performed by a religious leader (Imam) who is not necessarily a registered marriage officer (Amien 2013:359). This marriage is not recognised as a valid marriage in South African law (Mahmood 2022). Alternatively, two separate ceremonies can be conducted – one being the nikah ceremony, and the other a civil ceremony concluded by a registered marriage officer in possession of a marriage certificate issued by the Department of Home Affairs (Frank 2021). Finally, there is the possibility of a dual ceremony, where the nikah ceremony is conducted by an Imam who is a registered marriage officer (Amien 2013:379). Clearly, in this scenario, both the legal requirements as well as the religious requirements are fulfilled simultaneously.

Muslim marriages that do not meet legal requirements are considered putative and out of community of property, without application of the accrual system (Frank 2021). In other words, the spouses would have separate estates, no divorce decree would be needed to dissolve the marriage, and neither spouse would be entitled to any marital tax benefits. However, as recently as June 2022, the Supreme Court of Appeal found the non-recognition of Muslim marriages to be unconstitutional; the matter has been referred to the Constitutional Court, with 24 months to remedy the defects in the relevant legislation (Chabalala 2022). This means that Muslim marriages may enjoy the same rights and legal security as those who are in legal marriages, civil marriages, customary marriages and civil unions (Frank 2021).

Hindu religious marriages are also not legally recognised in South Africa, because the Hindu priests who perform the marriage ceremony are not designated marriage officers; and furthermore, Hindu marriages are often polygamous in nature (Amien 2013:358; Amoateng, Heaton and Kalule-Sabiti 2007:13) Hindu marriages are concluded based on Hindu rites. Frank (2021) suggests that since a Hindu marriage cannot legally be dissolved, a separate civil ceremony should be concluded with an ante-nuptial agreement, to afford the marriage partners some form of financial and legal protection.

Based on the aforementioned discussion, South Africa's diverse cultures, religions –and consequently complex marital regimes – present several financial planning implications,

particularly at the dissolution of marriage through death or divorce. When applying the provisions of the Divorce Amendment Act No. 95 of 1996, Matrimonial Property Act No. 88 of 1984 or the Administration of Estates Act No. 66 of 1965, there is a risk that spouses will not be protected or provided for in marriages that are not recognised by South African law. In addition, given that polygamy is permitted in some customary marriages, without prior and adequate financial planning, surviving spouses and their children may be left without adequate financial provision. This is especially concerning given that the administration of estates in customary marriages is conducted according to traditional customs and rites.

When providing financial advice, it is important to consider the financial implications for individuals based on their marital regime at death or in case of divorce. It is also important to consider the tax implications that certain financial products and services would trigger. Items which benefit the spouse include donations between spouses which are exempt from donations tax, portable estate duty rebate between spouses, and deduction of residue of estate to the spouse. Taxes which are to the detriment of the surviving spouse include estate duty liability and retirement tax on death benefits. In this regard, it is imperative for a financial planner to be able to determine whether their client qualifies as a spouse according to financial planning legislation, particularly in customary marriages.

#### 3.4.4 PROCREATION AND FAMILY STRUCTURES

According to Metz (2007a:327), in South Africa there is a strong moral obligation to extend familial relationships and legacies through marriage and by having children. In particular, polygamy is an accepted practice within the Black (African), Hindu and Muslim population, as it leads to the procreation of more children. This claim is supported by Cull (2009:28) who notes that early definitions of wealth included the number of children and wives one had. According to Metz and Gaie (2010:279), it is considered a basic duty and obligation to procreate in the Black African culture, which is often perceived as being more important than committing to marital vows (Metz 2007a:327). This is in contrast to Western cultures where it is not uncommon, nor frowned upon, when couples or unmarried individuals do not have children (Metz and Gaie 2010:279).

An important aspect of African marriages is the payment of a bride price, commonly referred to as *lobola* or a dowry (Ansell 2001:697). Within the African culture, marriage is viewed as merging two families and *lobola* is paid as a gift in livestock to the future bride's family, to



represent acceptance and approval by both sets of parents (Herbst and Du Plessis 2008:109; Khomari *et al.* 2014:143). Procedures may differ within the various subcultures, but *lobola* is commonly used as payment for the wedding ceremony, to provide long-term marital stability in the event that the wife is widowed, or as insurance in the event that the husband no longer wants to be married (Donohue and Bornman 2014:5; Khomari *et al.* 2014:143; Mandleni and Anim 2011:107).

According to Garenne (2004:60), marriage determines one's social status within the community and supports the dynamics of family formation. Van Niekerk (1995:215) agrees, adding that when individuals get married, their social status is improved. This is especially true of polygamous marriages which are permitted under customary law. Different family units are created and each spouse has their own status, which is dependent on their social prestige, the status of their children, and their relationship with other households (Herbst and Du Plessis 2008:109). Each family unit is a separate economic unit whose property is controlled by members of the household, but they all form part of the family's joint property that is controlled by the head of the family, usually the husband (Herbst and Du Plessis 2008:114).

Due to the various cultures in South Africa, diverse family structures can consist of married parents with children, single-parent families, or households where the grandparents, aunts and/or uncles fulfil parental roles (Zeka 2020). According to Metz (2007b:333), due to the collectivist nature of African cultures, it is common to use terms such as "mother" or "brother" to refer to individuals who would otherwise be considered by Western cultures as extended family members. Metz and Gaie (2010:276) add that extended families are the most common and fundamental expression of the African ideal of community and collectivism.

Different family structures have different financial planning needs, as there may be various financial decision-makers who have their own decision-making styles and experience as a result of their level of education, or due to being in a previous marital or long-term relationship. Furthermore, family structures which are collectivist in nature – with extended family members – have more financial expenses and commitments, such as more children and elderly individuals to take care of who may not be contributing income to the household.

The different marital regimes in South Africa add to the complexity of diverse financial planning needs, particularly when considering customary marriages which are practised by

Black African, Muslim and Indian religious and cultural groups. Children play an important role in complex family structures, and need to be considered in terms of personal financial management, and estate and succession planning. The various races and ethnicities in South Africa give rise to different religious practices, customs and traditions; this requires financial planners to have the necessary knowledge and understanding to manage the resultant financial planning implications. In addition, individuals from different ethnic backgrounds have particular perceptions and practices when considering wealth creation, preservation and distribution, which may differ from traditional financial planning approaches. All these factors give rise to the diverse needs of South African consumers which, in turn, result in complex financial planning implications.

### 3.5 SUMMARY AND CONCLUSIONS OF THE CHAPTER

The primary objective of this study is to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers. The first of the secondary objectives is to investigate how the six-step financial planning process is currently applied in the financial planning industry by CFP® professionals for South African consumers. Chapter Two provides the financial planning context in South Africa, whereas this chapter (Chapter Three) has emphasised the diverse financial planning needs that arise due to South Africa's cultural diversity.

This chapter commenced with a discussion of the concept of culture and cultural diversity, which included sections on the development of culture and the dimensions of culture, as described by Hofstede (2011). These dimensions were then analysed in the South African context, and corresponding financial planning implications were then identified.

On a scale of 1 to 100, South Africa scored 49 for **power distance**, indicating that South Africans accept hierarchical order and inequalities within society. South Africa has a low **uncertainty avoidance** (49), indicating a more relaxed attitude and deviance from social norms. On **individualism** South Africa scored 65, implying that everyone is expected to look after themselves and their immediate family only. South Africa is viewed as a very **masculine** society (63), which means that South Africans are motivated by material success and view women as physically weak, with the expectation that they have to take care of the children as well as the household. South Africa is considered to be **short-term oriented** (34) with a great

respect for tradition, a small propensity to save, and a notable need for instant gratification. Finally, South Africa scored high for **indulgence** (63), which indicates a willingness to satisfy impulses and desires.

Analysing Hofstede's cultural dimensions in a South African context, it is clear that the results cannot be generalised to all South African consumers, due to the large degree of diversity within the population. Different cultures within South Africa thus exhibit these dimensions to a different extent. This level of diversity is important when considering the various financial planning needs that arise amongst different cultures.

After the discussion on culture and analysing culture in a South African context, an overview was provided of the factors that make South Africa unique, relevant to financial planning implications. Race and ethnicity were discussed, indicating that race is related to an individual's genetic and biological make-up, whereas ethnicity refers to common racial, tribal, linguistic and cultural origins among a large group of individuals. South Africa has several ethnic groups which are divided into four main population groups, namely Black (nine ethnic groups), Coloured (mixed ancestry and indigenous Khoi San), Asian, and White (English and Afrikaner). Attitudes towards wealth creation and distribution among various ethnic groups was discussed – in the Black African group, wealth is commonly shared and co-created, and in the Muslim culture, wealth perceptions are influenced by the religion of Islam.

A discussion of three marital regimes in South Africa was provided, namely in community of property, out of community of property with accrual, and out of community of property without accrual. Among the Muslim and Black African cultural groups, customary marriages are practised and recognised as marriages in community of property in South Africa. Finally, procreation and family structures were discussed, showing that different family structures are common in South Africa. In African cultures, marriage and children are a symbol of wealth, polygamy is practised, and *lobola* (a form of a bride price) is paid in traditional customary marriages. These factors all contribute to the complexity of financial planning needs of South African consumers.

Given the financial planning context provided, and the diverse and unique financial planning needs identified, Chapter Four provides an overview of how financial planning legislation is applied in Black South African households, as well as customary law.

## CHAPTER FOUR

### BLACK HOUSEHOLDS AND THE APPLICATION OF FINANCIAL PLANNING LEGISLATION AND CUSTOMARY LAW

#### 4.1 INTRODUCTION

The primary objective of this study is to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers. The first secondary objective (SO<sup>1</sup>) of the study is to investigate how the financial planning process is currently applied in the financial planning industry by CFP® professionals for South African consumers based on their diverse needs. This secondary objective is addressed by producing three literature chapters as per the first methodological objective (MO<sup>1</sup>). The first literature chapter (Chapter Two) investigates the financial planning environment, industry role players, and how the financial planning process is currently applied. The second literature chapter (Chapter Three) considers the topics of culture and South Africa's cultural diversity, and shows that this cultural diversity gives rise to unique financial planning needs for South African consumers. To further investigate the appropriateness of the six-step financial planning process in a South African context, this final literature chapter (Chapter Four) describes the nature of Black households and their decision-making circumstances. Figure 4.1 illustrates the role of Chapter Four in the research process and achieving the objectives of the study.

**Figure 4.1: The role of Chapter Four in achieving the objectives of the study**

PRIMARY OBJECTIVE To reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers.	SECONDARY OBJECTIVES	METHODOLOGICAL OBJECTIVES	EXPECTED OUTCOMES
	SO <sup>1</sup> : To investigate how the six-step financial planning process is currently applied in the financial planning environment by CFP® professionals for South African consumers based on their diverse financial planning needs.	MO <sup>1</sup> : To conduct a theoretical investigation on the financial planning environment as well as the six-step financial planning process and the diverse financial planning needs of consumers in the South African context.	<b>Chapter Two:</b> An overview of the financial planning environment and the financial planning process
			<b>Chapter Three:</b> An overview of the diverse financial planning needs in South Africa
			<b>Chapter Four:</b> Black households and the application of financial planning legislation and customary law

**Source: Researcher's own construction**

Chapter Four specifically focuses on customary law, as this is a unique feature in many African countries, particularly in Black South African households (whereas the six-step financial planning process is the result of global thinking and is applied globally). It is important to consider the implications of customary law because this legislation often changes, based on changes in customs, norms, beliefs and traditions, and how these relate to existing legislation.

Chapter Three discussed culture and cultural diversity in South Africa. According to Lehnert (2005:246), the discussion on culture should be extended to include systems of beliefs and laws of different ethnic groups, as it is enshrined in the South African constitution that everyone has a right to exercise their culture. Moore and Himonga (2018:61) add that the recognition and application of customary law rest on this right to exercise culture. South Africa is considered to be a pluralist nation with an uncodified legal system, meaning that there are several sources of law that make up the country's legal system (Button, Moore and Himonga 2016:209; Ndulo, 2011:87).

In addition to ethnic and cultural diversity, customary law is a unique feature among many South African cultures, particularly among the Black African population group, individuals who follow the Islamic religion (Muslims), and individuals who identify as Khoi-San (Bekker and Koyana 2012:574). Customary law is not practised by all Black African and Muslim individuals to the same extent, but it is important to consider how it impacts the formation of their households (being part of the country's largest population group), as well as their decision-making processes (also in terms of financial planning). This consideration is important, since one cannot assume that South Africa is a homogenous nation that does not consider the consequences of ethnic diversity (Bronstein 1998:388). Therefore, given South Africa's cultural diversity and the application of customary law among a considerable majority of the South African population, it is important to consider how financial planning is currently applied in local contexts.

## **4.2 THE CONCEPT OF FAMILY VERSUS HOUSEHOLDS**

The modern concept of 'family' has evolved and transformed from the traditional perspective, as there are now more unmarried couples, couples without children, same-sex relationships, single parent families, and families headed by grandparents than before (Raijas 2011:556; Amato 2019). According to Hall and Mokomane (2018:32), families and households

incorporate different degrees of kinship and emotional attachment; and a distinction must be made between a family and a household as the latter cannot simply be understood as the residential aspect of a family.

A **family** refers to a social group that is related directly by blood or genealogy, through marriage, a non-marital union, or through adoption (Hall and Mokomane 2018:32). Amoateng *et al.* (2007:13) add that a family is an intergenerational group that is organised and governed according to social norms such as belonging to or practising the same culture, religion, customs and beliefs. Siqwana-Ndulo (1998:407) states that family is often understood and contextualised from a Western perspective, which refers to the conjugal (marital) pair that maintains a household, with their offspring or adopted children; and everyone beyond this unit is referred to as ‘extended family’. The same author states that from an African perspective, particularly among the Xhosa culture, family extends beyond the conjugal pair, to include individuals who are both kin and non-kin.

A **household** refers to an arrangement of co-residents where every member of the residence shares in the consumption and production of household resources (Hall and Mokomane 2018:32). Russell (2004:4) adds that a household is a social arrangement that enables individuals of varying ages, relations, generations and genders to pool income from different sources in order to ensure individual and collective reproduction, consumption and overall well-being. A family unit (related directly by blood or genealogy) can occupy a household as part of a social arrangement. Hall and Mokomane (2018:32) further add that confusion between the concepts of a family and a household stems from the failure to view kinship and household systems as a product of culture. This is evident when considering the different types of households in South Africa based on race, as per Table 4.1.

### 4.3 TYPES OF HOUSEHOLDS

Different types of households exist, as families are structured in different ways according to cultural values and beliefs (Amato 2019). The share (proportion) of children who are in a household also plays a role in how a household is structured and how decisions are made (Hall and Mokomane 2018:34). The more children there are in the household, the more financial needs might arise, such as education, healthcare and estate issues, all of which require financial

planning. More children in the household also means that there are usually lower levels of savings and disposable income in the household (Amato 2019).

**Table 4.1: Types of households in South Africa based on race**

Household type		Share of children	African	Coloured	Indian/Asian	White
<b>Nuclear</b>	Spouse / partner couple with their own children and no other members	25%	21%	37%	61%	67%
<b>Lone parent</b>	Single parent with own children and no other members	10%	11%	6%	3%	6%
<b>Extended</b>	Not nuclear or lone parent, but all members are related	62%	66%	50%	35%	23%
<b>Composite</b>	Not nuclear or lone parent, but some members are not related.	2%	2%	7%	1%	4%
<b>Blended</b>	Previously married spouses with children from the prior marriage or relationship.	Data not available				

**Source: Hall and Mokomane (2018:34)**

According to Rabe (2008:170), when households are defined in literature, emphasis is usually placed on the marital relationship of the couple – this excludes ‘*vat-en-sit*’ relationships in urban areas where couples form a household without honouring the customary rites of marriage, or the payment of *lobola*. Rabe (2008:170) further contends that often these household arrangements are intended for economic survival, through the pooling of resources and that certain households are more common among certain population groups in South Africa. It is clear from Table 4.1 that individuals from different races and cultural groups have different types of households. Nuclear households are more prevalent among White and Indian/Asian individuals, whereas extended households are more prevalent among African and Coloured households. Extended households usually consist of multiple generations of family members, such as grandparents, aunts and uncles, or nieces and nephews – which means that there may be several sources of income, and in turn, several decision-makers in the household (Hall and Mokomane 2018:35). It is thus possible to suggest that in more complex households, financial decision-making roles become more complex as well. Given the increase in divorce rates, another aspect to consider is the concept of blended households, where individuals who

have been previously married remarry to form a new family structure and household, with step-children and step-parents (Belch and Willis 2002:112).

This study focuses on Black households (African, Coloured, Indian and Asian), as these households are the most diverse and complex types of households, and are the most excluded in terms of the financial advice gap. This could possibly present unique financial planning needs that need to be considered when reconceptualising the six-step financial planning process, which includes how financial planning advice is offered.

#### **4.4 BLACK HOUSEHOLDS**

The term “Black people” is defined as Africans, Coloured, Indian and Asian individuals who are citizens of South Africa by birth or naturalisation (BBBEE Act No. 46 of 2013). It is important to focus on this consumer group, since they make up the large majority (approximately 92.1%) of the South African population, but have historically been underserved and excluded from participating in the formal financial services industry (Rootman and Antoni 2014:476). Although this has been rectified since the demise of apartheid, the ramifications are still evident in the low levels of financial literacy among Black consumers (Roberts *et al.* 2016:53), the slow integration of indigenous financial instruments into the financial planning process, as well as the globalised financial planning process that is adopted by the FPI and applied in the South African context – despite South Africa’s cultural diversity.

For the purposes of this study, a Black household refers to a household unit that consists of South African consumers who are of Black ethnicity (African, Coloured, Indian or Asian). According to Rabe (2008:168), complex household types consisting of extended family members are more common among these population groups than among White population groups. Hall and Mokomane (2018:34) add that the decline in nuclear households and an increase in up to three-generation households can be attributed to changes in migratory behaviour, particularly since females started participating in migratory labour opportunities. Amoateng *et al.* (2007:4) contend that – in addition to the collectivist nature of African cultures – poverty and the frequency of foster caring are also contributory factors to the changes evident in Black African household types.



In a traditional Black African household, a husband and his wife (or wives) and their children would have a household that includes extended family of multiple generations (Zeka 2020:574). Although polygamy is less practised in modern African marriages, the fundamentals of family values are still maintained (Siqwana-Ndulo 1998:407). Amoateng *et al.* (2007:4) add that among the White population in South Africa, marriage is based on individualism and independence, and is a function of economics – whereas marriage among the Black African population is rooted in collectivism and interdependence. It is for this reason that Rabe (2008:167) contends that African households are rather too complex to be categorised and understood in a Western context.

The Coloured population group is made up of people who are of mixed ancestry, which may include European, indigenous Khoi San, African or immigrant Asian groups (Adams *et al.* 2012:378). Accordingly, the Coloured population group has cultural affinities that are more related to the European culture, while sharing economic affinities related to those of the Black African population who were historically economically disadvantaged (Buchanan and Hurwitz 1950:397). According to Russell (2004:62), individuals in Coloured households are more inclined to pool financial resources than those in Black households, and also tend to have more accurate information about other members' income levels than individuals in Black households. Adams *et al.* (2012:378) state that Coloured households are collectivistic in nature, which implies that they have more extended households as opposed to nuclear households.

Individuals in the Indian/Asian population group in South Africa are also characterised as living in collectivist households. Their joint family systems often show a high prevalence of three generational households, where two or more brothers live together with their wives, children and their aging parents (Amoateng *et al.* 2007:51). The same authors further suggest that there are less incidents of individuals from the White population group living in joint family systems, because historically the elderly have always had access and the resources to live in old-age facilities.

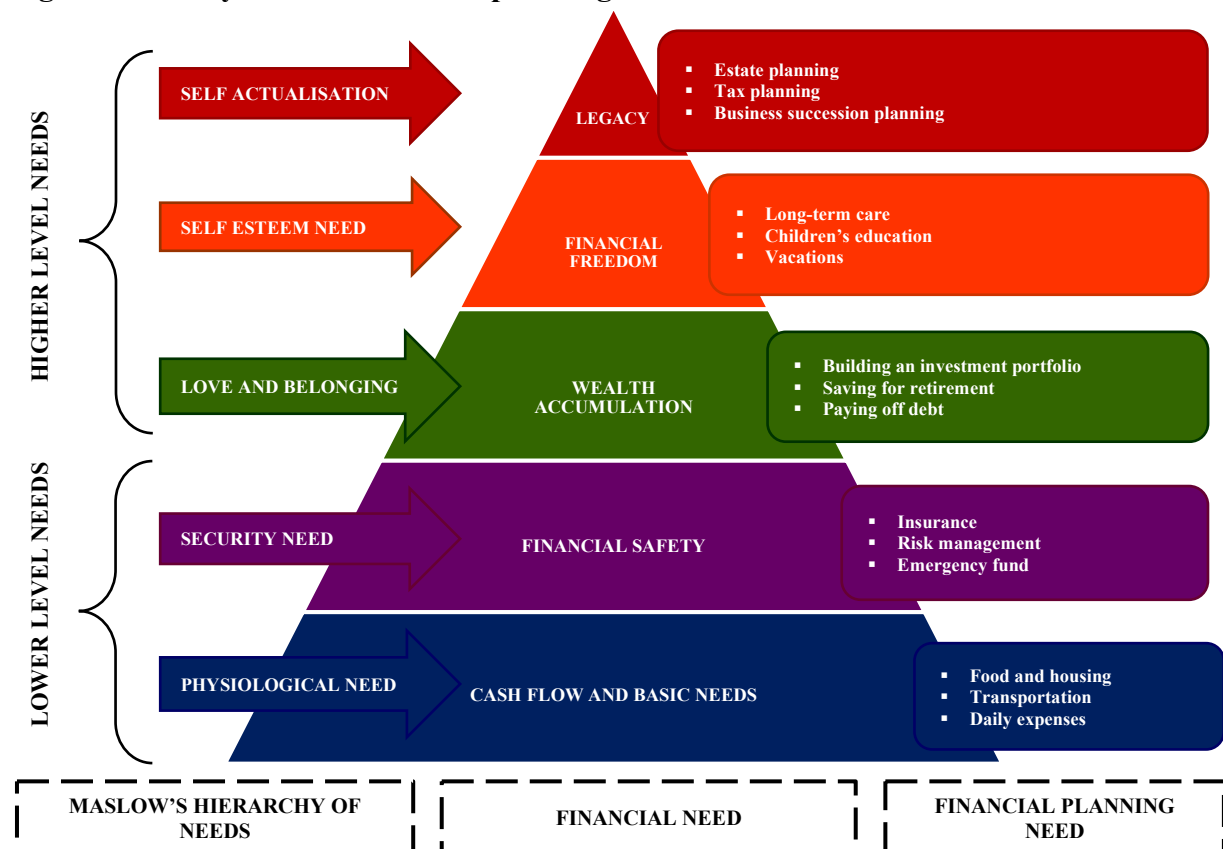
#### **4.5 FINANCIAL NEEDS IN BLACK HOUSEHOLDS**

Financial needs refer to expenses that are essential for one's ability to live, or as motivation for current consumption (lower-level needs) and future consumption (higher-level needs) (Xiao and Noring 1994:29). Relating these financial needs to Maslow's (1943) hierarchy of needs,

lower-level financial needs can be classified as physiological (survival) and security needs, and higher-level needs can be classified as love and belonging, self-esteem and self-actualisation needs. As an individual's financial resources increase, the demand for lower-level needs decreases and the desire to fulfil higher-level needs increases (Xiao and Anderson 1997:338).

As can be seen from Figure 4.2, lower level needs need to be satisfied first, before higher level needs are pursued (Smith and Sweet 2021:68). Smith and Sweet (2021:69) add that relating financial needs to Maslow's (1943) hierarchy of needs makes it easier for financial planners to discuss their clients' financial needs with them, and helps to provide them with savings and investment motivation, or to identify poor spending habits. In Figure 4.2, application of the six-step financial planning process can assist in addressing financial needs.

**Figure 4.2: Pyramid of financial planning needs**



**Source:** Adapted from Neufeld (2020); Oleson (2004); Smith and Sweet (2021)

Like all households, Black households have lower-level needs, such as physiological and financial needs (money for food, rent or a mortgage bond, savings and disposable income). The need to cover 'black tax' income, however, is prioritised within some Black households, which

influences cash flow management and disposable income. This is a need that is met with physiological needs that also influences the ability to pursue financial security needs such as saving for emergencies, and belonging needs such as investments, paying off debt, or saving for retirement. According to Magubane (2016:40), black tax is usually paid by one (or several) family members who were able to attend school and are thus able to generate an income to support those who could not do the same. Black tax is usually paid to the elders or parental figures in the family, in the form of money or improvements in the home, or by contributing to the educational costs of the younger generation (Manyike 2019). Black tax can be paid voluntarily, or it may be involuntary due to expectation by the family.

Black households often prioritise financial needs such as land and property ownership, family wealth, family homesteads, and capital to pay *lobola*. These financial needs can be considered as self-esteem and self-actualisation needs which are higher level financial needs. According to Bekker and de Kock (1992:366), land is considered an important asset, as it can provide a whole family with a residence and a means to livelihood through subsistence farming. Family property in the form of land is passed from one generation to the next. Property in the African community symbolises familial identity and materialised kinship, even if it is not occupied by family members, as long as an elected custodian manages and maintains it (Bolt and Masha 2019:156). The acquisition of land and property can thus be viewed as a higher-level need that is associated with self-esteem and self-actualisation, since it is a symbol of independence, financial freedom and status (Oleson 2004:85).

Family homes play an important role in the African community, especially in rural areas. The family home may consist of a single unit or a cluster of houses, and no monetary value is placed on the property when distributing it among the heirs (Bekker and Koyana 2012:569). The economic significance of a family home is the transference of the property to the next generation, in order to create a form of generational wealth (Bolt and Masha 2019:148). The need to acquire, maintain or transfer a family home can be viewed as a self-actualisation financial planning need, that is, to be able to leave a legacy. This notion may have estate planning implications if adequate provisions have not been put in place, or the desires of the deceased have not been made clear through a valid will.

According to Bekker and de Kock (1992:366), the concept of wealth in the African community has changed over time, from where it was commonly viewed as property of the extended

family, to where the father or head of the family is responsible for the management and maintenance of common property. In recent years, cash earnings (physiological financial planning need) by a husband and wife, retirement benefits (belonging need), and insurance policies (security need) have also come to be considered as part of family wealth (Bekker and de Kock 1992:367).

Historically, Black South Africans were not able to own property, nor the homes in the townships (which came to be known as family homes) that were rented from the government (Bolt and Masha 2019:148). This was regulated through rental permits which listed all the family members as occupants, and the renting of the property could be passed down within families (Amato 2019). Administrative issues occurred with this system and as a result, during the late 1970s and 1980s, the apartheid government initiated processes where rented and quasi-owned family houses in Black townships could become private property, by having individual owners come forward with their rental permits (Bolt and Masha 2019:148). Now after many years, those individuals (first generation of title owners) have passed on, and disputes have arisen about legitimate ownership of such properties. Bolt and Masha (2019:147) state that this is a result of legal frameworks adversely impacting African ideals of collectivism.

*Lobola* is a financial need that is common within Black households and can be considered a wealth accumulation need (belonging need), resulting in an investment need (Ansell 2001:697). The cost of *lobola* varies across different cultures or tribes in South Africa, but it is common practice to give a minimum of ten cows plus one for the mother of the bride – or the cash equivalent thereof – to the family of the bride (Conway-Smith 2015). The cost of cows varies and is usually negotiated by the elder men in the bride's family with the elder men in the groom's family (Khomari *et al.* 2014:143). It is difficult to plan for this variable cost that will occur in the future, but it is important to ensure that some provisions have been put in place for *lobola*. The failure to make preparations may result in long-term debt being incurred, which becomes an additional liability during the course of the marriage.

In the African community, money spent on the education of children has been considered an investment, and a way of passing down the children's inheritance during the lifetime of the parents (self-esteem need). Manyike (2019) adds that this notion – as well as the practice of sharing and distributing wealth among and within African families – has contributed to the emergence of the idea of 'black tax'.

According to Gwamanda (2019:47), property *stokvels* have emerged, where a group of participants (ranging from 30 to 50 members) contributes on a regular basis to a fund to buy and sell property, save up to purchase property, or save for building materials to build property or do home improvements. This practice highlights the need for more advanced financial planning for Black households that integrate indigenous financial tools (such as *stokvels*) to address modern financial planning needs such as the need for land and property, which is considered important in Black households (Bekker and de Kock 1992:366).

According to Elder and Rudolph (2003:294), because financial planning is a complicated process designed to maximise the financial well-being of all members in a household, it is important to understand the decision-making process within a household. This is especially important in the South African context which has many complex extended household types, with multiple generations, possibly with multiple sources of income, and as a result, there may be several financial decision-makers.

#### **4.6 BLACK HOUSEHOLDS AND CUSTOMARY LAW**

Customary law is often practised by Black African individuals (Tsonga, Pedi, Venda, Sotho, Tswana, Swati, Xhosa, Zulu and Ndebele), individuals who follow the religion of Islam, as well as individuals who identify as Khoi-San (Bekker and Koyana 2012:574). Customary law is defined in section one of the RCMA as “the usages and customs traditionally observed among the indigenous African people of South Africa, which forms part of the culture of those peoples”. Customary law regulates all matters relating to children, marriage and the consequences of marriage, inheritance and succession, land tenure and ownership, and the role of traditional leaders in dispute resolution (Moore and Himonga 2018:62).

Under customary law the household is considered as a single family unit, in which the husband is the head of the family; in the case of polygamous marriage, there are several family units which are managed by the respective wives, but the husband is the head of the collective family units (Herbst and Du Plessis 2008:114). In both cases, there is a distinction between family property – which is controlled by the head of the family, and house property (related to a specific property) – which is controlled by the members of the household for the benefit of the household. Women have control over their personal property only (clothes, small items, gifts received) (Herbst and Du Plessis 2008:114).

Elder and Rudolph (2003:294) suggest that the person with the greatest power and most extensive financial knowledge should have influence over the financial decision-making in the household. According to the same authors, in most cases, the individual who earns the highest salary and contributes the most income should be the financial decision-maker. In the case of customary law, the default position is that the male who plays the father / husband role is the financial decision-maker.

Yusof (2015:222), as well as Belch and Willis (2002:114), add that the bargaining power of household members is often related to their income, education or status, thus giving them more access to participate in financial decision-making processes. In the case of customary law however, this is not the case, since women have limited rights and input into financial decision-making (Himonga 2005:83). From a financial planning perspective, this changed in early 2021 when an amendment bill was passed which provides for the equal treatment of women in monogamous and polygamous marriages, also giving women in customary marriages the right to ownership of property. This means that women are now entitled to inherit from a joint estate (Kruger 2021; Customary Marriages Amendment Act No.1 of 2021).

Financial planners should be knowledgeable about the impact of these changes on family dynamics, so as to sensitise clients and provide adequate financial advice. For example, multiple family units result in multiple residences, which has estate duty implications, as only the primary residence receives a Capital Gains Tax CGT exclusion of R2 000 000 (Eighth Schedule to the Income Tax Act No. 58 of 1962). A financial planner should advise clients under these circumstances to plan ahead in order to minimise tax liabilities. In order to understand financial planning in Black households, it is important to understand the provisions of customary law, and how these relate to the South African legal system.

#### 4.6.1 THE SOUTH AFRICAN LEGAL SYSTEM AND THE NATURE OF CUSTOMARY LAW

There are several sources of law in South Africa today, as a result of colonialism and the apartheid regime. During the apartheid era (prior to 1994), there was a distinction between laws for English- and Afrikaans-speaking White South Africans (common law A) who made up 20 percent of the population, and separate laws for Black, Coloured and Indian South Africans (common law B, native or indigenous law) who made up 80 percent of the population

(Department of Justice 2021; Hutchison and Sibanda 2017:387). Once apartheid ended, the South African Constitution No. 108 of 1996 aimed to consolidate and improve the legal system so that it represents and accommodates all South Africans. Today, the sources of law in the South African legal system include legislation, common law, case law and customary law (Rautenbach 2008:119), each of which is now discussed.

**Legislation** refers to the laws that are laid down by parliament – the South African organ of State with the power to promulgate laws. Legislation refers to written laws which are known as ‘Acts’ or ‘Statutes’ (Hutchison and Sibanda 2017:381). Examples of pertinent legislation that regulates marriage, divorce and succession, and has an impact on financial planning decisions, include:

- Administration of Estates Act No. 66 of 1965
- Civil Union Act No. 17 of 2006
- Customary Marriages Amendment Act No.1 of 2021
- Divorce Amendment Act No. 95 of 1996
- Estate Duty Act No. 45 of 1955
- Intestate Succession Act No. 81 of 1987
- Marriage Act No. 25 of 1961
- Matrimonial Property Act No. 88 of 1984
- Recognition of Customary Marriages Act No. 120 of 1998

South African **common law** is based on Roman Dutch Law and English Law which have been amended over time by local legislation (Herbst and Du Plessis, 2008:107). When a specific matter is not governed by existing legislation, then common law applies (Department of Justice 2021). Common law applies to all South Africans, except in cases where customary law applies (Rautenbach 2010:144).

In their application of the law, judges and magistrates sometimes make rulings that set precedents, which are also considered to be a source of law, referred to as **case law** (Rautenbach 2010:144). Law practitioners are required to take into account judgements in previous cases – they are bound to approaches taken in the past in order to ensure consistent application of the law (Department of Justice, 2021). According to Mitchell (2016), examining case law provides

an understanding of how the courts have interpreted and applied the law in the past, thus providing guidelines for future application to cases with a similar set of facts.

**Customary law** is used in contrast to common law (Herbst and Du Plessis 2008:107) and is often referred to as **indigenous or native law** (Rautenbach 2008:119). When European settlers arrived in South Africa, they imported their own legal systems into Africa and did not recognise the normative systems that already existed among the indigenous people (Diala 2017:145). According to Moore and Himonga (2018:61), customary law is based on the social practices that are observed among communities who consider these practices as obligatory. South Africans are free to live according to customary law, and are also free to choose how different transitions in their life such as marriage, death and divorce are regulated (Moore and Himonga 2018:61).

According to Claassens (2011:523), the Constitutional Court considers customary law to be **living law**, since it evolves as the norms, values and beliefs of the people who live by it, change over time. Moore and Himonga (2018:62) add that living customary law is mostly unwritten, flexible and susceptible to changes in the socio-economic environment. Since living customary law is so dynamic, out-dated customary laws that are no longer being observed can be replaced by the community without any formal processes (Hutchison and Sibanda 2017:390). As a result of the fluidity of living customary law, in order for it to be applicable, the courts apply the provisions of *Van Breda vs Jacobs* (1921) which specify that the law must have the following characteristics:

- it must be reasonable;
- it must have existed for a long time;
- it must be generally recognised and observed by the community; and
- the contents of the customary rule must be certain and clear.

In contrast to **living** customary law, **codified customary law** is the official, written version of customary law, as determined and recorded during apartheid (Claassens 2011:523). Codified customary law is often applied by the courts because it is easily accessible and ascertainable, as it is written in textbooks and scholarly publications (Hutchison and Sibanda 2017:391). However, according to Moore and Himonga (2018:61), codified customary law is considered oppressive, and fixed at the time of writing. If codified customary law violates a human right



as outlined in the Bill of Rights (South African Constitution No. 108 of 1996: Chapter Two), the courts can apply common law or statutory law instead (Lehnert 2005:249).

According to Moore and Himonga (2017:104), despite the South African Constitution and the introduction of the RCMA, there are still shortcomings in the application of South African customary law which have an impact on the individuals who choose to follow it. Maharaj (2020) adds that the RCMA has many practical implications because it does not support, or is in contradiction to, some of the provisions of customary law; this leads to the RCMA being continuously challenged in the courtroom. Prior to the recognition of customary law, Black South Africans were often positioned outside of the law and their financial planning needs were thus not catered for (Moore and Himonga 2018:61).

The catalysts for financial planning intervention are major life transitions such as marriage, divorce and death (Kemp, Rosethnal and Denton 2005). Since these important life transitions are regulated by various sources of law in South Africa, it is important to investigate the financial planning implications of customary law, as well as the flexibility and inconsistent application thereof. The financial implications of major life events may or may not be sufficiently regulated by existing legislation; thus, it is important to consider how customary law may impact individuals' financial planning. This might reveal reasons for, and areas of the financial planning process that need to be reconceptualised.

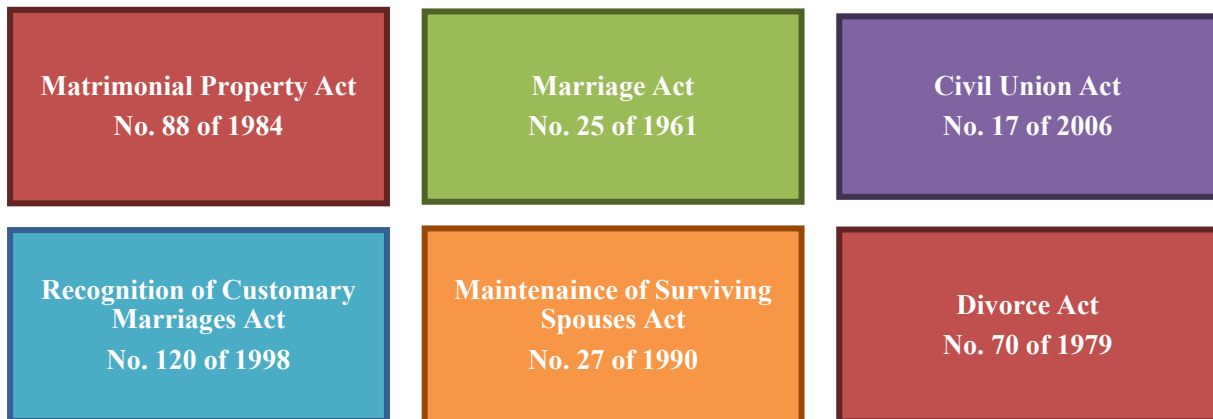
#### 4.6.2 MARITAL LEGISLATION AND CUSTOMARY MARRIAGE IN SOUTH AFRICA

Marriage, marital regimes and matrimonial property are governed by formal codified legislation such as the MPA and the Marriage Act No. 25 of 1961. These are examples of well-established and well-regulated legislation that caters for a conventional marital relationship between a male and female, with a marriage that is concluded before a marriage officer, registered at the Department of Home Affairs, and for which a marriage certificate is obtained. The MPA also provides for arrangements regarding the ownership of property prior to, and after marriage, depending on whether or not spouses enter into an ante-nuptial contract. As discussed in Chapter Three (Section 3.4.3), three different matrimonial property regimes are recognised in South Africa, namely in community of property, out of community of property

(antenuptial agreement) including the accrual system and out of community of property (antenuptial agreement) excluding the accrual system (Goodall *et al.* 2022:809).

The main pieces of legislation that regulate marriage are indicated in Figure 4.3.

**Figure 4.3: Legislation governing marriage in South Africa**



**Source: Goodall *et al.* (2022:809)**

The legislation governing marriage in South Africa (as depicted in Figure 4.3) is codified law, which as previously mentioned, refers to law that is written and ascertainable and thus easier to implement and enforce. As per the Civil Union Act No. 17 of 2006, individuals who are of the opposite sex (or the same sex) are able to enter into a civil partnership, which can be registered at the Department of Home Affairs and enjoys the same status as a conventional marriage. Financial planners thus rely on this legislation when providing financial advice throughout the six-step financial planning process, especially when a client's marital regime has financial planning implications.

Customary law, however, is considered as both codified and living law – the latter is subject to changes based on circumstances, and changes in customs, norms and traditions. Customary marriages may be rather complex for the following reasons: multiple spouses are recognised due to polygamy; the validity of a customary marriage is not based on a legal document but instead on whether it can be proven that the required customs were followed; and it is not necessary to register a customary marriage at the Department of Home Affairs to validate it. It is thus important for financial planners to be knowledgeable of customary law provisions in terms of marriage, because being legally recognised as a spouse (or not) may have several financial planning implications.

Prior to the introduction of the RCMA, customary marriages were not recognised in the South African legal system and were not considered valid due to the practice of polygamy (Himonga and Bosch 2000:308). In the African and Islamic communities, the practice of polygamy is acceptable, where a man is allowed more than one wife as long as he is able to pay *lobola* and maintain each wife (Mahmood 2022). However, a wife is only allowed one husband. According to Herbst and Du Plessis (2008:109), prior to the introduction of the RMCA, husbands did not need to consult each wife should he wish to marry another. However, there was a case between *Nhlapo vs Mahlangu* (2014) where upon the death of the husband, two women discovered that they were married to the same man – the first wife was married through a valid customary marriage and the second wife by means of a civil marriage with a marriage certificate. The High Court found that because the husband did not obtain the permission of the first wife to marry a second wife, the civil marriage was declared invalid and the second spouse did not have any claim on the deceased's estate. Therefore, consultation is important prior to considering polygamous marriages, and husbands need to ensure that they are able to financially take care of each wife equally.

Polygamous marriages result in complex systems, as different family units are created, each with its own status, authority and independence. The status of a household is largely dependent on the social prestige of the wife who is running the household, as well as the status of her children in relation to the other children among the different family units (Herbst and Du Plessis 2008:109). The husband is considered to be the head of the family (and all the family units). He is responsible for personal property (property that belongs to the person who acquired it, but is controlled by the family head), as well as the household property (property which belongs to the specific family unit, which is for the benefit of the wife and the children in that specific family unit) (Moodley 2012:20). Given the existence of multiple households and the varying statuses of the wives and children in the households, financial planners need to be aware of the estate and succession planning implications that arise.

As per customary law, in order for a customary marriage to be considered valid, the payment of *lobola* (agreement on the amount, and the partial or full payment thereof) is required, as well as the integration of the wife into the husband's family (Shope 2006:65). The RCMA makes reference to the definition of *lobola*, but does not state that it is a requirement for the validity of a customary marriage, although it adds that the marriage must be negotiated and celebrated in accordance with customary law (Herbst and Du Plessis 2008:112).

In customary marriages, spouses have the option of registering their marriage at the Department of Home Affairs, although the failure to do so does not affect its validity (Moore and Himonga 2018:63). In addition, for polygamous marriages to be considered valid by the RCMA, a contract that regulates future matrimonial property relations must be approved by the High Court (Button *et al.* 2016:301).

Furthermore, monogamous customary marriages that were entered into after September 2008 are automatically considered to be in community of property (Bekker and Koyana 2012:582). This presents financial implications, particularly for vulnerable wives who become equally liable for debt that the husband may have entered into prior to their marriage. However, should the elders or traditional leaders insist that martial property that is part of the joint estate should be inherited by a male heir through primogeniture, then the surviving spouse (wife) is afforded legal protection and legal remedies should she choose to make use of these.

As previously mentioned, women are now entitled to inherit from the joint estate as a result of the introduction of the 2021 amendment bill to bring the RCMA in line with the South African Constitution (Kruger 2021; Customary Marriages Amendment Act 1 of 2021). However, it is important to note that, despite amendments made to the RCMA, customary law is living law and everyone has the right to exercise their own culture. Thus, legal remedies are available only to those who actively seek them. It is thus important for financial planners who may have clients who practice different degrees of customary law, to consider the role that women play in customary marriages.

#### 4.6.3 THE ROLE OF WOMEN IN BLACK HOUSEHOLDS AND ITS IMPACT ON PROPERTY OWNERSHIP

Traditional African communities have often been described as patriarchal and a gerontocracy, in which older men exercise power and control over the women and younger men in society (Russell 2004:54). In such communities, it is thus culturally ordained that women are inferior to men (Bronstein 1998:395). This explains the perceived role that women play in marriage, as well as any claims they may have to property in their own right. According to Moore and Himonga (2017:104), despite customary law being recognised as part of the South African legal system, the shortcomings of the RCMA continue to negatively impact poor, rural Black South African customary wives, more so than any other group.

Prior to the introduction of the RCMA, the Black Administration Act No. 38 of 1927 (which has since been repealed) considered customary law wives to be minors for the purposes of contractual capacity. This meant that husbands were able to make decisions on behalf of their wives as their guardians, and were also able to control their wives' earnings (Bronstein 1998:390). Despite the provisions made as a result of the introduction and reform of the RCMA, Lehnert (2005:242) states that there are still many areas that remain unregulated, and the improved regulation thereof is dependent on whether those who are adversely affected come forward.

Land tenure and women's access to land have been controversial aspects of customary law. Recent studies have, however, established that rights to land and property among single and widowed women in communal areas have improved, especially in KwaZulu-Natal, the North West and the Eastern Cape (Moore and Himonga 2018:65). Despite evidence of this growth in ownership, strategies to improve access to land and property have focused on middle-class women, as opposed to more vulnerable women whose livelihood is dependent on familial and community relationships (Moore and Himonga 2018:65). The preservation of vested rights in land and property is important for families in general, but should be a priority for women in households where they are more vulnerable (Claassens and Mnisi 2009:492). Financial planners should be knowledgeable about strategies that provide access to property at an affordable cost for women.

There are also vast differences among Black South African women, based on whether they are in a civil marriage (Marriage Act No. 25 of 1961) or a customary marriage (Customary Marriages Amendment Act No.1 of 2021). These differences are apparent in their level of education, employment status and monthly income, with Black South Africa women being considered to occupy a highly vulnerable socio-economic position (Moore and Himonga 2017:105). Due to this vulnerable position, it is important for women to be exposed to appropriate financial products and services, and to be provided with appropriate advice and guidance.

The Act holds that customary marriages are considered to be in community of property where the profits and losses are shared amongst spouses, in the absence of an ante-nuptial agreement (Herbst and Du Plessis 2008:114). Since it is not a requirement for a customary marriage to be registered in order for it to be considered valid, this leaves women in a vulnerable position at

death and divorce, as they may not be afforded the same status and protection that are afforded to wives in civil marriages (Bekker and Koyana 2012:581). On the other hand, women in customary marriages are recognised as spouses for tax purposes, which is beneficial for the following reasons: donations between spouses are not taxable; transfer duty is not payable when transferring property between spouses at dissolution of marriage; capital gains tax is not payable on disposal of assets to spouses; and estate duty is not payable on assets bequeathed to spouses at death (Botha *et al.* 2020:809).

It is clear that marriage is an important life transition which has financial planning implications, especially for women, as it involves sharing of assets and liabilities, which is relevant when considering various financial planning decisions. The dissolution of marriage through divorce and death is another life transition that presents a different set of financial implications, because assets and liabilities have to be redistributed, spousal maintenance or alimony may have to be paid, and child maintenance would be applicable where children form part of the marriage. In the event of death, the financial well-being of the deceased's dependants and the preservation of wealth must be planned.

#### 4.6.4 DISSOLUTION OF CUSTOMARY MARRIAGES / DIVORCE

Customary marriage is viewed as the union not only of two spouses, but two families, therefore the dissolution of a marriage has a communal impact. As a result, there are objections to the standpoint of the RMCA when dissolving customary marriages, as it is perceived to take a civil marriage approach, which is individualistic in nature (Nkosi 2013:37). Customary marriages can be dissolved by the high and regional courts of law, which may also preside over the redistribution of matrimonial property and the custody and maintenance of children (Moore and Himonga 2018:64). Customary marriages can also be dissolved informally amongst the families of the spouses, where headmen and chiefs in the community may be approached to act as a customary dispute resolution forum (Button *et al.* 2016:301). Individuals who choose this route, however, do not enjoy any of the protection afforded by the RMCA (Moore and Himonga 2018:64).

According to Bronstein (1998:391), prior to the introduction of the RMCA, customary law wives were not allowed to negotiate their divorce (just as they do not participate in negotiating their *lobola*), and consequently they may not negotiate the return of the *lobola* by the wife's

family. This causes many challenges for the customary wife because if her family is unwilling or unable to return the *lobola* – if required by the husband’s family – she is often pressured to stay in the marriage (Moore and Himonga 2018:64). It is important to note that since the RCMA does not require the payment of *lobola* for the valid conclusion of the marriage, the failure to return *lobola* does not affect the validity of the dissolution of the marriage (Nkosi 2013:37). The RMCA also does not regulate the repayment of *lobola*, nor the obligation to do so (Herbst and Du Plessis 2008:115). It is important to note, however, that despite the introduction and further amendments of the RMCA, customary principles are still applicable and practised within the Black African community. If the family negotiates the divorce, financial planning implications may arise, such as a tax liability in the event of disposal of assets, inequitable distribution of financial assets among spouses, or the depletion of financial resources that were accumulated collectively throughout the marriage.

Before the Customary Marriages Amendment Act No.1 of 2021, women were denied the right to own property in their name, or to acquire any personal earnings. At dissolution of a marriage, matrimonial property accrues solely to the customary husband, which clearly places customary wives at an economic disadvantage (Button *et al.* 2016:303). Family homes are managed for the benefit of the collective family and are thus not conventionally divided at the dissolution of marriage (that is, sold with the proceeds being shared) (Button *et al.* 2016:304). Since the RCMA considers customary marriages to be in the marital regime of community of property, should the customary wife seek relief from the court system, the profits and losses will be shared between spouses – if it can be proven that a valid customary marriage exists (Herbst and Du Plessis 2008:114).

In case of the death of the customary husband, the customary wife is simply transferred to one of his brothers (Bekker and Buchner-Eveleigh 2017:92). The same authors add that this arrangement can be terminated unilaterally by either party. If this union, referred to as *ukungena*, does not continue, only then is the marriage considered to be dissolved by the death of the customary husband (Herbst and Du Plessis 2008:115). In the event that a woman leaves her husband due to ill-treatment and returns to her father’s house, or if a husband abandons her in favour of another customary or civil marriage, the customary husband has to *phutuma* his wife within a reasonable period (Buchner-Eveleigh 2012:602). *Phutuma* in the Eastern Cape Nguni culture refers to a customary husband “fetching” his customary wife from her parents’ home by paying a fine to her father (Herbst and Du Plessis 2008:115). In the Venda culture,

this custom is referred to as *tshipfumelo*, where the customary wife seeks comfort from her mother-in-law, sister-in-law or eldest brother-in-law, and her customary husband has to give her father a gift to make amends (Buchner-Eveleigh 2012:602). These gifts or fines are usually in the form of a goat or a sheep. If a husband fails to perform this custom, then it can be assumed that the husband has terminated the marriage (Maithufi 2015:310).

The customary wife does not have to return to her husband if, during the customary marriage, the husband pursued and concluded a civil marriage with another woman (Buchner-Eveleigh 2012:602). The husband would then be considered to have abandoned his customary wife (Buchner-Eveleigh 2012:601). This would then constitute a divorce and the husband is entitled to reclaim some of the *lobola* that was paid if the wife refuses to return (Herbst and Du Plessis 2008:115). In other cases, if the customary wife initiated the dissolution of the marriage, then the husband would be entitled to claim back some of the *lobola* that was paid (Herbst and Du Plessis 2008:115). In addition, if the husband no longer wants his wife, he is entitled to send her back to her parental home and her father would be required to repay some of the *lobola* (Herbst and Du Plessis 2008:115).

It is clear that certain customary law practices may create a financial liability which may arise unexpectedly. Unexpected risks and liabilities can often be mitigated by financial products such as insurance. However, there are no traditional financial products that are able to mitigate unplanned events which require financial resources or incur financial liability in the form of the payment of fines or gifts.

#### 4.6.5 THE ROLE OF CHILDREN IN CUSTOMARY MARRIAGES

It is important to consider the role that children play in customary marriage, especially at divorce or death, to determine maintenance responsibilities, which carry financial implications. According to Moore and Himonga (2018:62), in customary law a biological father does not have automatic paternal rights or responsibilities to a child, unless a marriage has been negotiated or concluded by way of *lobola*, or if damages have been paid as a result of *inhlawulo*. In other words, if *lobola* has been paid or agreed to by the biological father, then his biological child is associated with him, and if it has not, then the child is associated with the mother's family. The courts may, however, rule against this in favour of ensuring the child's best interests in line with the South African Constitution (Ngema 2013:410). The child would



be considered a legal dependant based on section 37C of the Pension Funds Act No. 24 of 1956 for the purposes of the distribution of death benefits from retirement funds, but not a descendant based on the customary law of succession (Bekker and Koyana, 2012:577). A financial planning risk thus occurs should the deceased want their death benefits to be distributed to the dependants that they have nominated and not to any dependants that they do not recognise or acknowledge.

In the event that the parents of a child born out of wedlock do not wish to marry, the biological father of the child may be required to pay damages to the mother's family (*inhlawulo*), and if he wishes to gain access to or custody of the child he would have to pay an additional fine, referred to as *isondlo* (Moore and Himonga 2018:62). Posel and Rudwick (2014:56) consider *inhlawulo* to be a more attractive option, because it is more affordable than paying *lobola*, even if the cost of *lobola* decreases because the woman has a child. Prior to the introduction of the RCMA, the payment of *inhlawulo* meant that a biological father would not be liable for past or future maintenance payments, as he relinquishes his parental rights (Button *et al.* 2016:304). According to Moore and Himonga (2018:64), the RMCA now grants power to the court system to make provision for maintenance payments, but in practice, the financial responsibility rests with the mother if the father abandons his paternal responsibilities. Among many Black African cultures, particularly the Xhosa culture, parents are responsible for ensuring that the male children perform the *ulwaluko* ritual which is commonly referred to as initiation school (Magodyo, Andipatin and Jackson 2016). The purpose of this ritual is to instil good moral and social values and marks the transition from puberty to manhood (Magodyo *et al.* 2016). Mpateni and Kang'ethe (2021:208) add that this rite of passage is practiced to fulfil their cultural identity and spiritual needs. The celebration that follows once the initiate returns is referred to as an *umgidi*, where the community celebrates the initiate with gifts and a new wardrobe of clothes (Mpateni and Kang'ethe 2021:208).

It is also important to consider the role of children in customary marriages in the event of the death of a parent, to determine inheritance and succession in terms of customary law. Spouses, descendants, parents and siblings stand to inherit from a deceased estate. Testate succession refers to an individual dying with a valid will in place, which nominates the executor of the deceased estate and indicates who the beneficiaries are (Rautenbach 2008:122). Intestate succession occurs when an individual dies without a valid will, in which case, the provisions of the Intestate Succession Act No. 81 of 1987 determine the heirs of the deceased estate (Botha

*et al.* 2019:444). Financial planners need to ensure that individuals who wish to have their estates administered according to customary law should draft a valid will indicating this. If there is no valid will, then the deceased estate will be administered according to the Intestate Succession Act No. 81 of 1987.

For the purposes of intestate succession, a descendant refers to natural, adopted, illegitimate and unborn children (Botha *et al.* 2019:444). Descendants in terms of customary law refer to anyone who, during the lifetime of the deceased, was recognised and accepted as his or her own child (Bekker and Koyana 2012:577). Table 4.2 further elaborates on the types of descendants that are recognised by customary law.

**Table 4.2: Customary law descendants**

DESCENDANT	DESCRIPTION
<b>Children of a spinster</b>	Children belong to the house to which their mother belongs and consequently to her father.
<b>Children of the wife</b>	Children born of or conceived during the course of the marriage, whether legitimate or illegitimate, except children conceived before the marriage.
<b>Children born of a widow (<i>ukungena</i> unions)</b>	The widow may enter into a <i>ukungena</i> relationship with her deceased husband's brother. Children born from this union are considered to be descendants.
<b>Children of a widow</b>	Children born of a woman from her extra-marital relationships. The husband may claim damages for adultery, but the child is considered a descendant of the husband.
<b>Adopted children</b>	Children adopted by the husband or the wife and reported to the traditional leader are considered to be descendants.
<b>Seed-raiser / Seed-bearer</b>	If a wife is unable to produce an heir due to her death or infertility, a man may marry a seed-raiser or seed-bearer for the purposes of producing an heir.

**Source: Bekker and Koyana (2012)**

It is evident from Table 4.2 that there are several types of descendants in customary law which differ from those according to the Estate Duty Act No. 55 of 1955. It is important to note that formal adoption is not common or often recognised in customary law, as it goes against principles of collectivism where children in a family belong to everyone within the family and not just to the parents (Moore and Himonga 2018:62). The same authors further state that the duty to support children lies with grandparents and siblings, in addition to the parents of the child(ren), but this duty does not extend to aunts or uncles. These circumstances reinforce the need for adequate financial planning by means of drafting a valid will to ensure that minor dependants of the deceased are taken care of by the deceased's desired guardian.

Furthermore, when considering the traditional practice of *inhlawulo*, this does not prohibit the mother of the child from claiming maintenance payments from the father's deceased estate if the child is younger than 18 years old (Lamprecht 2018). It is thus important to ensure adequate estate and succession planning to plan for unexpected liabilities that may occur at death, and to ensure that all the dependants and descendants are adequately provided for.

Having established the role of children in customary law – particularly in the context of whether they are considered to be descendants and/or legal dependants of the deceased – it is also important to discuss the process of succession in monogamous and polygamous marriages, as per customary law.

#### 4.6.6 CUSTOMARY LAW OF SUCCESSION

The law of succession is a branch of common law that regulates what happens to a deceased person's assets and liabilities (Bekker and de Kock 1992:366). The customary law of succession has a relationship with other spheres of law such as family law, law of property, law of delict, as well as intestate succession (Rautenbach 2008:122). According to Botha *et al.* (2020:817), the law of succession deals with the rules governing the estate of a person, as depicted in Table 4.3.

**Table 4.3: Types of succession in South Africa**

<b>Intestate succession</b>	Occurs when a person dies without a valid will, or with an invalid or partially valid will.
<b>Testamentary succession</b>	Occurs when a person dies with a valid will.
<b>Contractual succession</b>	Known as a <i>pactum successorium</i> which is invalid and unlawful in South Africa, unless there is an ante-nuptial contract.

**Source: Goodall *et al.* (2022:817)**

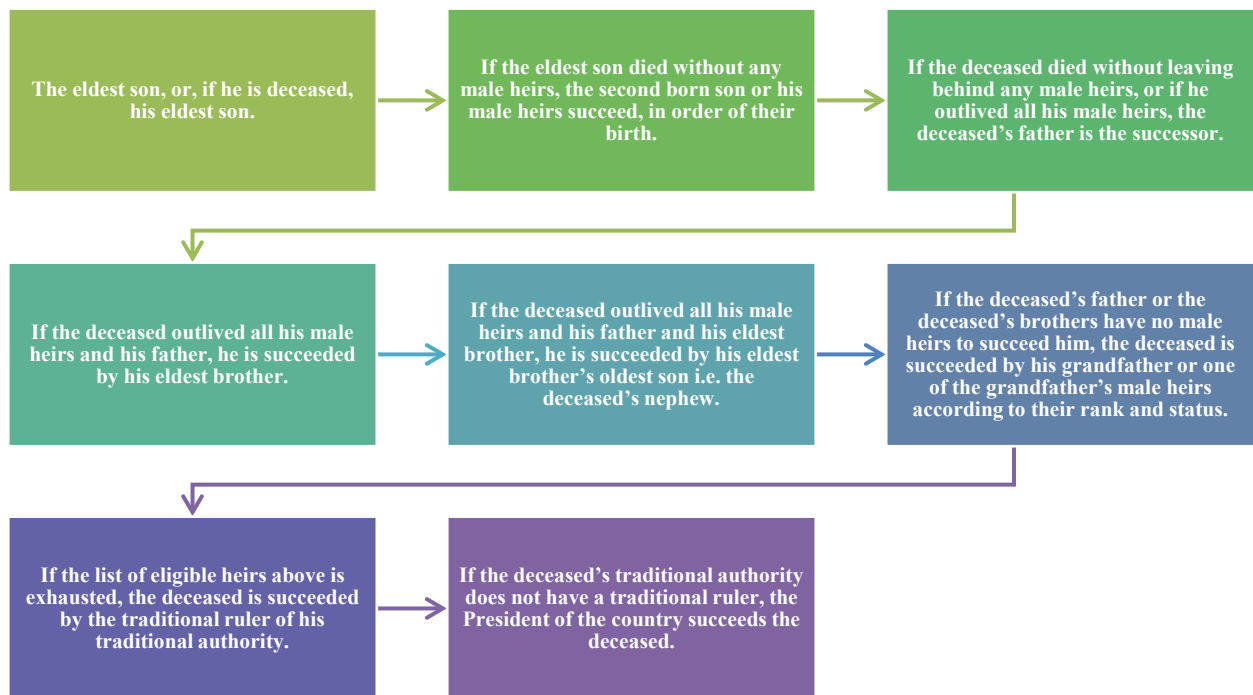
Table 4.3 lists the three ways in which succession can take place in South Africa. According to Bekker and de Kock (1992:366), the objective of succession in customary law and African communities is to keep family property in the family blood line. This is because value is placed on family solidarity and reverence for ancestors (Bekker and Koyana 2012:569). Before one can discuss the customary law systems of succession, it is important to consider what comprises wealth and property in African families. This is especially important given South Africa's

wealth inequality, and only recent provision of property rights to the majority of the population (Bolt and Masha 2019:148).

The customary law of succession outlines how a deceased estate (the estate of a deceased individual) is administered and distributed, and has an important impact on children and families in a customary law context (Moore and Himonga 2018:66). According to Bekker and de Kock (1992:368), within the African community two objectives must be achieved when a person in the family dies: the first is that the family name must be preserved through heirs and legacies; and the second is that the family property must be distributed among the survivors. It is for these reasons that prior to the Recognition of Customary Marriages Amendment Act No. 1 of 2021, only male heirs in the family were able to inherit any property and, as previously mentioned, customary marriages continue despite the death of the customary husband – the customary wife is simply transferred to one of the deceased's brothers (*ukungena*) (Herbst and Du Plessis 2008:115; Moodley 2012:28). If the husband or father wishes the wife or daughter to inherit property in his estate, this must be stated in a will (Moodley 2012:28).

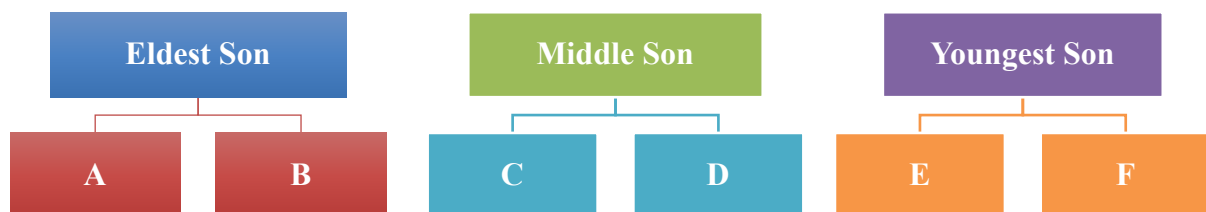
Prior to the introduction of the RMCA, the male primogeniture rule existed (i.e. the right of succession belongs to the firstborn male child), implying that females or extra-marital children could not inherit from their spouse's or parents' estates (Moore and Himonga 2018:66). However, due to reforms of customary law by the Constitutional Court, this rule has since been removed and been replaced by the Intestate Succession Act No. 81 of 1987, which enables affected parties to seek redress (Ozoemena 2013:149). The application of intestate succession means that all South Africans are subject to the same laws of succession, where the spouses, children, parents and siblings are accordingly prioritised – as opposed to succession according to the rank and status of the descendants of the deceased (Bolt and Masha 2019:148).

Nevertheless, Moore and Himonga (2018:66) state that the updated legislation does not mean that the changes are practised in reality. Male primogeniture is still the dominant principle among those who practise customary law, even when the needs of surviving family members are taken into account (Bolt and Masha 2019:157). In monogamous customary marriages, the male heirs typically inherit property in the estate of the deceased. Figure 4.4 illustrates the order in which succession takes place for customary marriages that are monogamous in nature.

**Figure 4.4: The order of succession in monogamous customary law marriages**

Source: Moodley (2012:22)

Family rank (the status and hierarchy of the members within a family unit) and house rank (the status and hierarchy of the family units within the family collective) play an important role in customary law succession, especially in polygamous marriages (Bekker and Koyana 2012:569). A distinction should also be made between the succession to positions of ranks and status within the family, and the inheritance of property (Bekker and de Kock 1992:368). According to family rank, older males rank higher than females and younger males within the family. The family ranks in polygamous customary law marriages are illustrated in Figure 4.5.

**Figure 4.5: Family ranks of inheritance in polygamous customary law marriages**

Source: Moodley (2012:22)

As per Figure 4.5, the eldest son has a higher rank than the middle son, who in turn has a higher rank than the youngest son. The children of the eldest son (A and B) thus have a higher rank

than the children of the middle son (C and D), regardless of their ages (Moodley 2012:22). House rank also plays an important role in multiple family units as a result of polygamous marriages. This is determined by the order in which the wife of the household was married, as well as the descent of the wife (Moodley 2012:23). In other words, in a polygamous marriage, the wife that was married first has a higher rank than a wife that was married second (or later). Consequently, the family unit of the first wife has a higher house rank than the family unit of the second wife. Herbst and Du Plessis (2008:109) add that each spouse in multiple households has their own status and rank, which for each wife, is determined partly by her social prestige and the status of her children in relation to intestate succession.

In some African cultures, the customary law of succession varies slightly. For example, among the Pedi, the eldest son succeeds to the status of the father, but the youngest son inherits property such as the family home (Bekker and Koyana 2012:570). This is because the youngest son is usually the last to leave the home and he would be required to care for his parents (Bekker and de Kock 1992:368). In customary law succession, the continuation and growth of the family is a priority; hence it is the responsibility of the successor to take care of the children, widow and the land to ensure that it is used to the benefit of the surviving family members (Bekker and Koyana 2012:569). Furthermore, the successor assumes the legal position of the deceased and becomes liable for any debt that was incurred by the deceased (Bekker and de Kock 1992:368).

According to Bekker and Koyana (2012:570), the development of customary law has ensured that the monetary needs of the surviving spouse and children are considered, and their needs dictate what happens to the assets of the deceased. Mbatha (2002:260) adds that the purpose of customary law succession is to give the responsibility of protecting the family and the deceased's descendants to one person, in exchange for control over family property. The codification of customary law has, however, led to misinterpretation and poor implementation, to the detriment of surviving descendants, especially in the context of changing social and economic conditions (Mbatha 2002:260).

Disputes often arise among the potential beneficiaries in the distribution of the deceased estate, due to perceived unfairness. Disgruntled, opposed and victimised family members may seek redress under official estate administration processes in which intestate succession dictates what happens to family property, especially where an agreement cannot be reached (Bolt and

Masha 2019:157). Therefore, it is important that when conducting estate planning, a valid will is necessary to indicate that the provisions of customary law must be applied. Careful consideration of what will happen to the family home (or other property) is also required.

#### **4.7 SUMMARY AND CONCLUSIONS OF THE CHAPTER**

Chapter Four is the final one of the literature chapters and focuses on Black households and the application of financial planning legislation and customary law. Given that personal financial planning takes place within a household setting, the chapter commenced with a description of households and how they differ from a family. A family describes the nature and extent of the relations among members. A household, however, is an extension of a family unit as it is composed of several members as part of a social arrangement of people who may or may not be directly related, but pool financial resources and participate in household consumption. The literature shows that nuclear households are more common among the White and Asian / Indian ethnic population groups, and the extended household type is more common among Black African and Coloured individuals.

Since extended households are more complex in nature, and often have complex financial planning needs, a discussion of Black households was provided. These inhabitants are characterised as South African consumers who are of Black African and manage their household according to the principles, values and beliefs that are associated with the cultures practised by these ethnic groups. Black households are considered to be under-served, historically financially excluded, have low levels of financial literacy, and are mostly collectivist in nature.

Since financial planning aims to improve the well-being of all members in a household, financial planning in complex extended households requires better understanding of how financial decision-making takes place. Some of the financial needs that are common among Black households include land and property ownership, family wealth, family homesteads, *lobola* capital and 'black tax' income. In some cases, household members who contribute the most financial resources play a larger role in terms of financial decision-making; in other cases, the wife makes the financial decisions as she often adopts the role of maintaining the household (whether she is employed or not); or financial decision-making may be a joint process. In households that are managed according to the principles of customary law, the dominant males

(often the husband) make all the financial decisions, regardless of their financial contribution to the household.

Black households and customary law were then discussed in detail, as this is often practised by Black African, Khoi-San and Muslim individuals. It is important to consider the role that customary law plays in Black households as it regulates matters relating to marriage; consequences of marriage at death and divorce; children; inheritance and succession; land tenure and ownership; and the role that traditional leaders play in dispute resolution (Ndulo 2011). Such consideration is particularly important because in the South African financial services industry, there is established legislation that deals with each of these aspects, yet the implementation thereof may be contradictory to what is practised in customary law. It was concluded that financial planners need to be knowledgeable of customary law and how it relates to, and interacts with financial planning legislation. They should be able to understand financial needs under customary law, and advise their clients of the financial planning implications of any recommendations and advice provided.

Chapter Four concludes the literature review of three chapters which aimed to achieve the first methodological objective (MO<sup>1</sup>) of the study. Through the literature review, this study has investigated how the financial planning process is currently applied in the financial planning environment by CFP® professionals for South African consumers, based on their diverse financial planning needs (SO<sup>1</sup>). Since the first methodological and secondary objectives have been addressed, Chapter Five goes on to present the research design and methodology that will explain the research methods and strategies used to achieve the primary and remaining secondary and methodological objectives of the study.



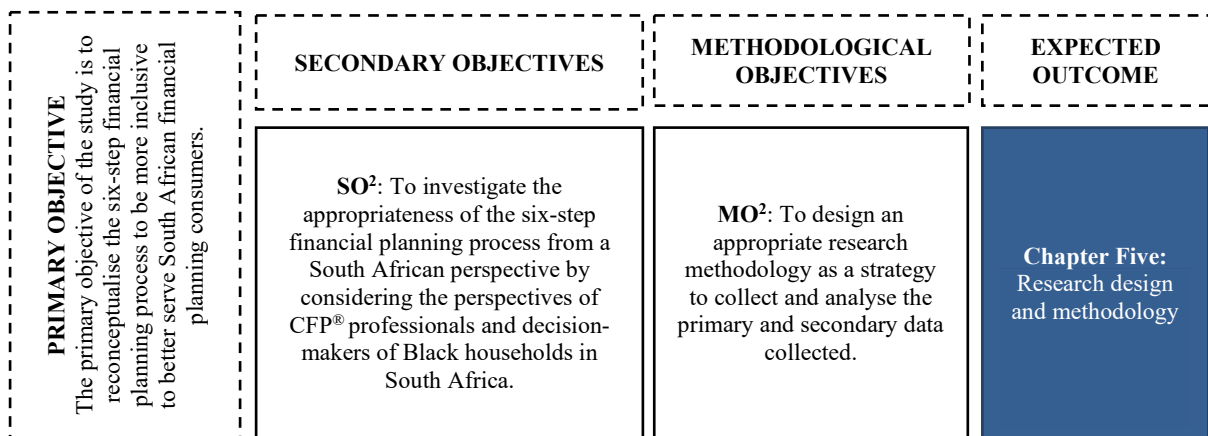
## CHAPTER FIVE

### RESEARCH DESIGN AND METHODOLOGY

#### 5.1 INTRODUCTION

Chapters Two, Three and Four of the study have provided the literature foundation for the study. Since the primary objective of this study is to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers, it is clear that an empirical investigation is necessary. Chapter Five presents the research design and methodology that explain the research methods and strategies used to achieve the primary objective of the study. This addresses in particular, the second methodological objective (MO<sup>2</sup>), namely to design an appropriate research methodology as a strategy to collect and analyse the primary and secondary data collected. In doing so, the second secondary objective (SO<sup>2</sup>) will also be achieved, as seen in Figure 5.1.

**Figure 5.1: The role of Chapter Five in achieving the objectives of the study**



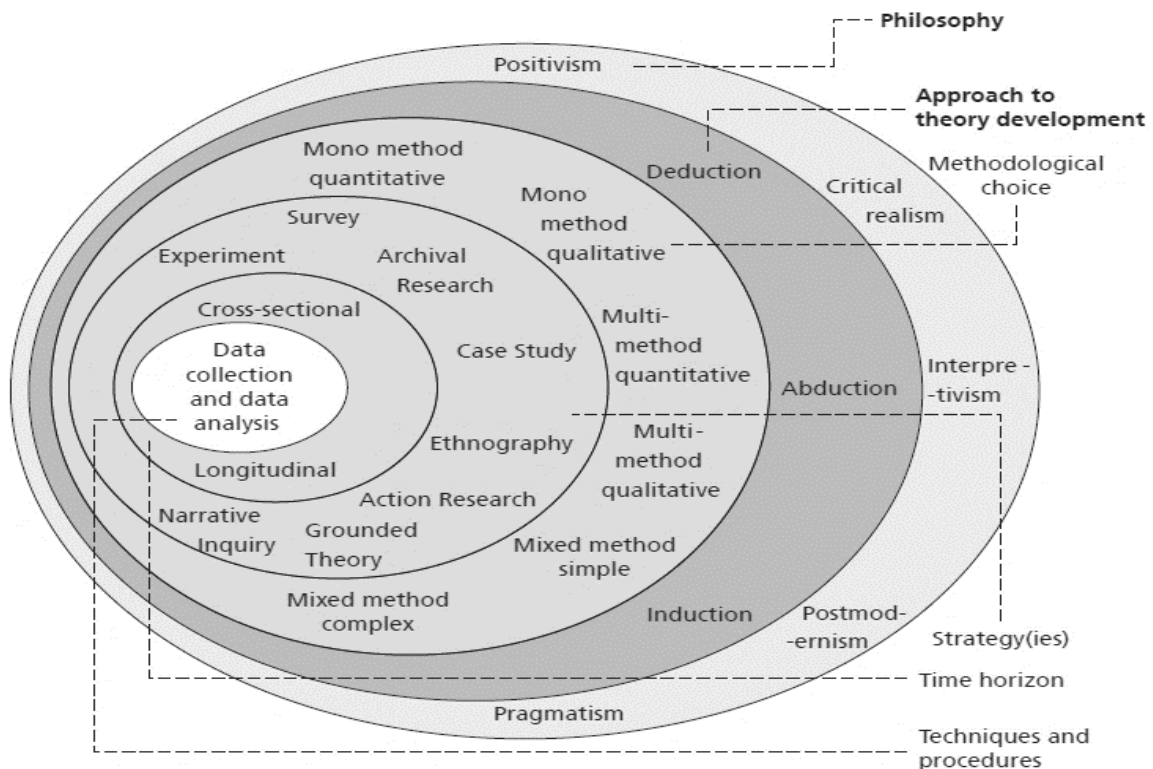
**Source: Researcher's own construction**

The research design and methodology of the study are discussed in the context of the 'research onion' (Saunders *et al.* 2019) (See Figure 5.2). The chapter is thus structured accordingly and commences with a discussion of each layer of the research onion and the appropriate research method that was adopted. The research philosophy, approach to theory development, methodological choice, research strategy, time horizon of the study, as well as the techniques and procedures of data collection and data analysis are presented. The chapter concludes with a discussion on the ethical considerations of the study.

## 5.2 RESEARCH DESIGN AND METHODOLOGY

According to Struwig and Stead (2013:54), the research design and methodology of a study explains to the reader how the research problem and objectives of the study were addressed. Maree *et al.* (2016:81) further adds that the research design and methodology of a study delineates the research plan and intentions of the study clearly and succinctly. Saunders *et al.* (2019) refer to the research process as different layers that need to be peeled away and understood as the researcher aims to resolve the problem and research question. Figure 5.2 illustrates the research onion.

**Figure 5.2: The research onion**



**Source: Saunders *et al.* (2019:130)**

As Figure 5.2 suggests (working from the outer layers), the research philosophy and approach to theory development are the first two layers that need to be addressed. Thereafter the methodological choices need to be considered and the research strategy is selected. The time horizon of the study is determined before finally, research methods of data collection and analysis are reported.

### 5.2.1 RESEARCH PHILOSOPHY

A research philosophy may also be referred to as a ‘research paradigm’; it represents the systems and beliefs about the development of knowledge, and the assumptions that are made in research (Saunders *et al.* 2019:130). More specifically, it illustrates the deeper philosophical view of the nature of the social phenomena being studied (Feilzer 2010:7). The research philosophy thus provides the framework that is used to examine a research problem and possibly offer solutions (Antwi and Kasim 2015:2018). Saunders *et al.* (2019:130) refer to five main philosophies in business and management, namely positivism, critical realism, interpretivism, postmodernism and pragmatism.

**Positivism** considers that only objective and observable facts can be a basis for science, or be explained in terms of scientific laws (Maree *et al.* 2016:22). This philosophy is often combined with a deductive approach and quantitative research methods, in order to identify causal relationships that predict human behaviour (DiVanna 2012:2; Struwig and Stead. 2013:5). Thus the objective of positivism is to yield data scientifically, that is not influenced by human opinion or bias (Saunders *et al.* 2009:145).

**Critical realism** considers that reality is external and independent; thus individuals’ experience of this reality is influenced by their senses and therefore the same independent reality is observed differently by different individuals. Critical realism aims to explain what individuals see and experience in terms of underlying structures of reality that shape observable events (Saunders *et al.* 2009:147). This is in contrast to positivism, which holds that what individuals see and experience through their own reality is what is accurately portrayed, or more informally “what you see is what you get”. According to Wynn and Williams (2012:787), critical realism leverages aspects from both positivism and interpretivism, yet Oliver (2012:372) adds that the aim of critical realism is not to create generalisable laws (positivism) or to identify lived experiences and beliefs of individuals (interpretivism), but to develop deeper levels of explanation and understanding.

The social context, conventions, standards and norms of a community or individual are considered important in understanding human behaviour (Maree *et al.* 2016:23). According to Merriam and Tisdell (2016:9), it is important to note that the subjective meanings that individuals ascribe to a phenomenon are negotiated and formed through social interaction with

others in the context of their historical and cultural norms. **Interpretivism** thus considers the meaning that individuals or communities ascribe to their experiences, with the aim of achieving understanding and meaning of a particular phenomenon (Saunders *et al.* 2009:147).

**Postmodernism** is an all-encompassing term for different approaches that value multiple interpretations for a single phenomenon; it considers the subjective meaning that individuals and communities prescribe to a given phenomenon (Maree *et al.* 2016:23). Gavin (2013:8) suggests that postmodernists consider positivistic research redundant, as it is not possible to gain complete and absolute knowledge about a phenomenon. According to Saunders *et al.* (2009:149), postmodernism emphasises the role of language, seeks to question accepted ways of thinking, and aims to give a voice to alternative, marginalised views.

**Pragmatism** aims to uncover practical knowledge that is relevant to a particular situation and is most suitable when conducting action research (Biesenthal 2014:2). Furthermore, pragmatism considers how humans should conduct their business – for example, managers or accountants. It places emphasis on the practical applications of theory and measures the value of knowledge by its ability to solve a practical problem (Jacobs 2012:3).

For the purpose of the study, an **interpretivist** research philosophy was adopted. Interpretivism advocates the need to consider subjective interpretations of human beings and their perceptions of the world in their social context or natural environment (Maree *et al.* 2016:60). Saunders *et al.* (2019:149) state that “different people from different cultural backgrounds, under different circumstances and at different times attribute different meanings, and so create and experience different social realities.” Given the nature of the study, it is important to gain a deeper understanding of the financial planning needs of Black South African consumers based on their social context and lived experiences, and to establish CFP® professionals’ perceptions of the appropriateness of the six-step financial planning process for the South African context. Therefore, an interpretivist research philosophy was deemed to be most appropriate for this study.

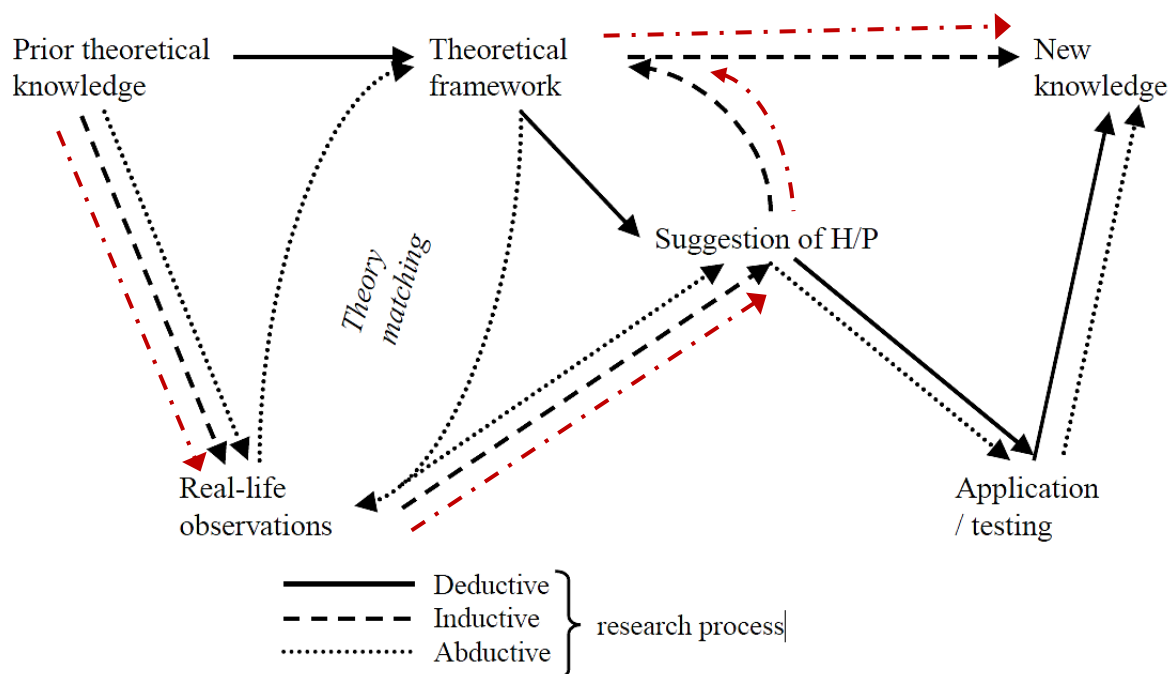
## 5.2.2 RESEARCH APPROACH

The research approach refers to the role that theory plays in a study. Specifically, the research approach indicates whether the aim of the study is to develop theory or to test existing theories

(Saunders *et al.* 2009:124). According to Saunders *et al.* (2009:124), three approaches are taken to theory development, namely deductive, inductive or abductive approaches. Reichertz (2014:123) states that these approaches are also referred to as forms of logical reasoning – they are not considered as concepts, tools or methods of data analysis, but rather as a means of generating ideas. In other words, the research approach addresses what point of reasoning commenced first – either the theory or the empirical testing.

A deductive approach is concerned with testing an existing theory that may be uncovered from analysing academic literature (Egan 2002:279). Conversely, an inductive approach is aimed at generating theory in the form of a conceptual framework by collecting data to explore a phenomenon (Cavaye 1996:234). An abductive approach is a combination of deductive and inductive approaches, with the aim of collecting data to generate or modify an existing theory, which would then be tested through additional data collection (Gioia *et al.* 2012:21). Spens and Kovács (2006:376) present an illustration of the three different research approaches (Figure 5.3) and suggest that there are three indicators that determine which research approach is deemed to be most suitable.

**Figure 5.3: The three different research approaches**

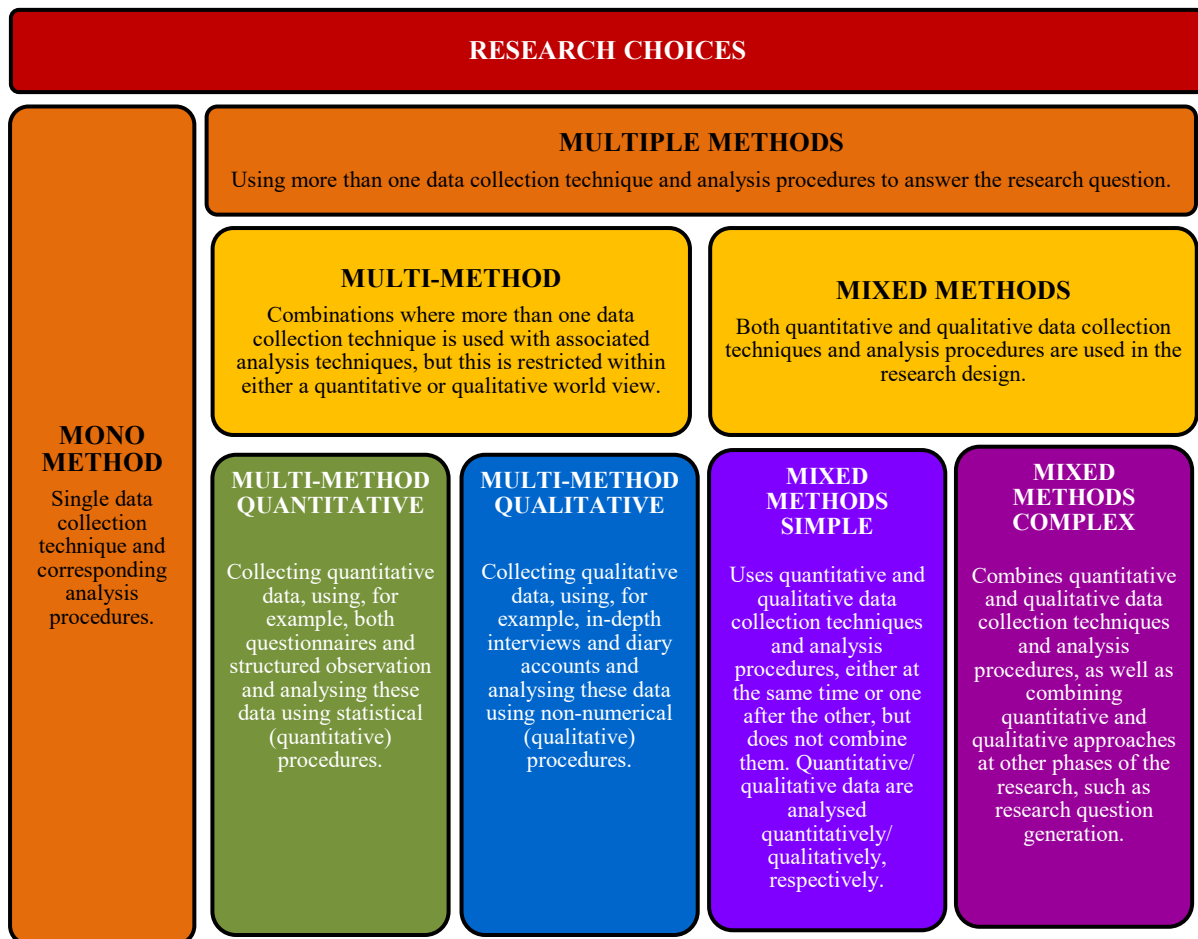


**Source: Adapted from Spens and Kovács (2006)**

Spens and Kovács (2006:376) suggest that the three indicators of what is the appropriate research approach are: the aim of the research, the starting point of the research process, and the point in time at which propositions or hypotheses are developed and further applied. The aim of this research study is to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers. The starting point of this study is thus an analysis of prior theoretical knowledge that was compared to the real-life observations (experiences and perceptions) of Black South African households and CFP® professionals. However, in this study, instead of research propositions, practice standards are suggested that are based on the analysis of the data that will aid in the theory development and reconceptualisation of the six-step financial planning process. Therefore, based on Spens and Kovács (2006:376), it was deemed that an inductive approach is most appropriate for the purposes of this study, as it assists in generating new theory and building a conceptual framework for the reconceptualised six-step financial planning process.

### 5.2.3 RESEARCH METHODOLOGICAL CHOICE

The research methodology states the basis for the study as well as how data is collected and analysed (Hussey and Hussey 1997:54). The two predominant research methodologies used in management sciences are quantitative research methodologies and qualitative research methodologies (Struwig and Stead 2013:3). Quantitative research methodology involves the collection of predominantly quantitative data, and data analysis techniques that generate numerical data. Qualitative research methodology involves the collection of qualitative data, and data analysis techniques that generate non-numerical data. (Maree *et al.* 2016:23). These methodologies do not exist in isolation, and more than one methodology (mixed-methods) may be necessary to address a study's research questions. Saunders *et al.* (2019:151) thus propose several methodological choices (Figure 5.4), based on either a quantitative or qualitative research methodology.

**Figure 5.4: Research methodological choices**

Source: Saunders *et al.* (2019)

As per Saunders *et al.* (2019), Figure 5.4 shows that a distinction is made between a mono-method and multiple methods methodological choices. A mono-method methodological choice involves using a single research method of data collection (quantitative or qualitative), and a single corresponding method of data analysis (quantitative or qualitative). A multiple methods methodological choice involves using one or more methods of data collection and corresponding data analysis methods that are either only quantitative (multi-method quantitative) or only qualitative (multi-method qualitative) in nature. More complex techniques, such as mixed-methods methodological choices, involve using one or more quantitative (or qualitative) methods of data analysis techniques to analyse data that was collected quantitatively (or qualitatively).

For the purpose of this study, a mono-method qualitative research methodology was adopted. A single qualitative research methodology and subsequent single qualitative data analysis technique were deemed appropriate, as the aim of the study is to understand rather than explain

human behaviour as it relates to financial planning (Babbie and Mouton 2012:53). In addition, qualitative research seeks to understand a phenomenon from the perspective of those experiencing it (Vaismoradi *et al.* 2013:398). This study seeks to understand how the financial planning process can be applied in the South African context by considering the perspectives and experiences of CFP® professionals and decision-makers in Black households.

#### 5.2.4 RESEARCH STRATEGY

Once a methodological choice has been made, Saunders *et al.* (2009:141) state that it is important to select an appropriate research strategy, which is guided by a study's research objectives. Maree *et al.* (2016:73) mention that a research strategy takes a holistic approach to addressing a study's research questions by considering the goals (aims) of the research, the conceptual framework of the study (theories, beliefs and prior research), research methods (of data collection and analysis), and the validity (verification of the data) of the study. The research onion makes reference to eight research strategies, namely experiments, surveys, archival research, case studies, ethnography, action research, grounded theory and narrative inquiry.

According to Marczyk, DeMatteo and Festinger (2005:3), **experimental** research involves the comparison of two different groups to determine whether there is a causal relationship. In other words, experimental research aims to determine whether a change in one variable (independent) will result in a change in another variable (dependent) (Saunders *et al.* 2009:142).

Maree *et al.* (2016:174) describe a **survey** research strategy as the process of collecting information on the attitudes, beliefs, habits, ideas, feelings and opinions of a sample of participants (or respondents) using questionnaires or interviews. Contrary to quantitative surveys – which often use questionnaires to collect data, qualitative surveys are associated with observation techniques and interviews as data collection techniques (Saunders *et al.* 2009:145). Thorne (2000) adds that qualitative survey research can include open-ended questions and semi-structured interviews as methods of data collection; and is distinguished from quantitative research as it aims to uncover how people perceive, think and feel about their circumstances (Thorne 2000).



**Archival research** makes use of administrative documents and records (historical and recent) as the main source of data. Archival research should not be confused with secondary data analysis for the purposes of a literature review, as archival data for research purposes refers to data that was collected and assembled for a different purpose (Saunders *et al.* 2009:150).

**Case studies** are considered to be one of the primary qualitative research strategies, used when seeking an understanding of the dynamics which are present in a larger phenomenon, through an intensive study (Rossman and Rallis 2017:82,90; Huberman and Miles 2002:9). Case study research refers to an empirical inquiry about a contemporary phenomenon, which is set within its real-world context (Maree *et al.* 2016:81). The case study as a research strategy comprises an all-encompassing method that incorporates specific approaches to data collection and data analysis. In this sense, the case study is neither a data collection tactic or merely a design feature alone, but a comprehensive research strategy (Yin 1994:13).

The focus of **ethnography** is the interpretation and understanding of patterns, values, behaviours and beliefs, as well as language, of a particular social or cultural group. An ethnographic strategy requires the researcher to spend a considerable amount of time observing and analysing that social or cultural group, in their natural setting (Maree *et al.* 2016:80). Herbert (2000:551) adds that the purpose of observation in ethnography is to understand how the social or cultural group develops their interrelationships, and to make sense of how they navigate and perceive the events and opportunities that confront them.

**Action research** is a mode of inquiry that seeks to find practical solutions to existing problems through observations and cooperative reflection to improve practice. The participants in the research project often become co-researchers due to the degree of interactivity enabled by an action research strategy (Maree *et al.* 2016:134). Simply put, Saunders *et al.* (2009:147) refer to action research as “research in action as opposed to research about action”. Biesenthal (2014:2) adds that action research is a reflective and iterative process, with the goal of solving a particular problem where consensus about the means and the ends needs to be established for the researcher and the participants.

**Grounded theory** is a type of research strategy that emphasises theory development, inductive reasoning and interpretivism as a research philosophy, with qualitative research methodologies and interviews as a data collection method (Betts 2014:3). Theory development through

grounded research can be achieved by studying the elements of an experience or occurrence, and their interrelationships (Oliver 2012:373). Struwig and Stead (2013:13) add that grounded theory aims to generate theory by developing concepts from the data.

According to Maree *et al.* (2016:76), **narrative inquiry** involves collecting stories from individuals with lived experiences of a particular phenomenon or occurrence, and analysing and retelling that story in the form of a narrative of that experience. Narrative inquiry involves first-person accounts of stories with a beginning, middle and an end; it can also be referred to as a biography, autobiography, auto-ethnography account or oral history (Merriam and Tisdell 2016:36). Clandinin and Caine (2008:542) add that narrative inquiry is a research strategy for narratively inquiring into individuals' lived experiences in relation to the broader cultural, social or institutional context and existing narratives.

For the purpose of this study, a **survey research strategy** was adopted, in order to gain in-depth information about people's underlying reasoning and motivations. This is appropriate since this study aims to gain insights into the perceptions, beliefs and experiences of financial planning, for both CFP® professionals and Black households. Nardo (2003:646), however, states that some shortcomings of survey research strategies are that the results are sensitive to sampling errors and the phrasing of questions, and the participants or respondents may manipulate their answers to induce the perceived desired outcome. These shortcomings were taken into account in this study by developing a comprehensive interview design, which is discussed when addressing the methods of data collection (Section 5.2.6.2.5).

### 5.2.5 TIME HORIZON

The time horizon of a study refers to the period over which the research is conducted. It is independent of the research philosophy, methodological choice, or research strategy employed in the study (Saunders *et al.* 2009:155). The time horizon could be either a **longitudinal** study – which involves the collection of data at different points in time (Babbie and Mouton 2012:644), or a **cross-sectional** study – which is based on observations at a single point in time (Babbie and Mouton 2012:641). According to Marczyk *et al.* (2005:143), longitudinal studies are suitable when wanting to collect normative data on growth, to note special trends, or to observe the effects of a particular factor. Cross-sectional studies are often used when employing the survey strategy in seeking to describe an occurrence of a phenomenon, or to

explain how factors are related to each other among different samples (Saunders *et al.* 2009:155).

For the purposes of this study, a **cross-sectional** investigation was conducted. The objective of the study was not to monitor changes in the six-step financial planning process over time, but rather to collect data from participants regarding their perceptions, experiences and opinions of financial planning based on their context at a specified point in time. Therefore, a cross-sectional study was deemed to be most appropriate.

## 5.2.6 TECHNIQUES AND PROCEDURES FOR DATA COLLECTION

Once decisions regarding the methodological choice and research strategy have been made, the methods of data collection need to be determined to sufficiently address the research objectives of the study (Maree *et al.* 2016:37). Data collection refers to the process of finding information that is relevant to a particular study (Hox and Boeije 2005:593). Two types of data are often collected when conducting a study, namely secondary data and primary data.

### 5.2.6.1 Secondary data collection

Secondary data refers to any materials that have previously been published and form the basis of a study's literature review (Maree *et al.* 2016:88). Secondary data can also be used for purposes other than a literature review, for example, in archival research strategies where secondary data is re-analysed and reported for a different study than for what it was intended (Struwig and Stead 2013:82).

Secondary data in the context of this study was used to form the basis of the literature review. A literature review should provide scholarship in the particular discipline that provides a critical and integrative approach to analysing trends and debates in the field (Struwig and Stead 2013:32). To ensure the credibility and authenticity of the secondary data collected, international and national databases were used, which were accessible through the Nelson Mandela University library, including: EBSCO Host, Emerald, Sage Publications, Google Scholar and Google searches. Journal databases specific to the field of financial planning were used, such as the Financial Planning Review, the Financial Planning Research Journal, and the Journal of Financial Planning and Counselling. Secondary data was sourced from these journals

and databases to conduct a literature review on the financial services industry, the financial planning profession, and the current six-step financial planning process. The unique characteristics and diverse financial needs of South African consumers were also reviewed.

#### 5.2.6.2 Primary data collection

Primary data is sourced directly from a participant or organisation in question, and may be in published (government documents) or unpublished forms (Hox and Boeije 2005:593), depending on the aims and objectives of a study. According to Struwig and Stead (2013:102), there are four main methods of collecting qualitative data (which is relevant to this study, as explained earlier), namely interviews, focus groups, observation and unobtrusive measures.

**Interviews** are a data collection method that requires participants to reveal what they think and how they feel about a particular phenomenon (Collis and Hussey 2014:133). Struwig and Stead (2013:92) add that interviews are two-way conversations, in which the interviewer asks the participant questions about their ideas, beliefs opinions and behaviours regarding a particular concept, experience or phenomenon.

According to Cameron (2005:157), **focus groups** involve a group of individuals discussing topics or issues that are allocated by the researcher, who also acts as a moderator during the discussions. Rabiee (2004:655) adds that participants in a focus group are purposefully selected based on their age range, similar socio-characteristics, and the fact that they would have something to say about the particular topic.

**Observation** includes one or more researchers observing participant(s) who have consented to be observed in a given context, without interfering with the environment (Struwig and Stead 2013:104). Jamshed (2014:88) adds that observation is usually linked to ethnography research strategies and can be in the form of auxiliary research or confirmatory research.

**Unobtrusive measures** do not involve human subjects as part of the research process, but can provide insights into human cultures and behaviours. Archival research strategies are often associated with unobtrusive measures; and documents, archives, photography and paintings are some examples of unobtrusive data collection methods (Struwig and Stead 2013:105). Webb

and Weick (1979:650) add that unobtrusive measures are characterised by multiple methods of inquiry and triangulation, but are often considered rather subjective in nature.

For the purposes of this study, interviews were used to collect data from participants, which provided insights into the unique South African aspects that should be included in a modified six-step financial planning process, and to provide a basis for its reconceptualisation (Struwig and Stead 2013:90). Several types of interviews may be used in qualitative research.

### 5.2.6.3 Interviews as a data collection method

Interviews are the most common form of data collection for qualitative research (Jamshed 2014:87). The purpose of interviews is to establish from individuals their thoughts, feelings, opinions and perceptions – things that cannot simply be observed obtrusively or unobtrusively (Struwig and Stead 2013:90). With co-operation from the participant, one is more likely to collect information that is likely to be correct and can be amended and clarified later, if something is unclear (Hannabuss 1996:23). Interviews produce qualitative data as they describe a construct as opposed to quantifying a construct, and the resulting data is subjected to qualitative data analysis techniques (Marczyk *et al.* 2005:117). Several types of interviews are used in qualitative research, depending on the purpose of the study, namely unstructured (open-ended), semi-structured or structured interviews (Jamshed 2014:87; Maree *et al.* 2016:93).

**Unstructured** or open-ended interviews usually resemble a conversation which is controlled and skewed towards the interests of the interviewer, and these are often used when conducting long-term field work (Jamshed 2014:87). O'Brien and Tabaczynski, (2007:1) add that in unstructured interviews, neither the questions nor the answers are predetermined, and therefore no hypotheses or theoretical framework is created before the interview process. According to Maree *et al.* (2016:93), unstructured interviews often take place over a period of time, through a series of interviews, and this method is thus most suitable for longitudinal ethnography studies.

When conducting **semi-structured** interviews, participants have to answer pre-determined questions based on a semi-structured interview guide (Johnson and Onwuegbuzie 2004:19). These interviews usually occur once with an individual or group (Struwig and Stead 2013:90).

The interview guide serves the purpose of guiding the interview process through the use of core questions that are aligned to the purpose of the study, in order to probe the participant to provide relevant information (Jamshed 2014:87). O'Brien and Tabaczynski (2007:1) add that semi-structured interviews are more flexible in nature, as the interview guide includes both closed and open-ended questions. Further, the interviewer has the flexibility to adjust the sequence of the questions and to add questions based on the context of the participants' responses. Struwig and Stead (2013:90) add that the participant is given the opportunity to discuss issues beyond the probing questions which the interviewer may not have considered – this allows for richer, in-depth and more detailed responses.

According to Aberbach and Rockman (2002:673), **structured interviews** use closed questions and are most suitable when trying to make inferences about a larger population. O'Brien and Tabaczynski (2007:1) add that structured interview questions are asked in a systematic and sequenced manner, to ensure standardisation and to minimise the researcher's influence on the research findings. Furthermore, structured interviews can be considered as a questionnaire that is administered orally, as opposed to in writing. Monroe (2002:102) suggests that structured interviews are an appropriate method to solicit spoken ideas, information, opinions and information from participants in a systematic way.

For the purposes of this study, semi-structured interviews were used to collect responses from participants on their perceptions, thoughts, beliefs, experiences and opinions on financial planning, and the reconceptualisation of the six-step financial planning process. Semi-structured interviews are considered appropriate for the study, as the current six-step financial planning process forms the basis of the probing questions to determine, based on participants' perceptions, which aspects of the process are relevant and appropriate. Furthermore, by adopting a semi-structured approach, participants had the opportunity to add their thoughts, beliefs, experiences and opinions beyond the confines of the questions presented. These responses paved the way for ideas about reconceptualisation of the process.

#### 5.2.6.4 Population and sample of participants

According to Turner (2010:757), it is important to select appropriate candidates for participation in a study, who are willing to participate and be open and share their perspectives. Alsaawi (2014:152) asserts that the researcher should be aware of how to select research

participants from the relevant population who are suitable and will add value to the study. The population of a study is a body of people or a collection of items that are under consideration for research purposes; thus the sample represents a subset of the population (Collis and Hussey 2014:197).

For interpretivist research philosophies, the selected sample does not need to be representative of the population, as no statistical analysis is necessary (Collis and Hussey 2014:131). Before selecting an appropriate sampling method, it is important to consider the characteristics of the desired sample. A homogeneous sample is one in which the respondents share the same characteristics, with the aim of confirming a phenomenon (Struwig and Stead 2013:128). A heterogeneous sample has participants who have different characteristics, with the aim of describing or exploring a phenomenon (Bryman and Bell 2011:189). These aspects (population, sampling method, sample and characteristics of the sample) are addressed below, in describing the two sample groups selected for this study, namely a) South African CFP® professionals, and b) decision-makers in Black South African households.

a) *South African Certified Financial Planner® professionals*

The first **population** group is CFP® professionals who are active members of the FPI. There are currently approximately 4 800 CFP® professionals in South Africa who are required to apply the six-step financial planning process (Hesse 2019). From this population group, a diverse sample (in terms of age, race, culture and geographical area) of CFP® professionals were approached across the major cities in South Africa, in order to determine their perceptions of the training provided and how the six-step financial planning process is currently implemented. To be considered as eligible for participation in the study, the candidate had to be a registered CFP® professional and member of the FPI for the year 2022/2023. This was verified on the FPI website.

Primary data was collected from this sample by conducting semi-structured interviews. The aim of the interviews was to provide insights into which aspects should be included, modified or removed from the current six-step financial planning process, based on participants' perceptions of, and experiences with personal financial planning.

b) *Black South African households*

The second **population** group for the study is Black South African consumers. There are approximately 58 million South African citizens, of which Black consumers (African, Coloured, Asian and Indian) account for approximately 92.1% of the population (STATS SA 2019:302).

**Table 5.1: Participant selection criteria for Black households**

COMPULSORY: MUST MEET ALL OF THE FOLLOWING CRITERIA		
Elements of the sample	Black individuals	<ul style="list-style-type: none"><li>▪ African</li><li>▪ Coloured</li><li>▪ Asian</li><li>▪ Indian</li></ul>
	Financial decision-makers of the household	<ul style="list-style-type: none"><li>▪ Husband</li><li>▪ Wife</li><li>▪ Husband and wife</li></ul>
Extent	Located across South Africa	
Extent of financial activities	<ul style="list-style-type: none"><li>▪ Makes use of a financial planner; or</li><li>▪ Self-employed; or</li><li>▪ Has multiple streams of income; or</li><li>▪ Involved in investment activities</li></ul>	
OPTIONAL CRITERIA: MUST MEET AT LEAST ONE OF THE FOLLOWING CRITERIA		
Household type	<ul style="list-style-type: none"><li>▪ Nuclear</li><li>▪ Lone parent</li><li>▪ Extended</li><li>▪ Composite</li><li>▪ Blended</li></ul>	
Marriage type	<ul style="list-style-type: none"><li>▪ Married in community of property</li><li>▪ Married out of community of property with accrual</li><li>▪ Married out of community of property without accrual</li><li>▪ Civil union</li><li>▪ Customary marriage</li><li>▪ Co-habitation</li></ul>	
Cultural or religious affiliation	<ul style="list-style-type: none"><li>▪ Tsonga</li><li>▪ Pedi</li><li>▪ Venda</li><li>▪ Sotho</li><li>▪ Tswana</li><li>▪ Swati</li></ul>	<ul style="list-style-type: none"><li>▪ Xhosa</li><li>▪ Zulu</li><li>▪ Ndebele</li><li>▪ Muslim</li><li>▪ Tamil</li><li>▪ Indian</li></ul>

**Source: Researcher's own construction**

As can be seen from Table 5.1, the **sample** for the study is Black South African consumers who are the financial decision-makers in their households and either make use of financial planners, are self-employed, have multiple streams of income, or engage in investment activities. These criteria are to ensure that the participants have some exposure to financial planning services, even if they do not make use of financial planners. To ensure that a



heterogeneous sample was obtained, in addition to the compulsory criteria, participants had to meet one additional selection criterion based on their household type, marriage type or cultural/religious affiliation (Table 5.1).

Primary data was collected from this sample using semi-structured interviews, with the aim of providing insights into which aspects should be included, modified or removed from the current six-step financial planning process, based on participants' perceptions of, and experiences with personal financial planning.

#### 5.2.6.5 Sample size

When determining the sample size in qualitative studies, Malterud *et al.* (2016:1753) refer to data saturation, which occurs when the collection of new data does not provide any further insights into the issue being investigated (Mason 2010). Guest *et al.* (2006:76) add that the more homogeneous the sample, the faster the researcher will reach data saturation. Data saturation is, however, not a sufficient guide to determine how many interviews should be conducted, as data saturation can only be determined once interviews are taking place. Nevertheless, it is recommended to determine a minimum sample size for planning and budgeting purposes (Marshall, Cardon, Poddar and Fontenot 2013:12). Boddy (2016:429) suggests that sample sizes of ten for homogeneous samples are adequate, while 20 to 30 interviews are appropriate for grounded theory studies, and 15 to 30 for case studies. Marshall *et al.* (2013:14) state that for interviews as a data collection method, a minimum of 12 is considered to provide validity and data saturation. Morse (2000:5) states that an appropriate sample size for data collected using semi-structured interviews is a minimum of 30 and a maximum of 60 participants. One method of justifying that data saturation has occurred, is to conduct interviews over and above the recommended minimum sample size, in order to prove that any more data in the dataset would be redundant.

Given the aforementioned, for the current study a minimum of 15 and a maximum of 30 interview participants (or until data saturation is reached) was sought, for both samples. The reasoning for this is because both samples are heterogeneous in nature, and thus ten interviews would not be adequate for data saturation (Boddy 2016:429). Since Marshall *et al.* (2013:14) posit that 12 interviews have proven to provide valid results – and that this number should be

exceeded to justify data saturation – therefore a minimum of 15 interview participants was sought for both samples.

Although the study aims to reach data saturation, how this may be achieved in non-grounded theory studies is often unclear and misunderstood in qualitative research (Guest Namey and Chen 2020; Malterud *et al.* 2016). Instead, Malterud *et al.* (2016:1754) suggest applying the principles of ‘information power’, namely that the larger the information power the dataset holds, the smaller the sample is required to be. Similarly, Vasileiou, Barnett, Thorpe and Young (2018:2) state that the more useable information that is obtained from one interview, the fewer interviews are required. Malterud *et al.* (2016) refer to several factors that have an impact on the information power of a sample size, as depicted in Table 5.2.

**Table 5.2: Factors influencing the information power of qualitative samples**

Factor	High IP	Low IP	Description
	Small SS	Large SS	
<b>Aim of the study</b>	Narrow study aim	Broad study aim	<ul style="list-style-type: none"> <li>▪ A broad study aim requires a larger sample size to achieve information power because the phenomenon being studied is more comprehensive.</li> <li>▪ A narrow study aim requires smaller samples to achieve information power as the phenomenon is not as comprehensive.</li> </ul>
<b>Sample specificity</b>	Dense specificity	Sparse specificity	<ul style="list-style-type: none"> <li>▪ A sample with highly specific characteristics requires a smaller sample size.</li> <li>▪ A sample with participants with sparsely defined characteristics requires a larger sample size.</li> </ul>
<b>Established theory</b>	Established theory	Limited theory	<ul style="list-style-type: none"> <li>▪ A study that is supported by limited theoretical perspectives requires a larger sample size to achieve information power.</li> <li>▪ If theoretical models exist that assist in explaining the relationships between different aspects of the empirical data, then a smaller sample size would indicate sufficient information power.</li> </ul>
<b>Quality of dialogue</b>	Strong	Weak	<ul style="list-style-type: none"> <li>▪ A study with strong and clear communication between researcher and participants requires a smaller sample size.</li> <li>▪ The interviewing skills and knowledge of the interviewer also enhance the quality of the dialogue.</li> </ul>
<b>Analysis strategy</b>	Case	Cross-case	<ul style="list-style-type: none"> <li>▪ An exploratory cross-case analysis requires more participants to offer sufficient information power.</li> <li>▪ In-depth analysis of narratives requires a few, selected participants.</li> </ul>

IP: Information power; SS: Sample size

**Source: Adapted from Malterud *et al.* (2016)**

From Table 5.2 it can be seen that the narrower the study aim, the more dense the sample specificity, the use of established theory, the stronger the quality of dialogue, and the depth of

the analysis strategy indicate higher information power, and thus a smaller sample size would be adequate. Each of these factors is now discussed regarding this study.

The aim of this study is to reconceptualise the six-step financial planning process by considering the perspectives of CFP® professionals as well as decision-makers in Black South African households. This aim may be perceived as broad in its endeavours to seek reconceptualisation and to include various perceptions and experiences from two sample groups. However, by using semi-structured interviews, the scope of the study is limited to the perceptions and experiences of the participants in the application of the six-step financial planning process. Thus, the aim of the study is narrow for the purposes of information power.

Since the study makes use of a purposive sampling method – specifically criterion sampling – to identify and approach both samples, the sample specificity can be considered to be dense. The density of the sample thus indicates high information power, as the participants were selected based on their ability to provide specific, relevant and insightful information of their perceptions and experiences with financial planning.

Although it has been established that financial planning lacks its own theoretical framework, as an academic field, it draws from the established fields of economic and finance (Altfest 2004; Black *et al.* 2002; Cull 2009). Furthermore, most of the research conducted on financial planning in a South African context is limited to specific areas of financial planning (Butler 2012; Carrol 2010; Kajauchire 2015; Nkoutchou and Eiselen 2012; Ostler 2012; Roeleveld 2012; Van der Merwe 2009; Venter 2014; Willows and West 2015; Zeka 2017). Finally, although local research on the six-step financial planning process is limited, several studies have been conducted in a global context (Asbedo and Seay 2015; Boon *et al.* 2011; Chieffe and Rakes 1999; Knutsen and Cameron 2012; Sharpe *et al.* 2007). This research forms the foundation of the financial planning academic discipline, although they do not take financial planning in a South African context into account. In addition, the six-step financial planning process is a globally applied process advocated by the FPSB when providing financial planning advice. As such, the six-step financial planning process (as it is currently applied in South Africa) was used as a framework from which a priori themes were developed (see section 5.2.7.2), and is thoroughly investigated in this study (see chapters Two, Three and Four). Evidence of sufficient information power is thus provided, as it is these theoretical frameworks

that provided guidance in investigating the reconceptualisation of the six-step financial planning process.

The researcher conducted the interviews for the study and can be considered knowledgeable in the field of financial planning, with four tertiary qualifications, namely BCom Financial Planning, BCom Honours Business Management, PGDip Financial Planning and MCom Business Management (cum laude). The researcher is also an experienced academic with ten years of academic teaching and research experience in the field of financial planning, at both undergraduate and postgraduate level. It can thus be concluded that the interviewer has the necessary knowledge to engage and interact with the participants on the subject matter during the interview process, as well as the necessary communication skills to enhance the quality of dialogue. Evidence of sufficient information power is thus provided for this requirement.

Although this study does not make use of a case study research strategy, for the purposes of information power, it can be concluded that an in-depth analysis of the six-step financial planning process was conducted. This was done by consulting two samples and comparing and contrasting their perceptions and experiences of providing financial planning advice (CFP<sup>®</sup> professionals), and receiving financial planning advice (decision-makers in Black households) using the six-step financial planning process. The criteria used to select these samples were designed to ensure that relevant information was collected for an in-depth analysis, in order to address the objectives of the study. Evidence is thus provided of sufficient information power based on the collection and data analysis strategy used in the study.

It is for these reasons that a collective sample of 30 participants (16 CFP<sup>®</sup> professionals and 14 decision-makers in Black households) is considered appropriate for achieving information power. This claim is supported by Marshall *et al.* (2013:14) who state that for interviews as a data collection method, a minimum of 12 is considered to provide validity and data saturation. Morse (2000:5) confirms that an appropriate sample size for data collected using semi-structured interviews is a minimum of 30 and maximum of 60 participants.

### 5.2.6.6 Sampling method and sampling plan

A sampling method refers to the procedure that is used to identify a sample from a portion of the population being studied (Struwig and Stead 2013:114). Qualitative research makes use of purposive sampling to ensure that members of a sample are selected with the purpose of representing a phenomenon or group, based on a set of criteria (Bryman and Bell 2011:185). This is supported by Alsaawi (2014:152) who states that purposive sampling methods are the most suitable for qualitative studies, as participants are purposively selected based on the characteristics that they possess that will give them insight into, and experience with the research topic. Table 5.2 provides examples of purposive sampling methods that are often used in qualitative studies.

**Table 5.3: Types of purposeful sampling methods for qualitative studies**

<b>Emphasis on similarity</b>	
Criterion sampling	To identify and select cases that meet predetermined criteria, or cases that fall beyond a set of criteria.
Extreme case sampling	Looks for possible extreme characteristics to enhance the study. Illuminates both the unusual and the typical.
Snowball or chain sampling	To identify cases or a sample from people who know other people with similar characteristics.
Typical case sampling	Typical cases are selected from a group to illustrate what is considered normal or average.
<b>Emphasis on variation</b>	
Critical case sampling	Used to permit logical generalisation from one case to another. If it is true in one case, it will be true in another case.
Stratified purposeful sampling	Used to obtain major variations in the sample rather than to identify a common core.
Maximum variation sampling	Selecting a wide variety of different participants to find out all the things that they have in common.
Purposeful random sampling	Involves the random selection of a small sample which reduces bias and increases the credibility of the results.
Intensity sampling	Selecting a sample that strongly represents the topic of interest.
Theory-based sampling	Selecting a sample because it represents an important theoretical construct.
Confirming and disconfirming cases	Selecting a sample to confirm or disconfirm (disprove) the importance or meaning of a particular pattern.
<b>Non-specific emphasis</b>	
Opportunistic sampling	To take advantage of circumstances, events and opportunities for additional data collection, as they arise.
Convenience sampling	Used to collect information from participants who are easily accessible.

**Source: Struwig and Stead (2013); Palinkas, Horwitz, Green, Wisdom, Duan and Hoagwood (2015); Suri (2011)**

A sampling plan refers to the operational procedure for accessing the sample after the sampling method has been identified (Struwig and Stead 2013:115). To identify the samples for

participation in this study, **criterion sampling** was used to ensure a heterogeneous sample. This was adopted as a strategy to select participants from both sample groups namely a) CFP® professionals, and b) Black South African households (Koerber and McMichael 2008:460; Struwig and Stead 2013:129). An element of **convenience sampling** was also used to access the samples for recruitment and enrolment purposes since participants were approached using social media platforms. To access individuals who do not participate on social media, but may be of interest to the study, participants were asked to refer the researcher to other potential participants who may meet the research criteria, through **snowball sampling**. A record was kept of all of the participants who were approached to participate in the study. They were contacted and sent additional information pertaining to the study (Annexure A), as well as informed consent documents to complete (Annexures B and C).

a) *South African Certified Financial Planner® professionals*

A sample of CFP® professionals was drawn using criterion sampling and accessed using convenience sampling, by identifying them through LinkedIn and the FPI database of active CFP® professionals. The potential participants were approached for participation through a private message on LinkedIn. Since this sample was not self-selecting, the researcher had control of the number of participants identified and approached. If participants were still interested in participating in the study, a meeting was secured on a digital communication platform of their choice (either Teams or Zoom).

b) *Black South African households*

From the Black South African household population, a sample was drawn using criterion sampling. Suri (2011:69) states that when employing criterion sampling, explicit inclusion or exclusion criteria must be stated to ensure methodological rigour. The same author adds that having too strict criteria may result in too few participants; this in turn, may limit transferability of the findings. Similarly, having criteria that are too broad may weaken the findings. Table 5.1 presents the compulsory criteria that the participants were required to meet in order to participate in this study. To ensure a heterogeneous sample (with variation), optional criteria were also considered. Both types of criteria for selection are depicted in Table 5.1 and described in Section 5.2.6.4.

The Black South African households were approached by means of convenience sampling by making a request on social media platforms for participation (Annexure C). Candidates who wanted to participate were requested to contact the researcher through the details provided. This is considered a form of self-selection (Struwig and Stead 2013:178). A record of all of the candidates who were interested in participating in the study was kept. They were contacted and sent additional information pertaining to the study (Annexure D), as well as informed consent documents (Annexure E). If participants were still interested in participating in the study, a meeting was secured on a digital communication platform of their choice (either Teams or Zoom).

#### 5.2.6.7 Interview process

According to Marczyk *et al.* (2005:117), the effectiveness of an interview depends on how it is structured and designed. Turner (2010:757) adds that interview preparation is important to ensure an effective interview process by clarifying the processes and procedures to be followed, as well as by formulating well-structured questions. As part of the preparation process, a cover letter was provided which requested participation from the candidates, explained the background to the study, clarified the expectations of the researcher (interviewer), explained the implications of written and informed consent, and discussed the research ethics procedure, as well as the risks and benefits of participating in the study. These aspects are elaborated on in Section 5.3 (ethical considerations).

According to Turner (2010:757), it is important to conduct interviews in a setting that has very little distractions. Due to the COVID-19 pandemic, face-to-face interviews were the least preferred; thus, interviews for this study were conducted online. Participants were requested to indicate a time and medium that were most suitable to their preferences, and in a venue that offered few distractions. Suitable online platforms were suggested to participants, for them to select based on their preferences (e.g. Microsoft Teams, Zoom, Skype, Google hangouts or Whatsapp Video call).

Gruber, Szmigin, Reppel and Voss (2008:257) highlight several reasons why online interviews are more advantageous than traditional interviews. Firstly, online interviews are considered to be more affordable than face-to-face interviews, as travel and accommodation costs are minimal (if any). Furthermore, the online interview platforms enable the interviews to be easily

recorded and transcribed, which in turn, accelerates the data analysis process. Where online meeting platforms do not offer this functionality, a recording device was used in this study as an alternative. In addition, the interview process is less stressful for the participants, as they are able to be interviewed in a place where they are comfortable and not threatened or intimidated. Lastly, due to the ability to switch off the camera, the anonymity of the participant is ensured, which also reduces social desirability bias.

Participants were asked to complete and submit the written consent forms before the interview date. The information in the written consent forms was then discussed at the commencement of the interview, to ensure that informed consent was obtained from the participants. The confidentiality and anonymity of the participants was also emphasised at the commencement of the interview. Permission to record and transcribe the interview (for the single purpose of data analysis) was requested. In addition, participants were made aware that the data will be reused for academic publication purposes, in which their individual responses will not be identified, but rather will form part of a broader summary of the study and its findings.

The duration of the interviews was explained in the cover letter as being approximately 60 to 90 minutes, which was reiterated before commencing with the interview. Participants were asked if they required their internet data costs to be reimbursed – this was deemed to be necessary only during power outages where participants had to use their mobile data. In such cases, they were provided with 2 Gb of data prior to the interview, to the cell phone number and cellular/mobile network of their choice.

Jamshed (2014:87) recommends the recording and transcription of interviews, in order to capture the data accurately. The recording of the interview also makes it easier for the interviewer to engage with the participant during the interview itself (Jamshed 2014:87). Making hand-written notes during the interview can be helpful in noting non-verbal cues. In this study, the interviews were transcribed by a professional transcriber. Once a copy of the transcription was received, the interviewer revised the document to ensure that all identifying information was removed, which is referred to as a *redacted* copy. This copy was then sent to the participant for verification purposes, and to ensure that they felt that they had been correctly represented and not misquoted.



#### 5.2.6.8 Interview guide

An important aspect of conducting qualitative semi-structured interviews is the questions that the interviewer asks, to collect data from the participants and probe further when necessary (Struwig and Stead 2013:178). This process is facilitated by an interview guide which helps the interviewer direct the conversation towards the information that they are seeking from the participant (Krauss, Hamzah, Omar, Suandi, Ismail, Sahari and Nor 2009:245). According to Merriam and Tisdell (2016:124), a semi-structured interview guide has some structured questions, as well as open-ended (unstructured) questions on topical issues that the researcher needs to know more about. The phrasing of the interview questions is important as it may have an impact on the quality of the responses received, as well as the trustworthiness of the data collected. Turner (2010:758) provides recommendations on how to structure questions in the interview guide for semi-structured interviews:

- The wording of the questions should allow for open-ended responses as the participants should be able to choose their own terms when answering the questions;
- The questions should be as neutral as possible. The interviewer should avoid wording that might influence answers (e.g. evocative, judgmental, emotive wording);
- Questions should be asked one at a time;
- Questions should be worded clearly (this includes being aware of any terms particular to the topic or the participant's culture);
- The interviewer should be careful when asking "why" questions so as not to make the participant feel threatened, intimidated or undermined.

Since there are two different samples in this study, two different interview guides were developed to ensure that the participants were asked appropriate questions, based on their context (Annexures F and G). The interview guides commenced with opening or introductory aspects which the interviewer needed to declare and clarify for ethical purposes, as well as to familiarise the participants with the interview procedure. Thereafter, defining particulars were requested to build a demographic profile of each participant. The content of the interview guides was further structured according to each step of the six-step financial planning process. The purpose was to determine which aspects of the process require improvement, review or omission, according to participants' perspectives. Table 5.4 provides an indication of the overall themes and outcomes of the interview questions for each sample.

**Table 5.4: Structure of the interview guide and outcomes of the questions**

	Sample 1: South African CFP® professionals	Sample 2: Decision-makers in Black South African households
Opening / introductory aspects	<ul style="list-style-type: none"> <li>▪ Introduction of the interviewer and acknowledgment of the interviewee.</li> <li>▪ The main purpose of this interview is explained to the participant.</li> <li>▪ The importance of the interview is explained.</li> <li>▪ The research procedures, risks, possible benefits, confidentiality, voluntariness and withdrawal procedure are explained and confirmed, based on the written consent provided.</li> <li>▪ Permission to voice record the interview proceedings is requested, and permission to re-use the data (for publication purposes) is confirmed.</li> <li>▪ The timeline of the interview is explained (approximately 60 - 90 minutes).</li> <li>▪ A qualifying question is asked to confirm that the participant meets the requirements to participate in the study: <ul style="list-style-type: none"> <li>– <i>Are you a Certified Financial Planner who is registered with the FPI?</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Introduction of the interviewer and acknowledgment of the interviewee.</li> <li>▪ The main purpose of this interview is explained to the participant.</li> <li>▪ The importance of the interview is explained.</li> <li>▪ The research procedures, risks, possible benefits, confidentiality, voluntariness and withdrawal procedure are explained and confirmed, based on the written consent provided.</li> <li>▪ Permission to voice record the interview proceedings is requested, and permission to re-use the data (for publication purposes) is confirmed.</li> <li>▪ The timeline of the interview is explained (approximately 60 - 90 minutes).</li> <li>▪ A qualifying question is asked to confirm that the participant meets the requirements to participate in the study: <ul style="list-style-type: none"> <li>– <i>Do you consider yourself as the (or one of the) decision-makers in your household?</i></li> </ul> </li> </ul>
Defining particulars	<p>The following demographic particulars of the participant are confirmed or established:</p> <ul style="list-style-type: none"> <li>▪ Gender</li> <li>▪ Ethnicity</li> <li>▪ Cultural / tribal affiliation</li> <li>▪ Experience as a financial planner</li> <li>▪ Qualifications</li> <li>▪ Clientele description</li> </ul>	<p>The following demographic particulars of the participant are confirmed or established:</p> <ul style="list-style-type: none"> <li>▪ Gender</li> <li>▪ Ethnicity</li> <li>▪ Cultural / tribal affiliation</li> <li>▪ Marital status</li> <li>▪ Employment status</li> <li>▪ Life stage</li> <li>▪ Decision-making roles in the household</li> <li>▪ Experience in using a financial planner</li> </ul>
<b>Overall themes and outcomes of the interview questions relating to the six-step financial planning process</b>		
Step One	<ul style="list-style-type: none"> <li>▪ To determine whether CFP® professionals select clients who are of the same or similar cultural background, in order to facilitate the process of building and maintaining professional relationships because they are able to relate to them better.</li> <li>▪ To determine whether support is provided (and whether it is needed) to assist CFP® professionals to better relate to their clients who are from other cultural backgrounds.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To determine how consumers identify their financial planners and build relationships of trust with their financial planner, and whether these relationships and trust building are dependent on cultural beliefs and similarity attraction.</li> <li>▪ To determine the role of cultural beliefs and perceptions in the six-step financial planning process.</li> </ul>
Step Two	<ul style="list-style-type: none"> <li>▪ To determine whether CFP® professionals tailor their data collection based on the unique cultural characteristics of their clients, and whether they perceive a need for it, and training to do so.</li> <li>▪ To determine what CFP® professionals perceive their role to be in ascertaining their client's level of financial literacy, and whether they should play a role in improving it.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To determine whether there is any information that consumers perceive as being irrelevant for financial planning due to their cultural beliefs; or whether there are financial planning concerns that their financial planner avoids asking them about because he or she may be unaware of unique factors in the client's culture.</li> <li>▪ To determine the consumer's expectations regarding their level of financial literacy, and the role of financial planning and their financial planner.</li> </ul>

Step Three	<ul style="list-style-type: none"> <li>▪ To determine whether CFP® professionals believe that there are different financial needs and practices based on unique cultural characteristics, when considering the main areas of financial planning, and whether they analyse the information in this context.</li> </ul> <p><i>These aspects should be discussed / asked by the interviewer in the context of the family home, customary law of succession, implications of customary marriage on divorce and succession, succession planning, and different savings vehicles such as stokvels.</i></p>	<ul style="list-style-type: none"> <li>▪ To determine whether consumers believe that there are different financial needs and practices based on unique cultural characteristics, when considering the main areas of financial planning.</li> </ul> <p><i>These aspects should be discussed / asked by the interviewer in the context of the family home, customary law of succession, implications of customary marriage on divorce and succession, succession planning, and different savings vehicles such as stokvels.</i></p>
Step Four	<ul style="list-style-type: none"> <li>▪ To determine whether CFP® professionals tailor their financial planning recommendations to the cultural needs of their clients.</li> <li>▪ To determine whether CFP® professionals feel adequately trained and informed to recommend suitable financial planning strategies to their clients based on their unique cultural needs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To establish what financial planning strategies Black consumers currently employ, and whether these are recognised by their financial planner as being viable.</li> <li>▪ To determine whether Black consumers perceive that the financial products available to them cater for their financial planning needs.</li> <li>▪ To determine whether Black consumers perceive that financial planners are able to develop financial planning strategies that are suitable for them.</li> </ul>
Step Five	<ul style="list-style-type: none"> <li>▪ To determine whether CFP® professionals perceive any cultural barriers that influence the implementation of a financial plan for their client.</li> <li>▪ To determine how CFP® professionals ensure buy-in from their clients, especially based on different cultural backgrounds.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To determine whether Black consumers perceive any cultural barriers (linked to cultural dimensions) that influence their acceptance of a financial plan designed by their financial planner.</li> <li>▪ To determine what would improve Black consumers' buy-in for the implementation of a financial plan designed by their financial planner.</li> </ul>
Step Six	<ul style="list-style-type: none"> <li>▪ To determine whether CFP® professionals are able to pre-empt financial implications due to changes in the client's life, based on unique aspects of their culture.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To determine which changes in Black consumers' lives, would warrant a review of their financial plan.</li> </ul>
Closure	<ul style="list-style-type: none"> <li>▪ To determine whether CFP® professionals perceive the six-step financial planning process to be suitable for the South African context.</li> <li>▪ To determine what CFP® professionals would change, add or omit from the six-step financial planning process.</li> <li>▪ To determine whether CFP® professionals perceive the training and education that they received prepared them for clients who have unique financial planning needs, based on their culture.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To conclude the interview process and determine whether the participants have any additional comments.</li> </ul>

**Source: Researcher's own construction**

Further to Table 5.4, Annexures F and G contain the full list of questions in the interview guides.

### 5.2.6.9 Recruitment and enrolment procedure for the samples of the study

Based on the discussion of the sample, sampling methods and the interview processes, the recruitment and enrolment of the two samples of the study are provided.

#### a) *Recruitment and enrolment of the CFP® professionals*

The first sample for the study consists of South African CFP® professionals. These participants were identified using criterion sampling, and approached on LinkedIn (convenience sampling), or were referred by other CFP® professionals (snowball sampling) with a message requesting their participation. To be considered as a candidate for participation in the study, the candidate needed to be a registered CFP® professional and member of the FPI for the year 2022 / 2023. This was verified on the FPI website. As can be seen from Table 5.5, a total of 35 CFP® professionals were approached if they were interested in more information regarding the study, they were asked to provide their email address. More information was sent (Annexure A), along with instructions regarding the next steps, should they wish to participate in the study. Those CFP® professionals who agreed to participate in the study were asked to complete and return an informed consent document (Annexure B), indicate a suitable date and time for the interview, their preferred communication medium (Microsoft Teams or Zoom), and whether they would require payment for the costs of mobile data to participate in the interview. The interviews took place over a 4-month period from 15 March 2022 to 15 July 2022. The outcomes of the recruitment and enrolment procedure for this sample are illustrated in Table 5.5.

**Table 5.5: Outcome of the recruitment and enrolment procedure for CFP® professionals**

P	PROVINCE	ETHNICITY	GENDER	SOURCE	CONTACTED	PARTICIPATE	INFORMED CONSENT		MOBILE DATA	FORUM	INTERVIEW DATE	
							SENT	RECEIVED				
1	EC	White	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	15-Mar-22	10:00
2	WC	Black	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	15-Mar-22	15:00
3	GP	Black	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	15-Mar-22	18:30
4	EC	Asian	Male	LinkedIn	✓	✓	✓	✓	✗	ZOOM	16-Mar-22	15:00
5	FS	Black	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	16-Mar-22	12:30
6	WC	White	Female	LinkedIn	✓	✓	✓	✓	✗	TEAMS	23-Mar-22	10:00

P	PROVINCE	ETHNICITY	GENDER	SOURCE	CONTACTED	PARTICIPATE	INFORMED CONSENT		MOBILE DATA	FORUM	INTERVIEW DATE	
							SENT	RECEIVED				
7	GP	Coloured	Male	LinkedIn	✓	✓	✓	✓	✗	ZOOM	30-Mar-22	14:00
8	WC	White	Male	Referral	✓	✓	✓	✓	✗	ZOOM	31-Mar-22	14:00
9	FS	White	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	05-Apr-22	10:00
10	GP	Black	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	21-Apr-22	09:00
11	GP	Black	Female	Referral	✓	✓	✓	✓	✗	TEAMS	25-Apr-22	16:00
12	GP	Black	Female	LinkedIn	✓	✓	✓	✓	✗	ZOOM	07-Jun-22	12:00
13	GP	Black	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	09-Jun-22	10:00
14	EC	Black	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	10-Jun-22	14:00
15	GP	White	Female	LinkedIn	✓	✓	✓	✓	✗	TEAMS	22-Jun-22	14:30
16	WC	White	Female	LinkedIn	✓	✓	✓	✓	✗	TEAMS	05-Jul-22	14:30
17	KZN	Indian	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	15-Jul-22	10:00
18	KZN	Black	Female	LinkedIn	✓	✓	✗	✗	✗	✗	✗	✗
19	EC	Black	Male	LinkedIn	✓	✗	✗	✗	✗	✗	✗	✗
20	GP	Black	Male	LinkedIn	✓	✓	✓	✗	✗	✗	✗	✗
21	GP	Black	Female	LinkedIn	✗	✗	✗	✗	✗	✗	✗	✗
22	GP	Black	Female	LinkedIn	✓	✗	✗	✗	✗	✗	✗	✗
23	KZN	Black	Female	LinkedIn	✓	✗	✗	✗	✗	✗	✗	✗
24	EC	Black	Female	LinkedIn	✓	✓	✓	✗	✗	✗	✗	✗
25	GP	Black	Male	LinkedIn	✓	✗	✗	✗	✗	✗	✗	✗
26	EC	Black	Male	LinkedIn	✓	✓	✓	✗	✗	✗	✗	✗
27	WC	Coloured	Female	LinkedIn	✓	✗	✗	✗	✗	✗	✗	✗
28	WC	Black	Male	Referral	✓	✗	✗	✗	✗	✗	✗	✗
29	KZN	Coloured	Male	Referral	✓	✗	✗	✗	✗	✗	✗	✗
30	GP	Black	Male	LinkedIn	✓	✗	✗	✗	✗	✗	✗	✗
31	WC	Black	Male	LinkedIn	✓	✓	✓	✗	✗	✗	✗	✗
32	WC	Coloured	Female	LinkedIn	✓	✗	✗	✗	✗	✗	✗	✗
33	KZN	Indian	Male	LinkedIn	✓	✗	✗	✗	✗	✗	✗	✗
34	EC	White	Male	LinkedIn	✓	✗	✗	✗	✗	✗	✗	✗
35	KZN	Black	Male	Referral	✓	✗	✓	✗	✗	✗	✗	✗

**Source: Researcher's own construction**

Table 5.5 shows that of the 35 CFP<sup>®</sup> professionals who were contacted during the recruitment process, 34 indicated that they would like more information regarding the study. Of those who received additional information, 22 agreed to participate in the study, however only 17 of them secured interview sessions. Table 5.5 also indicates that all the CFP<sup>®</sup> professionals who secured interviews returned the completed informed consent document and indicated that they did not require payment for the use of mobile data to participate in the interview.

A total of 17 CFP<sup>®</sup> professionals were thus enrolled for the study and are hence forth referred to as 'participants'. In order to preserve their anonymity, these participants were allocated numbers as pseudonyms according to the order in which they were interviewed. After the interview with each participant had taken place, the interview recording was sent to a transcriber for transcription. The transcriptions were reviewed for any errors or identifying

information, and then sent back to the participant for verification. All the participants in the study were satisfied that the transcript was a true reflection of their thoughts and perceptions; however Participant 13 chose to withdraw from the study. Therefore, the results for only 16 participants are discussed in the study (Chapter Six).

*b) Recruitment and enrolment of the decision-makers in Black households*

The second sample for the study consists of decision-makers in Black households. These participants were also identified using criterion sampling and approached using convenience and snowball sampling. To be considered a candidate for participation in the study, the participants needed to be considered as Black (Black African, Coloured, Asian, Indian) (as defined by the BBBEE Act No. 46 of 2013) and be a decision-maker in their household within South Africa. In addition, participants needed either to make use of a financial planner, be self-employed, have multiple streams of income, or be involved in investment activities (criterion sampling). This was to ensure that participants could answer questions relating to financial planning. Participants were invited to participate in the study using social media platforms such as Facebook, Instagram, Whatsapp (status) and LinkedIn (convenience sampling), using a social media post (Annexure C). Prospective candidates were also requested to forward the post to anyone that they felt met the criteria for participation (snowball sampling). A research recruitment agency was also used to source candidates that qualify for participation in the study.

If candidates were interested in participating the study, additional information was sent to them via email (Annexure D), they were asked to complete and return an informed consent document (Annexure E), and to suggest a suitable date, time and forum (Teams or Zoom) to conduct the interview. Participants were also asked whether they would require payment for the costs of mobile data to participate in the interview. The interviews took place over a period of approximately four months, between 29 March 2022 and 26 July 2022. Table 5.6 provides a summary of the outcomes of the recruitment and enrolment procedures for this sample.

**Table 5.6: Outcome of the recruitment and enrolment procedure for decision-makers in Black households**

P*	ETHNICITY	GENDER	SOURCE	CONTACTED	PARTICIPATE	INFORMED CONSENT		MOBILE DATA	FORUM	INTERVIEW DATE	
						SENT	RECEIVED				
18	Coloured	Female	Facebook	✓	✓	✓	✓	✗	TEAMS	29-MAR-22	10:00
19	Black	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	12-APR-22	10:00
20	Black	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	21-APR-22	10:00
21	Black	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	09-JUN-22	10:00
22	Black	Female	Agency	✓	✓	✓	✓	✓	TEAMS	26-JUN-22	10:00
23	Black	Female	Agency	✓	✓	✓	✓	✓	TEAMS	26-JUN-22	12:30
24	Black	Male	LinkedIn	✓	✓	✓	✓	✗	TEAMS	07-JUL-22	16:00
25	Black	Female	Referral	✓	✓	✓	✓	✗	TEAMS	09-JUL-22	14:30
26	Coloured	Male	Whatsapp	✓	✓	✓	✓	✗	TEAMS	10-JUL-22	10:00
27	Coloured	Male	Whatsapp	✓	✓	✓	✓	✗	TEAMS	19-JUL-22	10:00
28	Black	Male	Referral	✓	✓	✓	✓	✓	TEAMS	21-JUL-22	10:00
29	Black	Female	Whatsapp	✓	✓	✓	✓	✗	TEAMS	22-JUL-22	10:00
30	Coloured	Female	Facebook	✓	✓	✓	✓	✗	TEAMS	26-JUL-22	10:00
31	Coloured	Male	Facebook	✓	✓	✓	✓	✗	TEAMS	02-JUL-22	10:00
32	Coloured	Male	Whatsapp	✓	✗	✓	✗	✗	✗	✗	✗
33	Black	Female	Whatsapp	✓	✓	✓	✗	✗	✗	✗	✗
34	Coloured	Female	Whatsapp	✓	✓	✓	✗	✗	✗	✗	✗
35	Black	Male	Whatsapp	✓	✗	✓	✗	✗	✗	✗	✗
36	Black	Male	Whatsapp	✓	✗	✓	✗	✗	✗	✗	✗

**Source: Researcher's own construction**

Candidates were assigned numbers as pseudonyms to protect their identity, continuing on from the previous sample of CFP® professionals (participants 1 – 17). Table 5.6 shows that 19 candidates were contacted (or made contact) via Facebook (3), LinkedIn (4), Whatsapp (8), the recruitment agency (2), or were referred by other candidates (2). Of the candidates who expressed an interest in participating in the study, only 16 agreed to participate after receiving additional information, and 14 finally secured appointments and returned their informed consent document. The total number of participants enrolled to participate in the study is thus 14, of which three indicated that they would require payment to cover the costs of mobile data while participating in their interview.

After the interview with each participant had taken place, the interview recording was sent to the transcriber for transcription. As with the first sample, the transcriptions were then reviewed for any errors or identifying information, and then sent back to the participant for verification. All of the participants in this sample were satisfied that the transcript was a true reflection of

their thoughts and perceptions – thus the results for all 14 participants are discussed in the study (Chapter 7).

### 5.2.7 TECHNIQUES AND PROCEDURES FOR DATA ANALYSIS

Data analysis refers to making sense of raw data through statistical or qualitative analysis procedures (Struwig and Stead 2013:156). According to Struwig and Stead (2013:178), data analysis in qualitative research often happens simultaneously, as the research process progresses. Huberman and Miles (2002:17) suggest that data analysis should begin by systematically organising the data into hierarchical relationships, matrices and other arrays. Yin (1994:20) describes other data analysis options for qualitative data, such as pattern matching, explanation building and time-series analysis. A **content analysis** is a systematic process of coding and categorising textual information to determine trends, patterns, relationships and discourses of communication within the information (Vaismoradi *et al.* 2013:400). Cooper (2012:57) adds that a content analysis is used to systematically organise data collected, in order to offer insight into patterns of themes across a data set, to ascribe meaning, and to make sense of commonalities. According to Maree *et al.* (2016:111), content analysis describes a collection of qualitative analytic approaches, such as impressionistic, intuitive, interpretive, systematic and textual analysis, thus making it the preferred qualitative data analysis technique.

Maree *et al.* (2016:111) state that when embarking on content analysis, one must determine whether a manifest or latent content analysis will be conducted. A **manifest content analysis** focuses on determining the frequency of recurring words or phrases that emerge from the data (Hsieh and Shannon 2005:1283). Graneheim, Lindgren and Lundman (2017:31) add that a manifest content analysis aims to describe data, whereas a **latent content analysis** aims to interpret the data. Hsieh and Shannon (2005:1283) further explain that a latent content analysis is not concerned with the frequency of recurring words, but rather the deeper thoughts and underlying meaning of the words that are used. Latent content analysis was deemed most appropriate as the study seeks a deeper understanding of the unique financial planning needs of Black South African consumers, in order to effectively reconceptualise the six-step financial planning process. Furthermore, latent content analysis is considered to have higher validity than manifest content analysis, due to human interpretation of the data as opposed to statistical analysis of numeric data (manifest content analysis) (Dooley 2016:244).



Since the study adopts a latent content analysis as the method of data analysis, themes were identified – as opposed to categories, which are usually associated with a manifest content analysis, concerned only with the frequency of recurring words (Graneheim, Lindgren and Lundman 2017:31; Hsieh and Shannon 2005:1283; Vaismoradi *et al.* 2013:101). A latent content analysis focuses on interpreting data to understand the deeper thoughts and underlying meaning of the words that are used by participants (Hsieh and Shannon 2005:1283). In order to conduct a latent content analysis, themes first need to be developed from a coding framework. The data analysis procedures are described according to the seven phases of data analysis (as per Struwig and Stead 2013:178, and Marshall and Rossman 2008) and depicted in Table 5.7:

**Table 5.7: Phases of data collection and analysis**

PHASE	ACTIVITY	APPLICATION IN THIS STUDY
<b>PHASE ONE</b>	Data are collected and organised	<ul style="list-style-type: none"> <li>▪ The interviews were conducted with both sample groups</li> <li>▪ The online interviews were transcribed by a professional transcriber.</li> </ul>
<b>PHASE TWO</b>	Researchers carefully study the data	<ul style="list-style-type: none"> <li>▪ The data was studied by the researcher for any aspects that were unclear, or any identifying information that needed to be redacted.</li> <li>▪ The transcripts were sent to the participants for verification.</li> <li>▪ Additional notes made during the interviews were also considered, to provide more context, where needed.</li> </ul>
<b>PHASE THREE</b>	Data are coded	<ul style="list-style-type: none"> <li>▪ A coding framework of a priori codes was created based on the interview questions prior to data analysis (inductive analysis)</li> <li>▪ Based on this framework, key phrases, terms and concepts were sought in the data and highlighted.</li> <li>▪ This was done by unitising the data (assigning in vivo codes to words, sentences, phrases or paragraphs) to develop and expand the coding framework (deductive analysis).</li> </ul>
<b>PHASE FOUR</b>	Categories and themes are sought	<ul style="list-style-type: none"> <li>▪ Themes in the data were sought by comparing, contrasting and categorising codes according to their differences and similarities, and how frequently they occurred.</li> <li>▪ A constant comparative method was thus used to identify codes and create meaning in the data.</li> </ul>
<b>PHASE FIVE</b>	Data are interpreted	<ul style="list-style-type: none"> <li>▪ The findings were interpreted and compared to existing theory after data analysis had been completed.</li> <li>▪ Interpretations were verified and further refined among the research team.</li> </ul>
<b>PHASE SIX</b>	Alternative understandings of the data are sought	<ul style="list-style-type: none"> <li>▪ An audit trail was created from the interview transcripts, the field notes taken during the interviews, the unitised data, and the coding framework.</li> <li>▪ This was presented to the rest of the research team to ensure that the data had been interpreted the way that it was had been meant by the participants.</li> </ul>
<b>PHASE SEVEN</b>	Data are reduced to meaningful chunks	<ul style="list-style-type: none"> <li>▪ The findings from both samples were compared and a reconceptualised six-step financial planning process is presented (Chapter 8)</li> </ul>

**Source: Adapted from Struwig and Stead (2013:178); Marshall and Rossman (2008)**

#### 5.2.7.1 *Organisation and checking of data (phases one and two)*

Struwig and Stead (2013:178) and Marshall and Rossman (2008) provide guidelines for the phases of data collection and analysis. As per Table 5.7, the **first phase** of data collection and analysis involves the transcription of the online interviews. This was done by a professional transcriber. Thereafter, the transcripts were studied to ensure that all concepts and discussions were clarified, and to redact any identifying information (**phase two**). Additional notes that were made during the interview were used to supplement the transcripts, in order to provide more context. The reviewed transcripts were then sent to the participants for verification. Thereafter, the data was organised based on the main categories of the interview schedule and colour coded, so that it was easily identifiable and distinguishable during data analysis.

#### 5.2.7.2 *Coding and theme development (phases three and four)*

**Phase three** involves coding the data by assigning labels to notable statements made by the participants. Khandkar (1998:102) states that, as part of qualitative data analysis, coding involves going through the data and breaking it down into smaller pieces of information that can be examined for similarities, dissimilarities and relations. This is done by searching for concepts which represent abstract representations of events, experiences and opinions, which are then assigned codes (Holton 2012:21). These pieces of information are referred to as ‘concepts’ and once meaning has been assigned to them (after comparing similarities, dissimilarities and the frequency of occurrence), they are considered to be ‘themes’ (Khandkar 1998:102).

According to Bradley *et al.* (2007:1762), an inductive approach to data analysis usually begins with data being reviewed line by line in detail, in search of concepts that are assigned codes. As this process continues, more codes are assigned and refined as paragraphs and segments are highlighted that illustrate a particular concept, in order to develop themes (Bradley *et al.* 2007:1762). For the current study, a hybrid approach to the development of themes was taken, as suggested by Fereday and Muir-Cochrane (2006:83). This means that a data-driven (inductive) approach using in vivo codes was taken, in conjunction with a template of a priori codes (deductive). In vivo codes refer to codes that are based on the language used by a participant (Saldaña 2014:17), and can also be referred to as natural, verbatim or literal coding

(Manning 2017). A priori codes are pre-determined codes based on a coding dictionary usually from a previous study, key aspects in a theoretical concept, the interview guide, or the research questions (Stuckey 2015:8). A priori codes are developed prior to data analysis and are tentative in nature; they can be refined or removed later, if they prove not to be relevant after further analysis (Brooks, McCluskey, Turley and King 2015:203).

In this study, a priori codes were developed prior to the analysis of the data, based on the questions in the interview guide for both sample groups (CFP® professionals and Black households). These a priori codes were thus used as a tentative coding framework which provided guidance for the inductive data analysis to be conducted. The coding framework was structured according to the six-step financial planning process. Each step was assigned a colour, and any concepts that related to a particular step were highlighted with the corresponding colour.

Once the a priori and in vivo codes had been assigned, a review of all the assigned codes was conducted to ensure consistency and to check whether the codes that have been grouped and categorised together reflected the same concept (Bradley, Curry and Devers 2007:1762). Thereafter, **phase four** of the data analysis involved searching for themes in the data by comparing, contrasting and categorising all the codes (a priori and in vivo) into themes and sub-themes.

A theme is used to describe, attribute and conceptualise characteristics of a phenomenon, and contains codes that have a common point of reference and unify ideas regarding a particular phenomenon (Vaismoradi *et al.* 2016:101). According to Ryan and Bernard (2003:88), themes come from the data collected (inductive), as well as from the researcher's prior theoretical understanding of the phenomenon being studied (deductive). These themes were revised based on their emergence in the data, and whether they were relevant to the research objectives. According to Vaismoradi *et al.* (2016:101), each theme identified may contain some sub-themes, which can help to provide a more comprehensive perspective of the data.

Table 5.8 depicts the tentative coding framework of a priori codes that was used to analyse the data collected from the CFP® professionals using in vivo codes, and the revised themes after further data analysis. Sections that are shaded were either not prevalent in the findings, or were integrated into another theme.

**Table 5.8: Tentative coding framework for CFP® professionals**

	INTERVIEW QUESTIONS	A PRIORI CODES	REVISED THEMES
STEP ONE	How do you go about identifying your clients?	Identifying clients	Sources of clients
	How do you improve trust with your clients?	Establishing and maintaining trust	Establishing relationships
	How do you establish and maintain relationships of trust with your clients – does this differ based on the culture of the client?	Trust based on culture	Building trust
	Would you prefer to have clients of the same cultural background, where you would better understand their needs and have them relate to you better, or would you prefer someone from a different cultural background that you would provide a different perspective to?	Similarity attraction	Similarity attraction
STEP TWO	When collecting quantitative and qualitative information about your clients, does it differ based on the culture of the client?	Differences in information gathering based on culture	Culture information differences
	Do you believe that there are any specific or unique needs that result in financial implications that are specific to different cultures?	Unique needs based on culture	
	Do you ascertain your client's level of financial literacy?	Ascertaining client financial literacy	Financial literacy and support
	To what extent do you think you should take responsibility for your client's level of financial literacy?	Responsibility for client's financial literacy	
STEP THREE	Do you think that different cultures have different needs based on the different financial planning areas? If there is an area not listed, please add and explain:  – Financial management – Investment planning – Risk and insurance management – Tax planning – Retirement planning – Estate planning	Unique needs based on culture	Diversity of needs
			Prioritised needs of Black households
STEP FOUR	Do you tailor financial planning strategies according to the cultural needs of the client?	Perceptions of tailored financial advice	Tailored financial advice
	Have you ever felt that you were unable to assist a client because of a unique financial need or circumstance as a result of cultural differences?	Inability to assist due to cultural differences	
	How do financial planning strategies differ when advising a client who follows customary law in terms of marriage, divorce and estate / succession planning?	Approaches to financial planning recommendations	Approaches to financial planning
STEP FIVE	How do you ensure buy-in from your clients, especially based on different cultural backgrounds?	Ensuring buy-in from clients	Buy-in assurance
	Do you perceive any cultural barriers with the implementation of a financial plan for a client?	Cultural barriers with financial planning implementation	Reasons for resistance Overcoming resistance
STEP SIX	What changes in your client's life warrant a review of their financial plan?	Changes that warrant a review of the financial plan	Reviewing factors
	Are you able to pre-empt financial implications from changes in the client's life based unique aspects of their culture?	Pre-empting financial implications	
CLOSURE	Do you think that the six-step financial planning process is suitable for the South African context?	Suitability of six-step financial planning process	Current suitability
	Do you think that the training and education that you received prepared you for clients who have unique financial planning needs based on their culture?	Suitability of training and education	Financial planning education and training

	If you could, how would you change the six-step financial planning process?	How to change the six-step financial planning process	Changes to the six-step financial planning process
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Source: Researcher's own construction

As with Table 5.8, Table 5.9 depicts the tentative coding framework of a priori codes that was used to analyse the data collected from the decision-makers in Black households using in vivo codes, and the revised themes after further data analysis. Sections that are shaded were either not prevalent in the findings, or were integrated into another theme.

**Table 5.9: Tentative coding framework for decision-makers in Black households**

	INTERVIEW QUESTIONS	A PRIORI CODES	REVISED THEMES
STEP ONE	If you have a financial planner, how would you describe your relationship?	Relationship with financial planner	
	How does decision-making occur in the household and who is involved in this process?	Household decision-making	
	Who meets with the financial planner?	Meetings with financial planner	
	What would increase the trust that you have in a financial planner?	Financial planner trust	Image of a financial planner
	How do you establish and maintain relationships of trust in your culture?	Cultural trust	
	To what extent do you involve your financial planner in your personal affairs?	Extent of involvement	Nature and extent of relationship
	Would you prefer to have a financial planner who is of the same cultural background who would better understand your needs, or would you prefer someone from a different cultural background that would provide a different perspective?	Similarity attraction	Similarity attraction
STEP TWO	What type of information do you think a financial planner should collect about you and your family in order to provide you with suitable advice?	Information gathering	Information to be collected
	Are there any specific or unique needs that result in financial implications that are specific to your culture?	Information gathering according to culture	
	Do you believe that your financial planner should ascertain your level of financial literacy, or do you rely on the financial planner's literacy as the expert?	Financial literacy and dependence on the financial planner	Client financial literacy
STEP THREE	Do you think that different cultures have different needs based on the following financial planning areas? If there is an area not listed, please add and explain: <ul style="list-style-type: none"> <li>Financial management</li> <li>Investment planning</li> <li>Risk and insurance management</li> <li>Tax planning</li> <li>Retirement planning</li> <li>Estate planning</li> </ul> These aspects should be discussed in the context of the family home, customary law of succession, implications of customary marriage on divorce and succession, succession planning, and savings vehicles such as <i>stokvels</i> .	Unique needs of Black households	Provision for family home
			Estate planning
			Provision for black tax
			Provision for ceremonies
			Other financial planning needs

STEP FOUR	Which financial planning strategies do you currently employ that you feel are not catered for in formal financial products?	Current financial planning strategies	Stokvel as a financial planning tool
	Have you ever felt that a financial planner is unable to develop a financial planning strategy that is suitable to your needs?	Cultural barrier with strategy development	
STEP FIVE	What would improve your buy-in into the implementation of a financial plan set up by your financial planner?	Improved buy-in to financial planning	Factors that improve buy-in to a financial plan or financial planner
	Do you perceive any cultural barriers that influence the implementation of a financial plan?	Cultural barriers to implementation	
STEP SIX	Which changes in your life do you think would warrant a review of your financial plan?	Changes that warrant a review of the financial plan	Factors that warrant a review of the financial plan

**Source: Researcher's own construction**

The more comprehensive coding frameworks are provided as Annexure H and includes the final themes, sub-themes and codes for both samples in the study. The revised themes will be discussed further in chapters six and seven respectively, as they have emerged from the empirical findings of the study. These revised themes thus form the framework within which the findings are further discussed and compared as per phase five of the data analysis process.

#### 5.2.7.3 *Data interpretation and reporting (phases five to seven)*

During **phase five** of the data analysis process, the findings from the data are interpreted and compared to existing theory (Struwig and Stead 2013:178). O'Brien, Harris, Beckman, Reed and Cook (2014:2) state that the synthesis and interpretation of the main findings from qualitative data may include theory development, or the integration of prior research or theory. The same authors further state that links to empirical data can be made through evidence such as quotations from the participants. Burnard, Gill, Stewart, Treasure and Chadwick (2008:432) state that there are two approaches to writing and presenting qualitative research. The traditional approach is to report key findings under each main theme, using appropriate verbatim quotations from participants to illustrate the findings. This is then accompanied by a separate linking chapter where the findings are discussed in relation to existing research. The second approach is the 'combined findings and discussions' approach, in which the findings of the study are reported within the themes, and conclusions are drawn which are related to existing research. Since this study makes use of two samples with two different interview schedules, the latter combined findings and conclusions approach was taken. In other words, themes are reported and discussed in the context of the six-step financial planning process, and

substantiated with relevant verbatim quotations. The findings within each theme are then related to existing research. The empirical findings from the interviews with CFP® professionals and the decision-makers in Black households are discussed in chapters Six and Seven respectively. Comparisons and conclusions from both samples are discussed and reported in Chapter Eight.

During **phase six** of the data collection and analysis process, alternative understandings of the data are sought. This was done by presenting the findings of the study, along with the interview transcripts, coding framework, and the resulting themes and sub-themes to the rest of the research team. This was done to ensure that the findings of the study, as well as the interpretation of the themes, sub-themes and codes were interpreted objectively and accurately. (Burnard *et al.* 2008:431) refer to this process as peer debriefing, peer review or inter-rater reliability. Where interpretations differed, consensus was reached through logical argumentation and guidance from the literature (Goliath and Farrington 2015:40). The research team are considered to be highly qualified and appropriately experienced academics and researchers, and included the research promoters of this study. The promoters of the study did not form part of the analysis and interpretation of the findings, but they were involved in the verification of the findings. The verification of the results took place over a course of four rounds of review.

Once the findings of the study were finalised, the final phase (**phase seven**) involved reducing the data to meaningful chunks. This was done by contrasting and comparing the findings from both samples and drawing conclusions that were then used to reconceptualise the six-step financial planning process (Chapter Eight). Practical recommendations accompany these conclusions and have been integrated into a reconceptualised perspective of the six-step financial planning process, as indicated by the primary objective of the study.

## 5.2.8 TRUSTWORTHINESS

According to Rossman and Rallis (2017:50), for a study to be useful, the potential users must believe and trust in its integrity, and the findings should be credible. Just as in quantitative research, it is important to ensure rigour and trustworthiness in qualitative research (Maree *et al.* 2016:40). Credibility, transferability, dependability and confirmability are criteria used to ensure rigour and trustworthiness in qualitative research (Struwig and Stead 2013:137).

**Credibility** refers to ensuring that the findings of a study are true (Struwig and Stead 2013:137), and in quantitative research this is referred to as the study's internal validity (Silverman 2010:275). Credibility can be ensured through prolonged engagement with research participants – until data saturation occurs – and by ensuring that adequate tools are available to document the interviews (Babbie and Mouton 2012:276). Data saturation occurs once no new themes emerge, or concepts are created from extensive engagement with interview participants (Egan 2002:286; Koerber and McMichael 2008:469). For the purposes of this study, interviews were conducted with the participants with the intention of reaching data saturation. Interview sessions lasted approximately 60 to 90 minutes, thereby ensuring prolonged engagement with the participants, until all the interview questions had been addressed comprehensively. Recording software and appropriate stationery were used to document the interviews. To further promote credibility, the interview transcripts were sent to the research participants to ensure that their words had been transcribed correctly, and that the transcripts are a true reflection of the participants' thoughts and feelings. This process of ensuring credibility in qualitative research is referred to as 'member checking' (Candela 2019:620).

**Transferability** refers to whether the findings would be applicable in another context with different participants, which is equivalent to external validity in quantitative research (Silverman 2010:275). Transferability was ensured in this study by using a purposive sampling method (criterion sampling) to ensure that relevant and appropriate information was collected from the participants (CFP<sup>®</sup> professionals and decision-makers in Black households), pertaining to the purpose of the study (Babbie and Mouton 2012:277). Richards and Hemphill (2018:230) add that transferability can also be addressed by providing a detailed account of the study context, and through rich description in the presentation of results. A detailed account of this study is provided through a coherent research design and description of the data collection and data analysis processes. Furthermore, a comprehensive coding framework is provided (Annexures H) that can be used as a code book for future studies.

**Dependability** refers to whether the findings are consistent, and whether this would be evident if the study had to be repeated with similar participants in a similar context (Rossman and Rallis 2017:52). Dependability is equivalent to reliability in quantitative research (Marsland *et al.* 2014:4). Babbie and Mouton (2012:276) state that dependability is ensured if credibility is present. However, for the purposes of this study, dependability was promoted by coding the data collected from the interviews based on guidance that emerged from the secondary research



conducted in the form of the literature review (Struwig and Stead 2013:137). Dependability was enhanced by using a priori codes to create a tentative coding framework that is based on existing literature, which ensures stability of the data analysis protocol (Wu, Thompson, Aroian, Mcquaid and Deatrck 2016:96). Furthermore, records of all the documentation that is relevant and necessary for the replication of the study – such as the interview schedules, Atlas Ti workbook, excel sheets with relevant quotes and the interview transcripts – are stored in line with institutional ethical guidelines and are accessible for future reference.

According to Struwig and Stead (2013:137), **confirmability** refers to whether the findings of the study can be verified independently. Babbie and Mouton (2012:278) maintain that a confirmability audit trail should be evident, in order to determine whether the conclusions that are drawn from the findings can be traced to the data sources. Confirmability was ensured in this study by keeping records of all the tools and materials used to collect data. This included digital recordings, transcriptions of interviews, field notes taken during the interviews, and all drafts of the coding sheet. Furthermore, researcher bias was reduced by having an independent and professional transcriber transcribe the interviews verbatim. Direct quotations as well as literature support were also used to substantiate any claims that are made in the presentation of the empirical findings (chapters Six and Seven). Finally, an audit trail was created by carefully documenting all the processes and procedures that were used during data collection and analysis (this chapter).

By addressing the requirements of credibility, transferability, dependability and confirmability, evidence is provided of the rigour and trustworthiness of the findings of this study.

### 5.3 ETHICAL CONSIDERATIONS

According to Maree *et al.* (2017:44), it is important to consider the ethical implications when conducting research – in particular, the identities of the participants need to be protected and anonymity ensured. In addition, participants need to sign letters of consent and grant permission to be interviewed and for interviews to be recorded. Confidentiality of the data collected needs to be ensured at all times (Struwig and Stead 2013:69).

For this study, full ethical clearance was applied for through the Nelson Mandela University Research Ethics Committee for Human Participants (REC-H), which was granted for the period

15 August 2021 to 15 August 2022, for online interviews only. An ethical clearance number **[H21-BES-BUS-036]** was allocated to the study, which was visible on all related correspondence (See Annexure I).

Participants who were identified as being appropriate for the purposes of the research were approached by means of a letter requesting an interview, which also presented relevant information regarding the purpose of the study (See Annexures A and D). The letter requesting participation included all the details pertaining to the study, such as background information to provide context to the purpose of the study, an explanation of the meaning of written and informed consent, the research ethics procedure, as well as the risks and benefits of participating in the study.

According to Oberholzer (2014:80), when conducting research with human participants, it is important to obtain informed consent, meaning that participants must be aware and knowledgeable about what they are consenting to, and be able to make an informed decision about whether or not they are willing to participate in a study. Based on the information provided in the request for participation, willing participants were asked to provide written consent that included their initials and signature, to confirm that they understood and agreed to the terms and conditions of the study. This consent form was designed and personalised for each sample group, to ensure that the decision-makers in Black South African households were not confused by any financial planning jargon that would be more applicable to the CFP® professionals. The informed consent form was sent to the participants prior to participation, signed either electronically or physically, and returned to the researcher electronically (see Annexures B and E respectively).

No identifying information was requested, and confidentiality of the data collected was guaranteed. Participants were made aware of their right to voluntary participation and their ability to opt out at any stage of the interviews. Digital recordings and transcriptions of recorded interviews will be kept for five years, as per the research policies of Nelson Mandela University. All materials used to collect and analyse data are stored in a safe and secure environment accessible only to the researcher, that is, physical materials are locked in a cabinet and digital materials are password protected.

## 5.4 SUMMARY AND CONCLUSIONS OF THE CHAPTER

Chapter Five has presented the research design and methodology of the study, in the context of the research onion as described by Saunders *et al.* (2019). The research philosophy of the study (which is also referred to as a research paradigm) was determined to be interpretivism, since this philosophy aims to understand the meaning that individuals attach to certain phenomena, namely (in this study) the phenomenon of the financial planning process.

The research approach (the role that theory plays in a study) in the context of this study is an inductive one, as the six-step financial planning process is an existing theory that needs to be reconceptualised by considering perceptions and experiences of CFP® professionals and Black South African households. This study adopted a mono-method qualitative research methodology (how data were collected and analysed), with a single qualitative method of data collection (semi-structured interviews), and a single qualitative method of data analysis (manifest content analysis). A qualitative research methodology was deemed to be appropriate, as the aim of the study is to understand, rather than explain human behaviour related to financial planning (Babbie and Mouton 2012:53).

Once the methodological choice has been made, Saunders *et al.* (2009:141) state that an appropriate research strategy – guided by a study's research objectives – must be selected. A survey research strategy was deemed to be the most appropriate for the purposes of this study, because it is suitable for collecting insights and information about people's underlying reasoning, experiences and perceptions. The time horizon of a study refers to the period over which the research will be conducted. Data over time is not relevant for the purposes of this study; thus a cross sectional study was conducted to collect the thoughts, beliefs, perceptions and experiences of the participants at a specific point in time.

Techniques and procedures for data collection refer to the process of finding and gathering information that is relevant to a particular study (Hox and Boeije 2005:593). Secondary data collection methods for this study were discussed in the form of a thorough literature review (chapters Two, Three and Four). Primary data collection methods were presented, and it was established that semi-structured interviews would be most appropriate for collecting data from participants in this study. The primary data collection process was facilitated by the use of two

interview guides as the research instruments. The interview processes for both sample groups were also discussed.

Two sample groups were identified for the purpose of the study's empirical investigation, namely Black South African households and South African CFP® professionals. In order to select heterogeneous samples, criterion sampling was used as a strategy to identify participants from both samples, based on predetermined criteria and convenience and snowball sampling was used to access the sample for recruitment and enrolment purposes. The sample size of the study was considered to be suitable through the application of information power. A total of 30 interviews were conducted – 16 CFP® professionals and 14 Black households. When considering techniques and procedures for data analysis, it was established that the data had to be transcribed, prepared and coded before a latent content analysis was conducted to analyse and interpret the data.

The methods of trustworthiness were described, in particular, the elements of trustworthiness (credibility, transferability dependability and confirmability), and how these were addressed. Finally, the ethical considerations of the study were discussed, including how ethical clearance was obtained before conducting the study. The information that was provided to the candidates before agreeing to participate was discussed, as well as how written informed consent was obtained. The methods for guaranteeing the anonymity and confidentiality of participants, and the security and safekeeping of the data were also explained.

Chapter Six is the first of two results chapters, based on the primary data collected from the research participants. It commences with the demographic information of the first sample group, namely CFP® professionals.

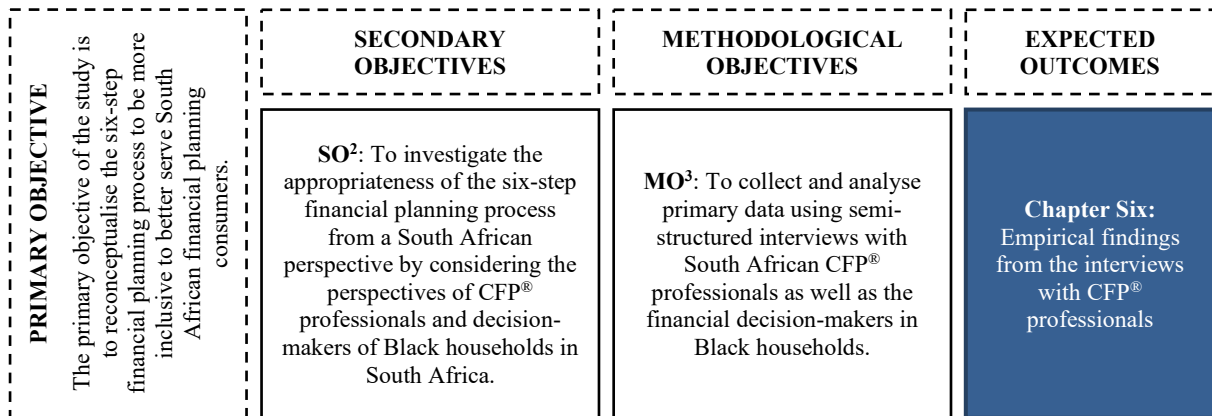
## CHAPTER SIX

### EMPIRICAL FINDINGS FROM THE INTERVIEWS WITH CFP® PROFESSIONALS

#### 6.1 INTRODUCTION

The primary objective of the study is to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers. To achieve this objective, it is necessary to investigate the appropriateness of the six-step financial planning process from a South African perspective, by considering the perspectives of CFP® professionals and decision-makers in Black households in South Africa (SO<sup>2</sup>). It is thus a requirement of the study to collect and analyse primary data using semi-structured interviews with South African CFP® professionals as well as financial decision-makers in Black households (MO<sup>3</sup>) in reconceptualising the six-step financial planning process. The relationship between these objectives and the role of Chapter Six are illustrated in Figure 6.1.

**Figure 6.1: The role of Chapter Six in achieving the objectives of the study**



**Source: Researcher's own construction**

Chapters Two, Three and Four provide the theoretical foundation of the study and offer guidance for the reconceptualisation of the six-step financial planning process. Chapter Five provides the research design and methodology that were used to create a measuring instrument (interview schedule) to collect data from CFP® professionals and Black households by means of semi-structured interviews. The empirical findings of the first sample (South African CFP® professionals) is provided in Chapter Six. Demographic information of these participants is

discussed first, followed by the empirical findings for each step of the six-step financial planning process, in the form of themes and sub-themes.

## 6.2 DEMOGRAPHIC INFORMATION OF PARTICIPANTS

The CFP® professionals were asked demographic questions relating to their gender, ethnicity, cultural or religious affiliation, experience and qualifications. The responses of the 16 participants in this sample are tabulated in Table 6.1. Participant 13 withdrew from the study, so their demographic information has been removed from the table.

**Table 6.1: Demographic information for the CFP® professionals**

P <sup>+</sup>	Gender	Ethnicity	Cultural / tribal affiliation	Experience	Qualifications	Coaching
1	Male	White	White English	5 years	BCom   BCom Hons   CFP	✖
2	Male	Black	Zulu	6 years	BCom   PG Dip   CFP	✖
3	Male	Black	Shona (Zimbabwe)	5 years	BCom   PG Dip   CFP	✖
4	Male	Asian	Chinese	8 years	BCom   PG Dip   CFP	✖
5	Male	Black	Ashanti (Ghana)	10 years	PhD Finance   CFP	✖
6	Female	White	White Afrikaans	3.5 years	BCom   PG Dip   CFP	✖
7	Male	Coloured	Coloured	32 years	BCom Hons   Cert Strat HR   CFP	✓
8	Male	White	White Afrikaans	9 years	Adv Dip   CFP   CeFT	✓
9	Male	White	White Afrikaans	32 years	PG Dip   ACC*   CFP	✓
10	Male	Black	Ndebele	22 years	PG Dip   Adv Dip   ACC*   CFA   CFP	✓
11	Female	Black	Zulu	13 years	BCom   PG Dip   BCom Hons   CFP	✖
12	Female	Black	Xhosa	11 years	BCom   Adv Dip   CFP	✓
14	Male	Black	Xhosa	9 years	BCom   PG Dip   CFP	✖
15	Female	White	White Afrikaans	24 years	PG Dip   CFP	✖
16	Female	White	None	24 years	BSc Psych   PG Dip   CFP	✓
17	Male	Indian	Hindi	25 years	PhD   PG Dip   CFP	✖

<sup>+</sup> Participant | \* Associate Coaching Course (ACC)

**Source: Researcher's own construction**

As can be seen from Table 6.1, the majority of the participants in this sample are male (11). Approximately half of them are of Black African ethnicity (7), and their cultural and tribal affiliations are varied. It is important to note that participants 3 and 5 are naturalised South African citizens, as defined by the BBBEE Act. Participants have varied numbers of years of experience in the financial advisory field, with a minimum of 3.5 years (Participant 6) and a maximum of 32 years (participants 7 and 9).

Regarding qualifications, recall (from Chapter Two) that the requirement to obtain a CFP® designation from the FPI is a financial-planning-related NQF level 8 qualification (Advanced

Diploma, Postgraduate Diploma or Honours Degree). All the participants meet the minimum requirements and consequently have obtained the CFP® designation. It is interesting to note that two of the participants possess PhD qualifications (participants 5 and 17) and two of them possess the Associate Coaching Course (ACC) qualification (participants 9 and 10). It also became apparent that six of the 16 participants are not only CFP® professionals, but also financial coaches and thus follow financial coaching methodologies when providing financial advice. Recall from Chapter Two that a financial *coach* assists clients by facilitating the achievement of their financial goals, enhances client accountability and provides opportunities for practice – but unlike financial *planners*, financial coaches do not necessarily provide financial advice (Collins 2010:2). In this case however, it is clear that the CFP® professionals who are licensed financial coaches or adopt financial coaching methodologies are also able to provide financial planning advice.

### **6.3 PARTICIPANTS' PERCEPTIONS, EXPERIENCES AND OPINIONS OF THE SIX-STEP FINANCIAL PLANNING PROCESS**

Participants were asked questions relating to their perceptions, experiences and opinions of each step of the financial planning process. From these questions, broad a priori (theoretical) themes were extracted and classified according to the six-step financial planning process. This provided the coding framework to conduct the data analysis, whereby in vivo codes were assigned to the data and further used to refine the theoretical (a priori) themes as well as empirical (in vivo) themes. The findings from each step of the financial planning process are discussed in this section, where each theme is explored.

#### **6.3.1 STEP ONE: ESTABLISH AND DEFINE THE PROFESSIONAL RELATIONSHIP WITH THE CLIENT**

Participants were asked questions regarding the first step of the financial planning process which were used as tentative a priori themes as derived from the literature. Some of the questions (Annexures F and G) addressed how the participants identify potential clients and how they establish trust with their clients. Another question was whether they perceive that clients feel more comfortable and forthcoming with a financial planner who is of the same (or similar) background as themselves. From these questions, the relevant a priori and in vivo codes were developed. The resulting themes and sub-themes are presented in Table 6.2.

**Table 6.2: Themes and sub-themes associated with Step One of the six-step financial planning process**

THEMES	SUB-THEMES
Sources of clients	Client-initiated
	Financial planner-initiated
Establishing relationships	Several interactions before discussing money
	Non-monetary information
	Client and financial planner compatibility
	Relatability
	Client characteristics
Building trust	Understanding the client
	Trust over time
	Racial bias
	Personal finance discussions
Similarity attraction	Culture and ethnicity
	Age
	Gender

**Source: Researcher's own construction**

As listed in Table 6.2, the main themes that emerged from the first step of the financial planning process relate to the participants' sources of clients, establishing relationships, building trust and similarity attraction, each of which is discussed in the following sub-sections.

#### 6.3.1.1 Sources of clients

Where and how CFP® professionals source their clients determine how they go about establishing a professional relationship with them. Table 6.3 provides a summary of the sources of clients, with supporting quotes from the CFP® professionals to show how they go about finding clients.

**Table 6.3: Sources of clients**

SOURCE OF CLIENTS	SUPPORTING QUOTES
<b>CLIENT-INITIATED</b>	
Social media (Twitter, LinkedIn, online communities)	<p><i>"I use social media and try and get clients like that..." P5</i></p> <p><i>"I subscribe to the idea of sharing information and knowledge, building online communities, and then clients will reach out to me." P7</i></p> <p><i>"...I am on social media, I am part of a fin-twitter community...The other thing is I find that people who are reaching out to me, have been following me for months, or for weeks at the very least..." P7</i></p>
Website	<p><i>"...I do not market except for my website – the clients ending up with me I did not phone them, I did not go after them... they end up with me because they either heard of me via</i></p>



	<i>referral or they saw me on the website and specifically want somebody that is not selling products and is working on fees.” P9</i>
Referrals	<i>“...in fact probably 99% of our clients are referrals...” P1</i> <i>“...fortunate that I get a lot of referrals...” P4</i> <i>“...very few advisors who do marketing, they are referrals...” P3</i> <i>“a lot of their clients are from there and it is friends of friends and referrals from the old days and that type of thing” P6</i> <i>“...so our referrals from centres of influence account for 90 percent of our clients, and if we combine that with referrals from other clients and saying ‘this is someone with a similar problem that I have, go to this business to help.’” P8</i>
<b>FINANCIAL PLANNER-INITIATED</b>	
External party	<i>““And then that will go through a filter online and it is an external party that kind of asks questions to the client and then they will hand the client over to numerous companies or financial planners based on what they know about the planner.”“ P6</i>
Client books	<i>“...most of them are from EB [Employee Benefits] client books from a long time ago that the business has got... it is legacy clients that we try and keep on the books.” P6</i>
Networking events	<i>“...what I started in the beginning was setting up events and like networking events for professionals and I have friends that were on the boards of a lot of professional organizations, so it was kind of more of a networking event.” P4</i>
Bank customers	<i>“...because it is a bank obviously we deal with people who interact with the branches.” P14</i>

**Source: Researcher’s own construction**

It is important to consider the source of participants’ clients as it may have an influence on how professional relationships are established. Table 6.3 summarises the sources of participants’ clients according to whether contact is initiated by the client or by the financial planner. Several participants noted that they obtain most of their clients from **client-initiated methods**, such as social media, their website or referrals. In other words, clients initiate the engagement with the financial planner using these forums – this means that they are more likely to be receptive to engaging in the financial planning process and committed to implementing the financial planning recommendations. **Financial planner-initiated methods** of sourcing clients include using an external or third party, client books, networking events, or bank customers. When financial planners initiate engagement with prospective clients, they would most likely need to use selling techniques to convince the clients to have further engagements regarding their financial planning. Clients who have been identified using financial planner-initiated methods are less likely to be receptive and willing to have further engagements regarding their financial planning.

### 6.3.1.2 Establishing relationships

When considering how CFP® professionals establish relationships with their clients, the findings reveal that some of the participants use the first interaction to get to know and understand their client better, with the aim of establishing a professional relationship with them.

This interaction is usually in the form of a brief meeting where the financial planner provides the client with an opportunity to get to know them and to determine whether there is an appropriate fit between them. Participant 1 has **several brief interactions**: *“So we have adopted the approach of lifestyle financial planning where we will have probably two or three meetings with the client before we actually talk about money...we don’t have a right to speak about a person’s money before we actually know anything about them...the first meeting, we call it the coffee meeting, it is about 15 to 20 minutes and that is really just meet and greet...it is very important they get to know us as well; it can’t just be a one-way relationship....”*

Participant 6 takes a similar approach and adds that clients are asked different questions to solicit information from them that will determine whether she is able to assist them: *“...our first meeting it is a 45 minute, we call it a coffee meeting or an introductory meeting, free, we just ask the client what they need but in different questions....”* It is interesting to note that these participants are fee-based CFP® professionals who do not derive any income from commission on the products sold, nor from the amount of time spent with the client. Thus, the income of CFP® professionals does not depend on the number of interactions with clients. In addition, it is clear that information gathering (that is, the second step of the financial planning process) is not exclusive to that step, but also seems to be part of establishing a professional relationship (the first step of the financial planning process).

Participant 4 adopts a similar approach of having several brief meetings where **non-monetary discussions** are held, that are not focused on gathering information about the clients’ assets and liabilities, or completing compliance information. At this stage, other discussions with the clients are encouraged, rather than the following attitude: *“most financial planners or advisors go into a client meeting or engagement session what the first thought to mind is ‘how much money can I make off this client’ or ‘how much is this client’s net worth’ – without actually focusing on...”* The findings indicate that to facilitate relationship building, collecting non-monetary information regarding the client’s expectations, their family structure, and prior experience with financial planning and a financial planner, assists financial planners in establishing a professional relationship with their clients:

- *“...find out what their expectations are going forward and what their previous experience with financial planners has been.” **PI***

- *“...start with their family structure – who are you, where do you work, how big is your family, and just to get to know the person.” P3*
- *“Why did you want to meet with me today, what have you tried before that hasn’t worked, have you seen different financial planners, why haven’t you gone ahead with it?” P6*
- *“...be very upfront with the client or the prospect first, before they become a client, and just to iron out from the get-go, what they prefer, what are they looking for from you as a planner, when you interact and moving forward, and then in that way it will minimise misunderstandings and barriers moving forward.” P12*

Furthermore, the first few interactions are also used to determine **client and financial planner compatibility**, as Participant 4 states: “... [it is] *also an opportunity for you to actually determine if this is a client you want to work with... who is this client as a person and how can I best serve this client?*” Participant 14 states that it is easier to establish a relationship with a client when you can relate to them: *“I think if you are a financial planner it definitely makes your life easier if you can relate to your clientele. The customers can trust you, you are able to interact on a much more personal level.”* When establishing a relationship with a client, it is also relevant to find points of **relatability** with the client. Participant 4 adds that sharing information about himself and his personal experiences with finances assists in reflecting relatability with a client and also in overcoming any cultural biases that may be present: *“...I have shared with a lot of clients mistakes our family have made and all that, and I think that adds a sense of relatability even though you might be from different cultures because they will say ‘oh, he went through similar struggles to me and my family’.”*

The findings reveal that several **client characteristics** influence the establishment of a professional relationship, such as the client’s image of a financial planner, cultural patriarchal roles, and the client’s religious beliefs. Participant 4 notes that the appearance of the CFP® professional, as well as their approach, plays an important role in building a professional relationship with a client: *“...the perception of a financial planner still is you know a guy/girl in a black and white suit, very formal...which isn’t wrong but it also gives a sense of like a bit of intimidation to the client...don’t go and wear a suit to go and meet a farmer because that is really going to be out of place.”* Participant 5 is of the opinion that a certain status is associated with having a White financial planner, because the image of a good financial planner is associated with White individuals: *“...there is a certain element of status that we don’t really discuss when it comes to choice of financial advisors. Because having a white advisor, having*

*a white lawyer, it is status...it's the psychology, all the Black ladies when they get into trouble, they have White lawyers, they don't go to Black lawyers."*

It is thus clear that a financial planner should determine the client's image of a financial planner during initial interactions with the client, because this image could influence the client's ability to establish a relationship with the financial planner. This is consistent with literature as Goliath and Farrington (2015:36) state that the image that one has of a particular concept is the collection of feelings, beliefs, knowledge, impressions and perceptions that one holds about that particular concept. The findings of this study are consistent with the literature, as Zeka, Goliath, Antoni and Lillah (2016:79) found that a negative image of a financial planner is a hinderance in establishing a relationship with a client, as they are less likely to make use of the services of that particular financial planner.

Several participants also noted that regardless of the questions that are asked to establish a professional relationship, the appearance (which is associated with the client's image of a financial planner) and the approach of the financial planner both play an important role. Participant 5 states that if a CFP® professional looks as if they have money themselves, this will influence whether a client will be willing to establish a relationship with them: *"...so if the person looks qualified enough, I think that would be a major impact, if the person looks like he himself is doing well then it may be a signal that such a person could be one that you could rely on..."* This finding is consistent with those of Zeka *et al.* (2016:88) that clients had a positive image of financial planners who had the appropriate designation and qualifications. However, clients having more positive images of financial planners who are themselves wealthy can be a particular challenge for graduates who are qualified and certified to provide financial advice, but have not yet had the opportunity to accumulate wealth themselves. Furthermore, this is also a challenge for Black CFP® professionals who may be perceived to have low levels wealth due to coming from households that were historically disadvantaged as a result of apartheid. Participant 5 believes that this perception is especially held by Black clients: *"... I think that is also why we tend to see lots of Africans going for white clients, because if the first word is 'financial planning' and you don't look like someone who could plan finances, how are you going to give advice?"*

Participant 12 adds that the approach of a financial planner is especially important when interacting with individuals from different cultural backgrounds, especially in cultures where

patriarchal roles are very dominant. She elaborates: “...a male person, when you address him it must be in a certain manner and it is more dominant depending on the cultural background we speak of....” It is also important to consider how the level of patriarchy within different cultures influences how males expect females to dress in order to show modesty and respect. Participant 12 illustrates by providing an example: “I have seen instances where a planner, because they did not dress accordingly, then the Black client did not really warm up to that particular planner...even within our African community there are prejudices amongst ourselves...because she doesn’t wear a doek and she had a weave on, the man took offence and he basically undermined her capacity as a financial planner, because he judged her by her exterior appearance and that actually tainted his engagement with the planner moving forward.”

Participant 15 shares a similar experience regarding patriarchy and the appearance, as well as the approach of women: *So when you go into the villages in the Lesotho Mountains you as a female, better not wear pants. You wear your skirt – and a very long skirt as well...buy dresses and cover your head because your head also shouldn’t be open, and wear a dress, and when you go in you do not make eye contact with any of the men in the village and you do not talk. As a female, it doesn’t matter who you are... you don’t walk in making eye contact, you keep your face down and you are properly dressed and the men will address the Chief of the Tribe in Lesotho and ask permission to give blankets.”*

Pride and respect thus play an important role in the African community, as well as the perceived role of women, including their approach and appearance. It is thus important for financial planners to determine their client’s cultural or tribal affiliation during the first few interactions with the client. These findings correspond with literature which states that different cultures establish relationships in different ways, due to stereotypes about different ethnic groups, discrimination and the prevalence of social norms (Criado *et al.* 2015:131; Hofstede 2011). In addition, in highly patriarchal cultural groups, women may not be used to receiving financial advice from another woman if, in her culture, a male is considered the head of the household and responsible for making all financial decisions. Similarly, men may not be receptive to taking advice from a female. This finding is consistent with literature which states that Black African men have very dominant patriarchal roles in society (Kehler 2001:44; Ngubane 2010:21). In addition, this notion is consistent with Hofstede’s (2011:12) feminine versus masculine cultural dimension, which is distinctive in cultures with clearly defined gender roles

(Naumov and Puffer 2000:716). If a financial planner is not aware of these cultural nuances and perceptions, then they will not be able to establish a professional relationship with the client, thus hindering their ability to provide financial advice to the client.

These sentiments are shared by Participant 15 (female) who adds that the religious beliefs of individuals also play a role when interacting with a client, and it is important to determine your client's religious beliefs during early engagements with them: *"You cannot go straight up to someone ..., and say to somebody that is not like you or from the same tribe as you – you need to be very careful how you approach them. If it is an older Black man you would respectfully approach the person. One thing I didn't know...there was a Muslim person, they go and pray on a Friday between 12 and 2, and when I met him I wanted to shake his hand and he just pulled his hand back, and before I could take offence, somebody explained to me that Muslim men do not touch a female other than their wives, and especially on a Friday they don't want to be contaminated by touching other females. And just because it is never intentional, it is just because we are so oblivious."* Thus, a lack of awareness or understanding of a client's religion could adversely affect or influence the establishment of a relationship between the CFP® professional and the client.

It can therefore be concluded that in order to establish a professional relationship with a client, several brief interactions are required in which non-monetary discussions take place. These interactions should be used to determine whether the client and the financial planner are compatible with each other. It was also found that finding ways of relating to a client assists in establishing a professional relationship. Certain client characteristics such as the client's image of a financial planner, patriarchal roles in the client's culture, and their religious beliefs may play a role in how they establish relationships.

#### 6.3.1.3 Building trust

When considering the theme of building trust, several sub-themes emerged, namely understanding the client, trust over time, racial biases, and personal finance discussions. Participant 1 states that trust is something that must be shown and felt by clients. This participant tries to establish trust within the first few interactions by delving into the client's life in order to gain a deeper **understanding of the client** and what would improve their trust: *"Trust is a difficult one because you can never really say you trust someone, it is more*

*something that has to be shown and felt...in terms of establishing trust I think it is the conversations that we have with clients in the first two meetings where we really do delve quite deep into the client's life, to the point where we actually have to be quite careful about playing the role of a psychologist."* Participant 4 also uses the information collected (in the second step of the financial planning process) to learn more about the client to assist in gaining their trust: *"You can use the information collecting side as a way to build trust and learn more about the client over time"*.

Participant 5 believes that despite certain levels of trust and comfort that are required to approach a financial planner, client trust is **built over time** and not necessarily in the first few interactions with the client, or during the first step of the financial planning process. He states: *"I think for any client to even settle on an advisor there is a level of trust but it builds over time...at the first stage nobody is going to open up about all their finances to anyone."* This is reiterated by Participant 16 who perceives that trust is built as a result of several interactions during the first step of the financial planning process: *"So the trust aspect, I think, is based on the fact that we have a lot of contact points with our clients during the course of establishing the professional relationship and building it."*

Participant 2 is of the opinion that Black individuals are more likely to trust a White financial planner than a Black financial planner, due to South Africa's history of apartheid and financial exclusion, as well as the wealth and income inequality gap that it created: *"... If you take into consideration our history right, and if you take a white male who is in finance and also a Black male who is in finance, the trust will go in favour of the white man."* This participant further clarifies that in the past, the financial services industry was dominated by White males and that Black financial planners were more involved with employee benefits, medical aid and life insurance: *"Because previously this sector was more white dominant, so it is more about the ability of white people... Black people in financial space were just medical aid, employee benefits, insurance, life cover – those types – but in estate planning and this space you rarely find Black people."* Financial planning practices that involved the acquisition and distribution of wealth – such as investment planning and estate planning – were primarily conducted by White financial planners; hence they are associated with and perceived to be the experts in these financial practices. These findings clearly suggest that there is a **racial bias** associated with trust, particularly among Black consumers, which is consistent with the literature (Reiter, Seay and Loving 2022:1; Sunder, Pasztor and Henderson 2021:4).

Another aspect which may hinder clients' ability to trust financial planners is the fact that **discussions about personal finances** may be considered taboo, as stated by Participant 5: *"...if a person has to speak up all about their finances, which in many cultures might even be taboo, then it is very critical that they would be open enough to talk about their finances and if there are discussions around money which is taboo in our communities, how will such a person then in just one or two meetings just all of a sudden open up?"* It is clear that matters that are related to money and death are taboo which is consistent with literature that suggests that it is impolite to include money as part of a discussion (Alsemgeest 2014:516). Atwood (2012:1) states that when individuals feel that talking about money is taboo, they often develop irrational attitudes, beliefs and anxieties about money, and do not know how to handle the situation. Alsemgeest (2014:517) suggests that acknowledging the role that money plays in one's life assists in breaking down barriers and allows individuals to speak more freely about finances.

Financial planners require a good understanding of their client before they can gain their trust. It is also clear that trust is built up over time and is possibly not fully established in the first step of the financial planning process. It is also important for financial planners to realise that clients may have racial biases regarding their trust or distrust in a financial planner. In addition, in the Black African culture, discussions around personal finances are considered to be taboo. Therefore, clients who experience these thoughts and feelings when discussing personal finances are less likely to trust a financial planner, which in turn influences their ability to establish a professional relationship.

#### 6.3.1.4 Similarity attraction between CFP® professionals and clients

The findings reveal that despite having a better understanding of specific cultural norms, values and traditions, six of the sixteen participants found that it is challenging for Black CFP® professionals to establish a professional relationship with clients who are from the same or similar cultural background as themselves. This finding of a lack of similarity attraction regarding **culture and ethnicity** is contrary to the premise of the 'similarity attraction model' which states that clients relate more to financial planners who present similar characteristics to themselves such as age, race, culture and gender (Sommer *et al.* 2018; Stolper and Walter 2019). This finding is however consistent with studies conducted by Reiter *et al.* (2022) and Sunder *et al.* (2021), who found that despite clients being more likely to work with financial



planners who share the same ethnicity, there is also evidence that consumers hold biases against Black financial planners.

According to Participant 4, some of the reasons why Black clients are reluctant to receive advice from a Black financial planner are due to their pride and the fear of judgement about their finances: “...*mainly Black individuals or clients, ... it was a big thing about saving face to them, and also to them there was generally there was a worry... ‘if you know my finances then you know someone that knows me and they are going to find out I am broke’.*” This is consistent with the notion mentioned earlier about personal finance discussions being taboo in the Black community.

The experience of Participant 2 (a Black African Zulu male) is consistent with the premise of the similarity attraction model regarding culture and ethnicity: “...*you do find that if you understand like the culture of Xhosa you are likely to do more business with them, if you understand the Zulu culture you are likely to do more business with them...*” However, Participant 2 has also experienced Black consumers being doubtful of his abilities, despite him being suitably qualified to provide financial advice. Black consumers are more willing to receive advice and recommendations from a Black financial planner if these are verified by a White financial planner, or if he has been introduced by a White financial planner: “...*in most cases they doubt your capability, even the Black people... as much as he has listened he will still want to read something that has been written or maybe certified by someone else...my experience with White clients is if a person introducing you gives you a nice profile, or explains your credentials to the other person, then I tend to understand that even the White person will believe in what you are saying and trust your opinion and advice.*” This opinion is supported by Participant 4 who states: “*I had one or two Black friends [CFP® colleagues] who said they even changed their name to like a white name, like Scot or Tom, to try and be more approachable.*”

Participant 12 notes a similar experience of a tendency for Black clients to be more willing to trust a White financial planner than a Black financial planner: “*they actually gravitated towards the White financial planner because they trust what the White planner will offer/deliver...that prospective client was even willing to provide his banking pin to that White financial advisor! And the prospective client was Black as well, but he didn’t want to have his*

*assets or finances handled by a Black financial planner, even though it was covered there in the introductions that the Black planner had more experience than the White planner.”*

Participant 5 agrees with this notion, but adds that it is not necessarily due to the competence of the financial planner, but rather the status that is associated with having a White financial planner: *“But the cultural background funnily enough I think plays an interesting dynamic where many African clients would even prefer a White advisor than a Black advisor...because of our background and history it is more than just saying ‘no, he has the knowledge’...”* This findings is consistent with the prior finding that there is a racial bias associated with trust, particularly among Black participants.

Five participants revealed that age (**similarity attraction of age**), and two participants found that gender (**similarity attraction of gender**), play an important role in establishing a professional relationship with clients. Interestingly, these preferences are exhibited by participants who prefer financial planners who share the *same* ethnicity, particularly among Black female clients and younger clients who are part of the millennial generation (born between 1981 and 1996). Participant 12 describes the following example: *“So the client was a Black person, young, younger than 35, and then our planner [Black] was in her 20s, and the planner was a female as well and then the FAIS supervisor was a White male...the client felt uncomfortable to have in the session a White person. So as a result the client didn’t want to continue to do business because the client wanted to only speak to the Black female financial planner.”* Participant 11 shares a similar experience and implies that there is a camaraderie among Black women, as they have a mutual understanding of one another and their needs: *“I remember I used to struggle quite a lot dealing with all the White males ... they don’t get me, we don’t get each other because we come from different backgrounds... I find that with Black women from the very beginning our interactions are great because there is already it feels more like a partnership vs an expert dynamic...it never feels like they are starting on a back foot whenever we are interacting because I can ‘see’ them, we see each other.”*

The results reveal not only that younger clients are more receptive to financial planners, but also that younger financial planners are more appealing to some clients, as noted by Participant 12: *“...but they want to deal with younger Black professionals because they know that times have changed, they are very well equipped and they know exactly what they are talking about when it comes to these matters, or at least they have the resources to provide precise feedback*

*on their needs.*” Participant 8 notes that in some cases, older clients prefer younger financial planners as well, due to their approachability: “...we have a younger group that I think is maybe sometimes a little bit easier to approach, even for older clients...where they almost see you as the role of their grandchildren, someone that would help them...” Participant 6 notes, however, that being a younger financial planner can sometimes be a barrier when providing advice to older clients: “... it is more of an age issue for me. So if they are older you struggle to relate to them, the period of life they are in. So if it is somebody retiring I haven’t been there, I am not anywhere close or near that, so you don’t understand the issues they are going through.”

Participant 15 provides an overall discussion around the issue of gender, age and cultural background based on stakeholder engagements across South Africa:

*“Let’s just first talk about Black consumers not wanting to deal with Black professionals. I have definitely seen that, where a Black individual would not really trust working with a Black professional, but it depends on how old the person actually is. You will find that your older Black generation wouldn’t trust the young Black professionals coming in you know, they would rather work with an established White male, they also don’t trust White females – they would work with a White male. I want to call you ‘Meneer’ and that is what I want to work with. The younger millennial, especially a Black female, she is a lot more independent and I am going to refer to her as ‘she’ – she is independent and she prefers to work with a fellow Black female colleague. She doesn’t want to work with men because the young Black female coming in and the millennial age group for some reason don’t trust males. It could be because of the cultural backgrounds you know, the overall abusive rate we have in SA, gender-based violence – so the Black females do not trust a Black male, they would rather work with a Black female professional. And I have found that the Black females, especially in the millennial groups, they really support each other. They pull each other up, they help each other, but they would keep the circle small because they don’t want to include men into it as well...we have a problem with the Black males in the country, and this came from a certified financial Black male himself, and he said ‘You know what, I would sit and do all the work as a practising financial planner for a female of the household. The husband would then walk in and say ‘We don’t need this... You know, you are hurting my pride as the head of the household to bring in another male to talk about our finances because it is embarrassing’’. So we find there is a level of pride sitting with the Black males. We*

*had an Indian lady on the line as well and she said ‘But that is no different in the Indian community’, so we are sitting with the same. And then we had a White female saying ‘But hold on, it is not that different in the White communities as well’. So it would appear that from a SA point of view we have a problem with men (laughs) and the problem is pride....”*

It is thus clear that when establishing and defining the professional relationship with a client, more aspects need to be taken into consideration than simply making disclosures to the client about the financial planning profession, financial planning services offered, and the competencies and experience of the financial planner. The ways in which a financial planner establishes a professional relationship with a client will differ, depending on the source through which the CFP® professional reached the client. There are also different methods of establishing trust in a professional relationship with a client. Financial planners should consider whether their clients are more likely to establish a professional relationship should they share the same or similar ethnicity, age and/or gender with the CFP® professional.

### 6.3.2 STEP TWO: COLLECT THE CLIENT’S INFORMATION

The participants were asked questions to determine whether they believe that different information needs to be collected based on the cultural background of each client. They were also asked whether they determine their clients’ level of financial literacy, and to what extent they take responsibility for it. The themes and corresponding sub-themes that emerged are presented in Table 6.4.

**Table 6.4: Themes and sub-themes associated with Step Two of the six-step financial planning process**

THEMES	SUB-THEMES
<b>Cultural information differences</b>	Objective driven
	Assumptions
	Bias reduction
	Listening skills
<b>Financial literacy and support</b>	Level of financial literacy
	Type of financial literacy support

Source: Researcher’s own construction

The findings reveal that the main themes of the second step of the financial planning process relate to culture information differences, and financial literacy and support.

#### 6.3.2.1 Cultural information differences

Despite participants regarding culture as being relevant when establishing relationships, most of them agreed that it is not as relevant when gathering information about the client. Participant 1 states: *“The meetings I have had with my Black clients have been probably the same as if I had had them with White clients... the process is the same, but the answers are different.”* Participant 7 shares the same sentiment but perceives it to be because most South African consumers are westernised: *“... the demographic of client I deal with is so westernised, that [culture] doesn’t really come up in conversation.”* Participant 2 indicates that the information gathering should be **objective driven**, and not based on any cultural differences: *“Mostly the information gathering is actually driven by their objectives, what was their driving factor to come and see you.”* The information gathering process – according to how the participants perceive it – is thus consistent with legislation (Section 8(1)(a) of the FAIS Act) as well as with the literature (Botha *et al.* 2019:20; Knutzen and Cameron 2012:35).

Some participants do, however, believe that it is important to be cognisant of the cultural needs of consumers, but that knowledge should not be used to make incorrect **assumptions** about a particular culture. For example, Participant 2 notes: *“To assume that a Xhosa person would take a kid to the mountain is good, but you have to verify in conversation you see, because you might not know that the child is gay and you are assuming that the guy would take the child to initiation school and then that could be a trigger or a turn off to that person.”* Therefore, it is important not to assume certain information about a client, especially if the CFP® professional has a cultural awareness or shares the same culture of the client, but instead to ask questions and confirm details with the client when gathering information.

In addition, being aware about other cultures could assist in preventing biases in the way that the CFP® professional poses questions to the client, as noted by Participant 16: *“...I think it is something that we need to be aware of, because even when we’re not verbalising it, there could be a bias in the way we ask our questions, and a bias in the way we’re helping to create... because you co-create the conversation...that we do not sub-consciously impose our own ideas around boundaries, around money, on the client.”* Thus, the participant reveals that cultural

awareness could **reduce bias** in questioning. Participant 15 notes that CFP® professionals should be aware of different cultural needs – especially where there is a financial implication, and there are various case laws that provide guidance: *“When I am gathering information and I am a White certified financial planner, I should know that if I am working with somebody that is from the Ndebele I should understand how that works, we should understand the case laws, I mean there is a lot of case laws we have seen that went through constitutional courts, we should understand.”* Thus, this participant also stresses that bias reduction is possible when cultural differences are noted during the information gathering step.

Some of the participants believe that if you are a good financial planner, then it should not necessarily matter whether you are asking the client the right questions to solicit their financial needs pertaining to their culture, because it is more important to listen to them and assist them with their financial goals. Participant 9 (who adopts a financial coaching approach) states: *“I am not putting a label on the process, I am open to work with whatever is important to help you to become successful, within what is serving you and what is important for you.”* Participant 17 agrees and emphasises the need for **listening skills** of the financial planner: *“...it is not so much about asking the client questions as it is about listening to their responses.”* Participant 10 adds to this notion, stating: *“You need to listen first and listen to understand and listen to empathise and listen to get educated – because once you understand where the client is coming from then you go back to your normal advice process, because it doesn’t matter that you are not a subject matter expert on black tax or weddings or cycling...because otherwise you are going to try and be expert on almost everything that people do, and I think that is possible.”* These findings related to financial coaching and listening skills are consistent with the literature that states that when applying financial coaching techniques, the financial planning process is facilitated through active listening and critical questioning methods (Collins and O’Rourke 2012:42).

#### 6.3.2.2 Financial literacy and support

It is clear from the findings that the majority of participants make efforts to determine their client’s level of financial literacy and provide them with some level of financial literacy support at different stages of the six-step financial planning process, but this is particularly relevant in step two. Participant 2 states that financial literacy plays an important role in the financial planning process: *“I would say the biggest part of my job and what takes most of my time in*

*providing advice to Black people, is actually explaining concepts of how does this work, why this won't work.*" Participant 1 determines clients' **level of financial literacy** by considering the types of questions that the clients ask: *"You can kind of suss out very basically, normally by the questions clients ask you can figure out what their understanding is."* Participant 4 also makes efforts to determine his client's level of financial literacy and gives the following examples: *"If you can pinpoint shortfalls of financial literacy – and it doesn't even have to be about saving – like I find clients don't know how to read an IRP5 or their pay slip, or they don't know much about investing, or they don't know why they need life cover or risk cover."*

Participant 16 also comments on the information gathered about a client's level of financial literacy: *"...when we focus on the emotional side of money, it becomes apparent that there are knowledge gaps...."* In other words, when focusing on the human side of money, it is clear that clients may not think rationally and objectively when considering their feelings and attitudes towards money, and this may be fuelled by limited financial knowledge. Participant 6 considers it important to ascertain the client's level of financial literacy during the early stages of the financial planning process, as it will determine how technical and in-depth further discussions should be: *"I try and establish the level of literacy in the first meeting because it sets the tone for how deep I am going to go into technical things, but there are also some clients that don't like getting too technical, they would rather you just tell them what they need to do and they are happy doing that ...."*

It is interesting to note that some participants find that their clients may have high enough levels of financial literacy to navigate their financial resources, but may not be able to achieve all their financial goals without the assistance of a financial planner. These are often clients who are educated – either formally, or informally through social media. This notion is supported by Participant 11 who states: *"A lot of them, that's their opening line is 'I don't know enough'. ... a lot of them feel almost embarrassed to admit that they don't know enough, purely because they are very educated...there are those who read a lot because social media has done a lot for this particular target market, so by the time half of this group comes to me they have researched our business, they have been on Easy Equities...they have dabbled a little bit here and there, they have accounts, so they have their understanding of the things that they have got, it is just not structured in a way they would like. The other half are brand new, they are sitting on massive bank account balances that they shouldn't be in terms of cash, and they now need to do something with that money and they realise they need assistance with it."* It can be argued

that such clients may have high levels of financial literacy but not enough knowledge, skill or experience to make financial planning decisions. In these instances, it would be important for the financial planner to determine whether the client is financially literate and/or financial planning literate.

Participant 8 notes that the phenomenon of individuals with high financial literacy and low levels of financial planning literacy is common among what he terms ‘do-it-yourself (DIY) investors’: *“The clients that expect you to have all the answers to their questions in terms of what we spoke about – the DIY investors: ‘Just tell me what is the best share to buy now, what is the best unit trust’ – those clients tend to have you would assume a slightly higher level of financial literacy.* Participant 7 adds that because he runs a virtual practice and engages in online communities such as Twitter, most of his clients already have higher levels of financial literacy: *“Remember I am on social media, I am part of a fin-twitter community, so most people are there to gather information, increase their information, and equip themselves with more knowledge in terms of financial planning and financial issues...so I have an advantage that when clients reach out to me via the platform, they have a basic understanding of finances.”* The findings show that there is a difference between financial literacy and financial planning literacy – some individuals may possess all the characteristics of someone who is financially literate (financial knowledge, financial skills, positive financial attitude, positive financial behaviours), but may lack knowledge about the necessary areas of financial planning (estate planning, retirement planning, risk and insurance planning, healthcare planning, investment planning and tax planning).

The findings show that financial planners offer various **types of financial literacy support**. Participant 9 states that when clients are encouraged to take ownership of their finances and improve their financial literacy (with the assistance of the financial planner), they feel more empowered and develop financial confidence: *“I think if we look at the research around financial satisfaction, one of the big drivers of financial satisfaction is financial literacy. So financial literacy is definitely part of the process, and again from a financial coaching perspective: I want you as a client to be empowered so that you can have financial confidence, which is also one of the drivers of financial satisfaction.”* It is clear from this participant’s experience that it is important for clients to be financially literate so that they can take ownership of, and responsibility for their finances. This approach is consistent with financial coaching techniques which involve motivating clients and holding them accountable (Collins



and O'Rourke 2012:42). Further, the notion of financial literacy improving financial satisfaction is verified by the findings of several studies (Ali, Rahman and Baker 2015; Hasibuan, Lubis and Altsani 2018; Yap, Komalasari and Hadiansah 2018; Adiputra 2021). It is thus important to motivate and teach clients to take ownership of their finances.

The findings also suggest that the most common form of financial literacy support that participants provide is financial education. Participant 2 believes that: *“You can’t do financial planning without education....”* Participant 4 considers financial education to be an opportunity to showcase a financial planner’s value while collecting a client’s information (contrary to beliefs that financial planners are sales driven): *“...it’s an opportunity to showcase your value, like ‘I am going to teach you how investing works from point 1 so that you can be part of the generation that breaks that gap and you can add that knowledge to your kids and future generations’.”*

Participant 16, who noted that talking about money during information gathering stirs an emotional response among clients, states: *“We try to empower them both with knowledge and with a level of emotional comfort around these concepts.”* Therefore, in addition to providing financial literacy support to the client, the participant also provides emotional comfort around the topic of finances. Participant 11, whose clientele is largely Black females, makes deliberate efforts at client education by hosting financial literacy sessions after determining clients’ financial literacy levels, both during and after the information gathering step: *“One of my opening lines is to say I am here to dispel any misconceptions that they have, to teach them anything they need to know about the world of finance...we do hold or host financial literacy sessions – ... we open those up to clients and say if you want to attend any basic investment 101 session you know, maybe come ....”*

It can thus be concluded that there is no difference in the information collected based on different cultures, but that this step of the financial planning process is driven instead by the objectives of the client. Nevertheless, it remains important to be cognisant and aware of the various financial needs and attitudes of different cultures. While having some knowledge or awareness about other cultures, it is important not to make incorrect assumptions about the client. Furthermore, having cultural awareness helps to reduce bias in the way that information gathering questions are posed by the financial planner.

It is important to ascertain the client's level of financial literacy by considering the types of questions that they ask, and by creating spaces where clients can share their understanding of money. It is also apparent that it is necessary to ascertain a client's level of financial literacy during the second step of the six-step financial planning process, and that the planner needs to distinguish between their financial literacy and their financial planning literacy. Financial education is not the only form of financial literacy support that can be provided to clients. Financial coaching techniques – such as motivating clients to take ownership and accountability of their finances – can also be used, and it is also important to offer clients emotional comfort around money issues.

### 6.3.3 STEP THREE: ANALYSE AND ASSESS THE CLIENT'S FINANCIAL SITUATION

The third step of the financial planning process is to analyse the information gathered in the second step, in order to assess the client's financial situation. When considering this step, participants were asked whether they perceive Black consumers and households as having different financial planning needs to others. The findings are presented in Table 6.5.

**Table 6.5: Themes and sub-themes associated with Step Three of the six-step financial planning process**

THEMES	SUB-THEMES	
<b>Diversity of needs</b>	Needs definitions	
	Exposure to financial resources	
	Needs satisfaction	
	Needs prioritisation	
<b>Prioritised needs in Black households</b>	Provision for black tax	Understanding of black tax
		Financial planner and black tax
	Estate planning	Leaving a legacy
		A will
		Life insurance
	Provision for funerals	
	Owning property	
	Provision for religious and customary beliefs	
	Other financial needs	Provision for lobola / dowry
		Emergency funds/savings
		Retirement planning
		Provision for initiation school

**Source: Researcher's own construction**

Table 6.5 shows that the main themes that were prevalent and developed from the a priori and in vivo themes were the diversity of financial needs of Black households, and the prioritised financial needs of Black households.

#### 6.3.3.1 Diversity of needs

Given the diversity of South African consumers, it is important to determine whether financial planners perceive that their clients have diverse needs because of their cultural diversity. Participant 5 believes that the needs are the same, but that they are **defined differently** by different clients, due to the **different levels of exposure to financial resources** to meet those needs: *“So the underlying needs are the same, they do not differ from client to client – everyone wants to retire with enough capital, everybody wants investments, but the exposure means that people define their needs differently. And the advisor has to be able to understand what informs such a discussion in order to properly advise the client.”* Participant 2 agrees with the sentiment of limited exposure: *“For instance Black people who prioritize more of insurance products, so that is because most of them are exposed to that....”* Participant 15 agrees with the sentiment that the needs of all South African consumers are the same, but there is **diversity in needs satisfaction**: *“... the needs are the same but how we satisfy the needs is the difference for me... And that has to be diverse because of our different backgrounds and because of our different thinking.”*

Participant 2 agrees that the needs of South African consumers are the same, but there is a **difference in needs prioritisation**: *“I would say the needs are the same, it is just a matter of priority.”* This sentiment is consistent with Hofstede’s time-orientation cultural dimension which is based on the notion that different cultures are either long- or short-term **orientated** (Adams and Rau 2011:181; Gamst-Klaussen *et al.* 2019:775). This orientation has an impact on whether financial planning needs are prioritised, and if so, which financial planning needs are prioritised. Participant 3 provides an example of this: *“So especially us blacks, we tend to prioritize cars and nice houses and then we go into just too much debt. Most of the debt comes from cars... they prioritize now and class, it is a matter of let me enjoy, let me be seen now, instead of prioritizing the future.”* This point of view is also consistent with Hofstede’s indulgence cultural dimension which considers that some cultures are more indulgent when satisfying their needs, whereas others show more restraint (Hofstede 2011:15; Ismail and Lu 2014:41).

Participant 2 believes that the prioritisation of different financial needs is due not only to cultural differences, but also to limited financial exposure and a lack of financial education: *“For instance, Black people who prioritize more of insurance products, so that is because most of them are exposed to that. They will less prioritize retirement and I think the reason for that is education.”* The same participant adds that the prioritisation of financial needs are different among cultures due to the different cultural upbringings: *“So in terms of race, I would say Black people are more prioritizing the short-term needs whereas White people are more prioritizing the long-term need... because based on our history, a White child will understand that his father bought shares when he was 10 years old and now the shares are worth this much, whereas we didn’t have that example. So they understand the long-term effect of investment, that is why they understand certain concepts of financial planning, even if they don’t fully understand them, they have an idea of how the products work...”*

Participant 9 offers additional insights and posits that the assumption that Black individuals are inherently short-term orientated is not accurate, because it is often difficult to be future orientated due to immediate needs taking priority: *“...can you really from a race or cultural perspective, box people to say ‘do they actually think differently in terms of time horizon’ – because that is important about goals and why people don’t save etc...I think in any case all people have got a disposition thing of saving long term, because thinking 30 years into the future and I haven’t got food on the table or I need to spend money now on something.”*

Contrary to the premise of this study (namely that South African consumers have diverse financial needs due to diversity in their ethnicities and cultural backgrounds), participants are of the opinion that the financial needs of South African consumers are, in fact, the same. Nevertheless, participants agree that there are differences in how those needs are defined, access and exposure to financial resources to meet those needs, how the needs are satisfied, and how those needs are prioritised among individuals from different ethnic and cultural backgrounds.

#### 6.3.3.2 Prioritised financial needs in Black households

The prioritisation of financial needs among different cultures is a prevalent theme that emerged when considering whether participants believe that South Africans have diverse needs (Section 6.3.3.1), which is relevant during step three of the financial planning process. It is thus

important to consider what financial needs participants perceive are (or should be) prioritised among Black households.

a) Provision for black tax

The concept of black tax was commonly cited by participants as a financial need that is prevalent among Black consumers. Participants noted different experiences, perceptions and **understanding of black tax** among their Black clients, which is a sub-theme that emerged when analysing the concept of black tax. According to the participants' understanding, black tax is prevalent among Black females, particularly doctors or single headed households. Participant 1 states that the need to pay black tax is common among Black female doctors: *"...black tax has been something that has come up and it is more, especially with the doctors...a very common theme amongst the Black female doctors..."*

Participant 11 adds that the obligation to pay black tax is especially prevalent among single Black females: *"Women we meet seem to be looking after, whether it is siblings, or cousins, or parents, there is always somebody they are financially responsible for, and whenever we try to help them manage their finances it is also trying to help them balance, make a balance between looking after somebody else and looking after their own financial needs."* Participant 12 is of the opinion that this is a reflection of most South African households that are headed by a single Black female: *"...SA you have a single person who has children, who is not married, who is looking after a sibling's children."* This finding is consistent with the literature that states that these cultural groups (Black African, Coloured, Asian and Indian) are involved in caring for their family members and the burden of taking care of older members of the family (in particular) is often heavier than in Western cultures (Chadda and Cheb 2013:1).

Participant 4 notes that black tax is unique to Black consumers, as consumers from White cultural backgrounds, for example, are raised differently, with different expectations: *"...white families... I guess it is also the different upbringing... they don't have the black tax, so their parents are like 'okay we have given you the opportunity now... at 18 you need to go and spread your wings and fly, get your own place, you must be independent and that type of thing'."* The notion that Black and White individuals are raised differently with different expectations is evidence from the power distance cultural dimension (Hofstede 2011), which refers to the receding role of parents providing for their children financially, which is prevalent

among White households (de Vos 2020). According to Participant 16, the need to look after extended family is often due to cultural expectations and cultural peer pressure: *“I hold awareness about...a lot of cultural expectation and cultural peer pressure, almost to not set boundaries around money or how you use money – and then people might help from a place of disempowerment.”* According to Participant 7, the cultural expectation and cultural peer pressure of black tax often brings up feelings of conflict among Black clients: *“...black tax is obviously a big issue and I find there is a lot of conflict within my younger professional clients in terms of they have got to honour their – whether it is cultural or whatever – obligation and balance that with their need to get ahead themselves.”*

According to Participant 16, black tax often puts individuals in dire financial situations: *“...they might incur debt to help a friend or a family member, rather than having decided upfront, okay, I’m earning this amount, x-amount, I’m setting aside to help if there’s a request for help; and if I don’t have more, then I don’t have more, and I can say with a clear conscience, I’ve helped as much as I can, but this is all that I’ve got.”* Participant 4 adds that the concept of black tax often leads to clients over committing themselves financially, even ending up in debt in order to meet their financial obligations (black tax included): *“... sometimes it gets to a point where the black tax is actually putting the client into debt.”* Participant 1 adds that black tax has a long-term impact on the financial well-being of Black consumers, especially after making impulsive financial decisions: *“...for example, when they resign and you get paid out your lump sum, the normal advice is don’t withdraw your money, move it to a preservation fund, this is your retirement. But a common theme is ‘I want to withdraw it and use that money to buy mom and dad a house’. I think this is more specific to Black clients than it would be to others, is that feeling of wanting to give back to home, to mom, dad, sister, brother.”*

It is clear that black tax is a complex concept that is unique to Black consumers, specifically the Black African population group. One view is that black tax relates to the need for belonging, as per Maslow’s (1943) hierarchy of needs, whereas another view is that it is a genuine and sincere token of gratitude to the individuals that supported the client during different phases of their life. Participant 9 explains using a financial coaching approach regarding black tax:

*“... the community in which I grew up believes that they supported me to become who I am now so now I must support them...if we put it into Maslow’s hierarchy, the one could be as part of belonging – I need to do this... there could also be another view*

*that you say 'No, I am doing this due to the fact that I believe and I am thankful for the people that supported me'; so this is more something about a psychological thankfulness that gives me meaning to give back to the people that supported me in the journey up to where I am."*

Participant 5 relates the concept of black tax to the role of *ubuntu* (to uplift the family and community), and explains that one might consider whether black tax is allied with *ubuntu*, or if it is contrary to *ubuntu* with individuals assisting the community to their own detriment:

*"...at any point where ubuntu tends to be detrimental, then that is really not what the intention of the originators of this African philosophy intended, and with the passage of time and the evolution of practices we are now seeing, for example, people making reference to black tax and ubuntu, but that is... ubuntu does not mean subjugating the guy to the point that he doesn't see the good in what he is doing to the extent that he calls it black tax...culturally helping the community, helping the family, is something that we are raised with and it has never been something that we complain about, so if at this point in our very westernised lives we find ourselves in a situation where we have a term called 'black tax' then you cannot use ubuntu to defend that, because when customarily we give, we give with a whole heart and don't give it a negative connotation...the general perception of black tax is more of a negative connotation, it is something that if could have been avoided, it would be...is it in compliance with ubuntu, or contrary to ubuntu? If we have a situation where the individual is being hampered by the community then ten years down the line, the community will be worse off than they are today."*

When considering black tax, another sub-theme that emerged is the role of the **financial planner and black tax**. It is the role of financial planners to assist consumers to balance their cultural and financial obligations without affecting their overall well-being. Therefore, when analysing the client's financial needs, **the financial planner plays** a notable role in assisting clients to overcome the emotional barriers that are often associated with black tax. However, if they do not understand this complex concept – especially if it is something that does not occur within their own cultural group – then they will not be able to assist their clients in an acceptable way.

Participant 9 (White Afrikaans male) explains that, despite not being from the same cultural background as his clients, he considers his role as a financial planner to try and relate to them and seek understanding, using financial coaching techniques so that he can assist the client: *“You say: ‘But I am a young adult, just started working, I am successful... however everybody that helped me grow up is now expecting for me to look after them and make a contribution to them’. However, looking at your finances I see you are battling yourself, so from an ontological coaching perspective I will not judge you, I will say let me understand what is going on here.”*

Participant 16 (White female) provides additional insights and states that from a Western worldview, boundaries surrounding money are very different in comparison to a Black perspective. This is an important realisation, because if a financial planner who is not from the same cultural background as their client does not have an awareness of these boundaries as they relate to black tax, they will not be able fulfil their role as a financial planner: *“Something that I’m aware of... is the whole concept around so-called ‘black tax’ and how it impacts people in a specific cultural context, because from our worldview, from a Western worldview, where the focus is so much on the individual, I’m very aware that the idea of setting boundaries around money could look completely different to me as a White person, than what it could look for a Black person, and that it could potentially be a lot harder for a Black person to say no to financial demands from family and friends.”* This notion is consistent with Hofstede’s (2011) cultural dimensions of collectivism and individualism, where collectivist cultures (Black African, Coloured, Asian and Indian) require financial planning that considers their broader family structure (Chadda and Cheb 2013).

Participant 9 believes that it is the role of the financial planner to probe clients regarding their beliefs and emotions that are associated with black tax, and whether those emotions and beliefs support their financial planning goals: *“‘What emotions lie in this decision to support XYZ and how does it make you feel that you can’t achieve your own successes in terms of financial planning?’ ...And then it is up to you to say does this belief still support you and where do you want to go and where is perhaps a golden middle in terms of dealing with your financial planning...?”*

It is important for financial planners to be aware of the complex concept of black tax that is unique to Black consumers, and make efforts to seek an understanding thereof. It is also clear



that financial planners need to understand what their role is as it pertains to the management of, and provision for black tax for their clients.

b) Estate planning

One of the sub-themes that emerged from the findings for step two of the financial planning process relates to estate planning, including the need to leave a legacy, a will and life insurance. These sub-themes are either regarded as a financial priority for Black consumers, or if not, they should be.

Contrary to perceptions that individuals from Black African cultural groups are short-term orientated, Participant 11 believes that the younger generation of Black females want to **leave a legacy**: “...another common thread is they want to build a legacy because for the first time they have come into money and a lot of it, and that is the thing about women, they know that they need to be responsible with their money.” This point of view is contrary to a literature study that found that long-term plans are not a priority for Black consumers, who do not deem it important to save and transfer wealth for their children or grandchildren (Chauke 2011:81). The findings in this study show that there is an inherent desire for the current generation to leave assets or capital behind for the next generation. Participant 4 shares this view: “*Your Xhosa, your Black African cultures compared to your White cultures, a lot of your Black cultures, aside from funeral cover, they are very focused on taking care of their friends out there. Even though they don’t have anyone who depends on them financially, like they don’t have a child or they are not married, they would take out life cover themselves to make sure that ‘okay if I die there is money left for my mom and dad’ basically.*”

As with Participant 4, Participant 6 draws a stark contrast between the Black African culture and White culture regarding the desire to leave a legacy. She adds that when one desires to leave a legacy for those left behind after one’s passing, it should not interfere with, or be to the detriment of one’s day-to-day cash flow – as is often the case among the White Afrikaans cultural group: “*I don’t know if it is for all cultures, but especially for Afrikaans White people, they want to leave a legacy at the end of the day, it is a big thing, it’s a big, big thing. They would rather struggle with income now and leave something to their children when they pass away – and it is a big hurdle we try and get over with the clients, because they end up really*

*having inflation issues when prices of fuel go up and they can't afford increasing their living annuity income because of the pressure it is putting on the capital."*

Another aspect that the participants consider should be a prioritised financial need for Black households (which is not currently practised) is creating a **will** for the purposes of estate planning. Participant 2 states that there is a stigma attached to having a will, and if there is a will, then it is hidden away: *"...in our community they don't want to do wills, I don't know if it is a stigma or what. They die without a will and that leads to all these unclaimed benefits. Or they do a will and never tell anyone where the will is, so even if they have that will, nobody will find it!"* This is consistent with literature findings that Black Africans have difficulty facing the reality of death, and therefore discourage discussions surrounding their own death or that of a loved one; thus they put off writing their own will (Ekore and Lanre-Abass 2016).

Participant 9 states that despite the legislation regarding customary succession that is designed to regulate and protect those who follow customary law, it is of no consequence if the law is not applied when necessary, since the family often implements customary law despite the deceased declaring their wishes in a valid will: *"...an African lady who comes from the Eastern Cape and her own dad is a priest and her uncle was quite a wealthy business man. You know she tells me this example where her uncle passed away, all the assets were divided by the uncles. It doesn't go through the financial planning process and legislation."* This finding is consistent with the claim (see Chapter Four) that despite the introduction of the RMCA and the various amendments made to ensure the fair application of customary law, it is not always fairly applied, particularly if the wishes of the deceased are ignored.

In addition to the stigma attached to having a will – that prevents effective estate and succession planning – Participant 2 states that due to misinformation, Black African individuals believe that if family members are aware of a **life insurance** policy that is taken out on one's life, then they may be motivated to kill you in order to obtain the proceeds. Furthermore, if life insurance is in place, then this information is not disclosed to the beneficiaries, nor how the proceeds should be spent: *"...think based on what I have realised we have much misinformation. Like for instance, a person will never tell their kids that they have life cover... And this is how much life cover it is and these are the beneficiaries in the event of my death, these are the beneficiaries, this is why I have chosen these beneficiaries. They never talk like that because the understanding is if I tell someone then they will kill me."* This finding is contrary to the

notion that because Black households are more risk averse, they are more likely to purchase larger amounts of life insurance (Gutter and Hatcher 2007:678). However, it is consistent with the notion that discussions and succession planning around death are avoided in Black households (Ekore and Lanre-Abass 2016); and the notion that household financial information is concealed from children and treated with a high degree of secrecy (Antoni 2018:55).

It can therefore be concluded that Black consumers have a desire to leave a legacy for their dependants, especially because it was not possible for previous generations to do so. Clearly, one of the most important estate planning tools in order to leave a legacy, is a valid will. However, there are negative perceptions regarding wills in the Black African community, due to various stigmas attached to discussions about death. Another problem arises when surviving family members implement customary law provisions, despite the presence of a valid will. Furthermore, various stigmas and misconceptions are associated with life insurance, which is an additional estate planning tool that assists in leaving a legacy. Estate planning is thus a financial need that requires prioritisation among Black consumers.

#### c) Provision for funerals

Another common financial need that participants feel is a priority for Black households is the need to have money available to pay for the funeral of a loved one, as stated by Participant 3: “...our race concentrates on funerals.” This notion is also shared by Participant 1: “We understand that in the Black culture funerals are a big thing ...”, as well as Participant 7: “I see that there is definitely more of a... not necessarily an emphasis, but funeral policies/cover will always come up in the conversation.” This is consistent with a literature finding that funerals in the Black African culture signify prominence and status, which results in the need for financial planning to include funeral policies (Ndlovu 2018).

Participant 4 is of the opinion that the emphasis on funeral provision is because funeral policies are one of the few financial products that their parents were exposed to; hence it is the only financial planning knowledge that is passed down to the next generation: “... a lot of my Black clients I deal with, especially professionals, a lot of them within their households – and this is a big thing – because their parents were big on seeing funerals as a big thing, and spent a lot on funerals – their parents only passed down know-how to basically take out funeral cover...”

Participant 11 is of the opinion that it is more likely for Black females to make provision for funerals, as they are often required to take care of multiple elders among their extended family members: *“...the bulk of these women are single...they are looking after the older generation as well as the younger ones, so yes, there is a massive need or requirement for funeral policies... What we are trying to change for our clients is that you don’t need multiple policies to cater for your people. It is not meant to make you rich, that is not the point of these funeral policies.”*

Participant 4 agrees that often these consumers have several funeral policies, because they are under the impression that it will pay out larger sums of money, but they are not aware that there is a limited pay-out for a funeral per life insured, regardless of the number of policies that are owned: *“...used to within their culture have big funerals, they fall into the trap of having a huge number of funeral policies and they are not aware that it is limited pay out...It is going to affect their retirement because they are not saving enough for retirement, and when they get to retirement they can’t retire because they can’t afford to keep those policies up.”* The notion that funerals take priority over one’s own retirement needs is consistent with a finding by Zeka (2019). Participant 10 adds that funerals are prioritised over estate planning in the Black African community: *“So funerals are a big issue, but why are funerals more important than leaving a legacy, for example?”*

Recall that Participant 15 is of the opinion that there is no diversity in financial needs; however, there is diversity in how those needs are satisfied. This is clearly illustrated when using funerals as an example:

*“... when you have to bury a loved one,...in some of the cultures, it is not acceptable to have a funeral policy because God will provide, it works like that in some of the Indian communities, the Muslim communities, they don’t believe in insurance... the family pulls together to lay the person to rest, and having funeral cover is not acceptable from a cultural point of view. Then you would have Black cultures where it is embarrassing if you cannot have a farewell party...People will go bankrupt just to have a tears party for the loved one... Some cultures believe in having insurance in place and some say no, it is against our beliefs. Some people have funeral policies, some would pull together, family putting money together – but the need remains to respectfully lay your loved one to rest...you would bankrupt yourself just to do what is acceptable in your culture.”*

It is clear from the findings that the need to make provision for the funeral of a loved one is an important financial need that is prioritised by Black households, for various reasons and to different extents. Participants are of the opinion that funerals are prioritised due to limited prior exposure to other financial products, or because many Black consumers are responsible for taking care of multiple elders and therefore require multiple funeral policies. Regardless of the reasons, it is evident that Black consumers become over-committed and overloaded with funeral policies. Furthermore, the participants are of the opinion that consumers are not aware that there is a limit to the total pay-out of funeral proceeds that they can receive (R100 000), irrespective of the number of funeral policies they may have (Long Term Insurance Act No. 52 of 1998).

d)                      Owning property

A financial goal or financial need that was identified by participants as a priority for Black consumers is the need to own property. Participant 1 notes that among the millennial generation (those born between 1981 and 1996), the need to own property is a priority for Black consumers: “...*younger millennial sphere...Black demographic seem to prioritise owning property over travel....*” This is supported by Participant 5, who is of the opinion that this is because it is the most common investment that Black consumers have been exposed to: “*If you had 5 million Rands, what would you do?’ And I have found that most Africans will say ‘I will buy a property’. Obviously, that is because that is the most common investment that the person would have been exposed to... such a client has never had unit trusts, or any [investment] funds, for example.*”

Participant 11 notes that the need to own property is a priority especially for Black women: “*Black women are buying properties.... Either they have a property by the time we meet them or they are planning to buy one very soon, and a lot of them are on their second and third properties.*” Participant 7 attributes this to the fact that owning property is associated with wealth, and historically it is something that was unattainable for Black individuals: “*Look in the Black culture, property ownership is a huge thing because we weren’t able to own property in the past, and also probably because it is seen as ‘listen this is how you generate wealth, you are able to have property’. Also because having a family home in the Coloured culture and in the Black culture is so important, and being able to pass that down....*” Clearly, owning property is prioritised – particularly among the Black African and Coloured cultures, because

a family home plays an integral role in the family dynamic, and is seen a significant asset that can be passed down to future generations to create generational wealth (Bekker and Koyana 2012:569; Bolt and Masha 2019:148).

The findings thus suggest that property ownership is prioritised particularly among the millennial generation of Black consumers. This may be because of limited exposure to other investment alternatives, but it also likely because family homes are an important indication of wealth among Black consumers who were historically excluded from owning property. The prioritisation of property ownership by Black households is consistent with findings in the literature (Bekker and de Kock 1992:366; Bolt and Masha 2019:156; Oleson 2004:85), as it symbolises familial identity and materialised kinship, and also indicates independence, financial freedom and status.

e) Provision for religious and customary beliefs

The findings for this sub-theme reveal that the various religious backgrounds of South African consumers present different financial needs among different cultural groups. All financial decisions in the Muslim community are guided by the principles of Shariah law. Muslims are required to pay a portion of their wealth to a charity organisation every year, which is referred to as *Zakat* (Kawadza 2022:426; Vahed 2021:50). Participant 8 assists his Muslim clients with the recording, calculation and payment of *Zakat*: “...around religion and specifically in the Muslim community... I have quite a few Muslim clients where we have to budget...well every year we have to report, there is a part that they need to donate...Zakat, and then there is another one as well. So, we need to report on their assets so that they can calculate that and pay it over.” Participant 8 adds that certain assets need to be excluded when dealing with a Muslim estate: “Some of the estate planning there are parts that you have to exclude.” Participant 2 adds that according to Shariah law, a daughter may not inherit more than a son in a Muslim household: “Because for instance Shariah investment they don’t believe a girl child should inherit more than a boy child....” A female inheriting less than a male is also an indication of the high degree of masculinity among the Muslim community (as per Hofstede 2011:12) – who in South Africa are mostly within the Coloured and Black African ethnic groups. There is thus a need for Islamic estate and succession planning, especially if a client does not wish to follow the principles of Islamic succession. This would need to be clearly specified in their will.

According to Participant 10, individuals' faith in the Christian religion often influences their choice of marital regime, despite it not being viable for their financial situation: *"I find a lot of Christians are quite closed when it comes to this topic. About community of property. Because the underlying point is whether you are married in community of property, because if you are married in African culture normally it is community of property. They quite like the community of property arrangement...a lot of people have got very strong religious or cultural views on these things."* Although individuals often have strong religious and customary views, they do not always understand the long-term financial impact that it may have on them and their children.

Participant 11 finds that many women often do not understand what their marital regime means, especially when married under customary law: *"A client who is married via customary law...she wasn't aware of the implications that she is now considered to be married in community of property and it is something she is trying desperately to change ...."* This is reiterated by Participant 2 who states that most Black clients do not understand how their marital regime works when married under customary law. This implies that they are not aware of the extent of their financial assets and liabilities, nor their rights and responsibilities at the possible dissolution of their marriage: *"The customary laws like marriage, most Black people don't understand what type of marriage they are in. They will pay lobola and after that they will assume they are married, some people will pay lobola and do the traditional wedding, but they don't actually understand what type of marriage they are in."* These findings indicate a need for pre-marital financial counselling, that involves discussions around the financial implications of the different marital regimes. This importantly relates to a client's financial needs, and the implications can be identified by a financial planner when analysing their client's financial information.

The findings suggest that various financial planning needs arise as a result of religious obligations, such as the payment of *Zakat*. In addition, there is a financial planning need for Muslim individuals who do not wish to implement Islamic estate succession. Furthermore, several financial planning implications arise due to an individual's marital regime; the findings indicate that most clients are not aware of their rights, especially when they marry according to the provisions of their religion.

f) Other financial planning needs

Several other financial needs emerged from the findings that did not occur as prominently as those discussed above; however, these needs are no less important. These financial needs include the provision for *lobola*, emergency fund/savings, retirement planning and provision for an initiation school.

The need to make **provision for lobola or a dowry** (in addition to the wedding ceremony) was mentioned by several participants. Participant 9 states that it is important to determine whether provision has been made for it, where it is a custom in some cultures: *“Thinking about some cultures where marriage is big you know, did you start saving for your daughter’s marriage, if you are a young guy at work and thinking about getting married did you think about lobola, how are you going to save for it? How relevant is that?”* Participant 2 shares that it is not often that Black clients make provision to pay for *lobola* as part of their financial planning: *“...but even lobola is not basically long-term planning so you won’t find somebody saying ‘in five years I want to pay lobola’.”* Participant 4 states that in the Chinese (Asian) culture, it is expected of the male to pay for the wedding: *“...in the Chinese culture it is kind of like expected of the Chinese or the groom to pay for everything because it is like showing your capability.”*

Several participants mentioned that Black clients have a poor propensity to save and therefore are unable to maintain an **emergency funds/savings**. Participant 3 states: *“Whatever savings are there, then all of a sudden there is a request for withdrawal. Unlike the others who are saving for the future, especially the Whites. Or for the next generations to come. These are people who do not know saving you understand, especially the Blacks. Whatever they save, whenever there is an emergency or something then they quickly withdraw. There is no emergency fund.”* This finding is consistent with the South Africa Savings Institute (2017) which found that South Africans in general have a tendency to access their retirement funds in cases of emergency. Participant 4 is of the opinion that the poor propensity to save is because of a lack of financial education and limited exposure to positive saving behaviours. In addition, Participant 4 believes that Black consumers have the incorrect perception that saving is only for White and wealthy individuals: *“They weren’t really educated enough on saving and sometimes – which I know can be partially true or has its points to it – but generally they used to have the perception that investing is only for White people or wealthy people, not for them, and they don’t have access to it.”* According to Participant 5, incorrect perceptions regarding



saving and investments are fuelled by advertisements and marketing campaigns: *“Unfortunately even advertisements that go on may not speak directly to the person because when you mention investments it may make them think of saving in the bank for example.”*

Participant 4 goes on to mention that Black clients do not prioritise saving for **retirement**, which is also the opinion of Participant 2 who feels that this is due to a lack of education: *“...they will prioritize retirement less and I think the reason for that is education.”* This finding is consistent with Zeka (2019) who states that saving for retirement is not perceived as a priority among Black South Africans, compared to saving for funerals. Participant 2 also states that taking a male child to **initiation school** is a financial need in some Black African cultures: *“...like taking a child to the mountains or to Addo – some people do that.”*

The findings for this sub-theme suggest that provision for *lobola*, emergency funds/savings, retirement planning, and provision for an initiation school are some additional financial needs that Black people consider to be a priority, from the perspective of the CFP® professionals in this sample. It is clear that financial planners should be aware of, and able to identify these financial needs – in addition to those previously identified, when analysing clients’ information during step three of the financial planning process.

#### 6.3.4 STEP FOUR: IDENTIFY AND EVALUATE POSSIBLE FINANCIAL PLANNING STRATEGIES

The fourth step of the financial planning process requires the identification and evaluation of possible financial strategies to meet the financial needs identified in the third step. The a priori themes that were developed based on the interview questions relate to whether the participants tailor their financial planning strategies according to the cultural needs of their clients, and whether they have been unable to assist a client due to any cultural barriers. Participants were also asked how their financial planning strategies differ when advising clients from different backgrounds. The resulting themes and sub-themes from these questions are presented in Table 6.6

**Table 6.6: Themes and sub-themes associated with Step Four of the six-step financial planning process**

THEME	SUB-THEMES
Tailored financial advice	Delivery and phrasing
	Customisation of financial planning tools
	Cultural intelligence
Approaches to financial planning	Fairness
	Self-discovery exercises

Source: Researcher's own construction

Table 6.6 shows that the main themes relating to the fourth step of the financial planning process consider tailored financial advice and approaches to financial planning. Based on the responses from participants, none of them experienced cultural barriers while applying the fourth step of the financial planning process, so that a priori theme was discarded.

#### 6.3.4.1 Tailored financial advice

Participants were asked whether they think it is necessary to customise or tailor their financial advice based on the cultural needs of the individual. Recall that most of the participants were of the opinion that South African consumers do not have diverse needs, but they do have diverse ways of satisfying those needs, and have diverse exposures to financial education and financial resources to do so. The sub-themes that emerged from this step thus relate to the delivery and phrasing of financial planning recommendations, customisation of financial planning tools, and cultural intelligence.

Participant 2 states that the suggested financial strategies are the same but the **delivery and phrasing** of the strategies need to be adjusted according to the client: *“I would say the strategy is the same, it is just a matter of how you phrase it...you find that the understanding or the way you explain the strategy is different, for a person who is well informed will understand that maybe this much will give them a certain amount of this much but it is not guaranteed. Whereas a person who is not well-informed wants a figure of an amount, so they take less risk than a person who understands that in 15 years the market will most likely outperform any other investment if you are putting your investment in shares.”*

When considering the **customisation of financial planning tools**, Participant 5 is of the opinion that financial planning strategies should not be customised based on the client's

cultural background – even if they are more accustomed to indigenous financial planning tools such as *stokvels*: “...the underlying needs are the same... drive the person to their investment destination. “I would rather say let’s speak about the existing products in a language that meets the needs that people understand, because when the financial products meet the needs and it is spoken in the culture of the client, the client doesn’t need anything new.” In other words, the participant is of the opinion that the same financial planning tools can be used to satisfy different financial needs, irrespective of the client’s cultural background. Participant 11 agrees and states: “I have found that our processes are more or less the same. The outcomes might be different, and the client needs may be different.”

Participant 14 is of the opinion that a will can also be positioned as an important financial planning tool to individuals in rural areas and villages who otherwise might not be perceived as being wealthy, but have the means to bequeath their assets such as a family home: “Where I come from, they are not working, they are working the land, they grow crops, milk cows, so to them the financial money that you and I see is not a big priority. Because if they want to eat they will have their chickens inside the yard and they will slaughter. If they want veggies they will go to the garden. So, for those guys the kind of planning you can do there is a will.” Participant 12 agrees that a will is important to ensure that the wishes of the deceased are fulfilled, and that the dependants left behind are taken care of. However, consideration needs to be taken when positioning a will to a Black client so that they are able to relate to it: “...how do we actually position a will so that the person who has never had financial planning advice or education can actually relate to it...what do they really need in terms of stating their wishes in a will, what is really urgent and important so that we can help this person or family to really leave a legacy?”

When addressing funeral cover as a financial planning tool with individuals from the Black African culture, Participant 1 states that it is important to ascertain the client’s perceptions, understanding and intentions of taking out funeral cover: “We normally ascertain their thinking behind it because we don’t want to make assumptions on behalf of the client, so we will first get an understanding of what they understand, and then we will have a look at the policy or whatever the case may be, and generally funeral cover is very expensive and you get very little, so we will look at something and say ‘instead of funeral cover have you looked at life cover, it is cheaper and you will probably get a lot more’.” It is important to note that the need to respectfully lay a loved one to rest would then be addressed through the recommendation given

by the financial planner, but this taboo surrounding life insurance would still need to be addressed.

Participant 15 agrees with the notion that financial planning recommendations do not need to be customised based on the clients' financial needs that arise due to their cultural background, but stresses that one needs to have **cultural intelligence** when giving financial advice to a client who is not from the same cultural background as the financial planner: *"One has to be very careful you know, if you give any advice to somebody you need to have your cultural intelligence glasses on, but you also need to be self-aware – I think there are a lot of people that lack self-awareness, you have no idea what impact you have on the people around you, and I think until such time you understand what impact you have on people around you, only until that time can you actually possess cultural intelligence."* Cultural intelligence refers to an individual's ability to adjust to a cultural setting, interpret cultural cues and effectively interact within multiple cultures (Crowne 2008:392).

Participant 4 adds that there needs to be a degree of sensitivity and consideration of the client's cultural background when suggesting strategies which may not be standard practice in their culture: *"You have to be fairly sensitive but also come from a fairly considerate point of view...when you come from that point and not from a critical point of view and a more supportive one, I think the clients appreciate it because even though you might be from a different culture, they can see you are actually making a genuine effort to first and foremost consider their background and who they are as individuals, but secondly as well, you are upholding your professional morals, ethics and principles and working in their interest by saying 'From a professional point of view these are my concerns with how your finances are being linked to your cultural background and your cultural plans going forward'."*

As part of cultural intelligence, Participant 4 adds that because of the taboo in certain cultures surrounding death, it is important to be sensitive and considerate when addressing the financial implications that are associated with it. This applies particularly to the impact of the client's marital regime at death, but also stresses the role of the financial planner in educating and bringing awareness about the financial implications of a client's circumstances: *"When you talk about death and the marital regime with clients, you also have to be very sensitive and considerate because it can be a touchy subject, but again you are just there to educate and make them aware of it, so that it is all about making them aware...."* This notion is supported

by Participant 10 who states that while suggesting financial strategies, it is important to address any taboos and misconceptions that the client may have: “...*one way of creating wealth quite easily for the next generation is to take life cover... But ... people will have some sort of taboo around it. And over think it from a cultural perspective, whereas it is a very small price to pay to break the poverty chain altogether.*” If clients – especially Black African clients – are misinformed, they may make financial decisions based on their existing taboos.

It is thus clear that the participants do not perceive that it is necessary to customise or tailor financial advice to their clients according to their cultural needs, but instead the delivery and phrasing of strategies may have to be adjusted. In addition, certain financial planning tools require attention and sensitivity when dealing with individuals from different cultures. Specifically, it is important to consider how a will is positioned to Black clients, given that a will and all other activities associated with death are considered taboo. It was previously established that there are different perceptions regarding why funerals and funeral cover are a priority for Black African consumers, but it is important to first ascertain their perceptions and understanding before considering specific financial planning strategies. In addition, it is important for a financial planner to have cultural intelligence during this step of the financial planning process. In particular, it is important to be sensitive and considerate with clients from other cultures, as well as cognisant of the possible misconceptions that various cultures may have, and address these.

#### 6.3.4.2 Approaches to financial planning

Based on the foregoing discussion, it can be concluded that despite financial planning strategies being the same for all cultures, it is important that the practical application or approaches in suggesting those strategies to individuals from different cultural backgrounds should be adjusted when necessary. Participants noted that ensuring fairness and doing self-discovery exercises with clients are effective approaches in the fourth step of the financial planning process when dealing with clients from different cultural backgrounds. Thus, fairness and self-discovery exercises are relevant sub-themes for this theme.

Participant 4 states that when dealing with a client’s marital regime – such as whether they are married according to customary law – it is important to ensure **fairness** for all parties involved: “...*clients married according to the Muslim faith, and other different ways – not polygamy –*

*but I have had clients married in a number of different ways and...you are just trying to make sure that each party is treated fairly, that is what we aim for.*” Participant 5 supports this notion and states: *“The majority of people wouldn’t intentionally want to disadvantage any of their children, for whatever reason, culture or otherwise. And in some cases because of the desire not to even talk about it, we find that their descendants or beneficiaries get disadvantaged because there is the fear, so a great part of the culture that is carried out is more of an imposition than a desire.”*

Participant 16 finds that when it comes to cultural differences, it is easier to suggest financial planning strategies when taking a financial coaching approach: *“In our particular case, it’s slightly easier for us, because we’re coaching. So we would rather explore with the client what they are comfortable with, what they see happening, and what they feel they can do to shift their own situation – rather than to say what we would have done, or what we think they should do.”* The financial planning strategy is thus driven by the client as part of a **self-discovery exercise**. When addressing the payment of black tax, Participant 1 does budgeting exercises with clients as part of a self-discovery exercise. If a deficit is presented, a ranking exercise is done which allows the client to start considering financial trade-offs and reprioritising their financial commitments: *“One of the things we do with black tax is always ask clients for a budget. We know, we see first-hand that doing a budget and sticking to a budget are two very different things, but it is more behavioural in the sense that we want clients to start thinking about trade-offs more than anything else, because that is where the behavioural side comes in...rank importance to certain things, so for example, if they do a budget and they have a deficit, we will go through the budget and say ‘listen, you have said black tax is really important to you, but you are spending say R5 000 going out’.”* It is important to note that this strategy does not include the purchase of a product, but instead focuses on an exercise to steer the client towards a suitable financial planning strategy. In addition, emphasis is placed on what the client (and not the CFP® professional) deems to be a financial priority. The decision is thus left to the client as to how to reprioritise their financial commitments, based on what they perceive to be important to them.

The findings thus reveal that participants use different approaches to ensure that the application of the fourth step of the financial planning process is suitable for their clients, especially if they have financial needs that are necessitated as a result of their cultural background. It has also been established that it is important to ensure that all parties are treated fairly, especially when

considering the application of customary marriages and the implications of dissolution or death. Finally, self-discovery exercises are often offered by financial coaches and this was determined to be an effective task to assist the client in developing their own financial planning strategy.

### 6.3.5 STEP FIVE: IMPLEMENT THE FINANCIAL PLANNING RECOMMENDATIONS

When implementing the financial plan based on the strategies that were suggested in the fourth step of the financial planning process, participants were asked how they ensure buy-in commitment to the financial plan from their clients, as well as whether they have experienced any cultural barriers when trying to get clients to implement their financial plan. The themes and sub-themes that were consequently developed after further analysis are presented in Table 6.7.

**Table 6.7 Themes and sub-themes associated with Step Five of the six-step financial planning process**

THEME	SUB-THEMES
Buy-in assurance	Online community participation
	Remuneration model
Reasons for resistance	Overwhelming
	Incompatible plan
	Demographic characteristics
	Transactional approach
Overcoming resistance	Address one financial goal at a time
	Financial education

**Source: Researcher's own construction**

Table 6.7 shows that the main themes regarding the implementation of the financial recommendations or plan relate to buy-in assurance, reasons for resistance and overcoming resistance, as discussed below.

#### 6.3.5.1 Buy-in assurance

Participants noted that having a strong presence in the online financial community and the type of remuneration model that the financial planner uses have an impact on the level of buy-in of the client into the recommended financial plan. Participant 7 believes that because he runs a

virtual practice with a **strong presence in the online financial community**, by the time clients have reached out to him, they have already bought into the financial planning process: *“But again, I think it is just by virtue of the way I run my [virtual] practice. Remember when a client reaches out to me, they have made the buying decision 80% of the way already.”*

Many of the participants are of the opinion that the **remuneration model** used by financial planners for products and services has an impact on whether clients commit to, and maintain their financial plan. This could be because more time is spent on getting to know the client rather than discussing the product that they recommend. Participant 7 states: *“...because it is a fee-based practice, because as a client you pay me a fee for doing certain things for you, I find that I don’t need to chase you up, because you now understand you have paid money for a service, and you chase me up. “What I need to do though, is I need to demonstrate the value add, I need to demonstrate the value in what I bring compared to what it is that I charge.”* It is clear that when using a financial planner who adopts a fee-based remuneration model, clients feel more comfortable with implementing their financial plan at their own pace. In this regard, Participant 9 states: *“...they decide on what they want to implement, they decide on what they want to have.”* Participant 6 suggests as an alternative to using a fee-based model, some clients prefer to be charged a percentage of their assets, or an asset-under-management (AUM) fee: *“... like the fact that they can pay us without using the product, so we literally invoice them, or they can choose to have us like their advisor on their assets, and then they can pay us through that.”*

It is thus clear that by the time clients get to step five of the six-step financial planning process, they have already bought into the financial planning recommendations – particularly if they sought their financial planner through the online financial community and approached the financial planner after following their online content. It is also clear that clients are more likely to buy-in to the financial plan when the planner offers a remuneration model that does not involve commission, as clients feel more in control of the pace and extent of implementation.

#### 6.3.5.2 Reasons for resistance

When considering reasons why clients may be resistant to the implementation of their financial plans, participants provided numerous reasons and examples from their experiences. The sub-themes that emerged in this regard pertain to the financial plan being overwhelming or



incompatible, certain demographic characteristics of the client or the financial planner, and the fact that clients view the financial planning process as being transactional.

Many of the participants have experienced their clients becoming **overwhelmed** when it comes to implementing the financial plan. Participant 2 explains that despite ensuring that the client is well informed to make a decision, they often become confused when presented with all the different options for them to choose from: *“So we assume that the client is well informed and the client will make an informed decision. But that is not true. In most cases I have lost clients on me providing them with options and the options I provided confused them and the client ended up not knowing which option to take, or they end up doubting the entire process because now it is confusing because this is now a new concept for them.”* Participant 4 is of the opinion that this often happens when the financial planner tries to rush the entire financial planning process into the first few meetings with the client, despite discovering that the client has other financial problems that may prevent them from implementing the financial plan: *“Financial planners or advisors try and squash this whole process into just the first meeting or the first couple of meetings with the client, but when you do look at the information... if you find other things like say they have a problem with putting money aside or paying off debt, or setting up different accounts or other goals, a lot of planners lose a client by trying to squash all of that into one to three meetings with a client.”*

It emerged from several participant responses that one of the reasons for resistance to implementation is an **incompatible financial plan**, for various reasons. Participant 8 states that resistance to implementation is often because the plan does not resonate with the client: *“We can give you a brilliant plan but if it doesn’t resonate with you and it’s too much to implement and you never implement it, what is the point?”* Participant 16 explains that it is important for the client to feel an emotional connection to their financial plan, and that is only possible if the financial planner truly understands their client: *“I think you can do brilliant work technically, but if you don’t understand your client and what really makes them tick, well enough, there’s a very high risk of you ending up with having done a plan that the client is going to nod and smile about, but not implement, because they don’t feel an emotional connection to it. There’s a... disconnect between... between what they feel they need emotionally and what technical financial planning says they should be doing.”* Participant 3 uses the client’s emotions to help them feel some resonance with their financial plan: *“I would say what I have seen is Blacks tend to listen when you kind of scare them...talk of something that is touching them, to say*

*‘your kids, when you are gone what is going to happen’ – that is where they start to think ‘there is no life cover, no life policies’. But the only problem – yes, life policies they are willing to sacrifice for because they think of their kids....”*

Participants noted differences in the willingness to commit to a financial plan based on certain **demographic characteristics** of the client, such as ethnicity and age. Participant 3 notes that Black consumers are more reluctant to implement their financial plan: “...Whites, they listen – or maybe the money is available, maybe there was a recent pay-out of a life policy....That money is just there, and they listen. And then the other races, for Blacks, you are just telling them, there is no implementation, you are just making them aware.” Participant 4 adds that individuals from the Black African and Coloured cultural groups are more reluctant to implement the financial plan, and ascribes this to lower levels of financial literacy or less exposure to financial guidance: “When I consult with clients from I guess White or Coloured backgrounds vs a Xhosa or African descent background is that... with a lot of your White or Coloured clients I have dealt with... they generally...want to get financial freedom, want to save for a house and all that – they have maybe three or four goals, right – and a lot of them are like ‘cool, let’s implement all of them and start putting in place now and get everything up and running’; whereas with the Xhosa and also I have seen it with Coloured clients as well... because they haven’t been exposed to that level I guess of financial literacy, guidance and education before like their parents, it can be overwhelming to just suddenly say ‘okay let’s do three or four goals at once’.”

Participant 5 notes that due to the taboo associated with death in the Black African community, committing to a financial plan becomes a challenge, particularly when it comes to estate planning. It is especially challenging trying to change that individual’s perception, which has an impact on whether they are willing to implement the financial plan: “...estate planning, it is still not popular among the Black community, because it is still almost a taboo to talk about your death. So once that is the case it is difficult to really speak estate planning with the person when they are not interested in talking about his/her own death.” This finding is of particular concern regarding individuals who subscribe to traditional customary practices, or come from a family that does: “...even if the individuals themselves do not want to disadvantage his partner, if he doesn’t make a will then you are going to have family members come to implement customary practices...important distinction to be made between customary practices that are being imposed on people, and where people willingly carry through with customary practices...”

*most of the cases you will see, for example, people will die intestate and it is the evolution of their estate that is where these injustices happen. And I think, again from anecdotal evidence, the majority of customary practices, especially in terms of the devolution of estates, are imposed and not really what the primary person actually wanted.*" It is clear that if misconceptions and misunderstandings as a result of taboos within the Black African culture are not addressed when establishing a relationship (step one), while collecting client information (step two), or while suggesting financial planning strategies (step four), then these may become issues when attempting to implement the financial planning recommendations during step five.

Participant 11 (a Black Zulu female) notes that a lot of resistance to implementing a financial plan comes from older Black people (both females and males) – hence age and patriarchal societal roles present a challenge when implementing the recommended financial plan: *"...quite interestingly it [resistance] comes from older Black women, and I don't know why! (laughs) and possibly Black males, because their perceptions...Black males – they are highly ambitious, I would say overly ambitious and a lot of unrealistic expectations about what we do and the outcomes of the work that we do."* The resistance experienced from older Black females could be due to the patriarchy that is evident in the Black African culture, making it difficult for older Black females to receive financial advice from another Black female who may be younger than them. Participant 11 adds that the older generation of Black females are not used to other Black individuals in the financial planning space, particularly females: *"...older Black women, I think that is a generational thing that I have experienced where they prefer to be serviced by White advisors or non-Black advisors...think the generation they come from they never had exposure to people like us, you know, it was always non-Black people handling the money and I think that is a massive hang-up for them and I think that is always the expectation on their part...."*

Participant 1 notes that the age of the financial planner is a barrier, regardless of the client's cultural background, particularly for younger financial planners because clients may not perceive the financial planner's ability to understand and relate to their life stage: *"The age gap is very difficult to cross, because most people who start thinking about financial planning start thinking of retirement, and they are now about 40 they need to save for retirement, and that becomes more crucial for them... you are younger than 30 and giving them advice they doubt."* Participant 6 notes that younger clients are likely to be less resistant to the

implementation of the financial plan because they want to understand what it is that they need to do, as opposed to older clients who prefer to be told what to do: *“But also you get a lot less buy-in from them, older people than you get from younger people – younger people seem to want to understand better, not just be told what to do, they want to know why they are doing a specific thing.”*

Another sub-theme that emerged that is related to the reasons for resistance to the implementation of a financial plan is the fact that clients view the financial planning process as **transactional**. Referring back to Participant 11’s experience with Black males, she notes that they have difficulty buying into long-term financial planning strategies and view the financial planning process as transactional: *“A lot of them are going to be billionaires in five years, and they need investment vehicles that are going to generate those billions in five years... what we are doing, this slow pace is just not for them. I have narrowed it down to the fact that I don’t know, I think Black males are under a lot of pressure to be rich, to make a lot of money very quickly – I don’t know what it is, I still don’t have the answer to that, but I tend to find that Black males don’t necessarily buy into the long-term financial planning process.”* In other words, Black males tend to approach financial planners seeking a particular financial product, and are not interested in building a relationship with the financial planner, or doing a full needs analysis and hence they are considered to be a transactional client. Similar to the transactional attitude, Participant 8 states that DIY clients are less likely to implement the financial plan after going through the financial planning process, because they do not buy into the long-term nature thereof and are interested only in specific financial products: *“And then someone who is just looking for the best return, they want to invest in something and get the best return – that is not our job, we are not asset managers, we help you structure your financial plan so that it speaks to your life.”*

It can thus be concluded that clients may be resistant to implementing the financial planning recommendations presented by a financial planner because they consider them to be overwhelming, confusing, that the process was rushed into during a few sessions, or that there is too much to implement. The financial plan may not be compatible with the client if they cannot resonate with it, or do not have an emotional connection to it. There may also be demographic characteristics that enhance resistance, such as the fact that Black consumers are more reluctant to implement, several taboos exist regarding death in the Black African culture, patriarchal societal roles are prevalent such as being resistant to receiving advice from females,

as well as when the age or life stage of the financial planner are different to those of the client. Furthermore, it is clear that clients who view the financial planning process as transactional are more likely to be resistant to implementing the recommended financial plan.

### 6.3.5.3 Overcoming resistance

When reflecting on strategies used to overcome clients' resistance to the implementation of the financial plan, participants suggested addressing one goal at a time, and spending time on client financial education. Participant 4 suggests that when clients become overwhelmed and confused at the implementation stage, then it is better to **address one goal at a time**: *"It is easier to rather say 'let's start with one' because you need to do that to not only gauge and learn more about the client, but build up also the client's confidence and momentum when it comes to building up their finances."* Participant 8 agrees with this notion and encourages the client to indicate which goals they are more comfortable with implementing first: *"I am not saying it is resistance-free, but what we are trying to do is get a client to come up with a solution that they are comfortable with and a question I often ask is 'Okay, what part are you comfortable tackling right now?'."*

Owing to the fact that Participant 8 spends a considerable amount of time on **financial education** and getting to know his clients, he is of the opinion that the clients have already bought into the financial planning process before they reach the implementation stage: *"...so that by the time it gets to implementation there is very rarely second guessing, it is very rarely clients say 'no, actually don't do this', because by that stage we will know about them, they will know about us and would understand through client education what to expect, they would have gone through the goal setting, so by the time implementation comes it is normally quite a smooth process, it is more like 'Okay cool, we have covered everything so let's get going on everything'."* Participant 4 agrees that financial education plays an important role when ensuring that clients commit to their financial plan: *"...okay, I need to recommend this investment product for this client, they stick the client's money in there but the problem is if you haven't fully educated the client and coached them on how it works, there is a less likely chance of clients going to stick to that investment plan."* Participant 4 agrees that resistance to implementation is especially prevalent among clients who have had limited exposure to financial products and financial education: *"... especially with clients who are not used to it and haven't been exposed to any form of financial education or literacy or any form of financial*

*stability in their early years when they were growing up... because we also come from that point of view that you can have like the best investment product in the world, but if you don't have any good financial behaviours it is not going to do anything for you."*

It is thus clear that addressing one financial goal at a time assists in combatting client resistance to implementation. It was found earlier that financial education throughout the financial planning process (prior to step five) can prevent client resistance to implementation of their financial plan. However, financial education can also be used to resolve and overcome resistance after the financial planning recommendations have been presented to the client.

#### 6.3.6 STEP SIX: REVIEW THE CLIENT'S FINANCIAL PLAN

Participants were asked what changes in a client's life may warrant a review of their financial plan. The resulting themes and sub-themes are presented in Table 6.8.

**Table 6.8: Themes and sub-themes associated with Step Six of the six-step financial planning process**

THEME	SUB-THEMES
Reviewing factors	Financial planner-initiated
	Client-initiated

**Source: Researcher's own construction**

From Table 6.8 it can be seen that the main theme that emerged related to reviewing factors, namely financial planner-initiated or client-initiated (sub-themes) reviewing factors.

##### 6.3.6.1 Reviewing factors

Analysis of the data reveals that a review of the financial plan can either be financial planner-initiated or client-initiated. When considering **financial planner-initiated** factors, as expected, participants noted that a review of the financial plan is required on an annual basis, as per FSCA requirements. However many of the participants prefer to have a tailored approach based on an agreement with the client: Participant 1 states that he would prefer to see the client at least twice a year: *"...we review that on annual basis. We say annual basis but we like to tailor like a service level agreement specific to each client so we will see clients, our internal feeling is*

*that you have to see a client at least twice a year, minimum.” Participant 7 agrees with seeing or engaging with a client more than once a year, but adds that the remuneration model also influences how often the client and financial planner meet: “So the standard – because legislatively the standard is you have got to do an annual review – however depending on my arrangement or agreement with the client, because those who pay me on a retainer basis will have discussions with me throughout – so there is constant review if there is a need. Others will have a review meeting with me every six months and then others would have every 12 months.”*

Participant 5 notes that despite the fact that the FSCA requires an annual review, financial planners should not be making adjustments to clients’ financial plans merely because they think that clients expect it: *“But then you shouldn’t be adjusting portfolios for the sake of it...if you don’t have a good value proposition you are going to do a lot of things that even get the client’s objectives, just to...almost like justify your own existence, if I can put it that way. I think a good advisor should not approach the plan, to say we need to change something. No. The good advisor should approach the client to say what is changed in your life, what was your plan before, are there any plans that are required to change – if nothing, it is okay to say to the client ‘We are still on track’, reassure the client and carry on without having to change things just for the sake of it and sell the client another policy just to make some commission.”*

Participant 4 notes that the final step in the financial planning process should not be only about any changes in the client’s life, but also about progress in reaching their financial goals, which may not be associated with any financial product: *“At the last step, where it should be just about lifestyle change, it should be about how far are we with this goal of improving your spending behaviour, or learning how to budget, or have we reduced our debt.”*

Participant 17 states that besides abiding by the requirement to review the client’s financial plan on an annual basis, clients are encouraged to approach their financial planner should anything in their lives change (**client-initiated**). However, most clients approach their financial planner only after a major event has occurred in their life, which has financial implications: *“I have given my clients an open mandate to call me whenever they have a financially-related query, question or situation. And I must say, unfortunately the majority of them don’t do that yet. ... I generally get called after the fact and not before the fact.”* Participants referred to transitions in a client’s life which prompt changes to the financial plan. Participant 1 provides the following examples of transitions: *“So when clients go through different transitions in life*

*you are going to see them a lot. For example, if a client is nearing retirement you are going to see them a lot more than someone who is perhaps just paying off a house or going through the motions. So anyone who is getting married, having kids, retiring, we ideally see them more than twice a year – but that is just the minimum.”* Participant 9 has recorded 34 possible life transitions that warrant a review of a client’s financial plan and provides the following examples of those transitions: *“34 life transitions...small things like we want to move to a bigger house, we want to downsize, we want to move to a retirement village, I am perhaps thinking about early retirement, I am concerned I can be retrenched, in terms of my family my mom and dad are staying in the old age home but I think my dad is busy getting dementia and I don’t know if they will be financially able.”*

It must be noted that participants 8, 9 and 11 state that they discuss these life transitions with their clients during the financial planning process, so that clients understand under which circumstances they should see their financial planners – as opposed to leaving it as an open-ended suggestion for clients to approach the financial planner when something in their lives changes. Participant 11 states: *“I give them a template of life transitions and we segment it nicely and we say to them this is this, and that is that, and it is likely to happen in the short term, medium term, and long term or never – you grade it, as you know how your life works and how your life is, so you figure yourself out here in terms of life transitions as and when they come.”* When you are experiencing life transitions, *“you are likely to make really crappy financial decisions, so the reason why we are structuring it like this, is to avoid that.”* This approach encourages clients to approach their financial planner to assist them with their financial decision-making, as opposed to waiting for them to do so once the change has occurred, and then requiring the financial planner to amend or fix the financial implications of the said transition. Participant 9 provides another example of the application of this approach: *“So giving them that list, they work through it and say ‘these are the biggest ones and let’s mitigate those ones in terms of the financial plan also’... I take them through that and we say these are the things that can derail your plan, so let’s talk about this, it is not static, it will change over time you know?”*

Participant 8 provides insights into the concept of transitions, and relates it to how often engagements with clients take place during these transitions: *“... So I have clients where I check in every few days, I have got one specifically that the doctors have said to him this is now the end in the next couple of weeks. So we are checking in almost daily and his wife is*



*messaging me, so that we have daily check-ins. On the other side of the spectrum, we have clients that if they come in once a year we do a review of their financial plan, the text book clients – we look at their will and everything and see if all is okay. That is becoming the minority, because I think what clients long for is a partner, someone that they have access to... for the clients that are providing the bulk of our income we have a strategy to communicate and check in at least monthly. Be it this month we are going to review your will or review your trust deed or look at your asset allocation, and then the alternating month would be a personal connection, let's have dinner with the family or let's get to know you because you can see a lot of this work is very personal. And so, if it is someone going through a divorce we might meet every two weeks so that tends to be the regular cycle or rhythm I have for clients going through a transition, is bi-weekly. So every two weeks we have an hour session, we don't always have an agenda, sometimes there is an agenda of 'I need to figure out where I am going to stay', let's work through the process, what can you afford, what does the financing look like, those kind of financial planning things."*

The findings show that a review of a client's financial plan is initiated either by the financial planner or by the client. Financial planners may initiate a review of the financial plan annually as per the FSCA, based on agreement with the client, based on the remuneration model used, or to get an update on progress towards achieving financial goals. Clients may initiate a review of their financial plan when there are changes in life transitions, and should be encouraged to do so prior to the regular review of the financial plan. Participants revealed that certain life transitions require more engagements, but that it is important not to review the financial plan when it is not required just because of client expectations.

#### **6.4 PERCEPTIONS OF THE SUITABILITY AND APPLICATION OF THE SIX-STEP FINANCIAL PLANNING PROCESS IN SOUTH AFRICA**

Participants were asked whether they perceive the six-step financial planning process to be suitable for South African consumers, given the cultural diversity and financial planning needs described. Participants were also asked if they could change the process, how they might do so. Their opinions were sought on whether they perceive the tertiary, professional body and industry-specific training that they received prepared them to provide financial planning advice to South African consumers. Table 6.9 provides an overview of the themes that emerged relating to these questions.

**Table 6.9: Themes and sub-themes associated with the suitability and application of the six-step financial planning process**

THEME	SUB-THEMES
Current suitability	Partially suitable
	Unsuitable
Financial planning education and training	Changes to the academic curriculum
	Contextualised content and assessment
Changes to the six-step financial planning process	

Source: Researcher's own construction

Table 6.9 shows that the main themes that emerged from this section relate to the current suitability of the six-step financial planning process, the financial planning education and training received, and suggested changes to the six-step financial planning process.

#### 6.4.1 CURRENT SUITABILITY

Participants were asked whether they perceive the six-step financial planning process to be suitable for the South African context. Some indicated that it is partially suitable and others are of the opinion that it is unsuitable.

Participant 16 is of the opinion that the six-step financial planning process is **partially suitable** as a general framework: *"I think the six-step financial process is valuable as a general framework."* Participant 14 agrees, but states that although the six-step financial planning process is suitable on paper or in theory, it is not implemented accordingly: *"I think the six steps are important, it is simple, it is sufficient. I do not believe though, on paper it looks perfect but in practise it doesn't get implemented accordingly. So I don't think there is anything wrong with the six-step process as a principle, but again, people in practice don't review their customers."*

Most of the participants are of the opinion that the six-step financial planning process requires a broader view and more context, as it currently offers limited scope for interpretation. In this regard, participant 2 states: *"So the process itself is suitable, but the way it is used has a narrowed view...."* Participant 4 adds that the six-step financial process requires more context to assist in guiding the application thereof: *"...in my experience it is a good guideline, but I will say it needs more context and maybe some subheadings in each of those steps...."* Participant 5 notes that the six-step financial planning process does not allow room for

interpretation: *“I think the process as it is, there is nothing wrong with it, it is just that the interpretation sometimes limits a bit more than desired.”*

Many participants perceive the six-step financial planning process to be **unsuitable** and offered various reasons as to why they think its application is unsuitable in the South African context. Participant 2 states that the process is driven by sales, and that financial planning needs that cannot be addressed through the use of a product do not receive attention: *“...financial planning is driven by advisors who have to make money from first selling a product... But then what happens now is when the client’s need is actually cash flow adjustment in terms of budget, like doing a budget, whereby at the end of the day there won’t be any products sold, except budgeting advice and cash flow alignment? In that sense you don’t find more advisors in that space, which automatically excludes the lower end people. So the process itself I don’t think it is flawed, but in applying financial planning, the way we are remunerated as financial planners, conditions us to advise on certain things.”*

Participant 4 feels that when following the process rigidly without applying it to the client’s context, it becomes difficult to establish a professional relationship with the client, and therefore the financial planning process requires emphasis on relationship building: *“I was disregarding the client and how they felt about the process and what their experience was going through this process with me. And I ended up putting clients off or clients were hesitating. So like a lot of advisors make the mistake of going through the six-step financial plan process, especially when you are starting out, you think okay, I only need to do this once, but you actually need to do it every time you see the client especially when you do reviews, because you are following that every time.”* This insight is reiterated by Participant 16 who explains that despite perceiving the six-step financial planning process to be a valuable framework, not enough emphasis is placed on the amount of time it takes to really get to know and understand the client’s needs and motivations: *“I think the six-step financial process is valuable as a general framework. My own concerns with it as a planner from earlier on in my life where I did outright planning, is that if you do the traditional thing of having an exploratory meeting of a client, going away, doing the analysis, blah-blah-blah, presenting a report and coming with recommendations for the client, I don’t feel that the two-meeting process is sufficient to get to know your client and their motivations deeply enough to really do that.”*

When considering whether the six-step financial planning process is suitable specifically for the needs and characteristics of Black South African households, several participants are of the opinion that adjustments need to be made. Participant 5 states that the model of financial planning is not suitable for the needs and characteristics of Black African consumers because of the approach that financial planners often have to take: *“The model of financial planning does a major injustice to the African community because the African advisors when they start out, still have to meet the same target-driven approach and so they are funnily enough creating a negative impression about the profession, which is now very detrimental to the African community.”*

In other words, the approach of some financial planners is not suitable for clients from a cultural group that is characterised as being suspicious of Black financial planners, who may have lower levels of financial literacy and limited prior exposure to financial products, and who consider speaking about death and finances to be taboo. Participant 5 goes on to state that not all financial planners are equipped to deal with the needs of the Black African community: *“I think currently very few financial planners are really equipped to deal with the needs of the African community, and it is not because of them but I think that discussions around financial planning is almost... automatically excludes people from even being considered. But the reality... Black people do not have enough money for starters, so it is going to be difficult for an industry, a profit making industry, to focus on a group with the least money. The few that have the money will not even want to speak to Black advisors.”*

Participant 7 supports this notion and is of the opinion that the financial planning industry is not reflective or representative of the broader South African population: *“...the industry is White, the industry is male dominated, and not just White male, it is old White male. And financial services has always been practised and viewed through those lenses. So whether transformation means changing the face of the industry, changing the conversations of the industry, changing the processes of the industry – all of those things are still viewed through those old lenses.”* The same participant adds that the application of the financial planning process does not always account for demographic and cultural differences in how information is gathered and interpreted: *“So I don’t think I have a fundamental issue with the steps itself, I have an issue with what sits behind each step and are we aware of the cultural, the demographic, whatever differences in how we gather that information and how we interpret that information?”*

Participant 12 adds that the six-step financial planning process does not accommodate the journey that a typical South African would take to be financially free, because the process itself requires certain outcomes: *“I definitely think it is not 100% compatible to the true South African, or it doesn’t really accommodate the journey the typical South African would actually take in the process of being financially free. Again it goes back to the fact that the six steps are quite rigid because it is looking for specific things, for specific outcomes and it sort of forgets that we are dealing with humans here, specifically Africans....”* Participant 10 feels that the financial planning industry is not representative of the South African population: *“...it is about representation, so for me it is a different issue though, it doesn’t speak to the competence of the financial advisor, I don’t think it does, but it does speak to the issue of representation because that is a very different thing to diversity.”*

Participant 9 is of the opinion that this particular problem may not be because of the six-step financial planning process, but rather the supporting legislation in the financial services industry. He refers to the fact that, despite the provisions of estate planning legislation or the RCMA, cultural practices which may not have been the desires of a deceased person still occur: *“...is the problem with the six-step financial planning process or is the problem actually on a level one higher, does our legislation make provision for this? ...she tells me this example where her uncle passed away, all the assets were divided by the uncles. It doesn’t go through the financial planning process and legislation...you train the financial planners and that is legally right, but how does it happen on ground level, and that then secondly creates a challenge for the financial planner that needs to engage, especially in those traditional cases, because you can tell people what you want to tell them – that’s the legal side – but we are still going to deal with it in the cultural way?”* It is clear that despite the presence of supporting legislation for estate and succession planning, the deceased estate is vulnerable to cultural succession practices that may not be according to the desires of the deceased.

Based on these findings, participants perceive the current financial planning process to be partially suitable as a general framework, but they indicated that the application thereof is narrow and requires context, and it does not allow scope for interpretation. Some participants perceive the current financial planning process to be unsuitable as it is sales driven, does not emphasise relationship building, is not suitable to address the needs and characteristics of Black consumers, and the supporting legislation does not always aid in the application thereof.

#### 6.4.2 FINANCIAL PLANNING EDUCATION AND TRAINING

Participants were asked to provide suggestions on how the process can be adapted, as well as whether they perceive the training that they received prepared them for providing financial planning advice to diverse consumers. Among the suggestions that participants made for changes in education and training were changes to the academic curriculum and the need for contextualised content and assessments.

When considering aspects that should be incorporated into training and education at tertiary level, professional level (FPI) and corporate level, participants noted several aspects that relate to **changes to the academic curriculum**. Several participants feel that the human side of financial planning needs to be incorporated into the six-step financial planning process and consequently into financial planning training and education. This is the perception of Participant 9: *“...we train people in terms of numbers and products. However we don’t train them in terms of the human side of money.”* Participant 1 suggests: *“So I think far more focus needs to be on a human element or a people element as equal as there is on the financial or on the number side as well.”* Participant 12 agrees and states that the human side of financial planning is something that is not formally taught: *“...it doesn’t build in the human element, so you yourself through your own learnings, your interactions, your experiences, you need to build that in as a planner; but it is something that is not taught or included or incorporated within the six steps of financial planning.”*

Participant 4 states that the drive towards behavioural finance is what will provide more context around the six-step financial planning process: *“So, there is a big drive or trend towards behavioural finance and that covers a lot of the meat that is not covered within the six-step financial planning process.”* Participant 1 agrees with this notion and states that a behavioural coaching course (which combines behavioural finance and coaching) better equipped him to provide suitable financial planning advice: *“I think the training I did in the behavioural coaching course stood me in far better stead than anything I studied for the board exam...”* Participant 8 is of the opinion that behavioural finance is often confused with the human side of money: *“What is unfortunately happening is specifically the CFP Board in America is confusing the human side with behavioural finance, and they are saying ‘we are going to teach you about biases and identifying that’.”* Behavioural finance relates to the role of investors’ psyche in their financial decision-making and considers the use of psychology to understand

how individuals make financial decisions (Kapoor and Prosad 2017:50; Van Zyl and Van Zyl 2016:16). The ‘human side of money’, however, refers to the soft skills of financial planning and incorporates (in addition to psychology) aspects such as philosophy, religion and social theory to understand how individuals make financial decisions (Wagner 2020:50).

Participant 16 states that the human side of financial planning is becoming an important concept which has hitherto been lacking, but can be rectified through coaching: *“What I’m excited about is to see that there’s a lot more emphasis on the coaching and the human side of money. There’s definitely growing recognition that that is incredibly important, and I’m excited to see that happening.”* Participant 7 states that through coaching, one can relate better to people: *“So coaching, relating to people which would either be through coaching or through some HR training or some psychology training. For me those are much more useable skills as opposed to what we are doing now. And for heaven’s sake, move away from the sales training, there is no place for that.”* This finding is supported by several authors who are of the opinion that coaching methodologies should be incorporated into the six-step financial planning process (Collins 2010; Collins *et al.* 2007; Goetz *et al.* 2005; van Rooij *et al.* 2012). Participant 7 agrees that there should be greater emphasis on coaching methodologies: *“... in terms of what is lacking or what I think should be added to the education, definitely a bigger slant towards coaching and coaching methodologies.”* Participant 10 supports this notion by adding that coaching is now included in the curriculum for CFP® professionals in Canada: *“...so the FPI equivalent in Canada has exclusively added coaching to the CFP curriculum so I think our approach is too compliance-based.”* This approach of integrating coaching elements into the six-step financial planning process is similar to the approach taken by Knutsen and Cameron (2012) who developed the FCAM (See Chapter Two).

Participant 9 adds that the psychology of the client also needs to be considered: *“... one side is the psychology of the individual that we work with. In the other corner we have the psychology of the community and the workplace etc and then we have the psychology of how do I deal with change and legislation etc, and lastly how do I implement all of this, how do I close that ‘say-do’ gap at the end of the day to enable financial wellness?”* Participant 4 states that the training that he received at university did not prepare him to take into consideration the cultural backgrounds of clients and how that affects their perceptions, experiences and behaviours regarding their finances: *“...doesn’t take into account a consideration like the specific client’s cultural background which will have an influence on their perceptions of money, their*

*experiences and also their behaviours around that...a lot more training and education needs to be provided during varsity and also post-varsity once you have started to work.”*

Several participants noted that in addition to changes to the academic curriculum, financial planning education requires **contextualised content and assessments** to ensure relevance to South African needs. Given that the financial planning industry is not currently representative of the general population, it stands to reason that the training material is not likely to be representative either. Participant 9 states that the entire financial planning process needs to be localised to ensure that it is relevant to South African consumers: *“... the process and the standards, the recommendations – all of those things – I think it has got to be localised; still conforming to what we need to conform to, if that is what we want to conform to, but it has to be locally relevant. Because is it relevant to somebody up in Prieska, is it relevant to somebody in De Aar, is it relevant to somebody in Gauteng in Joburg, relevant in Gqeberha?”* Participant 12 is of the opinion that the training material prescribed by the FPSB (global standards setting body) is not relevant to the South African context: *“...even the training content that stems from the FPSB, it doesn’t really accommodate us, our dynamics as South Africans....”*

Participant 7 adds that the FPI assessment tools do not speak to the average South African consumer: *“...you will find that the case studies and all of those things, they still talk about you have got ‘die strandhuis’ and the farm...When I was doing my CFP in 1999 none of those concepts I could resonate with...I couldn’t identify with it.”* Participant 12 agrees with this notion and states that the assessment tools used for business and product-specific training do not speak to the average South African consumer: *“So we always use one or two case studies that focus on a male spouse, a female spouse, married with two children, has a house – you know, it is very rigid, it is not a true reflection of what SA looks like. So a single person with/without children – what are their needs, what products, from what we have currently, what products do we match to this person’s needs?”*

Based on these findings, it can be concluded that the participants are of the opinion that several aspects should be added to the academic curriculum for financial planning education and training. The human side of money is prevalent in the participants’ responses and is often related to behavioural finance, financial coaching, psychology of the client, as well as different cultural backgrounds. It was also found that content and assessment tools in financial planning education and training require more contextualisation to be representative of South African



consumers. These aspects include the process itself, FPSB training material, FPI assessment tools, as well as business and product-specific assessment tools.

#### 6.4.3 CHANGES TO THE STEPS IN THE SIX-STEP FINANCIAL PLANNING PROCESS

In addition to suggested changes to the academic curriculum and contextualisation of financial planning education and assessments, participants also suggested several changes to the steps within the six-step financial planning process.

Participant 1 is of the opinion that the first step of the financial planning process – namely establishing a professional relationship – should be positioned differently to accommodate someone who has never been introduced to financial planning. *“So I think from the beginning, establishing that relationship, I think that can be positioned a little bit differently to accommodate a person who was never introduced to financial planning or finances prior. So some people when they communicate, especially in the Black community, we want to warm up before we get to the deeper details of the meeting, so yes we may mention that but it is not formalised, it is something that we know.”* The same participant also feels that communication techniques – particularly as they pertain to Black African consumers – should be something that financial planners are exposed to, or sensitised to, in order to build meaningful relationships: *“...include communication techniques for this African community...but what are certain things that are a must, for you to build a meaningful relationship with the other person, whether a male or female African person, or it could be a Coloured or Indian person.”*

Participant 5 states that when financial planners apply the second step of the financial planning process (gathering client information), the client’s cultural background should be taken into consideration in order to sensitise the financial planner to information gathering as it pertains to Black consumers: *“The gathering of information should obviously be taken into consideration, the whole background and not just financial, but with a goal to deliver efficient financial planning. It is more about sensitising the advisor towards the approach to gathering information, because we may inadvertently say if I have a Black client he probably wants to take care of his family, he probably wants to do that and that, and so maybe we should just bring him diversity and say the client must just carry on with the desire to help community even though it is to his detriment.”* Participant 6 adds that there should be less emphasis on the

collection of numerical data, and more emphasis on the goals and aspirations of clients: *“It was never a thing of getting to know what they want from life, and if you are a financial planner, I think the most important thing is to understand what the client wants out of life. Money is not what a person wants at the end of the day, it is what money can buy for you.”* Participant 7 suggests that the application of the financial planning process should account for demographic and cultural differences in how information is gathered and interpreted: *“So I don’t think I have a fundamental issue with the steps itself, I have an issue with what sits behind each step and are we aware of the cultural, the demographic, whatever differences in how we gather that information and how we interpret that information?”*

No other comments were made regarding the third, fourth or fifth step of the six-step financial planning process. Regarding the sixth step of the financial planning process, Participant 6 is of the opinion that annual reviews are outdated and thinks that a review of different areas of the financial plan is a more suitable approach, because annual reviews are product focused: *“...reviews are also a bit outdated I think. The annual reviews. So what we do if we can, is spend a whole year and every three months you tackle a different area of financial planning in the first year, just to get the client where they need to be.”* Then every half year you do a small check-in to see if any changes have occurred – if you need to make changes to the product, if you need to drop the product, that type of thing. *I think it is a more hands-on approach regarding the plans for the client, not the product, and annual reviews are very much product focused.”*

The findings related to suggested changes to the six-step financial planning process, as well as the participants’ perceptions regarding the overall suitability and application thereof are consistent with the need to reconceptualise the six-step financial planning process currently used in South Africa.

## **6.5 SUMMARY AND CONCLUSIONS OF THE CHAPTER**

Chapter Six is the first of two chapters that present the empirical findings of the study. This chapter provides the empirical findings for the first sample, namely CFP® professionals. The chapter commenced with a discussion of the demographic information collected from the sample. Sixteen CFP® professionals participated in the study and offered their thoughts, perceptions and experiences about the six-step financial planning process. A hybrid approach

of both deductive and inductive analysis was used to develop themes and sub-themes. The data analysis commenced with a deductive approach in which the questions asked (according to the interview guide) served as a priori codes (theoretically based) that set out a tentative coding framework that was then used to analyse the data collected from the sample. The inductive analysis then commenced within the tentative framework of a priori codes, and in vivo codes were assigned to the data collected in the empirical investigation. Based on this analysis, themes and sub-themes emerged and were discussed.

The themes that emerged for the first step of the financial planning process relate to the sources of clients, establishing relationships, building trust, as well as the similarity attraction between financial planners and clients. The main themes that emerged from analysis of the second step of the financial planning process relate to culture information differences, and financial literacy and support. The third step of the financial planning process reveals two main themes, namely the diversity of needs, and prioritised financial needs in Black households.

The analysis of step four of the financial planning process reveals tailored financial advice and approaches to financial planning strategies as the main themes. When analysing step five of the financial planning process, buy-in assurance, reasons for resistance, and overcoming resistance emerged as the main themes. Finally, factors that warrant a review of the financial plan was the only theme revealed during analysis of the data for the sixth step of the financial planning process. Participants were also asked about their overall perceptions regarding reconceptualisation of the six-step financial planning process. The analysis of the data reveals the main themes to be: current suitability, financial planning education and training, and suggested changes to the six-step financial planning process.

Chapter Seven presents the empirical findings from the interviews conducted with the second sample in this study, namely decision-makers in Black households.

## CHAPTER SEVEN

### EMPIRICAL FINDINGS FROM THE INTERVIEWS WITH THE DECISION-MAKERS IN BLACK HOUSEHOLDS

#### 7.1 INTRODUCTION

The primary objective of the study is to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers. To achieve this objective, it is necessary to investigate the appropriateness of the six-step financial planning process from a South African perspective by considering the perspectives of CFP® professionals and decision-makers in Black households in South Africa (SO<sup>2</sup>). It is thus a requirement of the study to collect and analyse primary data using semi-structured interviews with South African CFP® professionals as well as financial decision-makers in Black households (MO<sup>3</sup>) in reconceptualising the six-step financial planning process. The relationship between these objectives and the role of Chapter Seven are illustrated in Figure 7.1.

**Figure 7.1: The role of Chapter Seven in achieving the objectives of the study**

PRIMARY OBJECTIVE	SECONDARY OBJECTIVES	METHODOLOGICAL OBJECTIVES	EXPECTED OUTCOMES
The primary objective of the study is to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers.	<b>SO<sup>2</sup>:</b> To investigate the appropriateness of the six-step financial planning process from a South African perspective by considering the perspectives of CFP® professionals and decision-makers in Black households in South Africa.	<b>MO<sup>3</sup>:</b> To collect and analyse primary data using semi-structured interviews with South African CFP® professionals as well as the financial decision-makers in Black households.	<b>Chapter Seven:</b> Empirical findings from the interviews with the decision-makers in Black households

**Source: Researcher's own construction**

The empirical findings from the first sample (South African CFP® professionals) are provided in Chapter Six. Several themes and sub-themes emerged from the analysis of their perceptions and experiences in applying the six-step financial planning process in a South African context. This chapter considers the perceptions and experiences of decision-makers in Black households in engaging with financial planners and the financial planning process. Demographic

information of these participants is described first, followed by the themes and sub-themes that emerged during the analysis of the data for this sample.

## 7.2 DEMOGRAPHIC INFORMATION OF PARTICIPANTS

The decision-makers in Black households were asked demographic questions relating to their gender, ethnicity, cultural or religious affiliation, marital status and marital regime, as well as their current use of a financial planner. Participants were allocated a participant number that continued from the first sample of CFP ® professionals. The responses of the 14 participants in the sample of decision-makers in Black households are tabulated in Table 7.1.

**Table 7.1: Demographic information for decision-makers in Black households**

P <sup>+</sup>	Gender	Ethnicity	Cultural / tribal affiliation	Marital status	Marital regime	Current use of a financial planner
18	Female	Coloured	Coloured	Married	ANC without accrual	Transactional (RA)
19	Male	Black African	Xhosa	Single		Transactional (RA)
20	Male	Black African	Xhosa	Single		Transactional (TFSA)
21	Male	Black African	Xhosa	Single		✗
22	Female	Black African	Xhosa	Single		✗
23	Female	Black African	Xhosa	Single		✗
24	Male	Black African	Xhosa	Married	CL   Civil   COP	✗
25	Female	Black African	Xhosa	Married	CL   Civil   COP	✓
26	Male	Coloured	None	Single		✗
27	Male	Coloured	Muslim	Married	CL   Civil   COP	Transactional (RA)
28	Male	Black African	Xhosa	Married	CL   Civil   COP	Transactional (Will)
29	Female	Black African	Zulu	Married	CL   Civil   COP	✗
30	Female	Coloured	Coloured	Single		✓
31	Male	Coloured	Coloured	Single		✓

CL: Customary Law | ANC: Antenuptial Contract | COP: Community of Property | RA: Retirement Annuity | TFSA: Tax Free Savings Account  
Transactional: Single transaction or product purchased

**Source: Researcher's own construction**

As can be seen from Table 7.1, the majority of participants in this sample are male (8), and the majority are of Black African ethnicity (9). Most of the participants are affiliated to the Xhosa culture / tribe (8), Participant 29 is a Zulu female, Participant 27 is Muslim and three participants are from the Coloured population group. Less than half of the participants are married (6), of which five indicated that they are married according to customary law and also had their marriage registered as a civil marriage. Participant 18 indicated that she is married out community of property (with an antenuptial contract) without accrual.

When trying to establish the participants' experience with a financial planner, it was discovered that only three of them have received holistic financial planning advice from a financial planner (indicated in the table by a tick). Six participants indicated that they have never used a financial planner, and do not see the current need for it. The remaining participants indicated that they have used a financial planner on a transactional basis for a single product in the past, but not for financial advice or making longer-term financial plans. Three of the six participants sought a retirement annuity (RA), one sought a tax-free savings account (TFSA), and one needed assistance with a will.

As with the data from the sample of CFP® professionals described in Chapter Seven, a priori codes were used to develop a tentative coding framework from the interview questions. This coding framework was then used to analyse the data collected from the participants. In vivo codes were then assigned – based on the a priori codes – which after further analysis, were used to develop and revise the themes and sub-themes that emerged. These findings are discussed in the following sections, according to the six steps of the financial planning process.

### **7.3 STEP ONE: ESTABLISH AND DEFINE THE PROFESSIONAL RELATIONSHIP WITH THE CLIENT**

Participants were asked several questions relating to the first step of the financial planning process pertaining to their perceptions, experiences, the nature of, and the extent of their financial planner's involvement, as these matters relate to the professional relationship between a CFP® professional and a client. Questions relating to the similarity attraction of clients and financial planners were also asked, as this relates to the formation of a financial planner-client relationship. A summary of the themes and sub-themes that emerged from further analysis is presented in Table 7.2.

**Table 7.2 Themes and sub-themes associated with Step One of the six-step financial planning process**

<b>THEMES</b>	<b>SUB-THEMES</b>
<b>Image of a financial planner</b>	Financial planner perception
	Self-perception
<b>Nature and extent of the relationship</b>	Transactional
	Holistic
	Approachable
	Mistrusting

Similarity attraction	Gender
	Culture and ethnicity

**Source: Researcher's own construction**

As listed in Table 7.2, the themes that emerged from further analysis are the image of a financial planner, the nature and extent of the relationship with financial planners, and the similarity attraction of clients and financial planners.

### 7.3.1 IMAGE OF A FINANCIAL PLANNER

When considering the image of a financial planner, it is clear that the perceptions of a financial planner and perceptions that individuals have about their own finances (self-perception) influence the overall image of a financial planner. One of the aspects that relate to **financial planner perceptions** is the fact that they are perceived to be sales driven. Participant 21 is of the opinion that financial planners are interested only in selling financial products which would earn them a commission. This compromises the financial advice that they provide and influences whether or not the participant trusts them: *“But it also has an element of selling. Like they need to get stuff out there for them to earn. So yes, their advice can be good, but it can be compromised as well, because they basically want to get the products out of their hands into your hands as a consumer...they are driven by commission. So it's not necessarily holistic.”* This finding is consistent with literature and the history of the financial planning industry, which has been characterised as sales-driven and poorly regulated (prior to the introduction of the FAIS Act) – which resulted in financial planners providing financial advice that is not in the best interests of their clients (Knutsen and Cameron 2012:33; Rowland 2007; Zeka *et al.* 2016:79).

Participant 22 is of the opinion that financial planners are interested only in servicing clients that fit their idea of an ideal client: *“My problem with a financial planner is that they are going to want me to fit into that box that they already have.”* Participant 25 adds that financial planners may not understand their individual needs and may take a blanket approach to their finances: *“I think I can reason, because when I say I need to take care of my family, I'm thinking, I'm reasoning – that's my reason, you know. For you to tell me, hey, you don't need to take care of them, they're old enough, that shuts people off to be like, oh okay, I'm not going to go back to you, because you don't see me. So it's very important that they do dig deeper...”*

*not just have a blanket approach to financial planning, you know.*” In addition, Participant 29 is of the opinion that financial planners do not have money themselves, and therefore are not in a position to provide financial advice: *“...financial planners don’t have much money, they don’t have money, but they are telling us about how to manage our money. That is why I never approach a financial planner because I feel that...I mean why can’t you make money for yourself before you come and tell me about how I should be saving money and making money?”* This finding is consistent with the findings of Zeka *et al.* (2016:87), namely that if clients have a negative image of a financial planner, they are less likely to make use of their services.

Aspects relating to how clients perceive themselves (**self-perception**) in relation to a financial planner also emerged as a sub-theme that relates to the image of a financial planner. Participant 22 stated that financial planners create the impression that in order to use financial planning services, one needs to have a minimum net wealth: *“...when you go to a financial planner the only thing they tell you about – and they start talking about big monies, investments, and things like that, and at the time you don’t even have money to save R200... So that is the problem, that is why one would feel ‘I don’t need this, I can’t afford it’ because they start talking big monies and then when they are making examples for you, they make examples about someone who gave them a million....”* If clients perceive that they have insufficient money to participate in the financial planning process, they would be less inclined to do so. This finding is consistent with Grable and Joo (1999:18) who state that one’s financial attitude influences one’s financial behaviour, particularly financial help-seeking behaviour. This finding is also consistent with Antoni and Matchaba-Hove (2016:185) who found that the perception that financial planning is only for wealthy individuals is held mostly by Black consumers, and has a negative effect on their intentions to seek financial planning assistance.

Participant 29 perceives that a financial planner may not be able to assist them because they are over-indebted: *“...sometimes you just become too scared to have a financial planner because you feel that...I don’t know, with me, they are going to tell me ‘You, uh-uh, there is nothing we can do for you, you have too much debt’.”* These perceptions are consistent with Grable and Joo (2001:57) who state that individuals with more income are more likely to seek financial planning advice from a financial planner. Therefore, it is **likely** that because participants have a poor perception of, and negative outlook on their own finances, exhibit poor financial behaviour, and have less income because of debt, then they are less likely to seek financial planning advice.



It is thus clear that Black consumers' image of a financial planner is affected by the perceptions that they have of a financial planner. Their perceptions are often that financial planners are sales-driven, have their idea of an ideal client (which Black consumers perceive that they do not match), that they do not have money themselves and are therefore not in a position to provide financial advice to others. The participants' image is also influenced by self-perception aspects, such as their perceived minimum wealth levels and being over-indebted.

### 7.3.2 THE NATURE AND EXTENT OF THE RELATIONSHIP WITH THE FINANCIAL PLANNER

The nature of the relationship and extent of involvement with a financial planner was established as a theme from participants who indicated that they currently use a financial planner. Participant 18 notes that she has a **transactional** relationship with her financial planner, as she does not involve him too much in her personal affairs and notes that no review takes place: *"No, it is just basically the retirement annuity. It is more when I need to talk to someone I can pick up the phone and I know who to call, but it is not like they would at least check in once every six months and say 'do you need anything, is there anything you are worried about?' That doesn't happen."* It is interesting to note that Hutchison and Sibanda (2017:384) state that human relations and networks play an important role in repeated or ongoing transactions among the African community.

Contrary to Participant 18's experience, Participant 25 notes that her relationship with her financial planner is **holistic** in nature, as she is provided with a holistic assessment of her personal finances and financial advice that assists her in reducing her debt obligations. This improved her trust and relationship with the financial planner, since he is not merely interested in selling her another financial product: *"He said, 'where do you guys want to be in terms of your financial plans and how do you think you're going to get there?' And then when I said, 'you know what, there's this debt that's not making me sleep; I'm actually quite stressed about it'. And then he said, 'you know what, it's no use me saying you take more; instead, let's cut back'. I think that's why I actually do trust him, because he hasn't tried to really sell us policies...."* It is clear that the participant who engaged with a holistic financial planning approach had a favourable experience.

Participant 31 also notes that he has a good relationship with his financial planner, as he is **approachable** about any aspect that concerns the client: *“So I must say I can speak to him about personal things that bother me and he can give me a financial solution at the end of the day. So I do feel free to approach him and speak to him about anything.”* Before this relationship of trust was established, however, the participant was very **mistrusting** (doubtful and sceptical about the trustworthiness) of the financial planner as he verified, confirmed and followed up on everything that the financial planner suggested: *“And then you know what, I followed that whole process to the T, double checking, following up with [redacted] also to see if that product is available. And you know what, once I had done that I was like ‘I am where I can trust him’. If I tell him to do something he does it. So it was a journey, it wasn’t like ‘now I am going to hand over everything to him’.”*

It is clear from the findings that participants who do have a financial planner either have a transactional relationship with their financial planner, or an ongoing relationship with them of a holistic nature. It is also clear that some participants find their financial planner approachable, even if they had earlier feelings of mistrust (scepticism or doubt) of the financial planner.

### 7.3.3 THE SIMILARITY ATTRACTION OF CLIENTS AND FINANCIAL PLANNERS

Participants were asked whether they would prefer to receive advice from a financial planner who is from the same or similar background as themselves. Three participants noted that their preferences are influenced by the **gender** of the financial planner. In particular, Participant 25 (female) prefers a female financial planner because she perceives that they are better at building interpersonal relationships: *“Yeah, I think women are better. Women in terms of relation-wise are better to men... men are quite impersonal when it comes to service.”* Participant 23 (female), however, is reluctant and sceptical about receiving advice from a female financial planner: *“A female, eish, not that I would... I would be like ‘okay, just a little bit sceptical’.”* Participant 28 (male) also makes reference to preferring to receive advice from a male financial planner: *“...But then one maybe would also prefer maybe...males....”*

Although female financial planners are perceived to be better at building interpersonal relationships, there is still some scepticism about them, showing that male financial planners are preferred. This is consistent with the findings of Reiter *et al.* (2022:8) who posit that female

financial planners are perceived to be more trustworthy than male financial planners, but male financial planners are perceived to be more credible and competent in financial planning (Söderberg 2013). In addition, Söderberg (2013:150) states that studies have found that female clients perceive female financial planners to be more customer-oriented, whereas male clients perceived female financial planners to be less customer-oriented.

When considering the similarity of **culture and ethnicity**, four participants noted that the ethnicity or cultural background of the financial planner does not have any bearing on their propensity to take advice from them. In particular, Participant 18 notes that she does not mind the cultural background of the financial planner, as long as he or she is competent to give financial advice: *“I don’t really mind what culture you are from, as long as you don’t talk nonsense. You know a person can sense you know, that you know what you’re talking about and really know what advice to give me....”* Participant 19 adds that the ability to relate to someone is not determined by one’s cultural background or technical abilities: *“...it doesn’t matter what race you are, just do the work, do it properly and you know client services is literally how you relate to other people, it is not necessarily your technical skill...”* This notion is shared by Participant 26 who notes that the certification and level of experience is more important than the culture and ethnicity of the financial planner: *“... the race of the individual does not have any bearing for me, as long as it’s someone who is...certified and has been doing this for a while, I don’t have any issue with the ethnicity of the individual.”*

Participant 28 notes that it is important not to undermine the expertise of Black financial planners in the light of the technical skills and experience that are required of them: *“But I don’t undermine any African person, because one would have studied for that particular career... able to use his/her own experience, and also the experience of having studied for that particular course..., that makes him to be a financial planner.* Some participants are thus of the opinion that the ability to relate to clients, and the expected levels of qualifications, experience and skills of a financial planner, are not dependent on the cultural background of the financial planner. This is consistent with Reiter *et al.* (2022:8), who found no evidence that clients prefer financial planners from the same cultural background as themselves. But it contradicts the findings of Sommer *et al.* (2018), who note that clients relate more to financial planners who present similar characteristics to themselves, such as age, race, culture or gender.

Despite some participants indicating that the culture and ethnicity of the financial planner has no bearing on their propensity to accept financial advice, two participants indicated that they would prefer a Black financial planner – which is consistent with Sommer *et al.* (2018)’s premise of similarity attraction. Participant 20 notes that it would be easier for a Black financial planner to understand and relate to the needs of Black consumers, because they come from the same or similar background. This fact makes it easier for consumers to trust that the financial planner has an understanding of their needs: “... *if someone is from the same background they would understand, even things that I might not necessarily say to them, but they might get it. So now when someone tries to relate to you or tries to accommodate you, basically that is where you feel more at ease...I would be inclined to even mention my home situation.*”

Participant 24 adds that due to the unique needs of Black consumers, such as black tax for example, it is perceived that White financial planners may not understand and may dismiss this financial need: “...*most Black people, some of them are dealing maybe with things like black tax, and within the professional white financial planning segment, that is not a topic that is discussed, and therefore many of them might be oblivious to that reality of black tax. They hear it, they understand the semantics of it, but not the reality of it, and so it’s a foreign idea or concept to them.*”

However, despite the notion that Black financial planners are able to understand, accommodate and relate better to Black clients, most of the participants indicated that they would prefer a White financial planner – or if they personally do not have a preference, they understand why most Black consumers do not want to use the services of a Black financial planner. Participant 22 states that this is because of the perception that Black individuals do not know how to use money, especially because they were not raised with it: “*I think I would trust more a White person than a Black person. We are notorious for not being able to...we don’t know how to use our money, as Black people...when I look at a Black person they never about empowering, and when I look at White people and how they know how to invest, look at where they are in life at the moment you know, because of good financial decisions that they made when they were young or their parents made. So they are groomed into this, that is what I kind of believe, so I trust a White person to guide me when it comes to my money, rather than a Black person.*”

Participant 23 agrees with this notion and states that Black individuals were not raised in spaces where there was money in their households and were therefore not taught how to use it: “*I will*

*prefer a White person, because hey, [laughs], for Black people man, when it comes to money we are not even like brought up in spaces where there is like so much money and then you are taught how to spend it or...as soon as you get money as a Black person you think 'expensive clothes, expensive cars'...."* This finding is consistent with Antoni (2021:529), who found that parents (or legal guardians) play a significant role in socialising their children and influencing their perceptions and attitudes toward finances. Thus, negative attitudes towards money are more likely to result in poor financial behaviours in later life.

In addition, Participant 23 is of the opinion that most of the individuals who are wealthy are White: *"I will prefer a White person...most people that are wealthy are White people."* Participant 29 also shares the sentiment that White individuals have more knowledge on how to acquire wealth: *"I also have a feeling that if there are people who know how to make money it would be a White person, that mentality, rather than a Black person...."* The perception that White individuals have more knowledge about wealth acquisition and accumulation could be the result of former wealth inequality in South Africa (Nattrass and Seekings 2001:45), due to the apartheid system (Moloi 2011:1), which historically prevented Black consumers from accessing formal financial services (Matuku and Kaseke 2014; Schulze 1997) and thus being unable to build wealth.

Participant 23 also adds that a White financial planner is preferred especially when planning around black tax, because they do not have an emotional or cultural attachment to the practice. In other words, she perceives that a White financial planner would be able to better advise a Black client who is trying to avoid or manage paying black tax: *"I will be trying to move away from being taxed at home, so I am explaining to him about the black tax that I am experiencing at home and then the advice he will give will come out much better, because now he will give me this advice of saying to me maybe, 'no, you shouldn't'."* Participant 23 perceives that a Black financial planner would insist that she should pay black tax regardless of her financial well-being, because she would be perceived as a bad person if she does not pay it: *"What I know is, as soon as we tap into that space of wanting to be like 'no man, you see the situation now, you can't be sending money' or I tell them even 'I can't be sending money to my mom' – if I am telling that to another Black person, I am already a bad person!"* This is consistent with Participant 24's perception that White financial planners do not have an understanding of black tax. However, it is clear that this may be either an advantage or disadvantage, depending on the needs or intentions of the participant pertaining to black tax.

Participant 25 states that Black individuals do not trust Black professionals in general, and often seek White professionals instead, because there is a perception that Black professionals are not as good as White professionals: *“I think it mostly is the fact that, you know, we don’t trust our own; we don’t believe that our own can be as good as the White counterparts... prefer a White person to represent them, because they feel like they have superior knowledge, sort of.”* Participant 29 feels that Black financial planners are more likely to pass judgement on the finances of the client: *“... a White person is there, it is not like our Black people, I feel our Black people are very judgemental, so even when they advise you, you know, there is going to be that sentiment of judgement with that.”* Participant 31 shares the feeling that he does not trust individuals who are from his cultural background: *“... I don’t think I will trust my own people, to be honest with you...even when I do work at home, I go for a White service provider.”*

It is clear that there are differences in the preferences of Black consumers regarding the gender, culture and ethnicity of their chosen financial planner. When considering the similarity of gender, some participants prefer a female financial planner because they are better at building interpersonal relationships, whereas others are sceptical of receiving advice from a female and prefer a male financial planner. Regarding the similarity of culture and ethnicity, some participants indicated that they do not have a preference, emphasising that it is the financial planner’s experience, qualifications and overall competence that are more important than their ethnicity.

A few participants indicated that they prefer a Black financial planner as they are more likely understand the need of Black consumers, whereas a White financial planner may dismiss their needs. On the other hand, the majority of participants indicated that they prefer a White financial planner, because they perceive that Black individuals do not know how to use money wisely, because they were not raised with it, or taught how to use it. They also perceive that White individuals (and therefore White financial planners) have more knowledge about wealth acquisition, and that they will assist with their black tax burden as they do not have an emotional attachment to the payment of black tax. Furthermore, they perceive that Black professionals (in general) are not as good as White professionals, and that Black financial planners will most likely pass judgement on Black clients.

## 7.4 STEP TWO: COLLECT THE CLIENT'S INFORMATION

To develop a tentative coding framework regarding the second step of the financial planning process, participants were asked a range of questions relating to the type of information that they think a financial planner should collect, whether this information should vary according to a client's cultural background, and whether they believe a financial planner should ascertain a client's level of financial literacy. A priori themes were developed from these questions which were further reduced to the themes indicated in Table 7.3.

**Table 7.3: Themes and sub-themes associated with Step Two of the six-step financial planning process**

THEMES	SUB-THEMES
Information to be collected	Type of information
	Method of collection
Client financial literacy	Financial planner role
	Client role

**Source: Researcher's own construction**

Table 7.3 shows that the main themes that emerged from the analysis of the data relate to the information that needs to be collected, as well as the client's level of financial literacy.

### 7.4.1 INFORMATION TO BE COLLECTED

One of the main themes that emerged from this data refers to the information that clients perceive should be collected by financial planners – particularly the type of information and the method of information collection. When considering the **type of information** to be collected, Participant 29 states that it is important for a financial planner to get an understanding of her background and how the household finances currently work: *“Just to give an understanding of my financial background you know, and to also get an understanding of my husband's financial background, so that they can assist us with the financial challenges that we maybe currently have. So I would expect them to ask me questions about also how and what do I spend my money on, on a daily basis, weekly basis, monthly basis and so forth – because I think that information is very important.”*

Participant 21 adds that financial planners should do more to determine who is a financial dependant, regardless of whether or not that person forms part of the household: *“Because a dependant in terms of this industry is whether you have child or your spouse. And whilst it goes way back – your parents can be your dependants and your extended family or your niece, or your cousin can also be your dependant. And I think it must also cater for that.”* Literature supports this assertion, particularly because Black families are characterised as having extended households consisting of multiple generations of family members, including several decision-makers with several sources of income (Hall and Mokomane 2018:35; Russel 1994:57; Zeka 2020:574). Thus, there is an evident need to collect information from Black consumers about who they are financially responsible for. Further, Participant 18 is of the opinion that financial planners should ascertain whether their clients can afford the financial products at the onset, as well as for the duration of the relationship: *“... they should ascertain ... ‘Can you afford this? How much more can you afford, maybe you can add to this?’ Those are all questions they need to ask, which they don’t....”*

Regarding the **method of information collection**, Participant 19 feels that any information that the financial planner collects should be solicited through a conversation, rather than by means of a needs analysis document: *“...the whole needs analysis thing is really a conversation to me more than like a document I must fill in...this is what you should have and this is what you don’t have, then it is a conversation...”* Participant 23 adds that it is not necessarily about what information should be solicited, but instead the financial planner should allow the client to speak freely: *“I think one of the things that is important is where you get to tell them ‘this is how you deal, this is your daily life and this is what is going on’.”*

Participant 20 states that in his experience, financial planners often do not ask questions about aspects that they assume to be standard practice – for example, regarding the preferences of millennials and their attitude to marriage. Therefore, this participant indicates that financial planners should avoid making assumptions when collecting information, so as not to influence the accuracy of the information gathering process: *“...there are certain things where I feel I would ask but they don’t ask. For instance, like let me say about millennials, marriage isn’t really a thing....”* This is a valid concern, as stereotypes and discrimination of individuals from different cultural backgrounds influence how relationships are established (Criado *et al.* 2015:131; Hofstede 2011) and in this case, may adversely influence the information gathering process.



From the findings, one can conclude that participants are of the opinion that the type of information collected by financial planners should enhance their understanding of how the client's current household finances work, who is a financial dependant (irrespective of whether or not they occupy the same household), and whether the client is able to afford any financial products that may be recommended. In addition, participants feel that the method of information collection should be done through conversations without reliance on a needs analysis document, they should allow clients to speak freely, and they should also avoid making assumptions when collecting information about their client.

#### 7.4.2 CLIENT FINANCIAL LITERACY

As part of information gathering when applying the second step of the financial planning process, it is important to gather information pertaining to the client's level of financial literacy. This has an influence on the entire financial planning process, and therefore it is important to ascertain their financial literacy level early on. Participants were asked whether they think it is important for financial planners to ascertain their clients' level of financial literacy, or whether clients should rely whole-heartedly on the financial planner to manage their finances. The emerging themes regarding financial literacy relate to the role of the financial planner and the role of the client.

When considering the **role of the financial planner**, only Participant 31 noted that they do not need to be financially literate, since they consider it the role of the financial planner to have all the financial planning knowledge: *"You don't have to do a post grad in financial planning, no. That is his role, he needs to know what is best, he needs to have the information, I don't need to – that is why I have him."* Thus, the participant is of the opinion that one should rely on the financial planner for financial expertise and that the client does not need to have high levels of financial literacy. However, Debbich (2015:26) states that financial advice is complementary to financial literacy and should not be perceived as a substitute for the client's financial literacy.

Participant 19 notes that it is the role of the financial planner to ascertain their clients' level of financial literacy so that they can ensure that their client has an understanding of all finance-related discussions. This is especially important as it would be easier for financial planners to explain to, and advise their clients later in the process, if they have ascertained their financial literacy earlier on: *"...that person should actually take the time to understand where I am at,*

*understand some things, because it could literally mean if you know where my knowledge is, it could be easier for you to explain stuff.*” Participants also noted that once the financial planner has ascertained their financial literacy, it is also important for financial planners to engage in the financial education of their clients should they determine that their client has a low level of financial literacy. Participant 18 notes that financial planners: *“...need to educate the consumer about products and what is available out there and how it could benefit the consumer.”* Participant 21 states that financial education should form part of the process during which the financial planner learns about the client, and the client learns about financial products and financial planning strategies: *“It should be an educational journey for the both of you to say, ‘okay, this is how I do things’, and then the financial planner will say, ‘this is how I think things should be done’.”*

Regarding the **role of the client** in terms of financial literacy, contrary to Participant 31’s notion that one should rely entirely on the financial planner for financial advice, participants 22 and 23 are of the opinion that the client should have some level of financial literacy. In particular, Participant 22 states that to ensure that the financial planner is not giving advice that is detrimental to one’s financial well-being, it is important to have some level of understanding of the financial ‘language’ that is used, so that one is able to identify poor financial advice: *“I think you do need to have some level of knowledge. I mean they could tell you anything and you would go with it..., you need to be able to understand the language that they are speaking as well, because you cannot 100% say that they are going to be honest with you, they might be wanting to do things that are beneficial for them only, and not for you. So you do need some level of understanding, at least of the terminology they are going to be using.”* Participant 23 adds that in order to take control and ownership of one’s finances, it is important to have a certain level of financial literacy: *“If I am going to say I am trusting them with my finances then I am not learning anything about the financial situation anyway. So to take ownership of your own finances.”*

Participant 26 adds that it would be good for the financial planner to ascertain their financial literacy so that the consumer is also able to make an assessment of their own financial literacy versus their perceived financial literacy: *“I think to assess my financial literacy would be important, to also understand where I am now at the moment, because to me I might be thinking that I’m financially literate, but then I might be far from it.”* This is important as confirmed by the literature, namely that in addition to an individual’s actual financial knowledge,

understanding their perceptions of their financial literacy indicates an increased awareness and initiative, all of which have a positive effect of financial decision-making (Allgood and Walstad 2016; Nguyen, Rózsa, Belás and Belásová, 2017).

It is particularly important for financial planners to establish the financial literacy levels of Black consumers, as it has been established that they tend to have lower levels of financial literacy (Roberts *et al.* 2016:53). It is thus clear that when collecting information, particularly regarding the client's level of financial literacy, that the perceived role of the financial planner as well as the client's role regarding financial literacy should be considered. One participant is of the opinion that clients can rely on the advice of a financial planner and do not require financial literacy themselves, while others believe that it is the responsibility of the financial planner to ensure that their clients understand financial matters and engage in financial education. Participants also believe that it is the role of the client to acquire knowledge and improve their financial literacy levels, so that they are able to take control and ownership of their finances, identify poor financial advice, and do a self-assessment of their financial circumstances. It is therefore important that financial planners assess the actual and perceived financial literacy levels of their clients, and engage in some form of financial education during the information gathering step of the financial planning process.

## **7.5            STEP THREE: ANALYSE AND ASSESS THE CLIENT'S FINANCIAL SITUATION**

Participants were asked whether they perceive Black consumers to have unique financial needs. It is clear from the data analysis that although some needs are unique to Black consumers, there are needs that are common to all consumers, but they are prioritised differently. Furthermore, the findings show that there are needs that some Black consumers do not perceive as a priority, yet they should be. Participants were asked about the financial planning needs that they perceive are prioritised by Black consumers. The resulting themes and sub-themes are presented in Table 7.4.

**Table 7.4: Themes and sub-themes associated with Step Three of the six-step financial planning process**

<b>THEMES</b>	<b>SUB-THEMES</b>
<b>Provision for family home</b>	The purpose of the family home
	Family home succession planning
<b>Estate planning</b>	Avoidance
	Life insurance
	Islamic succession
<b>Provision for black tax</b>	Nature and extent of black tax
	Perceptions of black tax
	Financial planner and black tax
<b>Provision for ceremonies</b>	Funerals
	Traditional ceremonies
	Initiation school
	Weddings and marriage
<b>Other financial planning needs</b>	Acquiring property
	Education planning
	Retirement planning
	Provisions for Shariah law

**Source: Researcher's own construction**

Table 7.4 shows that provisions for the family home, estate planning, provision for black tax, and provision for traditional ceremonies are prioritised among Black consumers. Other financial planning needs that are also a priority for Black consumers include acquiring property, education planning, retirement planning, and provisions for Shariah law.

#### 7.5.1 PROVISION FOR THE FAMILY HOME

The family home is an important theme that emerged, specifically its purpose for Black consumers, including how it relates to succession planning. It is interesting to note that almost all the participants indicated that they currently still own or occupy their family home. Participants have varying perceptions and experiences relating to the **purpose of the family home**.

Participant 20 notes that the family home is used after retirement when one downscales one's lifestyle, but notes that several extended family members usually reside in one family home: *"...when you retire you go back to the family home... Even with me at home, there are so many uncles and aunts that stay in the family house of my gran, and then when I look at it I am like 'you work for so long but you have nothing to show for it'. Now you get to retirement you have to move from the place you are renting and then...most of them, the income they have made runs out."* Participant 21 adds that in the Black African community, the family home is

often situated in the rural areas, and is used to perform rituals and traditional ceremonies: *“...some people have that ritual to say, in this house we practise rituals here and this is why you can’t sell the house.”* In addition, Participant 21 states that the family home is often the site of family graves: *“...for instance, our family graves are in the yard....”* Participant 22 states that due to financial constraints, black tax often leaves one with no other choice but to rely on the family home, as there is not much disposable income to purchase a property and live a comfortable life: *“...you would rather have the luxuries of life that you want than to be miserable paying a bond and still having to support the family, pay black tax, fix the house, build this... You would never get around to building your own heaven, because of black tax.”*

According to Participant 23, the family home is a safe haven for family members who may need assistance in the future, if they lose their home or income: *“...we have had this discussion and came to an agreement...if things don’t work out, for whoever of us, they know they have got something to fall back on because it is not going to be money obviously, but at least that person will have a shelter.”* This sentiment is shared by Participant 28 who states that because the future is uncertain, the family home would be a safety net for him and his sisters: *“We preserve the family house as such, and despite that there are ourselves, because we don’t know what the future brings... Even myself, I might be working and so on, something happens and I end up losing income, myself and my wife don’t have a place to stay... Like even my sister, she is married, you don’t know what will happen with the marriage, she might get divorced from the husband and then the house is being sold and then she will have to have a place to go back to.”* The importance of the family home within Black households is consistent with findings in the literature (Amato 2019; Bekker and de Kock 1992:366; Bekker and Koyana 2012:569; Bolt and Masha 2019:156), yet the perceptions provided by participants offers new insights. It is thus important for financial planners to understand the role that the family home plays for Black consumers, when analysing their financial needs.

It is also evident that because of the importance of the family home to Black consumers, **family home succession planning** is a challenge and thus should be prioritised as a financial planning need. Participant 21 states that it would not be his mother’s desire to sell the family home after she passes away: *“And I also believe that we will never sell my mom’s house...it wouldn’t be her wishes that we sell her house and then get money out of it. It will always be home.”* Participant 21 adds that it would not be possible to sell the family home because of the family

graves: “...for instance, our family graves are in the yard – like my grandfather is buried just underneath the garden there, so it’s not possible.”

Participant 25 notes that there are often disagreements with regard to succession of the family home, after the occupants (usually the parents) pass away: “...there’s always that one, that will be the one that’s keeping up the fight, you know, for the house. But not only just to stay in the house, probably to have the house registered in their name so they can sell it – so that the money can go to them only.” This participant adds that failure to implement a succession plan relating to the family home often leads to the family home becoming a financial burden: “But the thing is, if it’s not sold...then it also becomes someone else’s burden....” Participant 26 views the notion of keeping the family home as an ‘unrealistic attachment’: “I think we do have an unrealistic attachment because that’s our family home...the mentality that we have, we don’t sell property because in our minds that’s property, it’s an asset, we don’t sell that. This should be generational – the next generation should have this home.”

The problems regarding the succession of the family home are consistent with the assertions made by Bekker and de Kock (1992:368) as well as Bekker and Koyana (2012:569), who state that the successor assumes the legal position of the deceased and becomes liable for any debt that was incurred by the deceased. Bekker and Koyana (2012:569) reiterate that the family home is a priority in customary law succession, as the successor is responsible for ensuring that the surviving family members of the deceased are taken care of. Besides the need to understand the role that the family home plays for Black consumers, it is thus also important for financial planners to be aware of the succession planning challenges regarding the family home for Black consumers, when analysing their financial planning needs.

Making provision for the management and succession of the family home is thus an important need among Black consumers. When analysing financial needs in this regard, it is important for financial planners to understand the purpose of the family home and why there is an emotional attachment to it. It is also important for financial planners to understand that this emotional attachment to the family home often presents succession planning challenges which may require financial planning interventions as part of the analysis of financial needs.

### 7.5.2 ESTATE PLANNING

In light of discussions surrounding the role and importance of a family home among Black consumers, it is evident that there is a need for estate and succession planning for various reasons. This may not be a prioritised need for many Black households – however it is a financial planning need that requires attention.

Participant 21 notes that there are always arguments and disagreements in the event that there is no valid will: “...there’s always...between the Xhosa and Coloured cultures – Xhosa and Coloured, and also some other Black people, there’s always a fight...” It is evident that Black people **avoid planning for their death** and the financial and familial implications thereof. Several participants did, however, note the importance of having a valid will. Participant 23 feels that due to the lack of a will, the descendants of the deceased are left without a clear understanding of where they stand: “*I feel it is important to actually have those wills. Draft a will, even if it is just on a piece of paper, you are not going to find a lawyer to actually come in, but your kids should know where they stand with your assets as a parent.*” Participant 30 shares the same sentiment stating: “*...I don’t know if people actually realise how important a will is, a valid will. Because you always hear of people and families actually being torn apart because of fighting over a spoon and fighting over a house.*”

Participant 27 notes that the concept of death and the purpose of a will have been introduced to his children from a young age: “*We introduced this concept of dying and death from an early stage. We have introduced them to the concept of the will and what the will does, we have explained that to them and so we have dealt with it in a joking manner, so whenever I would say that ‘if I were to close my eyes for the last time tonight’ my youngest one would say ‘at least I know where the will is’.*” It is, however, not common practice for Black households to have discussions around death and the importance of having a valid will. It was noted on several occasions that discussions around death are considered taboo in the Black community. Participant 23 notes that death and the financial implications thereof are never discussed within the family, but rather viewed on television shows, as discussions around death are taboo: “*We are learning about these things because there are television shows, like 157 has a programme there called Ikhaya, and you find that most of the people that are fighting there, are fighting about wills and family houses and everything. So we start learning about the financial side of*

*our culture from them, not within our families, and you find even if you are sitting together and watching that, it still won't come up as a discussion."*

Participant 25 adds that general discussions around money are also not held among family members since these matters are also considered taboo: *"I think we don't talk about money, and I think we don't talk about to say that when I die you are getting this, you are getting that, you know...you know, you're sort of like, it's a surprise when your parent dies, then you're like surprised this one is getting this."* It is clear that various topics (such as money and death) are considered impolite and scandalous to talk about within Black households, which results in poor estate planning. This finding is consistent with the assertions made by Ekore and Lanre-Abass (2016). In these cases where there is no valid will, the surviving members of the deceased end up arguing and not having a clear understanding of where they stand. As one participant indicated, it is therefore important to introduce the concept of death and a will to children at a young age.

Some stigmas and misconceptions about **life insurance** (particularly as an estate planning tool) exist among the participants. Participant 26 is of the opinion that among the Black African community – particularly men – life insurance is frowned upon due to the stigma of murder being associated with it: *"...and you'd find that Black people are opposed to life insurance policies. The reason being, it's also seen culturally that you'd find that men are a bit hesitant to get life insurance policies because for the simple fact that in the Black culture what they've found, that some men had been murdered, or killed for life insurance policies. So the perception I got from guys is like, no, I'd rather not. Or I have a life insurance policy and I won't tell my wife about it."*

Participant 24 notes that there is not enough awareness and knowledge about death and the implications thereof, as most of the advertisements and marketing campaigns are associated with funeral cover, which perpetuates the misconceptions that individuals may have: *"...there's no advert that talks about estate planning or what happens when you die. They don't talk about the debt that you leave behind. It's as if you die with the debts. So there's a big disconnect, you know, and because of that, we are divorced from the reality – it's as if it doesn't exist, and so because it doesn't exist, no-one addresses it, because no-one knows. Like they don't know that if I die, the debt from the house is still a debt, and so therefore someone must pay it."* Participant 26 notes that when discussions around death do come up, it is more about



funeral policies, instead of what plans may be in place for those who are left behind. Funeral policies are thus prioritised over life insurance among Black consumers: *“If we start speaking about death it’s like, hey, stop talking about death, you know. ‘Moenie van die dood nou praat nie.’ Let’s talk about funeral policies.”* Thus several misconceptions pertaining to life insurance exist among Black consumers, which prevents it from being an effective estate planning tool – especially if financial planners are not aware of this issue.

According to Participant 27, in the Muslim community, when considering **Islamic succession**, Shariah law favours male descendants over female descendants, especially if the contrary has not been stated in a valid will. *“...there are limits to Shariah Law and I am trying to pursue a just outcome for my family. It might sound contradictory to what our Islamic scholars are saying, but those are old archaic ideas. A boy is not better than a girl, a boy does not have more worth than a girl. So even if I did have a girl, she would be getting an equal share. In fact, she should in fact be getting a little bit more, because of all the things she would be doing in order to ensure happiness in our family. So, to be honest with you, I don’t ascribe to that kind of outlook, where the one is more deserving than the other.* It is also important to note that there are various estate and succession planning implications a result of Shariah law, which are not fully accepted and enforceable in South Africa. Participant 27 adds: *“It is not enforceable and many times that leads to a lot of contestations when somebody passes and then people start to fight over certain things, and then they have got no leg to stand on in order to stake a claim to what is rightfully theirs, because Shariah Law is not fully accepted legally now in SA, especially when there is one or two or three wives or different types of siblings involved.”* These experiences and perceptions are consistent with the literature on Islamic inheritance law (Abduroaf 2020:401; Khosyi’Ah *et al.* 2018), as discussed in Chapter Six.

It is thus clear that estate planning is a financial need that requires prioritisation for Black consumers and financial planners alike. This is especially due to the fact that death and personal finance discussions are avoided by Black consumers, including planning for death. It is also important to consider the perceptions that Black consumers have regarding life insurance (which are often based on taboos and misconceptions), because if financial planners determine that this is a financial need after analysis, it may have implications for attempting to use life insurance as an estate planning tool. Furthermore, it is important for financial planners to be aware of the provisions of Islamic succession, as these differ from recognised and acknowledged methods of estate planning and succession.

### 7.5.3 PROVISION FOR BLACK TAX

Making provision for black tax is one of the most recurring themes that emerged when asking participants about their financial needs. The sub-themes that emerged relating to black tax are the nature and extent of black tax, perceptions of black tax, and the financial planner and black tax. When considering the **nature and extent of black tax** provision, Participant 25 notes that black tax involves mostly taking care of one's elderly parents: *"When they get older and they can't physically take care of themselves, where you actually have to be the one who is taking care of them physically, or if there's someone to be able to take care of them. Because sometimes they can be stubborn and don't want to leave their homes and stuff. So you have to pay someone to actually look after them."* Participant 27 shares this notion, noting that as a Muslim individual, Shariah law states that it is one's duty to take care of one's mother: *"Well there is Shariah law which says you have got to make sure that you take care of your mom, which means there must always be some form of money or funds that is being channelled in her direction to show gratitude and ensure that she is well looked after. It's a cultural thing."*

Participant 31 adds that often parents struggle after retirement and he needs to be a financial buffer to ensure that parents receive financial assistance: *"...like in our space, our elderly, we know our parents struggle financially after retirement, so to look at if there is maybe a buffer that they can fall back on or can take out to help their parents."* When considering the nature and extent of black tax, it is clear that it extends beyond the immediate family – Participant 19 indicates that he would be required to take care of his brother's family in the event of his brother's death, and he perceives this as a financial responsibility. This is an uncertain event that he would have to plan for: *"We are Africans, we are Black, so normally the not-so-written-down responsibilities you have – because I have a brother who has a wife and kids – should anything happen to him, not to say I will take his wife, and I would not necessarily also take money from my salary to make sure they are fine, but I would help out every now and then. I would like to understand going forward 'how are you guys now living' and if there is any way I would feel personally I could help out – I could you know?"* It is interesting to note that although the participant would not wish to marry his brother's wife, this notion is still consistent with the customary practice of *ukungena* where the intention remains to take care of the deceased brother's wife and children (Bekker and Buchner-Eveleigh 2017:92; Herbst and Du Plessis 2008:115). Consistent with the notion that black tax extends beyond the immediate family, Participant 21 states that he has assumed responsibility for educating his niece to make

sure that she is in an adequate school: *“I took my niece to school because she couldn’t... well, she started off at a nice school and she couldn’t find a high school in that region, that price range, the school she wanted. So she was really going to struggle if she then went to a location school or a township school, because she had never been in that environment.”*

Participants have varying experiences and **perceptions of black tax**. The study conducted by Msibi (2020) found that there are different types of black tax, namely voluntary black tax, involuntary black tax, financial black tax and non-financial black tax. Participant 19 notes that the payment of black tax is not required because his mother is in financial need, but because it is something that is culturally expected, and ensures a good relationship with the participant’s mother: *“I don’t need to send money home, but I send it home because it is just one of those things, it is just a better relationship I am having with my mother because my mother earns more than I earn right now!”* This finding is thus an example of financial black tax that is voluntary in nature (Msibi 2020:54). Participant 23, on the other hand, feels that black tax is a financial burden because there is an expectation from the entire family that the person who is working has to give money when required: *“...when it comes to our finances, as soon as I start working ne, and then the whole family knows ‘this one is working, she has a job’. I am expected automatically to give. It is not even a matter of whether or not I want to or I can, or I can’t....”* This finding is thus an example of involuntary black tax (Msibi 2020:54).

Participant 27 notes that similarly in the Muslim culture, there is an expectation of paying a form of black tax to one’s parents. He adds that this is not a financial burden, because it is something that has been ingrained in their upbringing as part of Shariah law, that anything that one has in excess should be given away to someone who is in need, and the first preference is often one’s mother. The participant’s experience is thus an example of voluntary black tax (Msibi 2020:55): *“Well there is Shariah law which says you have got to make sure that you take care of your mom, which means there must always be some form of money or funds that is being channelled in her direction to show gratitude and ensure that she is well looked after... because you have grown up with something like that, your mother and your father have inculcated that in your DNA and you have grown up with it, and we are not talking about huge sums of money, we are just saying, for example, that anything that you have got that you do not have use for, or that you regard as an excess, rather spend it on somebody who is in need of it... And the first person that needs to benefit from that would be your mom, in the form of a*

*financial handout, or in the form of money that you spent in order to maintain her surroundings, like a home for example.”*

Participant 28 also has no qualms about paying black tax to his mother, but notes that he does not have the same expectation from his son, but would like him to learn financial responsibility by contributing towards household expenses since he is an employed member of the household: “..I don’t want him to give back, like a black tax, ne? Because this thing happened to me but I don’t want that to happen to my children. Because I can still afford you know and I can still maintain myself and my wife, but I want to teach him responsibility you know?” This finding is consistent with that of Msibi (2020:55) that involuntary black tax will not be required from future generations, because the current generation values the time that their children spend with them more than the money that they spend on them. Participant 29 (Black Zulu female) also does not have any qualms about paying black tax but adds that it is not something that she wants her husband (who is from a Xhosa background) to know about: “...But I don’t want my husband to know because you know with me, it is okay for them to give money to their family but when I start wanting to give to my family it is different...”

Another sub-theme that emerged from the analysis of step two, is the **financial planner and black tax**. Participant 19 perceives that a financial planner will prioritise servicing the client’s debt obligations as opposed to paying black tax which may be perceived as optional. “*If I tell you a breakdown of my expenses there is money you are going to see that I am sending to my mom and I will send that regardless, so don’t tell me that I need to take that and distribute it to debt and all of that stuff because it now doesn’t help you know, who I am.*” Participant 19 also notes that there is no financial product to assist in the provision of black tax, so a financial planner would not be able to assist: “*There is not even really a product for black tax because some of us are already sending it home and we are just committed to that...we are not going to not do that because there was a financial planner that told me.*”

However, Participant 23 is of the opinion that because black tax is unique to Black consumers, a White financial planner may be able to assist in reducing the financial burden and be objective, whereas a Black financial planner would be biased and not consider the client’s financial well-being: “...White male does not know anything so now I will be trying to move away from being taxed at home so I am explaining to him about the black tax that I am experiencing at home and then the advice he will give will come out much better, because now

*he will give me this advice instead of saying to me maybe 'No, you shouldn't'... instead of dealing with a person who knows exactly what it is like to be Black and have money and how we deal with money, because you find that us as Black people would more or less deal with money the same way when it comes to our families.”* Participant 25 shares the notion that black tax is a financial burden, but feels instead that regardless of the cultural or ethnic background of the financial planner, the payment of black tax should be accommodated in a client’s financial plan: *“Yes, it’s a financial burden, but it’s a burden you choose to take up on. And if I take it up on myself to take care of my family, the financial adviser should be like, okay, how can we work around the situation that you have?”*

It is clear that black tax is a financial need that is prioritised among Black consumers. It is important for financial planners to understand the nature and extent of black tax, as it pertains to extended family members as well as to immediate family members. Furthermore, it is important for financial planners to take Black consumers’ perceptions of black tax into consideration when analysing financial needs, as for some it is a cultural burden whereas for others it is a cultural honour. It is especially important for financial planners to understand Black consumers’ perceptions and understanding of the financial planner’s role as it pertains to black tax when analysing their financial needs, as this would assist in clarifying consumers’ expectations of the financial planner.

#### 7.5.4 PROVISION FOR CEREMONIES

Various traditional ceremonies emerged as sub-themes which are either unique to Black consumers, or are in addition to ceremonies that are common among all consumers, such as weddings and funerals. These ceremonies are prioritised by Black consumers due to their cultural importance, as well as the costs that are associated with them. These ceremonies include funerals, weddings, traditional ceremonies and ceremonies associated with initiation schools.

The importance of **funerals** among the Black community is a prevalent sub-theme among the participants, who gave varied responses regarding their perceptions and experiences. Participant 19 notes that within the Black African community, there is a great emphasis on making provision for funerals and the costs associated with feeding and entertaining the attendees, as opposed to making provision for the implications of their death: *“...we were so*

*lavish with the celebration and now a chunk of the disposable income must go and service that and we are hungry you see? So we need to rethink these things and really see what we can afford and not afford, and sometimes is it necessary?"* Participant 22 adds that the reason for placing more emphasis on provision for funerals in the Black African community is due to the traditional ceremonies that are required to be performed when burying a loved one, but notes that there is no available financial product to make provision for this: *"We have a lot of traditional ceremonies, even a funeral has its own traditional ceremonies that follow after a funeral, which some cultures don't have – your Coloured cultures don't have, your Whites don't have that... If there was a product available for such things it would be great, because we end up having to do loans in order just to do those ceremonies."*

Participant 24 is of the opinion that having a dignified funeral is very important due to the fact that most Black African individuals come from homes of poverty. He adds that financial institutions take advantage of this, and tailor their marketing strategies accordingly: *"Remember, the African community, because most families and homes come from poverty, a funeral's become a thing of dignity, you know. I mean, you listen to these [redacted] adverts, and those are there – the lines they use – because they want to give them a dignified send-off... now it has become so easy for the actuaries to decide that Black people are fixated with dignity and pride, and therefore these are the words we're going to use and give the things that lure them into these types of products."* Among the Muslim community, enriching oneself in death is not consistent with the provisions of Shariah law; hence life insurance policies are not common among Muslim individuals, but burial funds are prioritised instead: *"...life insurance for us Moslems is not a priority, you just need to make sure that your burial fund is paid up and the burial society is going to take care of you, right? So it is not about becoming filthy rich in your death."*

It is evident from the findings that there is a financial need to make provision for funeral rites and customs that are observed by the Black African community. It is also clear that there is a variety of **traditional ceremonies** besides those that are associated with events such as funerals and weddings. Participant 29 adds that in the Xhosa and Zulu cultures, when a child is born, a ritual needs to be performed to introduce the child to the ancestors, with the slaughtering of a goat, referred to as *imbeleko*: *"We also do Imbeleko and so forth...when your child is born, they need to be introduced to the ancestors. So, you need to slaughter a goat."*

There are also many rituals and ceremonies that are required when one receives a calling to become a *sangoma* (traditional healer), that cost a considerable amount of money, which results in individuals having to take out loans. Participant 22 (who is a *sangoma*) notes that it is not something that one can anticipate and thus plan and save for: *“You can’t plan for it, but once you know there is this thing, this calling that you have, like it is not something that you do over a week, it is a process, so then you do have time to invest or save up for it – because eventually you end up doing that, because I mean you have to go through about five/six/seven/eight ceremonies which costs money...if there was a product available for such things it would be great, because we end up having to do loans...”* Participant 23 also notes that any ceremony or ritual that is performed to appease the ancestors requires money or an equivalent: *“...even if it is just a work...like they are just making umqombothi, so something to appease the ancestors, you know that okay, they are going to tell you ‘no, you need to put in some money’. So it doesn’t matter where it comes from as long as they know you are working and you can afford to at least buy two bottles of whatever, but you are expected to bring something.”*

A common customary ritual among the Black African community involves a boy who transitions to adulthood (usually at 17 or 18 years old) going to **initiation school** for a certain period of time. During this period, circumcision takes place and young males are prepared for the responsibilities of manhood. Participant 19 notes: *“...I am Xhosa so I went to the mountains so if I have a son that is definitely happening one way or the other. So currently there is no product for that...no one has really spoken to me about that, like ‘this is how you need to prepare for this’.”* Once the initiate returns home, a celebration is held and all his old clothes are discarded in favour of a new wardrobe of neutral colours.

The celebration that is held after the initiate returns home is called *umgidi* as per Participant 22: *“...going to the bush, umgidi, we have that expense.”* It is clear that this celebration and the associated costs can be extensive and cost the family a lot of money, which if not adequately planned for, may result in debt. Participant 19 explains: *“We bought a cow, that was R10 grand, there was a tent, we had to cater for a whole lot of people to come and eat and drink and then I needed gifts, you know? So the people that bought me gifts, I am indebted to them until I return the favour and had they not bought me gifts that would not have happened.... My mom took a whole lot of loans because she wanted to do that.”* Another important aspect to consider is the fact that the mother of the initiate has very little say about whether or not her son should go to initiation school: *“...here are certain decisions that we are forced into because of culture.*

*Like, for example, like the son having to go to Entabeni, we don't do that, and me not feeling comfortable with that because I am not familiar with that. But because I am married into this culture, I don't have a choice but to say 'Yes, he has to go', because the father is from there."*

Therefore, financial planners should be aware of the role of women and the extent of their involvement with the provisions for initiation school, when analysing their financial needs.

As previously mentioned, many ceremonies, rituals and additional customs are associated with **weddings and marriage** among the Black community, which often require a significant financial contribution. Participant 19 notes that in addition to paying *lobola* to conclude a traditional marriage, the *lobola* negotiations also require a monetary contribution, and often more emphasis is placed on the pre-marital preparations, which can lead to debt: *"...it is a negotiation, that family comes to this family, we agree, we have some food, maybe we drink and then we call it a day and go home, and maybe when we have the money we can start celebrating the way we want to. But from the get-go there is a tab, we don't even have a house or furniture. You know? We are struggling with debt."*

In the Zulu culture, once *lobola* has been paid and the marriage has been concluded, a traditional wedding known as *umabo* takes place, as well as an optional white wedding (Madlala and Bono 2018). At the *umabo*, gifts from the bride are presented to the groom (Madlala and Bono 2018). At a later stage, an additional ceremony known as *umembeso* takes place, where the groom presents gifts to the bride's family (Madlala and Bono 2018). It is clear that the various ceremonies associated with weddings require a considerable amount of money. Participant 24 states in this regard: *"...need to prepare for her umembeso. Now the question is, how does a financial planner reconcile that? I need to prepare for the umembeso because it is how the African culture was trying to give these kids a nice place to start, you know..."*

Furthermore, in most Black African cultures, the family presents the wife to her new family as *umakhoti* and she is expected to have a kist filled with household items: *"So, for your family to present you, there must be sort of like things that you have...where you're expected to have a kist and all those things that's going to help you in your house."* Therefore, in addition to making provision for the wedding ceremony, Black consumers need to make provision for the *lobola* negotiations, *lobola* payment, the various traditional wedding ceremonies, as well as the gifts that need to be exchanged between the families.



It is clear that various traditional ceremonies are practised by Black consumers. Despite funerals being common and standard among all cultures, among Black consumers there are often additional ceremonies that need to be performed. There are also various rites and customs that are unique to Black African consumers, that often require a large monetary outlay. Furthermore, provision needs to be made for initiation school for boys, as well as the other costs that are associated with the custom, such as the *umgidi* and a new wardrobe for the initiate. As with funerals, weddings ceremonies are common and standard practice among different cultures; however among Black consumers various traditional ceremonies must be performed, and various gifts need to be exchanged among families. Financial planners should thus be aware of these traditional ceremonies when analysing the financial needs of Black consumers.

#### 7.5.5 OTHER FINANCIAL PLANNING NEEDS

The data shows that **acquiring property** is an important financial need for Black African consumers, especially due to the importance of a family home, and being historically unable to purchase property due to the apartheid regime. According to Participant 19, it is a traditional African custom for one's father to give his children a piece of land to build a home: *"If you really go African, you don't really own property, your father is actually supposed to give you a plot in his yard and say 'build there' and then you stay there... we gradually moved away from that, I mean we left the homestead, we got into cities and in the cities your father doesn't have like a yard there, so you need to establish yourself..."*

Participant 22 is of the opinion that a bond repayment term is too long a commitment to a long-term debt: *"I am also one of those who will never have a bond, I don't see myself paying 30 years for a house, so I am one of those that will buy a cheap house cash and then build my own heaven."* Participant 29 has acquired a secondary property, which she states is a 'good debt' as it is generating an income that is able to pay for itself. However, she notes that the vacant plot that she has acquired is a 'bad debt' as she is paying for something that will only generate a return in the long-run: *"...the house I see as a good debt, because we have someone who stays there and they are paying the rent and that rent is a little bit more than what we are paying for the house, so it is okay. But with the plot that I have, I think okay, it can be a good debt in the long run, but right now it is a bad debt because I am paying for the plot and I am paying for the rates for that plot, and I mean there is no house there, I am just paying for nothing actually!"*

Other financial needs that were identified from the participants include education planning, retirement planning and provision for Shariah law. These needs may not be a priority among Black households, but it can be argued that they should be. It is clear from the findings that **education planning** is a financial need among Black households. Participant 29 notes that it is important to provide his child with a good education: “...we are just trying to make sure that our kids get the best education that you can get.” This sentiment is shared by Participant 31: “...because I am very focused on education, I would say like ‘Do you make provision for your kids educationally, are you able to put them through school?’”

Participant 22, however, does not see the need to make provision for her child, as she had to make provision for herself as a student. She is therefore of the opinion that her child must make education provision for themselves: “I was able to survive, they can also survive. When they finish school and they need to go to varsity and there is no money, then they need to do what I did – there is NSFAS, there is whatever, there is things in place for them. So I am that parent, I am not going to have half of my money going to savings when I don’t have money to save. So, I am not the parent that says ‘I must have an education policy’. What if my child doesn’t want to go to school? And then what? They get that money and they blow it.”

It is also clear that **retirement planning** is necessary among Black households. Participant 20 notes that it has become common practice for the older generation to retire and downscale from their residence as they cannot afford it anymore. Even then, their retirement savings run out and they have to rely on the government for social grants: “...now you get to retirement you have to move from the place you are renting and then... and then even most of them, the income they have made runs out. So now they have to rely on the government for a grant...” Part of Participant 31’s retirement plan involves downscaling and purchasing a second property that is manageable: “I have already made the plan that when I retire I will have a second property that is small, that when I want to move into that is a three bedroom, I can manage it, I will be able to clean it.”

The lack of retirement planning by the previous generation has implications for the retirement planning of the current generation, since providing financial support to one’s parents (immediate need) takes priority over one’s own retirement planning (long-term need). This is evident through Participant 21’s experience: “...they come from an uneducated background and don’t have like nice, comfy retirement plans or RA’s that are paying out – nothing. So that

*is in a way delaying my financial future maybe into retirement and stuff, because I haven't really planned anything around that besides what I get from work."* Participant 30 adds that her father's retirement provisions did not provide for any death benefits, as the policy was cashed-in and reinvested, instead of having it paid out as a regular annuity: *"When my dad retired, they said 'paket gevat' in 1997, so he took everything, all of his pension, and they paid it out to him and then it was invested into different stuff. So, at his death the only benefit that he still had, and my mom had, was medical aid."*

As previously highlighted, several aspects are unique to the Muslim community, such as requiring **provision to be made for Shariah law**. In addition, the payment of Zakat needs to be catered for by Muslim individuals who have an excess of wealth. If one's total wealth in a calendar year exceeds a prescribed amount, then the excess needs to be paid over to a charitable organisation. Participant 27 states in this regard: *"Whenever you have excesses of funds you shouldn't be hoarding it according to Shariah law, you must make sure that other people benefit from it as well... So you have to make that kind of contribution, and we call that the Zakat fund."* In addition, Shariah law states that one must not dabble in unnecessary risk. This implies that Muslim individuals will have very different risk perceptions and appetites for risk, which in turn, affects investment and insurance planning. Participant 27 states further: *"...mindful of the fact that we shouldn't be dabbling in unnecessary risk, and that is now based on the Shariah law – no dabbling, right – do things that are going to give you a certain amount of growth and that you can pass on to somebody else."*

In addition, Participant 27 notes that in the Muslim community, getting divorced just requires one to repeat it (*talaq*) three times and although this is considered to be binding, the divorce would not be legally recognised: *"...if you want to get divorced, where if you say it to your wife three times then you can consider yourself to be divorced, right? But in the legal setup that doesn't hold any water whatsoever, you need to go through all the aches and pains, go to court and then sign off over there and have a magistrate declare you as being divorced."*

The findings indicate that acquiring property is a financial need that is prioritised among Black consumers for various reasons, as is education planning for their children. Furthermore, the findings reveal that retirement planning is not a prioritised financial planning need among Black consumers, although it should be. Finally, among Muslim individuals, the provisions of Shariah law result in wealth transfers and donations that might have financial planning

implications and need to be prioritised. All these financial planning needs should be identified and analysed by financial planners.

## 7.6 STEP FOUR: IDENTIFY AND EVALUATE POSSIBLE FINANCIAL PLANNING STRATEGIES

To determine participants' perceptions of the fourth step of the financial planning process, they were asked whether they employ any financial planning strategies that are currently not catered for through formal financial products, as well as whether a financial planner has been unable to assist them with financial planning strategies due to any cultural barriers. The resulting theme and sub-themes are presented in Table 7.5.

**Table 7.5: Themes and sub-themes associated with Step Four of the six-step financial planning process**

THEME	SUB-THEMES
<i>Stokvels</i> as a financial planning tool	Characteristics
	Uses

**Source: Researcher's own construction**

Since not all the participants currently use a financial planner, and those who do use one did not experience any cultural barriers, the only theme that emerged was the use of *stokvels* as a financial planning strategy. The resulting sub-themes relate to the characteristics of *stokvels* as well as the uses of *stokvels* as a financial planning strategy.

Participants described the **characteristics** of the *stokvel* that they belong to. Participant 19 notes that the *stokvel* that he belongs to is used as a savings tool that offers a credit option that charges no interest to its members. Participant 19 explains: “...*So the agreement is you don't pay any interest it is just our money at the end of the day, you just tell us when you need it, which account, we would send it to you and then you pay it back, you just don't get banking charges.*” Participant 28 adds that the *stokvel* that he has with friends has an investment and credit component, where money is borrowed and lent among members of the *stokvel* as well as with members outside the *stokvel*: “*We also have an investment wheel as well, with the side of the friends, where we keep the money and then we are borrowing [lending] it out to other people and to ourselves, and then it is trusted. And then we don't touch that one. For instance,*

*I am also a signatory in our stokvel with the friends. So as a signatory, if you borrow money, you are charged 20%. Then for those who are not signatories, they are charged 25%. And for those that are outside of us they are charged 30%.”* In addition, Participant 21 adds that he is aware of *stokvels* where members lend money to non-members with interest, and that this is incentivised by giving members targets to increase the capital of the *stokvel*: *“So you borrow, I borrow [lend] you money and then we know we have to bring it back with like 15% extra or like 20% extra, and then it all comes back. And she was telling me that they have a plan now to say, your target, which is if you look into it, it’s similar to the industry, but it’s done in a non-conventional way to say, your target, you must get us 20,000 through lending.”* Participant 21 is part of a *stokvel* himself, and notes that it is also used to purchase livestock which is then slaughtered and sold off at a profit to non-members of the *stokvel*, which is then returned to the *stokvel*: *“...they’ll buy maybe a whole live pig and they slice it up and they sell pork. ...Obviously, they’ll sell it on credit, inflate the prices a bit. And then all that money comes back to the stokvel, because the stokvel is basically to get a pig or get a sheep, slaughter it, sell it to people and get money and profits from that.”*

When asked if saving money with a *stokvel* is preferred over saving in more formal financial products, Participant 28 states that *stokvels* offer a higher return: *“...what I discovered with the stokvel is that you get more interest than you would get, let’s say, from the bank and so on.”* Participants 25 indicates a desire to join a *stokvel*, but notes that it has to consist of people that one trusts, who share the same understanding of discipline, commitment and accountability: *“I personally would love to join a stokvel, but I think when you join a stokvel, it must be with people that you trust and people that have the same understanding; because sometimes when you do join the stokvel...money trickles in late. Other people say, we don’t have the money. But when it was their turn to get the money, you guys popped up the money when it’s your turn to get the money. And then one gives you, if the date is month-end, one says, ‘hey, I don’t have money now, I’ll give it to you next week’.”* There is also usually a high degree of trust and accountability among the members of a *stokvel*, which encourages members to pay back their loan: *“So there are no legal papers at all, it is just an understanding between guys. So there are not that many rules written actually because we kind of solve everything as we go along...you don’t need a quorum to say ‘We will give you money’ as long as it helps you....”*

Most of the participants indicated that they participate or have participated in a *stokvel* for various reasons, and have different **uses** for the proceeds of the funds. Participant 19 explains

that the *stokvel* serves to provide a disposable income for unplanned expenses – much like an emergency fund, paying off smaller debts that have high interest rates and long payment terms: *“So that kind of thing helped a lot of us pay up credit cards because you have access to money that you don’t have any interest for, you can ask as many times as you like so long as you pay it back.”* The same participant also notes that it is an informal process, with no legal documents and a quorum is not necessary for someone to borrow money from a *stokvel*.

Participant 20 is also part of a *stokvel* with his mother, as *stokvels* are traditionally setup and managed by the women in the community. It is interesting to note that he uses some of the money from the *stokvel* to make a contribution to his retirement fund: *“I am part of a stokvel.... Obviously it is thanks to my mother, because it is mostly the Black women...and obviously stokvels...we split it half way and obviously for me it is perfect because it is December so I can buy all my kids’ stuff in advance and then just chuck the other money into an RA or something.”*

Participant 23 also participates in a *stokvel* and notes that, as a student, she started to pay her tuition fees and continues to pay for her son’s tuition fees: *“So I joined stokvels and I needed to save money so I can take myself through to varsity... So the first year I knew...to join, next year I am going to school and at least I am going to pay up half of my fees. And then I continued because now it is helping me paying my son’s fees as well.”* Similarly, Participant 31 participates in a *stokvel* to assist in purchasing school uniforms and supplies, which is usually a significant expense at the beginning of the year: *“So in the beginning of the year it is basically to sort out the stationery for the two kids I am supporting, and also buy uniforms and also in the mid-year if there is any replenishment that needs to happen for the school I use that money.”*

Participant 29 notes that she and her husband each participate in a *stokvel* for different purposes. In particular, she has a small family *stokvel* and she uses the funds to purchase something for the house: *“We are sisters-in-law, so every month, but we are rotating, we put in R1 000, and then like this month the R3 000 is going to go to this one person...just to assist you after four months, to buy something you want to buy for the house.”* Participant 21 notes that this indigenous means of saving has been incorporated into property *stokvels*, enabling people to purchase property together: *“So those indigenous ways of saving, I think they’ve been in existence...with this property thing that’s happening now, they’re slowly starting to learn [about] us and how we do things....”*

From the findings it is clear that *stokvels* are indigenous and traditional savings tools used by participants in this study. Participants characterised *stokvels* as a saving and micro-finance tool (which has an investment and credit component) that charges low to no interest rates to its members. Loans to non-members are also allowed, and are in fact encouraged and incentivised. To increase the capital reserves of the *stokvel*, livestock is purchased for resale to non-members. It is perceived that *stokvels* deliver a higher rate of return than formal financial products. It was also found that being part of a *stokvel* requires a high degree of trust and accountability among members who share the same understanding.

When exploring the uses of the proceeds of *stokvel* funds, it was found that participants use a *stokvel* as an emergency fund, to make additional retirement fund contributions, pay tuition fees, purchase school uniforms and supplies, and make home improvements. It was also found that property *stokvels* are emerging as a financial planning strategy for individuals to collaborate in purchasing properties for investment. The prevalence and high degree of *stokvel* usage among participants indicates that financial planners should incorporate *stokvels* into the financial planning strategies that they develop for their clients.

## 7.7 STEP FIVE: IMPLEMENT FINANCIAL PLANNING RECOMMENDATIONS

Regarding the fifth step of the six-step financial planning process, participants were asked what would improve their buy-in into the implementation of a financial plan and its recommendations by financial planners. Participants who do not make use of a financial planner were asked what would prompt them to buy into a financial plan if one was presented to them by a financial planner. Table 7.6 presents the resulting themes and sub-themes.

**Table 7.6: Themes and sub-themes associated with Step Five of the six-step financial planning process**

THEME	SUB-THEMES
Factors that improve buy-in to a financial plan	Financial planner characteristics
	Client conditions and expectations

**Source: Researcher's own construction**

Participants noted that certain **financial planner characteristics** have an influence on their buy-in. Participant 31 – who makes use of a financial planner – states that the fact that the

financial planner was knowledgeable and had his best interests at heart, and the time that he took to get to know the participant, gave him reassurance and reinforced his buy-in into the financial plan set up by the financial planner: *“I think by him taking the time, getting to know me, also interested in who I am as a person, what I like to do – that made me feel comfortable with him because I could see that the plans that he came forth with was really to enhance what I want to achieve.”*

Participants who do not currently make use of a financial planner were asked what would influence their buy-in into a financial plan if one were presented to them. Participant 20 noted that making use of an independent financial planner or advisor who is not tied to an insurance or investment company, would prompt him to make use of a recommended financial plan: *“I think firstly it must be like... I would say an independent financial advisor, whereas you can offer me multiple financial products as opposed to if you work for [redacted] and you are only going to give me [redacted] products. So, it might not be in my best interests but because that is where you work.”* Participant 22 states that in order for her to be convinced to make use of a financial plan if it were presented by a financial planner, the financial planner would have to relate to her and her financial means, without making the sale of a product a priority: *“They would have to talk my language, they would have to stop talking product, product, product. They would have to talk practical, in the now, in the ‘okay, if you have R100 we can make it R150’ – not ‘If you have 5 million we can make it 10 million’ – they must talk my language and currency...”*

Participants also noted several **client conditions and expectations** that would need to be met or occur before they would implement a financial plan if one were presented to them. Participant 23 states that if she were to receive an unexpected lump sum amount, then she would most likely implement a financial plan if it were presented by a financial planner: *“I think if I were to maybe win the lottery! [laughs] And then I get like a lump sum and then I think I would consider getting myself a financial advisor because now that would be like money that I have never had or just came by chance...”* Participant 26 – who uses a financial planner on a transactional basis – states that he would be encouraged to implement the recommended financial plan if it considered the fact that very few retirees retire financially independent, and the life expectancy of the average individual has increased: *“Something that has encouraged me is that when I look at... I heard some...statistic... that only about 20% of people that retire, are financially sound or financially stable. The rest are living from hand to mouth every*



*month...*” Participant 29 states that she would be convinced to implement a recommended financial plan if she could see that someone with similar financial challenges, with similar financial needs and financial capacity, has benefitted from using a financial planner (observable results): *“Um, it would take some convincing from a person who I have seen has maybe similar challenges as me and I would have seen the results...”*

It is thus clear that certain financial planner characteristics – such as their knowledge, not being tied to an insurance or investment company, and being service driven would improve clients’ buy-in into the implementation of a financial plan, if one were presented. Furthermore, certain client conditions and expectations need to be met, such as how to invest an unexpected lump sum, addressing retirement planning concerns, and if clients can see observable results, then they are more likely to implement a financial plan if one were presented to them.

## 7.8 STEP SIX: REVIEW THE CLIENT’S FINANCIAL SITUATION

Participants were asked how often they believe a financial planner should review their financial plan, and which circumstances would warrant a review of their financial plan. Participants who do not make use of a financial planner were asked what would warrant the introduction of a financial plan. The theme **factors that trigger a review of the financial plan** was developed based on participant responses. The theme and sub-themes are presented in Table 7.7.

**Table 7.7: Themes and sub-themes associated with Step Six of the six-step financial planning process**

THEME	SUB-THEMES
<b>Factors that trigger a review of the financial plan</b>	Life cycle changes
	Lifestyle changes

**Source: researcher’s own construction**

Participants indicated that certain life cycle changes or lifestyle changes would trigger a review of their financial plan. When considering **life cycle changes**, Participant 18 is of the opinion that a financial planner is only necessary as one gets older and approaches retirement. But she also notes that she wants to build up capital for her own consumption, and not necessarily to leave as an inheritance: *“At this stage of your life when you are going into retirement, you start thinking about death and planning for the day you die... A lot of people don’t want to leave*

*money for children and...and leave some inheritance. I just feel...start planning for your own future. Don't depend on any inheritance.... So I want to enjoy my money.... Whatever I invest I want to enjoy before I die."* Participant 31 feels that a financial planner should review the financial plan when there is a death in the family, when one's children transition from high school to university, or if you are struggling financially: *"I think when there is a death in the family, I think when your kids change from high to tertiary and also from junior to high school, when there are major events happening in your life. Like for example...if you are struggling financially as well...times when you go through a financial crisis, so that is the time you need to approach them. And also when you have money! When you have money you need to speak to them and find out how can you best utilise this money that you have."*

Participant 19 notes that once one has a **lifestyle or seasonal change**, a financial planner is necessary: *"...lifestyle change... I always say that lifestyle costs so much...where you live, what you eat and the habits you have, what you drink, the places you frequent, the style of clothes you like, where you are seen."* Participant 20 adds that a financial planner should be approached when it is tax season, or just before the festive season: *"I would say after tax season firstly and then probably around October/November when you have December, so you can help the client structure their expenditure before the holidays basically."*

It can therefore be concluded that from the perspectives of Black consumers, a financial plan should be reviewed when life cycle changes occur, such as when one gets older, when there is a death in the family, and when children transition from high school to university. This finding is consistent with the life cycle theory that states that consumers make financial decisions pertaining to the different stages in their life, based on how many resources they have available (Ando and Modigliani 1963; Altfest 2004:55). Furthermore, lifestyle and seasonal changes also trigger a review of the financial plan, such as when one struggles financially, or when the tax season or festive season approaches.

## 7.9 SUMMARY AND CONCLUSIONS OF THE CHAPTER

Chapter Seven is the second and final empirical findings chapter. This chapter has examined the empirical findings of the second sample of the study, namely decision-makers in Black households. Fourteen decision-makers in Black households participated in the study and offered their thoughts, perceptions and experiences with financial planners and financial

planning. As with the first sample (presented in Chapter Six), a hybrid approach to data analysis was adopted, using both deductive and inductive analysis techniques. A tentative coding framework was developed from a priori codes extracted from the interview questions. As part of the tentative coding framework, the findings were discussed in the context of the six-step financial planning process.

The themes that emerged from the data analysis for the first step of the financial planning process include the image of financial planners, the nature and extent of the relationship with financial planner, and similarity attraction. The second step of the financial planning process revealed themes relating to information to be collected by the financial planner, as well as client financial literacy. The third step of the financial planning process revealed several themes relating to what the participants perceived as prioritised needs of Black households, namely provisions for the family home, estate planning, black tax, provisions for traditional ceremonies, and other financial planning needs such as acquiring property, education planning, retirement planning and provisions for Shariah law.

*Stokvels* were revealed to be a financial planning tool that is used extensively by Black consumers, after data analysis for the fourth step of the financial planning process. The themes that emerged from this analysis relate to characteristics of *stokvels*, as well as uses of the proceeds gained from a *stokvel*. Factors that improve buy-in to a financial plan emerged as a theme for the fifth step of the financial plan, particularly relating to financial planner characteristics, as well as client conditions and expectations. Finally, data analysis for the sixth step of the financial planning process revealed factors that warrant a review of the financial plan could be either life cycle changes or lifestyle changes.

The empirical findings from chapters Six and Seven were used to reconceptualise the six-step financial planning process, which is presented in Chapter Eight of the study. Chapter Eight also provides a summary of the study, as well as conclusions and recommendations as well as a discussion on how the objectives of the study were achieved.

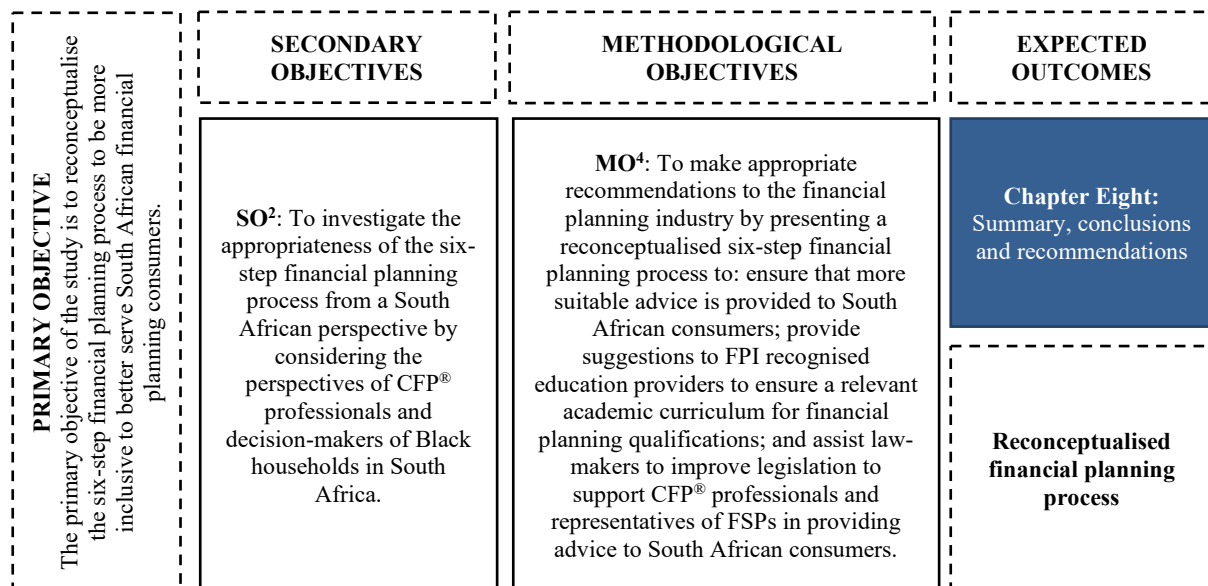
## CHAPTER EIGHT

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 8.1 INTRODUCTION

The primary objective of the study is to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers. To achieve this objective, it was necessary to investigate the appropriateness of the six-step financial planning process from a South African perspective, by considering the perspectives of CFP® professionals and decision-makers in Black households in South Africa (SO<sup>2</sup>). To do so, primary data was collected and analysed using semi-structured interviews with South African CFP® professionals, as well as with financial decision-makers in Black households, and these findings were presented in chapters Six and Seven. This chapter contrasts and compares the empirical findings and provides several recommendations, with the aim of achieving the fourth methodological objective (MO<sup>4</sup>) (as indicated in Figure 8.1).

**Figure 8.1: The role of Chapter Eight in achieving the objectives of the study**



**Source: Researcher's own construction**

Chapter Eight also provides an overview of the study by summarising the preceding seven chapters. After the discussion of the empirical findings and recommendations are provided, the reconceptualised six-step financial planning process is presented. Thereafter, a discussion on the achievement of the objectives of the study is provided, in addition to the answers to the

research questions. The contributions of the study are also discussed, together with the limitations of the study and ideas for future research. The chapter commences with an overview of the study.

## 8.2 OVERVIEW OF THE STUDY

It appears that the global six-step financial planning process that assists in providing professional financial advice is not appropriate in addressing the diverse and unique needs of South African consumers, especially since South Africa is one of the most diverse countries in the world. It can also be argued that the training provided as part of the academic curriculum offered by recognised financial planning education providers, as well as the product and business specific training provided by FSPs (as per the fit and proper requirements outlined by the FAIS Act), are not comprehensive enough to address the unique needs of South African consumers. Previous research conducted in South Africa in the field of financial planning is limited to certain knowledge areas in financial planning, and does not focus on the process of providing advice in a South African context (Butler 2012; Carrol 2010; Kajauchire 2015; Kirigia *et al.* 2005; Nkoutchou and Eiselen 2012; Ostler 2012; Roeleveld 2012; van der Merwe 2009; Venter 2014; Zeka 2017). Previous research conducted in a global context has focused on only some of the steps in the financial planning process (Asbedo and Seay 2015; Boon *et al.* 2011; Chieffe and Rakes 1999; Knutsen and Cameron 2012; Sharpe *et al.* 2007). The study thus aimed to address the problem that was formulated as the **main research question** as follows:

*How can the six-step financial planning process that is currently applied in the financial planning industry be reconceptualised to be more inclusive and better serve South African consumers' financial planning needs?*

The thesis consists of eight chapters, of which a brief overview is now provided. **Chapter One** commences with the introduction and background to the study, which provides context for the aforementioned research problem and main research question. To address the research problem and main research question of the study, the **primary objective** was to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers. To give effect to the primary objective of the study, the following **secondary and methodological objectives** were formulated:

- SO<sup>1</sup>: To investigate how the six-step financial planning process is currently applied in the financial planning environment by CFP® professionals for South African consumers based on their diverse financial planning needs.
- SO<sup>2</sup>: To investigate the appropriateness of the six-step financial planning process from a South African perspective by considering the perspectives of CFP® professionals and decision-makers in Black households in South Africa.
- MO<sup>1</sup>: To conduct a theoretical investigation on the six-step financial planning process within the financial planning environment as well as the diverse financial planning needs of consumers in the South African context.
- MO<sup>2</sup>: To design an appropriate research methodology as a strategy to collect and analyse the primary and secondary data collected.
- MO<sup>3</sup>: To collect and analyse primary data using semi-structured interviews with CFP® professionals and decision-makers in Black households in South Africa
- MO<sup>4</sup>: To make appropriate recommendations to the financial planning industry by presenting a reconceptualised six-step financial planning process to: ensure that more suitable advice is provided to South African consumers; provide suggestions to Financial Planning Institute (FPI) recognised education providers to ensure a relevant academic curriculum for financial planning qualifications; and assist law-makers to improve legislation to support CFP® professionals and representatives of FSPs in providing advice to South African consumers.

Chapter One also provides a brief literature overview of the theoretical origins of financial planning, the diverse needs of the South African population, and an overview of the six-step financial planning process. A more comprehensive literature undertaking is presented in chapters Two, Three and Four. A brief research design and methodology is also presented in Chapter One, and further elaborated on in Chapter Five. A discussion on the significance and possible contributions of the study is provided, and an overview of the structure of the thesis concludes the first chapter.

**Chapter Two** provides an overview of the financial planning environment in South Africa, identifying key role players, namely the FSCA and SARB (main regulatory bodies) and the FIC and NCR (supporting regulatory bodies). These regulatory bodies are responsible for enforcing some of the primary financial services legislation, namely the FSR Act, FAIS Act, FICA Act and NCA. Professional bodies are also identified as key role-players, specifically the FPSB (international professional body) and the FPI (national professional body). A distinction between financial advisors and financial planners is made, and the competency requirements for both are discussed. The skills and competencies of financial planners are discussed in relation to the six knowledge and practice areas as described by the FPI. The six-step financial planning process is described as applied in the South African context, and previous research on the reconceptualisation of the six-step financial planning process is highlighted. The factors that may possibly influence the application of the six-step financial planning process in the South African context are described, and aspects that warrant a review of the six-step financial planning process are highlighted, given the unique challenges and diverse needs of South African consumers.

**Chapter Three** commences with a discussion of the concept of culture and cultural diversity, with a specific focus on the development of culture and the dimensions of culture as described by Hofstede (2011). These dimensions are then applied to the South African context and corresponding financial planning implications are identified. This provides evidence that the various cultures within South Africa exhibit these dimensions to a different extent, which is important when considering the different financial planning needs that arise among them. An overview of the factors that make South Africa unique, relevant to financial planning implications, is provided. Factors are discussed such as race and ethnicity, wealth creation and distribution, marital regimes and procreation, as well as family structures, all of which contribute to the complexity of financial planning needs of South African consumers.

**Chapter Four** focuses on Black households and the application of financial planning legislation and customary law. The chapter commences with a description of households and how they differ from a family unit. A family unit describes the nature and extent of the relations among members within a family, whereas a household is an extension of a family unit as it is composed of several members within a social arrangement who may or may not be directly related, but pool financial resources and participate in household consumption. A discussion on Black households is provided, including some of their common financial needs. These

financial needs are identified as land and property ownership, family wealth, family homesteads, *lobola* capital and black tax provision. Black households and customary law are then discussed in detail, considering the important role that customary law plays in regulating matters relating to marriage, consequences of marriage at death and divorce, children, inheritance and succession, land tenure and ownership. These matters all impact the role that traditional leaders play in dispute resolution in Black households.

The research design and methodology of the study are discussed in **Chapter Five**, in the context of the ‘research onion’ as described by Saunders *et al.* (2019). It was determined that interpretivism is the most appropriate research philosophy to use (first layer), in conjunction with an inductive research approach to theory development (second layer). A mono-method qualitative methodology (third layer) was adopted, and a qualitative survey research strategy (fourth layer) was used to collect data. Since data collection occurred with the participants at a specific point in time, a cross-sectional time horizon (fifth layer) is applicable to this study. The techniques and procedures for data collection and analysis are further discussed, as well as secondary data collection methods in the form of a thorough literature review (chapters Two, Three and Four).

Primary data collection methods are also discussed in Chapter 5, with semi-structured interviews being the most appropriate research method to collect data from the participants. The primary data collection process was facilitated by the use of an interview guide as the research instrument. The interview designs for both sample groups are also discussed. Two sample groups were identified for the purposes of the empirical investigation, namely South African CFP® professionals and decision-makers in Black South African households. Criterion sampling was adopted as a strategy for both samples, based on predetermined criteria, in order to identify suitable participants and to select a heterogeneous sample. The total sample size is 30 participants (16 CFP® Professionals; 14 decision-makers in Black households). This sample was considered to have high information power as per the principles determined by Malterud *et al.* (2016): the aim of the study is narrow, the sample has a dense specificity, it makes use of established theory, it has a strong quality of dialogue, and the depth of the analysis strategy indicates higher information power – thus 30 participants was deemed to be an adequate sample size.



Chapter Five also describes the techniques and procedures used for data analysis – the data was transcribed, checked and coded before a latent content analysis was conducted in order to analyse and interpret the data. The methods of promoting and trustworthiness are described, including how the elements of trustworthiness, namely credibility, transferability dependability and confirmability, were ensured. The ethical considerations are finally discussed by clarifying how ethical clearance was obtained in order to conduct the study.

**Chapter Six** provides the empirical findings from the interviews with the first sample of the study: CFP® professionals, and **Chapter Seven** provides the empirical findings from the interviews with the second sample of the study: Black household decision-makers. After the presentation of the demographic characteristics of each sample, the findings are discussed, by elaborating on the theoretical (a priori) and empirical (in vivo) themes that emerged from the study using the hybrid approach of both deductive and inductive analysis.

**Chapter Six** commences with a discussion of the demographic characteristics of the CFP® professionals. The majority of the 16 participants are male and of Black African ethnicity, with a variety of cultural and tribal affiliations. Their experience in the financial planning industry ranges from 3.5 years to 32 years. It stands to reason that all participants would have the minimum qualification required to be a CFP® professional (NQF 8), but it is interesting to note that one participant has a PhD qualification, other participants have coaching qualifications, and one participant has an additional professional designation (CeFT®). It is also interesting to note that six of the 16 participants are financial coaches and thus follow financial coaching methodologies when providing financial advice.

As with Chapter Six, **Chapter Seven** commences with a discussion of the demographic characteristics of the Black household participants. The majority of the 14 participants are male and of Black African ethnicity, and most of them are affiliated to the Xhosa culture / tribe. Less than half of the participants are married and five of these participants indicated that they are married according to customary law and also had their marriage registered as a civil marriage. Only three participants make use of a financial planner on a long-term basis, and five participants use financial planners on a transactional basis. The main empirical findings from both Chapters Six and Seven are discussed and compared in **Chapter Eight** (the current chapter). More importantly recommendations are made based on these findings.

### **8.3 DISCUSSION OF THE MAIN EMPIRICAL FINDINGS OF THE STUDY AND RECOMMENDATIONS**

This section provides a discussion of the key empirical findings from the analysis of the data collected from the two sample groups, namely CFP® professionals and decision-makers in Black households. These findings are discussed according to the six steps of the financial planning process which provided the framework for data analysis. A discussion is also provided of the overall application in a South African context of the six-step financial planning process according to the perspectives of CFP® professionals.

#### **8.3.1 STEP ONE: ESTABLISH AND DEFINE THE PROFESSIONAL RELATIONSHIP WITH THE CLIENT**

The main themes that emerged from the analysis of the empirical findings from CFP® professionals include sources of clients, establishing relationships, building trust, and similarity attraction of culture and ethnicity, age and gender. The main themes from the analysis of findings from decision-makers in Black households are the image of a financial planner, the nature and extent of the relationship, and the similarity attraction of gender, and culture and ethnicity.

When comparing these findings, it is clear that according to CFP® professionals, the image of a financial planner plays an important role when trying to establish a professional relationship with a client. This is illustrated by the fact that Black consumers have a generally negative image of a financial planner, which is influenced by their perceptions of a financial planner (sales-driven, they want a perfect client, and they do not have money themselves), as well as self-perception of their own financial situation (low minimum net wealth; too over-indebted). This finding is important, as literature indicates that stereotypes and poor experiences with financial planners have created a negative image of financial planners (Zeka *et al.* 2016:79). If a client has a negative image, it may hinder a financial planner's ability to establish a professional relationship with them. Similarly, if a financial planner has a preconceived image of someone from a particular culture or religious background, then they may harbour bias in establishing a relationship with the client.

Due to the fact that Black consumers have a generally negative image of a financial planner, they will most likely have a negative perception of the overall financial planning process. This is exacerbated by the fact that discussions around personal finances are considered impolite and taboo among the Black African community, which influences their ability to talk about these topics, and to trust a financial planner. This has an impact on the ability to establish a professional relationship, as found when considering the perspectives of CFP® professionals.

It is also clear that Black CFP® professionals have experienced racial bias from Black clients who prefer dealing with a White male financial planner. This was confirmed by most of the Black consumers who participated in the study, as they perceive White financial planners (White professionals in general) to be more competent and have more experience with finances. The Black household participants are also of the opinion that a White financial planner will assist them with the management of their black tax obligation, whereas a Black financial planner would not be objective regarding the payment of black tax and would pass judgement on the client if they held a different opinion. The findings also reveal that CFP® professionals experience gender biases from older females, especially in the Black African community. These findings are corroborated by the sample of decision-makers in Black households who prefer male financial planners, as they are sceptical of females and perceive male financial planners to be more competent.

Based on these findings, the following recommendations are made:

- When trying to establish a professional relationship with a client, it is important for CFP® professionals to **consider the source of the clients** – where and how the client was identified – as this may affect the way that the relationship is established. Clients who approach a financial planner due to the financial planner’s social media and online community presence, or because they were referred (client-initiated sources), may not need as much relational support as a client who is approached by a financial planner due to networking events, an external party, or because they are a bank customer (financial planner initiated).
- The FPI should provide workshops and seminars about how to successfully build a professional social media profile and content for online financial communities that is compliant with legislation and will assist in making financial planning advice

provided by a CFP® professional more appealing. This will assist in extending the reach of financial planning to all consumers – particularly Black consumers, because of the gender and ethnic biases that they have regarding financial planners that sometimes prevent them from seeking financial planning advice. This will also assist in making financial planners more accessible and change the image of a financial planner to a more positive one.

- Once financial planners have clarified a client's expectations, it is important to **commit to having several engagements with the client** prior to gathering monetary information. This will facilitate relationship building that will be long term in nature, which in turn, will result in a relationship of trust. During these engagements, it is also important to determine whether the client and the financial planner are compatible. Compatibility will be indicated when the client is interested in having a holistic approach to financial planning that is long term in nature, and whether the financial planner is able to address the client's needs and expectations.
  
- To overcome the barrier that discussions around personal finances are considered taboo in most Black cultures, financial planners should be aware of such cultural taboos that might have financial implications, if not addressed. The financial planner should incorporate practices that assist in clarifying and demystifying any concerns that the client may have, whilst maintaining cultural sensitivity and understanding. **Financial education should thus be provided** where any misconceptions and misunderstandings exist. This should be clarified in the first step of the financial planning process, because failure to do so may affect the financial planner's ability to accurately collect information (step two), provide appropriate recommendations (step four), ensure that the client does not resist buy-in to the financial plan (step five), and continue with an open channel of communication that both parties are comfortable with when reviewing the financial plan (step six).
  
- Given that some Black clients may have a racial or gender bias towards Black financial planners, it is important to first clarify and understand the source and reasons behind the client's perceptions. If the client's preference stems from cultural differences and social norms, it is important for the financial planner to make an attempt at understanding what would make the client feel more comfortable. In these cases, it

would be helpful if financial planners **work in diverse pairs or teams** to assist in bridging the racial or gender gap between the client and financial planner.

- It is also important for financial planners who do not share the same cultural background or gender with their clients, to find other **points of relatability** such as similar upbringing, or similar interests, by sharing and being open about themselves.

### 8.3.2 STEP TWO: COLLECT THE CLIENT'S INFORMATION

From the analysis of step two of the six-step financial planning process, the main themes that emerged among CFP® professionals relate to culture information differences and financial literacy and support, whereas among the decision-makers in Black households the main themes are information to be collected and client financial literacy.

The findings reveal that CFP® professionals do not perceive the information gathering process to be different for different cultures, that it should instead be objective driven, and that effective listening skills will assist in collecting the correct information. They also believe that having cultural awareness reduces biases in the way that questions are asked, so as not to offend the client. It was, however, noted that it is important not to use that cultural awareness to make assumptions that may offend the client, or possibly have detrimental financial implications. This sentiment is echoed by Black consumers who do not want financial planners to make assumptions about their finances based on their assumptions of Black individuals. For example, Black consumers indicate that financial planners should determine who is actually a financial dependant, because many financial dependants do not live in the same household.

Black consumers feel that the type of information that is collected should relate to acquiring an understanding of how their current household finances work. In addition, Black consumers perceive that financial planners should determine their ability to afford financial planning products. It is interesting to note that the type of information that Black consumers feel that financial planners should collect is related to the image that they have of a financial planner (step one) – namely that they are sales driven and expect a minimum net wealth (hence the need to determine affordability), and that they want to deal with their perception of a ‘ideal client’ (hence the need to understand how the client’s current household finances work). It is also interesting to note that the perceived method of information collection is consistent

between Black consumers and CFP® professionals. More specifically, Black consumers are of the opinion that information should be collected through a conversation where they are allowed to speak freely (and not a needs analysis document). This is consistent with the perception that financial planners should have effective listening skills in order to collect information from clients. Both participant groups also noted that assumptions should be avoided.

Financial planners noted that it is important to ascertain clients' level of financial literacy during the information gathering stage. Black consumers opined that in this regard, it is the role of the financial planner to both ascertain and ensure their clients' financial literacy, and to offer financial education to ensure client understanding. CFP® professionals noted that in addition to financial education, they encourage consumers to take ownership of their finances, and also offer emotional support around discussions pertaining to finances. This is consistent with the needs of Black consumers who indicated that financial literacy is important – they want to take ownership and control of their finances, be able to identify poor financial planning advice, and do a self-assessment of their current financial literacy and consequently their financial circumstances. The shared sentiment of taking ownership and control of one's finances, is said to lead to financial satisfaction (Ali, Rahman and Baker 2015; Hasibuan, Lubis and Altsani 2018; Yap, Komalasari and Hadiansah 2018; Adiputra 2021).

Based on these findings the following recommendations are made:

- Efforts should be made by leaders in financial planning firms, FSPs and the FPI to **encourage cultural awareness and cultural intelligence among CFP® professionals**. This should prevent any biases in the way that questions are asked, so as not to offend or impose their own beliefs or understandings of a particular culture, especially when dealing with Black clients. It is not necessary to know the intricate details of every South African culture; however, it is important to have an awareness of the fact that the cultural background of Black clients plays an important role in how they perceive money, as well as how discussions around money take place.
- The **FPI should provide workshops and webinars** to their members (CFP® professionals). These workshops should revolve around personal finances, as well as the attitudes, perceptions and relationships that individuals from different ethnicities and cultural backgrounds have about money (the human side of financial planning).

Currently, the focus is on legislative matters pertaining to individuals from different cultural backgrounds, but more emphasis should be placed on the human side of financial planning.

- **Encouraging a focus on the human side of financial planning** from an industry as well as an academic perspective will improve the information gathering process for CFP® professionals, as they will be more sensitised and aware of how they frame their questions. It will also put them in a position to identify when a client is reluctant to share their personal information due to social norms in their culture.
- As part of gathering client information, it is important for CFP® professionals to **ascertain the client's financial literacy levels** and provide opportunities for clients to do a self-assessment of their financial literacy and consequently their financial circumstances. This can be done by considering the types of questions that clients ask, asking clients what their understanding is, and allowing them to express their understanding in an emotionally and psychologically safe and comfortable environment. Creating such an environment will put clients at ease, particularly Black clients who may not be used to, or comfortable with speaking about finances.
- When ascertaining a client's level of financial literacy, it is important **not to make assumptions** that because the client may be educated, or exhibit the characteristics of financial literacy (financial knowledge, positive financial attitude and financial behaviours), they are literate regarding financial planning.

### 8.3.3 STEP THREE: ANALYSE AND ASSESS THE CLIENT'S FINANCIAL SITUATION

Analysis of the third step of the financial planning process revealed that the main themes that emerged among CFP® professionals relate to the diversity of financial planning needs among different cultures, as well as prioritised needs among Black households. The main theme that emerged among Black households relates to their prioritised needs. CFP® professionals do not perceive Black households to have financial needs that are different from other households. However, Black households (as with all individuals from different cultural backgrounds) define their needs differently, have different exposures to financial resources to address their financial

needs, and also satisfy and prioritise their needs differently. Black consumers, in particular, are characterised as being short-term oriented and indulgent in nature. This was attributed to the lack of financial education and limited exposure to financial products and positive financial behaviours due to their upbringing. Black consumers opined that because most of them were raised in impoverished circumstances, and despite knowing and understanding the need to make long-term provisions, short-term financial needs tend to take priority.

The prioritised needs of Black households (sub-themes) that emerged from both participant groups include the need to make provision for black tax, estate planning, provision for funerals, and owning property. The need to make provision for *lobola* and initiation schools was also mentioned by the Black household participants, but to a greater extent than CFP® professionals as these form part of several traditional ceremonies. The need to make provision for a family home was mentioned by Black household participants but not by CFP® professionals.

The findings reveal that CFP® professionals usually have some understanding of what black tax entails for Black clients. They noted that black tax is a common practice among single Black females and that it is a cultural expectation that often results in feelings of conflict, financial over-commitment and debt, all of which have long-term financial implications. They also opined that black tax is linked to the need for belonging and should be consistent with the principles of *ubuntu*, to uplift the family and community. Black household participants noted that this cultural expectation ensures good relations with their family and from a Muslim perspective, it is a principle of Shariah law that anything that one has in excess should be given away (with the mother having first preference).

CFP® professionals perceive their role as financial planners to seek understanding from the client, to understand that different cultures have different boundaries around money, and to probe what their clients' emotions and beliefs are regarding black tax, since not all Black consumers may view black tax in the same way. Black household participants, however, have a very different perception of the role of the financial planner, as it pertains to black tax. They perceive that despite the cultural obligation, financial planners will most likely prioritise debt obligations over the payment of black tax, and that for those who want to avoid black tax, a White financial planner would be able to assist them as they would be objective. Conversely, black financial planners would want to uphold the cultural obligation of black tax due to their subjectivity. This type of thinking is a misconception held by Black consumers, as it is a



competency and ethical requirement in the financial planning profession to apply the FPI code of ethics to: put the client first (principle 1), be objective (principle 3) and fair (principle 4).

Estate planning was identified as another need that is (or should be) prioritised by CFP® professionals for Black households. CFP® professionals noted that Black clients want to leave a legacy for those they leave behind, but that there are various misconceptions regarding the financial planning tools that are required to do so, such as a will and life insurance. CFP® professionals noted that there are stigmas associated with a will, and for those who do have a will, a family may attempt to implement customary law provisions despite the presence of a valid will.

The CFP® professionals noted that these misconceptions are fuelled by a lack of financial education, and directed marketing campaigns that associate estate planning with funerals instead of long-term financial planning after death. These assertions were supported by Black household participants who reported that talking about death and money is avoided, yet these are crucial elements in estate planning. It was found that there are often arguments and disagreements when it comes to succession planning, and the descendants of the deceased are often left without clarity because discussions around death and money are considered to be taboo.

Black household participants noted (as did the CFP® professionals) that there is a stigma attached to life insurance policies, as they are associated with the possibility of murdering the policy holder in order to obtain the payout. It was also noted that Black consumers are misinformed regarding life insurance and that in instances where life insurance is in place, there is secrecy regarding who the beneficiaries are. It was noted that funeral policies are prioritised over life insurance, which is also due to a lack of deliberate discussions around death, a lack of awareness and knowledge, and the fact that marketing and advertising campaigns focus on funeral policies and instead of the importance of life insurance.

Provision for funerals was also noted as a prioritised need for Black households by CFP® professionals. They are of the opinion that one of the reasons for this is because the previous generation of Black consumers had limited exposure to other financial products. It was also revealed that providing dignity to the family member who has died plays an important role in the prioritisation of funeral policies. The prioritisation of funerals was also used by CFP®

professionals as an example of Black consumers being short-term oriented. The Black household participants, on the other hand, noted that funerals are prioritised because there are additional traditional rites and customs that are involved with funerals, and also since most Black consumers grew up impoverished, it is important that the deceased has a dignified funeral.

Another financial need that was not mentioned by CFP® professionals, but appears to be one of the most important financial needs based on how often it was mentioned by Black household participants, is the family home. It was found that the family home plays an important role among Black household participants, as it serves as a safe haven or safety net for family members in the event of financial struggles, or for retirement. In many cases, it is also the site of family graves, especially in rural areas where the home is the location for rituals and traditional ceremonies. It is for these reasons – as well as those mentioned regarding estate planning avoidance – that the succession of the family home is a cause of disagreement for many Black consumers. Black household participants noted that there is an unrealistic attachment to the family home, that makes selling it a challenge. Disagreements among family members about selling the home often result in it becoming a financial burden for the descendants of the deceased.

Based on these findings the following recommendations are made:

- Financial planners need to **establish their clients' emotions and beliefs around black tax** to ensure that they have an accurate understanding of how it is perceived by Black consumers. In doing so, financial planners will be able to accurately advise their client and assist them with managing not only the financial obligation associated with black tax, but the emotional one too. This would be especially beneficial for clients who view black tax unfavourably.
- Where financial planners have identified that taboos around money and death are prohibiting their client from participating in estate planning, they should **encourage openness, and clients should be given an opportunity to share their concerns and belief about death**. Time should thus be taken to clarify and address any misconceptions that they may have.

- FSPs need to create **marketing and advertising campaigns** that are tailored specifically to Black consumers with regard to their life insurance products. These marketing and advertising campaigns should include Black individuals so that Black consumers can identify with, and relate to them. In addition, these marketing and advertising campaigns should address some of the misconceptions and taboos that are associated with life insurance products.
  
- Since a will is not a financial planning product, the FSCA should embark on **education campaigns** surrounding the purpose and importance of having a valid will. These education campaigns should be tailored to Black consumers and address some of the taboos that are associated with wills. It is also important that the education campaign relay not only the financial planning implications of not having a valid will, but also the consequences of not having a valid will on succession planning, familial relations and the descendants of the deceased.
  
- Financial planners should intervene if, after having analysed their client's information, they find that they have a family home without a succession plan. Financial planners should suggest appropriate financial planning strategies, but most importantly, open discussions with the clients' family should be encouraged to **establish the role that the family home plays for the client and the family**. It is also important to determine the extent to which any emotional connections to the family home may result in unrealistic expectations that could have negative financial planning implications.

#### 8.3.4 STEP FOUR: IDENTIFY AND EVALUATE POSSIBLE FINANCIAL PLANNING STRATEGIES

The main themes from the analysis of the fourth step of the financial planning process among CFP® professionals are tailored financial advice and approaches to financial planning. Among Black household participants, the only theme to emerge was *stokvels* as a financial planning tool. The findings reveal that CFP® professionals perceive that the same financial planning tools can be used to satisfy different cultural needs, and that cultural intelligence is needed when giving financial advice to consumers from different cultural backgrounds. In addition, the delivery and phrasing of the financial advice given to clients needs to be tailored to the consumer's cultural background.

It was discovered from Black household participants that *stokvels* are the most common micro-finance tool used by Black consumers, for various reasons, such as to pay tuition fees, to purchase annual school supplies, to supplement their retirement annuity, or for any other unplanned expense. For some, *stokvels* are preferred over formal financial products because they perceive that they yield a higher return, and others use them to supplement their current provisions. *Stokvels* are also used for other income generating activities in order to increase the capital held by the *stokvel*, such as purchasing livestock for resale, or offering interest-bearing loans to non-members.

Based on these findings, the following recommendations are made:

- CFP® professionals should make efforts to **encourage and improve cultural intelligence** by learning about other cultures, seeking opportunities to interact with people from other cultures, and trying to become aware of their own cultural biases and assumptions. This will assist in delivering and phrasing financial advice to Black consumers with sensitivity and consideration of their cultural background.
- CFP® professionals should **assess the extent to which informal or indigenous financial planning tools such as *stokvels* are serving the needs** of the consumer. If these are determined to be suitable, it is important to consider them when making an assessment of the client's financial needs and to incorporate these tools into the client's financial plan.

### 8.3.5 STEP FIVE: IMPLEMENT FINANCIAL PLANNING RECOMMENDATIONS

When considering the fifth step of the financial planning process, the main themes that emerged among CFP® professionals relate to buy-in assurance, reasons for resistance, and overcoming resistance to the implementation of a financial plan. Among the Black household participants, since not all of them currently make use of a financial planner, the main theme that emerged relates to what would improve their buy-in to a financial planner (if they currently do not make use of one) or a financial plan (if presented by a financial planner).

CFP® professionals noted that buy-in from clients who approach financial planners due to their presence in the online financial community have already bought into the financial planning process, due to the content that is shared by the financial planner. CFP® professionals also noted that their clients demonstrate more buy-in to the financial plan when they use a fee-based or time-based remuneration model – as opposed to commission – because they spend more time building a relationship with the client and providing advice (as they are not motivated by selling a product). This is consistent with the desires of the Black household participants who noted that they are more likely to have buy-in to a financial plan or a financial planner if they are not tied to one insurance or investment company, and if they are service driven instead of product driven.

CFP® professionals noted that the reasons for resistance to the implementation of a financial plan may be because it can often be overwhelming, the plan may be incompatible with the client, or clients may view the financial planning process as transactional. This is consistent with the sentiments of the Black household participants who noted that they would only consult a financial planner if they were to receive an unexpected lump sum, or for retirement planning purposes. CFP® professionals also noted certain client characteristics that increase resistance to implementation, such as the age of the client, patriarchal roles within the Black African culture, and the fact that Black consumers are reluctant to talk about death. It is interesting to note that taboos appeared as a hindrance to relationship building (step one), gathering information (step two), analysing information (step three), as well as the current step (step five) in trying to implement a financial plan.

To overcome resistance to the implementation of a financial plan, CFP® professionals noted that their clients are more committed to the implementation after the planner has spent considerable time on the financial education of the client. It was also noted that implementing one goal at a time assisted clients who felt overwhelmed by the implementation of the financial plan.

Based on these findings, the following recommendations are made:

- CFP® professionals should note that to ensure buy-in to the financial plan, time should be spent on **client financial education** during all steps of the financial planning process. This is particularly important where the financial planner has identified a gap

in the client's financial literacy, or a misunderstanding or misconception about a particular financial product or financial planning tool (such as a will or life insurance). This will ensure that by the time the CFP® professional has presented the financial planning recommendations during the fifth step of the financial planning process, the client should not have any reservations or uncertainty derived from any point during the financial planning process leading up to the implementation of the financial plan.

- When CFP® professionals design a financial plan, they need to ensure that the client has an emotional connection to it. This can be done by **aligning the client's financial plan with their self-esteem and self-actualisation goals**.
- When CFP® professionals present the financial plan to clients – particularly older Black clients who may have had limited prior exposure to financial planning and may feel overwhelmed and confused – the option of **implementing one goal at a time** should be provided based on what the client is comfortable with. It is important that this is option is provided and clarified when presenting the financial plan to the client.

#### 8.3.6 STEP SIX: REVIEW THE CLIENT'S FINANCIAL PLAN

When considering the final step of the six-step financial planning process, the main theme for both participant groups relates to factors that warrant a review of the financial plan. The main sub-themes among CFP® professionals relate to financial planner-initiated factors and client-initiated factors. Among Black household participants, the sub-themes in this regard relate to life cycle changes and lifestyle changes.

The main findings reveal that the financial planner-initiated factors are related to the legislative requirement to do an annual review – based on what was agreed upon with their client – to review the remuneration model used, and to provide an update on progress with the client's goals. Client-initiated factors relate to their expectations from the financial planner and changes in their life transitions. These transitions are consistent with life cycle and lifestyle changes identified by the Black household participants.

Based on these findings, the following recommendations are made:

- CFP® professionals need to **teach their clients how to identify a life transition** that may have a financial implication, and to encourage them to approach the financial planner should this life transition occur. By doing this, clients will be prompted to approach the financial planner to assist them through any life transitions.
- CFP® professionals should provide an **update on the progress with their client's financial goals** during the review process. This is especially relevant for financial goals that do not have any associated financial products. This will also assist in dispelling the perception that financial planners are sales driven, and showcase instead the financial planner's value to the client.

### 8.3.7 OVERALL PERCEPTIONS OF THE SIX-STEP FINANCIAL PLANNING PROCESS

The CFP® professionals were asked their opinion on the six-step financial planning process. The main themes that emerged from the analysis of the findings are current suitability, financial planning education and training, and suggested changes to the six-step financial planning process. The main findings reveal that the CFP® professionals perceive the current six-step financial planning process as being either unsuitable, or partially suitable. It was also found that CFP® professionals perceive that changes are necessary to the financial planning education and training offered at tertiary level (recognised education providers), by FSPs (business and product specific training), and by the FPI (professional competency examination and continuous professional development programmes). The required changes relate to the academic curriculum at tertiary level and contextualisation of the content and assessment materials provided by the FSP, FPSB and FPI. It was also noted that changes are required to the six-step financial planning process in the South African context.

Based on these findings, the following recommendations are made:

- Recognised education providers and the FPI (which provides accreditation to financial planning programmes) should **incorporate aspects that represent the human side of money into the academic curriculum** of the formal financial planning qualifications offered. Examples include financial coaching elements, the psychology of the client as it pertains to money, and accounting for different cultural backgrounds.

- FSPs need to **contextualise the training material and examples presented** when providing business and product-specific training about the products they offer. This will assist representatives of FSPs in offering financial advice and financial products to Black consumers that will address their particular needs.
- The FPI and the FPSB need to **provide a South African context to the continuous professional development programmes** that they offer to members of the FPI, as well as to the **assessments for the professional competency examinations**. This can be done by presenting examples and questions that are representative of a typical Black South African household.

#### 8.4                    **A RECONCEPTUALISED PERSPECTIVE OF THE SIX-STEP FINANCIAL PLANNING PROCESS**

The main research question of the study is *how can the six-step financial planning process that is currently applied in the financial planning industry be reconceptualised to be more inclusive and better serve South African consumers' financial planning needs?* To address this question, the findings of the study are used to present a reconceptualised perspective of the six-step financial planning process. This was done by incorporating the study's findings and suggesting financial planning practice standards that are complementary to those currently used by the FPI. Table 8.1 presents the reconceptualised financial planning process by showing the current FPI practice standards, and the researcher's suggested practice standards in bold.



**Table 8.1: A reconceptualised perspective of the six-step financial planning process**

<b>SIX-STEP FP PROCESS</b>	<b>CURRENT AND ADDITIONAL (RECONCEPTUALISED) FPI FINANCIAL PLANNING PRACTICE STANDARDS</b>
<b>Establish and define the professional relationship with the client</b>	<ol style="list-style-type: none"> <li>1. Introduction to the client (letter of introduction and disclosure letter).</li> <li>2. Inform the client about the purpose and value of financial planning, as well as the FPI professional member's competence.</li> <li>3. Conduct a high-level discussion to determine the client's needs. <b>This may require several engagements or meetings where non-monetary questions are prioritised.</b></li> <li>4. <b>Demystify and clarify any misconceptions or misunderstandings that the client may have, that may hinder the establishment of a successful relationship.</b></li> <li>5. <b>Clarify the client's expectations and determine their prior experience with, and perceptions of financial planners.</b></li> <li>6. <b>Find points of relatability with the client by relating to aspects of their background and upbringing that are similar to those of the financial planner.</b></li> <li>7. <b>Determine client and financial planner compatibility.</b></li> <li>8. Define scope of engagement between the financial planner and the client.</li> </ol>
<b>Collect the client's information</b>	<ol style="list-style-type: none"> <li>9. Identify the client's personal and financial, qualitative and quantitative needs, objectives and priorities.</li> <li>10. <b>Determine the client's values, attitudes, beliefs, experiences and cultural social norms that shape their perceptions and attitude towards personal financial planning.</b></li> <li>11. <b>Determine the client's type and level of financial literacy and identify possible opportunities or interventions for financial education.</b></li> <li>12. <b>Be culturally aware when phrasing questions and co-creating the conversation with the client.</b></li> <li>13. Collect, in writing, quantitative and qualitative information.</li> <li>14. Obtain the client's written authorisation to gather information from third parties.</li> </ol>
<b>Analyse and assess the client's financial situation</b>	<ol style="list-style-type: none"> <li>15. Analyse the client's information</li> <li>16. Assess and confirm the client's needs, objectives and priorities.</li> <li>17. <b>Determine the motivations and intentions behind needs identified by the client, and either provide financial education if required, or make adjustments to the financial needs analysis.</b></li> <li>18. <b>Demystify and clarify any misconceptions or misunderstandings that the client may have, that will hinder their understanding of the financial needs identified.</b></li> <li>19. Provide the client with a written quotation or cost estimate and obtain written approval thereof.</li> </ol>

<b>Identify and evaluate possible financial planning strategies</b>	<p><b>20. Assess the suitability of the current financial planning products and strategies used by the client (formal and informal) and factor these into the client's financial plan, if appropriate.</b></p> <p>21. Identify and evaluate financial planning strategies, products and/or services.</p> <p>22. In writing, develop financial recommendations and where applicable, recommend financial product solutions.</p> <p>23. Present, in writing, financial planning recommendations and/or solutions to the client.</p> <p><b>24. Discuss the financial planning recommendations with cultural sensitivity and consideration, where applicable.</b></p> <p><b>25. Address any misunderstandings or misconceptions regarding financial products or financial planning strategies that will inhibit implementation, and provide financial education where required.</b></p> <p>26. Agree with the client, in writing, on products and/or services to be implemented.</p>
<b>Implement the client's financial planning recommendations</b>	<p><b>27. Agree with the client, in writing, which financial goals they are comfortable with implementing first, and address them individually – if the financial planner has identified that the client is confused and overwhelmed by the financial planning recommendations.</b></p> <p>28. Agree with the client, in writing, the financial and/or product advice provided/implemented as well as the ongoing implementation responsibilities of the respective parties to the relevant contract or transaction.</p> <p><b>29. Provide client financial education on which life transitions (lifestyle and life cycle changes) require a financial planning intervention and a review of the financial plan.</b></p> <p>30. Implement the agreed products and/or services.</p>
<b>Review the client's situation</b>	<p>31. Agree, in writing, on the terms and responsibilities for the review and re-evaluation of the client's situation. The member and client mutually define and agree the terms for reviewing and re-evaluating the client's situation.</p> <p>32. Review and re-evaluate client's situation as agreed.</p> <p><b>33. Review progress on the client's financial goals that are not associated with a financial product.</b></p>

\*Bold: Researcher's own additions

**Source: Adapted from the Financial Planning Institute Code of Ethics and Practice Standards (2021) and own construction based on the findings of the study**

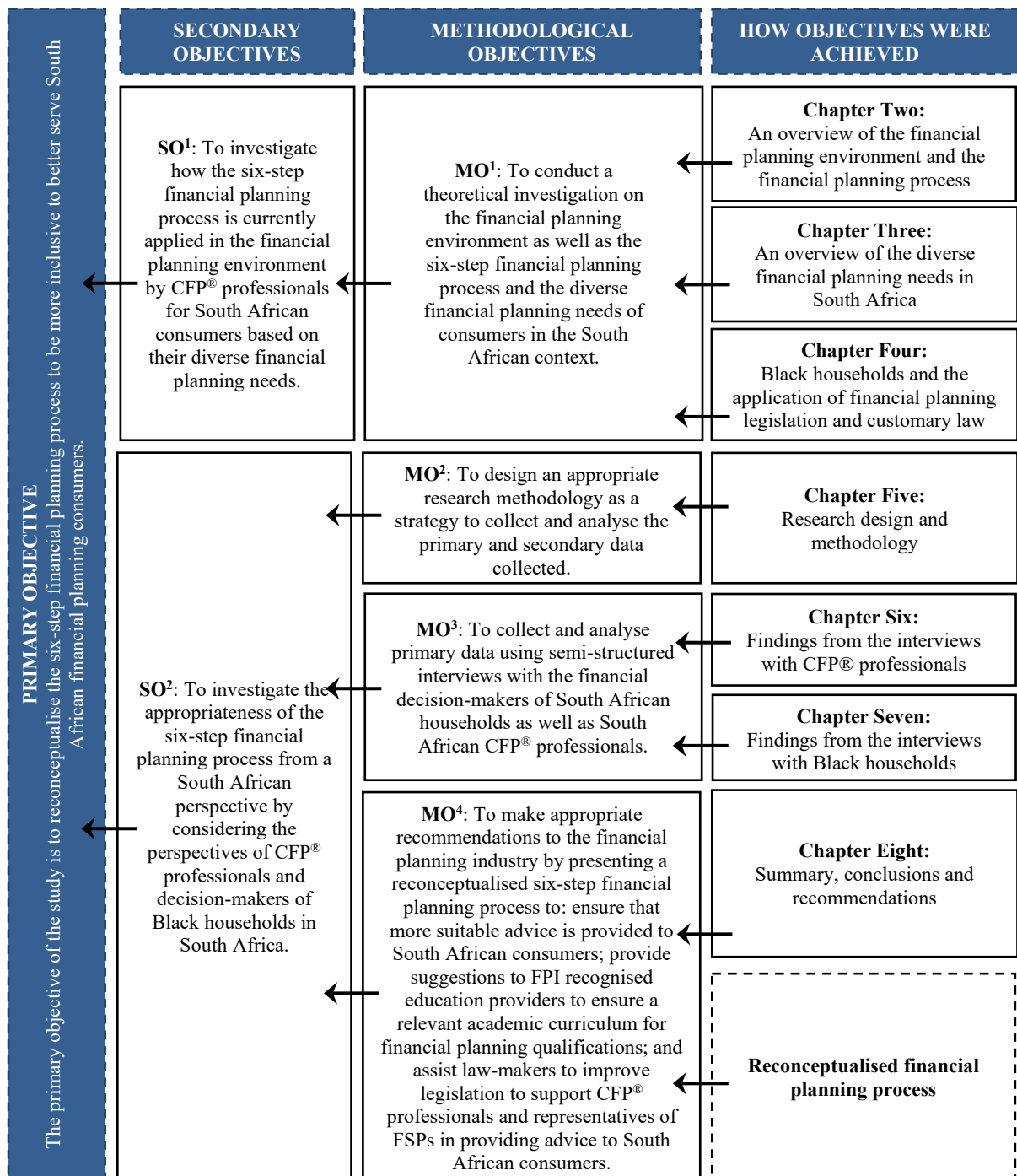
Table 8.1 shows that the suggested practice standards are complementary to those currently applied by the FPI in the six-step financial planning process.

## 8.5

## ACHIEVEMENT OF THE OBJECTIVES OF THE STUDY

As the study concludes, it is important to reflect on the achievement of the research objectives stated at the start of the study. Figure 8.2 provides an overview of the research process (also presented in Chapter One), to illustrate how the study's objectives have been achieved.

**Figure 8.2: The research objectives of the study achieved**



Source: Researcher's own construction

Figure 8.2 shows that in order to achieve the primary objective of the study, two secondary objectives were first achieved, namely SO<sup>1</sup> and SO<sup>2</sup>. In order to execute the study practically, several methodological objectives were developed in aid of meeting the secondary objectives. The first methodological objective (MO<sup>1</sup>) of the study was to conduct a theoretical investigation on the financial planning environment as well as the six-step financial planning process, and the diverse financial planning needs of consumers in the South African context. This objective was achieved by completing an extensive literature review that consists of three chapters (chapters Two, Three and Four).

Chapter Two provides the South African financial planning context and Chapter Three emphasises the diverse financial planning needs due to South Africa's cultural diversity. Given the financial planning context provided, and the diverse and unique financial planning needs identified, Chapter Four provides an overview of Black South African households and how financial planning legislation is applied, as well as customary law. Through the literature review, this study investigated how the financial planning process is currently applied in the financial planning industry by CFP® professionals for South African consumers based on their diverse needs. Therefore, by completing these chapters, the first methodological objective (MO<sup>1</sup>) was achieved, thus achieving also the first secondary objective (SO<sup>1</sup>).

In order to achieve the second secondary objective of the study (SO<sup>2</sup>), the three remaining methodological objectives (MO<sup>2</sup>, MO<sup>3</sup> and MO<sup>4</sup>) needed to be addressed. The second methodological objective (MO<sup>2</sup>) was to design an appropriate research methodology as a strategy to collect and analyse the primary and secondary data collected. This objective was achieved by completing Chapter Five, which presents the research design and methodology of the study and discusses the development of the research instrument (interview guide) that was used to collect primary data. The third methodological objective (MO<sup>3</sup>) was to collect and analyse primary data using semi-structured interviews with South African CFP® professionals and financial decision-makers in Black South African households. This objective was achieved by completing chapters Six and Seven, which present the findings after analysis and interpretation of the data collected from the two sample groups.

The final methodological objective (MO<sup>4</sup>) was to make appropriate recommendations to the financial planning industry by presenting a reconceptualised six-step financial planning process to: ensure that more suitable advice is provided to South African consumers; provide

suggestions to FPI recognised education providers to ensure a relevant academic curriculum for financial planning qualifications; and assist law-makers to improve legislation to support CFP® professionals and representatives of FSPs in providing advice to South African consumers. This objective was achieved in this chapter (Chapter Eight) by providing various recommendations based on the findings of the study (Section 8.3) and presenting a reconceptualised perspective of the six-step financial planning process (Table 8.1).

By achieving these three methodological objectives (MO<sup>2</sup>, MO<sup>3</sup> and MO<sup>4</sup>), the appropriateness of the six-step financial planning process from a South African perspective has been provided, by considering the perspectives of CFP® professionals and decision-makers in Black households in South Africa. Therefore, the second secondary objective of the study (SO<sup>2</sup>) has thus been achieved and in turn, the primary objective of the study has been achieved, namely to reconceptualise the six-step financial planning process to be more inclusive to better serve South African financial planning consumers. In achieving the primary objective of the study, the main research question was answered by presenting a reconceptualised financial planning process.

## **8.6 CONTRIBUTIONS OF THE STUDY**

By virtue of conducting this study, several theoretical, empirical and practical contributions have been made.

### **8.6.1 THEORETICAL CONTRIBUTION**

This study makes a contribution to the financial planning literature by conducting a review of the financial planning environment and the application of the six-step financial planning process in existing studies. Thus, the study assessed the suitability of the financial planning process in a South African context, given the high degree of cultural diversity, and presented several factors that contribute to the unique needs of South African consumers – which indicated the need for an adjusted approach to the application of the six-step financial planning process. This was done by offering a theoretical evaluation of the suitability of each of the six steps of the financial planning process, and relating it to how it is practically applied in the South African context. This proved valuable, as South Africa is characterised by aspects such as low financial literacy levels, poor savings behaviour, as well as income and wealth

inequality. Furthermore, the evaluation of previous research studies, specifically on the revision of the six-step financial planning process both nationally and internationally, added to the rigour of the theoretical investigation.

Where previous South African studies in financial planning focused on specific knowledge areas, namely retirement planning (Butler 2012; Kajauchire 2015; Nkoutchou and Eiselen 2012; van der Merwe 2009; Zeka 2017), estate planning (Carrol 2010; Ostler 2012; Roeleveld 2012; Venter 2014), health insurance and risk management (Kirigia, Sambo, Nganda, Mwabu, Chatora and Mwase 2005; Munro and Snyman 1995; Smit and Watkins 2012; van Wyk, Bowen and Akintoye 2008), and investment management (Hamilton, Jo and Staman 1993; Herringer, Firer and Viviers 2009; Viviers, Bosch, Smit and Buijs 2009; Willows and West 2015), this study made a theoretical contribution by offering a South African perspective and a greater contextual understanding of these concepts through the perceptions and lived experiences of CFP® professionals and Black households.

In addition, the study has also contributed to the culture and cultural diversity literature by doing a review of Hofstede's (2011) cultural dimensions and their application in the South African context. This is especially important, given that South Africa's national culture has been determined by applying the cultural dimensions of Hofstede's Insights (2022) framework, without including the perceptions, experiences and characteristics of Black South Africans. In addition, the financial planning implications and provisions that need to be made as a result of the cultural dimensions, were assessed by reviewing these cultural dimensions based on the South African context. Furthermore, a theoretical assessment of the financial planning needs of Black households was provided, related to Maslow's (1943) hierarchy of needs.

An additional theoretical contribution was made by providing a review of some of the main provisions of customary law and the financial planning implications that arise. These implications may not be provided for when giving financial planning advice that is guided by current financial planning legislation. Therefore, the study makes an overall contribution to the body of knowledge on financial planning, and attempts to provide elements of scholarship to the field of financial planning, which is often characterised as lacking a theoretical underpinning of its own.

### 8.6.2 EMPIRICAL CONTRIBUTION

This study makes an empirical contribution by being the only study to empirically investigate the appropriateness of the six-step financial planning process in a South African context, by considering the perspectives of both CFP® professionals and decision-makers in Black households. Existing research has been conducted only in a global context and only on certain steps of the financial planning process (Asbedo and Seay 2015; Boon, Yee and Ting 2011; Chieffe and Rakes 1999; Knutsen and Cameron 2012; Sharpe *et al.* 2007). Therefore, an important empirical contribution has been made in this study by investigating each of the six steps of the six-step financial planning process and its appropriateness in a South African context.

By conducting a detailed investigation of the six-step financial planning process from the perspectives of both CFP® professionals and decision-makers in Black households, more information is available about culturally orientated needs of Black households and its impact on the application of the six-step financial planning process. In addition, more information is available on the role of gender and ethnicity in the six-step financial planning process in a South African context.

This study has made an empirical contribution by developing a coding framework that can be used and applied in future studies that may investigate the reconceptualisation of the financial planning process, in various contexts. This coding framework can also be quantitatively assessed by developing a questionnaire that can be empirically tested.

The main empirical contribution made by the study is the reconceptualised six-step financial planning process that is presented in Table 8.1. This revised financial planning process can be used as a research instrument in future studies, to determine the extent to which financial planners incorporate the cultural background of their clients when applying the six-step financial planning process.

### 8.6.3 PRACTICAL CONTRIBUTION

The study makes a practical contribution to the financial planning industry by providing an assessment of the suitability of current practices in the financial planning profession as it

pertains to the cultural background of Black consumers, in particular. The findings suggest that the six-step financial planning process – as it is currently applied – is suitable to a limited extent, but requires context, guidance, interpretation and compatibility with the demographics of consumers in South Africa. This study addresses this need by reconceptualising the six-step financial planning process that can be used by FPI and CFP® professionals when providing financial advice to a diverse consumer base.

This study provides justification and evidence for the inclusion of aspects that enhance the understanding of cultural diversity and the needs of Black consumers in the academic curriculum of FSCA recognised qualifications, specifically FPI recognised qualifications for the RFP™ and FSA™, as well as CFP® designations. A practical contribution is therefore made to the academic curriculum of recognised education providers, due to the theoretical contribution that can inform and influence the prescribed material that is provided in the formal training programmes for these qualifications and professional designations. This is important because, despite training financial planning professionals to be competent in their ability to provide financial planning advice, they should also be trained on how to establish relationships with consumers from different cultural backgrounds, and how financial planning advice should be delivered in different cultural contexts.

Another practical contribution is made to FSPs regarding the facilitation of business and product-specific training that FSPs are required to provide and financial products that they develop. The study has provided justification and evidence for including aspects relating to cultural diversity and the needs of Black consumers and households into the learning outcomes and training materials provided by FSPs to their representatives. Training should be provided on the delivery and phrasing of the advice that is associated with products when considering individuals from different cultures. In addition, the study has provided evidence for the need to develop financial products, or customise existing financial products, that address the needs of Black consumers – especially culture-specific financial needs such as black tax, *lobola* or funding for initiation schools.

Finally, the study makes a practical contribution to the assessment materials of recognised education providers, the FSCA regulatory examination, and the FPI professional competency examination. The findings of the study provide evidence for the inclusion of examples in the assessment materials and continuous professional development programmes that are more



relevant and applicable to the South African context pertaining to the needs of Black consumers. The study has also provided evidence for including aspects to assess the cultural intelligence of financial planning representatives and professionals, so that they are able to address the needs of consumers from different cultural backgrounds.

## **8.7 LIMITATIONS OF THE STUDY AND FUTURE RESEARCH IDEAS**

The study has attempted to make significant theoretical, empirical and practical contributions to the body of knowledge on financial planning. Despite the numerous contributions made by the study, some limitations exist. Nevertheless, these limitations present several opportunities for further research.

This study made use of an interpretivist research philosophy and a qualitative research methodology which is used when trying to gain a deeper understanding of a phenomenon in question. These research methods are often characterised as lacking in the ability to generalise the findings to wider contexts. Despite establishing transferability of the findings in this study, it is suggested that a positivistic research philosophy and quantitative research methodology might be used for future research studies, in order to generalise the findings to the broader South African population.

English is a second or third language for most of the participants that were interviewed in the study. As such, trans-language usage occurred, and grammatical and language errors were recorded verbatim. Despite this not hindering the data collection or analysis process, it is recommended that for future studies, participants should be able to participate in interviews in their mother tongue, in order to better capture the nuances of their perceptions and intended meaning.

The fact that Black consumers avoid discussions around personal finances proved to be a challenge when recruiting this sample. Despite numerous recruitment methods, decision-makers in Black households proved to be reluctant to self-enrol for the study, an issue which extended the data collection period for the study. It is recommended that alternative sampling methods should be adopted for future studies involving Black participants and discussions about personal finances.

Originally, the intention was to conduct face-to-face interviews with the research participants. However, during the course of the study, the COVID-19 pandemic occurred, which clearly limited travel and social interactions. Online interviews were conducted instead, which despite the various benefits, presented challenges such as connectivity issues, audio issues, or load shedding issues. It is recommended that future research studies should include face-to-face interviews, which will also make it easier to observe non-verbal cues, such as the participants' body language.

## **8.8 FINAL REMARKS**

This study has made various contributions to financial planning theory, the academic environment, financial planning business practices, and standards of professional bodies, by presenting a reconceptualised six-step financial planning process. Furthermore, this study has provided a South African context to a globally applied process, by considering the perspectives of both CFP® professionals and decision-makers in Black households. It is hoped that by doing so, financial planning becomes accessible, desirable and inclusive for all South African consumers, Black consumers in particular.

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**ANNEXURE A:**  
**INFORMATION PROVIDED TO CFP® PROFESSIONAL**  
**PARTICIPANTS**

# NELSON MANDELA

## UNIVERSITY

**Faculty of Business and Economic Sciences**  
**Department of Business Management**  
**Nelson Mandela University**

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**March 2022**

**REF: H21-BES-BMA-036**

**Contact person: Jasmine Kinsman**

Dear Participant

You are requested to participate in a PhD research study entitled: A reconceptualised perspective of the six-step financial planning process in South Africa. The purpose of the study is to determine how the six-step financial planning process (used by Certified Financial Planning (CFP®) professionals to provide suitable financial planning advice to consumers) can be reconceptualised to better serve consumer needs in the South African context. To do so, the perceptions, opinions and experiences of decision-makers of Black (Black African, Coloured, Asian and Indian) South African households and South African CFP® professionals will be collected regarding the appropriateness of the six-step financial planning process based on their financial planning needs (households) or based on the advice that is provided (CFP® professionals). Black households are particularly focused on in this study as they represent the majority of South African consumers (approximately 90%), have historically been excluded from participating in the formal financial services industry and have been documented as having low levels of financial literacy (van Rensburg 2017; Klapper *et al.* 2015:8; Rootman and Antoni 2014:476). You will be provided with the necessary information to assist you in understanding the purpose of the study and explain what would be expected of you. These guidelines would include the risks, benefits, and your rights as a study participant. Please feel free to ask the researcher to clarify anything that is not clear to you.

### **Background information on the study and clarification of expectations**

South Africa is one of the most diverse countries in the world, thus it can be argued that the six-step financial planning process that assists in providing professional financial advice that is applied globally is not appropriate to address all the diverse and unique needs of South African consumers. It can also be argued that the training provided as part of the academic curriculum of recognised financial planning education providers, as well as the product and business specific training provided by Financial Services Providers (FSPs) as per the fit and proper requirements outlined by the Financial Advisory and Intermediary Services (FAIS) Act, is not comprehensive enough to address the unique South African consumer needs. The study thus aims to determine how the six-step financial planning process that is currently applied in the financial planning industry can be reconceptualised to be more inclusive and better serve South African consumers' financial planning needs. The six-step financial planning process is an internationally applied process that is used by CFP® professionals to provide suitable financial advice based on the needs of their clients. The steps in the six-step financial planning include:

- Step 1: Establish and define the professional relationship with the client
- Step 2: Collect the client's financial information
- Step 3: Analyse the information to determine the client's current financial situation
- Step 4: Identify and evaluate possible financial planning strategies
- Step 5: Implement the client's financial planning recommendations
- Step 6: Review the client's financial situation

Therefore, this study gathers the perceptions of decision-makers of Black (Black African, Coloured, Asian and Indian) South African households and South African CFP® professionals about the appropriateness of the six-step financial planning process based on their financial planning needs (households) or based on the advice that is provided (CFP® professionals) in a South African context. To gather these perceptions, an hour to an hour and a half of your time is requested to conduct a virtual interview with the researcher. The interview will be related to various aspects of the six-step financial planning process and will be guided by a semi-structured interview schedule. The interviews will take place using online communication platforms such as Zoom, Microsoft Teams, Skype or any other online platform that is accessible to you. If you agree to participate in the study, you will be contacted for an appointment based on a suitable and convenient time for you to conduct the interview. You will be reimbursed for your data costs with 2GB of mobile data to the cellular number or cellular network provider of your choice. To assist with the transcription of the interviews, the audio will be recorded with your consent. It is important to note that no identifying or personal information will be published, participation is voluntary and anonymous, and you are able to opt out at any stage of the interview process by alerting the interviewer. Any information collected after you have opted out will be excluded from the study.

#### **Written and informed consent**

To participate, it will be required of you to provide a written consent that will include your signature, date and initials to verify that you understand and agree to the terms and conditions of participating. The interview will be conducted online and as a result, an informed consent document will be emailed to you in advance, after which an appointment will be set up between you and the researcher via your preferred medium of communication. You will be required to complete the informed consent document prior to commencing the interview. Your permission will be required during the informed consent process, and confirmed at the onset of the interview, for the use of voice recording during the interview. Permission will also be required to store two copies of the recordings for five years, for transcription, validation and audit purposes. Data will be password protected and only accessible by the researcher and the research supervisor. Your identity will be anonymous and no identifiable information will be requested or stored. The data collected will be reused for academic publication purposes only. The data collected will be analysed and synthesised and published as a doctoral thesis and academic articles and will relate to the reconceptualization of the six-step financial planning process and how it can be improved or adapted to better serve SA consumers and better equip SA CFP® professionals when giving advice. Only a summary of the findings will be published, and no identifying information will be included.

#### **Research ethics**

You have the right to enquire and raise any concerns regarding the study at any time before, during or after the study. Contact details of the researcher is provided for these reasons. Furthermore, it is important that you are aware of the fact that the ethical integrity of the study has been approved by the Research Ethics Committee (Human) of the university. Should you wish to bring any concerns to the attention of RECH, you may send an email to [rd@mandela.ac.za](mailto:rd@mandela.ac.za).

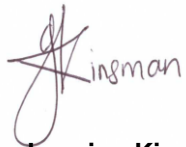
#### **Risks and benefits of participation**

Participation in the research is completely voluntary and you are not obliged to take part in any research. If you do partake, you have the right to withdraw at any given time including during the

study without penalty or loss of benefits. The study may be terminated at any time by the researcher, the supervisors or the Research Ethics Committee (Human). There are no benefits that accrue as a result of participating in the study, and there is no risk that you are exposed to whether you choose to participate in the study or not. The results of the research study may be presented at scientific conferences or in specialist publications, however, your identity will at all times remain confidential.

If you are satisfied with the terms and conditions of participating in the study, and you are interested in being a participant, please feel free to contact the on the aforementioned contact details. The researcher will arrange an appointment with you at a date and time that is suitable. You will then be forwarded an informed consent document which needs to be completed and submitted before commencing with the interview.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'J. Kinsman', with a stylized flourish.

**Jasmine Kinsman**

**PhD Candidate**

**[Jasmine.Kinsman@mandela.ac.za](mailto:Jasmine.Kinsman@mandela.ac.za)**

**ANNEXURE B:**  
**INFORMED CONSENT FORM FOR CFP® PROFESSIONALS**

# NELSON MANDELA UNIVERSITY

## INFORMED CONSENT FORM – CFP® PROFESSIONALS

<b>RESEARCHER'S DETAILS</b>	
<b>Title of the research project</b>	A reconceptualised perspective of the six-step financial planning process in South Africa
<b>Reference number</b>	
<b>Principal investigator</b>	Jasmine Kinsman
<b>Address</b>	1120 MB   Summerstrand South Campus   University Way   Summerstrand   Port Elizabeth
<b>Postal Code</b>	6000
<b>Contact telephone number</b> (private numbers not advisable)	041 504 2156   072 173 2285

<b>A. DECLARATION BY OR ON BEHALF OF PARTICIPANT</b>		<u><b>Initial</b></u>
<b>I, the participant and the undersigned</b>	(full names)	
<b>OR</b>		
<b>I, in my capacity as</b>	(parent or guardian)	
<b>of the participant</b>	(full names)	

<b>A.1 HEREBY CONFIRM AS FOLLOWS:</b>		<u><b>Initial</b></u>
<b>I, the participant, was invited to participate in the above-mentioned research project</b>		
<b>that is being undertaken by</b>	Mrs Jasmine Kinsman	
<b>from</b>	Department of Business Management	
<b>of the Nelson Mandela University</b>		

<b>THE FOLLOWING ASPECTS HAVE BEEN EXPLAINED TO ME, THE PARTICIPANT:</b>			<u><b>Initial</b></u>
2.1	<b>Aim:</b>	The investigator is gathering the perceptions, opinions and experiences of Certified Financial Planning (CFP®) professionals in South Africa regarding the reconceptualization of the six-step financial planning process in the South African context. The information will be used to reconceptualise the six-step financial planning process to one that is more suitable for all South African consumers.	
2.2	<b>Procedures:</b>	I understand that my participation in the study is voluntary, I can opt-out at any time and that the interviews that will be conducted will be recorded for transcription, data verification and academic publication purposes only. My anonymity and confidentiality is assured as my personal information will not be recorded as part of the research and will not be published or made accessible to anyone.	
2.3	<b>Risks:</b>	I understand that there are no risks imposed on me by participating in the study.	
2.4	<b>Possible benefits:</b>	I understand that no benefit accrues to me as a result of my participation in this study.	
2.5	<b>Confidentiality:</b>	My identity will not be revealed in any discussion, description or scientific publications by the investigators.	
2.6	<b>Access to findings:</b>	Any new information or benefit that develops during the course of the study will be shared as follows: In the form of research outputs, such as a doctoral dissertation and academic outputs. A summary of the findings will be available to the participants on request.	

2.7	<b>Reuse of data:</b>	I consent to the reuse of the research data for the purposes of academic publications. I acknowledge that this does not include the use of any identifying and confidential information. I also understand that the reuse of data will only be related to aspects concerning the reconceptualisation of the six-step financial planning process and how it can be improved or adapted to better serve SA consumers and better equip SA CFP professionals when giving advice.			
2.8	<b>Voluntary participation / refusal / discontinuation:</b>	My participation is voluntary	YES	NO	
		My decision whether or not to participate will in no way affect my present or future care / employment / lifestyle	TRUE	FALSE	

<b>3. THE INFORMATION ABOVE WAS EXPLAINED TO ME/THE PARTICIPANT BY:</b>								<b><u>Initial</u></b>
Mrs Jasmine Kinsman								
in	Afrikaans		English		Xhosa		Other	
and I am in command of this language, <b>or</b> it was satisfactorily translated to me by								
Mrs Jasmine Kinsman								
I was given the opportunity to ask questions and all these questions were answered satisfactorily.								

4.	No pressure was exerted on me to consent to participation and I understand that I may withdraw at any stage without penalisation.	
----	---	--

5.	Participation in this study will not result in any additional cost to myself.	
----	---	--

<b>A.2 I HEREBY VOLUNTARILY CONSENT TO PARTICIPATE IN THE ABOVE-MENTIONED PROJECT:</b>		
Signed/confirmed at	on	20
Signature or right thumb print of participant	Signature of witness:	
	Full name of witness:	

<b>B. <u>STATEMENT BY OR ON BEHALF OF INVESTIGATOR(S)</u></b>							
I,	Jasmine Kinsman	declare that:					
1.	I have explained the information given in this document to	(name of patient/participant)					
	and / or his / her representative	(name of representative)					
2.	He / she was encouraged and given ample time to ask me any questions;						
3.	This conversation was conducted in	Afrikaans		English		Xhosa	Other
	And no translator was used <u>OR</u> this conversation was translated into						
	(language)	by	(name of translator)				
Signed/confirmed at		on		20			
Signature of interviewer		Signature of witness:					
		Full name of witness:					



C. <b>DECLARATION BY TRANSLATOR</b> <i>(WHEN APPLICABLE)</i>			
I,	(full names)		
<b>Qualifications and/or</b>			
confirm that I:			
1.	Translated the contents of this document from English into	(language)	
2.	Also translated questions posed by	(name of participant)	as well as the answers given by the investigator/representative;
3.	Conveyed a factually correct version of what was related to me.		
Signed/confirmed at		on	20
<b>I hereby declare that all information acquired by me for the purposes of this study will be kept confidential.</b>			
Signature of translator		Signature of witness:	
		Full name of witness:	

**ANNEXURE C:**  
**SOCIAL MEDIA POST REQUEST FOR PARTICIPATION**

# NELSON MANDELA

## UNIVERSITY

**Your participation is sought for my PhD research study entitled:  
A reconceptualised perspective of the six-step financial planning process**

The purpose of the study is to determine how the process and practices of providing financial planning advice can be improved and more inclusive for South African consumers.

To do so, the perceptions, opinions and experiences of **decision-makers of Black (Black African, Coloured, Asian and Indian) South African households** will be collected regarding the appropriateness of the six-step financial planning process based on their financial planning needs and the advice that is provided by CFP® professionals.

If you fall within the aforementioned participant category and would be interested in participating in the study anonymously, please do not hesitate to send me a private message or email at [jasmine.kinsman@mandela.ac.za](mailto:jasmine.kinsman@mandela.ac.za) for more information.



**ANNEXURE D:**  
**INFORMATION PROVIDED TO BLACK HOUSEHOLD**  
**PARTICIPANTS**

# NELSON MANDELA

## UNIVERSITY

**Faculty of Business and Economic Sciences**  
**Department of Business Management**  
**Nelson Mandela University**

Tel: +27 (0)41 504-2156 | Cell: +27 (0)72 1732285  
 Email: jasmine.kinsman@mandela.ac.za

**March 2022**

**REF: H21-BES-BMA-036**

**Contact person: Jasmine Kinsman**

Dear Participant

You are requested to participate in a PhD research study entitled: A reconceptualised perspective of the six-step financial planning process in South Africa. The purpose of the study is to determine how the six-step financial planning process (used by Certified Financial Planning (CFP®) professionals to provide suitable financial planning advice to consumers) can be reconceptualised to better serve consumer needs in the South African context. To do so, the perceptions, opinions and experiences of decision-makers of Black (Black African, Coloured, Asian and Indian) South African households and South African CFP® professionals will be collected regarding the appropriateness of the six-step financial planning process based on their financial planning needs (households) or based on the advice that is provided (CFP® professionals). Black households are particularly focused on in this study as they represent the majority of South African consumers (approximately 90%), have historically been excluded from participating in the formal financial services industry and have been documented as having low levels of financial literacy (van Rensburg 2017; Klapper *et al.* 2015:8; Rootman and Antoni 2014:476). You will be provided with the necessary information to assist you in understanding the purpose of the study and explain what would be expected of you. These guidelines would include the risks, benefits, and your rights as a study participant. Please feel free to ask the researcher to clarify anything that is not clear to you.

### **Background information on the study and clarification of expectations**

South Africa is one of the most diverse countries in the world, thus it can be argued that the six-step financial planning process that assists in providing professional financial advice that is applied globally is not appropriate to address all the diverse and unique needs of South African consumers. It can also be argued that the training provided as part of the academic curriculum of recognised financial planning education providers, as well as the product and business specific training provided by Financial Services Providers (FSPs) as per the fit and proper requirements outlined by the Financial Advisory and Intermediary Services (FAIS) Act, is not comprehensive enough to address the unique South African consumer needs. The study thus aims to determine how the six-step financial planning process that is currently applied in the financial planning industry can be reconceptualised to be more inclusive and better serve South African consumers' financial planning needs. The six-step financial planning process is an internationally applied process that is used by CFP® professionals to provide suitable financial advice based on the needs of their clients. The steps in the six-step financial planning include:

- Step 1: Establish and define the professional relationship with the client
- Step 2: Collect the client's financial information
- Step 3: Analyse the information to determine the client's current financial situation
- Step 4: Identify and evaluate possible financial planning strategies
- Step 5: Implement the client's financial planning recommendations
- Step 6: Review the client's financial situation

Therefore, this study gathers the perceptions of decision-makers of Black (Black African, Coloured, Asian and Indian) South African households and South African CFP® professionals about the appropriateness of the six-step financial planning process based on their financial planning needs (households) or based on the advice that is provided (CFP® professionals) in a South African context. To gather these perceptions, an hour to an hour and a half of your time is requested to conduct a virtual interview with the researcher. The interview will be related to various aspects of the six-step financial planning process and will be guided by a semi-structured interview schedule. The interviews will take place using online communication platforms such as Zoom, Microsoft Teams, Skype or any other online platform that is accessible to you. If you agree to participate in the study, you will be contacted for an appointment based on a suitable and convenient time for you to conduct the interview. You will be reimbursed for your data costs with 2GB of mobile data to the cellular number or cellular network provider of your choice. To assist with the transcription of the interviews, the audio will be recorded with your consent. It is important to note that no identifying or personal information will be published, participation is voluntary and anonymous, and you are able to opt out at any stage of the interview process by alerting the interviewer. Any information collected after you have opted out will be excluded from the study.

#### **Written and informed consent**

To participate, it will be required of you to provide a written consent that will include your signature, date and initials to verify that you understand and agree to the terms and conditions of participating. The interview will be conducted online and as a result, an informed consent document will be emailed to you in advance, after which an appointment will be set up between you and the researcher via your preferred medium of communication. You will be required to complete the informed consent document prior to commencing the interview. Your permission will be required during the informed consent process, and confirmed at the onset of the interview, for the use of voice recording during the interview. Permission will also be required to store two copies of the recordings for five years, for transcription, validation and audit purposes. Data will be password protected and only accessible by the researcher and the research supervisor. Your identity will be anonymous and no identifiable information will be requested or stored. The data collected will be reused for academic publication purposes only. The data collected will be analysed and synthesised and published as a doctoral thesis and academic articles and will relate to the reconceptualization of the six-step financial planning process and how it can be improved or adapted to better serve SA consumers and better equip SA CFP® professionals when giving advice. Only a summary of the findings will be published, and no identifying information will be included.

#### **Research ethics**

You have the right to enquire and raise any concerns regarding the study at any time before, during or after the study. Contact details of the researcher is provided for these reasons. Furthermore, it is important that you are aware of the fact that the ethical integrity of the study has been approved by the Research Ethics Committee (Human) of the university. Should you wish to bring any concerns to the attention of RECH, you may send an email to [rd@mandela.ac.za](mailto:rd@mandela.ac.za).

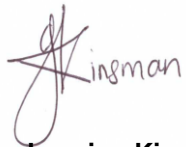
#### **Risks and benefits of participation**

Participation in the research is completely voluntary and you are not obliged to take part in any research. If you do partake, you have the right to withdraw at any given time including during the

study without penalty or loss of benefits. The study may be terminated at any time by the researcher, the supervisors or the Research Ethics Committee (Human). There are no benefits that accrue as a result of participating in the study, and there is no risk that you are exposed to whether you choose to participate in the study or not. The results of the research study may be presented at scientific conferences or in specialist publications, however, your identity will at all times remain confidential.

If you are satisfied with the terms and conditions of participating in the study, and you are interested in being a participant, please feel free to contact the on the aforementioned contact details. The researcher will arrange an appointment with you at a date and time that is suitable. You will then be forwarded an informed consent document which needs to be completed and submitted before commencing with the interview.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'J. Kinsman', with a stylized flourish.

**Jasmine Kinsman**

**PhD Candidate**

**[Jasmine.Kinsman@mandela.ac.za](mailto:Jasmine.Kinsman@mandela.ac.za)**

**ANNEXURE E:**  
**INFORMED CONSENT FORM FOR BLACK HOUSEHOLD**  
**PARTICIPANTS**



# NELSON MANDELA UNIVERSITY

## INFORMED CONSENT FORM – DECISION-MAKERS OF BLACK HOUSEHOLDS

<b>RESEARCHER'S DETAILS</b>	
<b>Title of the research project</b>	A reconceptualised perspective of the six-step financial planning process in South Africa
<b>Reference number</b>	
<b>Principal investigator</b>	Jasmine Kinsman
<b>Address</b>	1120 MB   Summerstrand South Campus   University Way   Summerstrand   Port Elizabeth
<b>Postal Code</b>	6000
<b>Contact telephone number</b> (private numbers not advisable)	041 504 2156   072 173 2285

<b>A. DECLARATION BY OR ON BEHALF OF PARTICIPANT</b>		<b><u>Initial</u></b>
I, the participant and the undersigned	(full names)	
<b>OR</b>		
I, in my capacity as	(parent or guardian)	
of the participant	(full names)	

<b>A.1 HEREBY CONFIRM AS FOLLOWS:</b>		<b><u>Initial</u></b>
I, the participant, was invited to participate in the above-mentioned research project		
that is being undertaken by	Mrs Jasmine Kinsman	
from	Department of Business Management	
of the Nelson Mandela University		

<b>THE FOLLOWING ASPECTS HAVE BEEN EXPLAINED TO ME, THE PARTICIPANT:</b>			<b><u>Initial</u></b>
2.1	<b>Aim:</b>	<p>The investigator is gathering the perceptions and opinions of decision-makers of Black Households regarding their personal financial planning experiences and challenges.</p> <p>The information will be used to reconceptualise how financial planning practices are applied by Certified Financial Planners® (CFP) when giving financial advice to consumers.</p>	
2.2	<b>Procedures:</b>	I understand that my participation in the study is voluntary, I can opt-out at any time and that the interviews that will be conducted will be recorded for transcription, data verification and academic publication purposes only. My anonymity and confidentiality is assured as my personal information will not be recorded as part of the research and will not be published or made accessible to anyone.	
2.3	<b>Risks:</b>	I understand that there are no risks imposed on me by participating in the study.	
2.4	<b>Possible benefits:</b>	I understand that no benefit accrues to me as a result of my participation in this study.	
2.5	<b>Confidentiality:</b>	My identity will not be revealed in any discussion, description or scientific publications by the investigators.	
2.6	<b>Access to findings:</b>	Any new information or benefit that develops during the course of the study will be shared as follows: In the form of research outputs, such as a doctoral dissertation and academic outputs. A summary of the findings will be available to the participants on request.	

2.7	<b>Reuse of data:</b>	I consent to the reuse of the research data for the purposes of academic publications. I acknowledge that this does not include the use of any identifying and confidential information. I also understand that the reuse of data will only be related to aspects concerning the reconceptualisation of the six-step financial planning process (which is used to provide financial planning advice by CFP® professionals) and how it can be improved or adapted to better serve SA consumers and better equip SA CFP professionals when giving advice.			
2.8	<b>Voluntary participation / refusal / discontinuation:</b>	My participation is voluntary	YES	NO	
		My decision whether or not to participate will in no way affect my present or future care / employment / lifestyle	TRUE	FALSE	

<b>3. THE INFORMATION ABOVE WAS EXPLAINED TO ME/THE PARTICIPANT BY:</b>								<b>Initial</b>
Mrs Jasmine Kinsman								
in	Afrikaans		English		Xhosa		Other	
and I am in command of this language, <b>or</b> it was satisfactorily translated to me by								
Mrs Jasmine Kinsman								
I was given the opportunity to ask questions and all these questions were answered satisfactorily.								
4.	No pressure was exerted on me to consent to participation and I understand that I may withdraw at any stage without penalisation.							
5.	Participation in this study will not result in any additional cost to myself.							

<b>A.2 I HEREBY VOLUNTARILY CONSENT TO PARTICIPATE IN THE ABOVE-MENTIONED PROJECT:</b>			
Signed/confirmed at		on 20	
Signature or right thumb print of participant	Signature of witness:		
	Full name of witness:		

<b>B. STATEMENT BY OR ON BEHALF OF INVESTIGATOR(S)</b>										
I,	Jasmine Kinsman				declare that:					
1.	I have explained the information given in this document to				(name of patient/participant)					
	and / or his / her representative				(name of representative)					
2.	He / she was encouraged and given ample time to ask me any questions;									
3.	This conversation was conducted in		Afrikaans		English		Xhosa		Other	
	And no translator was used <u>OR</u> this conversation was translated into									
	(language)			by		(name of translator)				
Signed/confirmed at		on						20		
Signature of interviewer			Signature of witness:							
			Full name of witness:							

C. <b>DECLARATION BY TRANSLATOR</b> <i>(WHEN APPLICABLE)</i>			
I,	(full names)		
<b>Qualifications and/or</b>			
confirm that I:			
1.	Translated the contents of this document from English into	(language)	
2.	Also translated questions posed by	(name of participant)	as well as the answers given by the investigator/representative;
3.	Conveyed a factually correct version of what was related to me.		
Signed/confirmed at		on	20
<b>I hereby declare that all information acquired by me for the purposes of this study will be kept confidential.</b>			
Signature of translator		Signature of witness:	
		Full name of witness:	

**ANNEXURE F:**  
**INTERVIEW GUIDE – CFP® PROFESSIONALS**

## SEMI-STRUCTURED INTERVIEW QUESTIONS

### SAMPLE A – CERTIFIED FINANCIAL PLANNERS

The following is a list of semi-structured interview questions that will be used during the interview process. The purpose of the questions is to provide a guideline for the interviewer during the interview process.

Opening / introductory aspects	<ul style="list-style-type: none"> <li>▪ Introduction of the interviewer and acknowledgment of the interviewee.</li> <li>▪ The main purpose of this interview is explained to the participant.</li> <li>▪ The importance of the interview is explained.</li> <li>▪ The research procedures, risks, possible benefits, confidentiality, voluntariness and withdrawal procedure will be explained and confirmed, based on the written consent provided.</li> <li>▪ Permission to voice record the interview proceedings will be requested, in addition permission to re-use the data (for publication purposes) will be confirmed.</li> <li>▪ The timeline of the interview is explained (approximately 60 - 90 minutes).</li> <li>▪ Qualifying question asked to confirm that the participant meets the requirements to participate in the study: <ul style="list-style-type: none"> <li>– <i>Are you a Certified Financial Planner who is registered with the FPI?</i></li> </ul> </li> </ul>
Defining particulars of the participant	<ul style="list-style-type: none"> <li>▪ Gender</li> <li>▪ Ethnicity</li> <li>▪ Cultural / tribal affiliation</li> <li>▪ Experience as a financial planner</li> <li>▪ Qualifications</li> <li>▪ Clientele description</li> </ul>
<b>Step One:</b> Establishing a professional relationship	<ul style="list-style-type: none"> <li>▪ How do you go about identifying your clients?</li> <li>▪ How do you improve trust with your clients? Does it differ based on the clients' culture?</li> <li>▪ How do you establish and maintain relationships of trust with your clients – does this differ based on the culture of the client?</li> <li>▪ Would you prefer to have clients who is of the same cultural background, where you would better understand their needs and have them relate to you better, or would you prefer someone from a different cultural background that you would provide a different perspective to?</li> </ul>
<b>Step Two:</b> Collect quantitative and qualitative information	<ul style="list-style-type: none"> <li>▪ When collecting quantitative and qualitative information about your clients, does it differ based on the culture of the client?</li> <li>▪ Do you believe that there are any specific or unique needs that result in financial implications that are specific to different cultures?</li> <li>▪ Do you ascertain your client's level of financial literacy?</li> </ul>
<b>Step Three:</b> Analysing information	<ul style="list-style-type: none"> <li>▪ Do you think that different cultures have different needs based on the following financial planning areas? If there is an area not listed, please add and explain: <ul style="list-style-type: none"> <li>– Financial management</li> <li>– Investment planning</li> <li>– Risk and insurance management</li> <li>– Tax planning</li> <li>– Retirement planning</li> <li>– Estate planning</li> </ul> </li> </ul>
<b>Step Four:</b> Identify and evaluate possible financial planning strategies	<ul style="list-style-type: none"> <li>▪ Do you tailor financial planning strategies according to the cultural needs of the client?</li> <li>▪ Have you ever felt that you were unable to assist a client because of a unique financial need or circumstance as a result of cultural differences?</li> <li>▪ How do financial planning strategies differ when advising a client who follows customary law in terms of marriage, divorce and estate / succession planning?</li> </ul>

<b>Step Five:</b> Implement the client's financial planning recommendations	<ul style="list-style-type: none"> <li>▪ How do you ensure buy-in from your clients, especially based on different cultural backgrounds?</li> <li>▪ Do you perceive any cultural barriers with the implementation of a financial plan for a client?</li> </ul>
<b>Step Six:</b> Review the client's financial situation	<ul style="list-style-type: none"> <li>▪ Which changes in your client's life warrant a review of their financial plan?</li> <li>▪ Are you able to pre-empt financial implications from changes in the client's life based unique aspects of their culture?</li> </ul>
<b>Closure</b>	<ul style="list-style-type: none"> <li>▪ Do you think that the six-step financial planning process is suitable for the South African context?</li> <li>▪ If you could, how would you change the six-step financial planning process?</li> <li>▪ Do you think that the training and education that you received prepared you for clients who have unique financial planning needs based on their culture?</li> </ul>

**ANNEXURE G:**  
**INTERVIEW GUIDE – BLACK HOUSEHOLD**  
**PARTICIPANTS**

## SEMI-STRUCTURED INTERVIEW QUESTIONS

### SAMPLE B - BLACK DECISION-MAKERS IN SOUTH AFRICAN HOUSEHOLDS

The following is a list of semi-structured interview questions that will be used during the interview process. The purpose of the questions is to provide a guideline for the interviewer during the interview process.

Opening / introductory aspects	<ul style="list-style-type: none"> <li>▪ Introduction of the interviewer and acknowledgment of the interviewee.</li> <li>▪ The main purpose of this interview is explained to the participant.</li> <li>▪ The importance of the interview is explained.</li> <li>▪ The research procedures, risks, possible benefits, confidentiality, voluntariness and withdrawal procedure will be explained and confirmed, based on the written consent provided.</li> <li>▪ Permission to voice record the interview proceedings will be requested, in addition permission to re-use the data (for publication purposes) will be confirmed.</li> <li>▪ The timeline of the interview is explained (approximately 60 - 90 minutes).</li> <li>▪ Qualifying question asked to confirm that the participant meets the requirements to participate in the study: <ul style="list-style-type: none"> <li>– <i>Do you consider yourself as the (or one of the) decision-makers in your household?</i></li> </ul> </li> </ul>
Defining particulars of the participant	<p>The following demographic particulars of the participant will be confirmed or established:</p> <ul style="list-style-type: none"> <li>▪ Gender</li> <li>▪ Ethnicity</li> <li>▪ Cultural / tribal affiliation</li> <li>▪ Marital status</li> <li>▪ Employment status</li> <li>▪ Life stage established</li> <li>▪ Decision-making roles described in the household</li> <li>▪ Experience with using a financial planner</li> </ul>
<b>Step One:</b> Establishing a professional relationship	<ul style="list-style-type: none"> <li>▪ If you have a financial planner, how would you describe your relationship?</li> <li>▪ How does decision-making occur in the household and who is involved in this process?</li> <li>▪ Who meets with the financial planner?</li> <li>▪ To what extent do you involve your financial planner in your personal affairs?</li> <li>▪ What would increase the trust that you have in a financial planner?</li> <li>▪ How do you establish and maintain relationships of trust in your culture?</li> <li>▪ Would you prefer to have a financial planner who is of the same cultural background who would better understand your needs, or would you prefer someone from a different cultural background that would provide a different perspective?</li> </ul>
<b>Step Two:</b> Collect quantitative and qualitative information	<ul style="list-style-type: none"> <li>▪ What type of information do you think a financial planner should collect about you and your family in order to provide you with suitable advice?</li> <li>▪ Are there any specific or unique needs that result in financial implications that are specific to your culture?</li> <li>▪ Do you believe that your financial planner should ascertain your level of financial literacy, or do you rely on the financial planner's literacy as the expert?</li> </ul>



<b>Step Three:</b> Analysing information	<ul style="list-style-type: none"> <li>▪ Do you think that different cultures have different needs based on the following financial planning areas? If there is an area not listed, please add and explain: <ul style="list-style-type: none"> <li>– Financial management</li> <li>– Investment planning</li> <li>– Risk and insurance management</li> <li>– Tax planning</li> <li>– Retirement planning</li> <li>– Estate planning</li> </ul> </li> </ul> <p>These aspects should be discussed in the context of the family home, customary law of succession, implications of customary marriage on divorce and succession, succession planning, savings vehicles such as different stokvels.</p>
<b>Step Four:</b> Identify and evaluate possible financial planning strategies	<ul style="list-style-type: none"> <li>▪ Which financial planning strategies do you currently employ which you feel is not cater to through formal financial products?</li> <li>▪ Have you ever felt that a financial planner is unable to develop a financial planning strategy that is suitable to your needs?</li> </ul>
<b>Step Five:</b> Implement the client's financial planning recommendations	<ul style="list-style-type: none"> <li>▪ What would improve your buy-in into the implementation of a financial plan set up by your financial planner?</li> <li>▪ Do you perceive any cultural barriers that influence the implementation of a financial plan?</li> </ul>
<b>Step Six:</b> Review the client's financial situation	<ul style="list-style-type: none"> <li>▪ Which changes in your life do you think would warrant a review of your financial plan?</li> </ul>

**ANNEXURE H:**  
**CODING FRAMEWORKS FOR CFP® PROFESSIONALS**  
**AND BLACK HOUSEHOLDS**

## CODING FRAMEWORKS FOR CFP® PROFESSIONALS AND BLACK HOUSEHOLDS

Table H1: Coding framework for Step One of the six-step financial planning process

THEMES		SUB-THEMES AND CODES	
STEP ONE: ESTABLISH AND DEFINE THE PROFESSIONAL RELATIONSHIP WITH THE CLIENT	CFP® PROFESSIONALS	Sources of clients	Client initiated
			Social media
			Website
			Referrals
		Financial planner initiated	External parties
			Client books
			Networking events
			Bank customers
		Establishing relationships	Several brief interactions
			Non-monetary discussions
			Client and financial planner compatibility
			Relatability
			Client characteristics
			Clients' image of a financial planner
			Cultural patriarchal roles
			Clients' religious beliefs
		Building trust	Understanding the client
			Trust over time
			Racial bias
			Personal finance discussions
		Similarity attraction	Culture and ethnicity
			Age
			Gender
	DECISION-MAKERS OF BLACK HOUSEHOLDS	Image of a financial planner	Financial planner perception
			Sales-driven
			Perfect client
			No money
		Self-perception	Minimum net wealth
			Too over-indebted
		Nature and extent of the relationship	Transactional
			Holistic
			Approachable
			Distrusting
		Similarity attraction	Gender
			Better at interpersonal relationships (female)
			Sceptical (female)
			White male financial planner (male)
			Culture and ethnicity
			No preference
			Competent to give financial advice
			Relatability is not dependent on cultural background
			Do not undermine Black financial planners
			Black financial planner
			Black financial planners understand needs of Black consumers
			White financial planner may dismiss needs of Black consumers
			Black individuals do not know how to use money
			Black individuals were not raised with money or taught how to use it
			White financial planner
			White individuals more knowledgeable on wealth acquisition
			White individuals have no emotional/cultural attachment to black tax
			Black professionals are inferior
			Black financial planners are judgemental

Source: Researcher's own construction

**Table H2: Coding framework for Step Two of the six-step financial planning process**

THEMES		SUB-THEMES	
STEP TWO: COLLECT THE CLIENT'S INFORMATION	CFP® PROFESSIONALS	Culture information differences	Objective driven
			Assumptions
			Bias reduction
			Listening skills
		Financial literacy and support	Level of financial literacy
			Types of questions asked
			Create spaces for sharing
			Financial literacy vs financial planning literacy
			Early stages of process
			Type of financial literacy support
			Encourage ownership and accountability
			Financial education
			Emotional comfort around finance
	DECISION-MAKERS OF BLACK HOUSEHOLDS	Information to be collected	Type of information
			Understand current household finances
			Financial dependents
			Affordability
			Method of collection
			Solicited through conversation
			Speak freely
			Avoid assumptions
		Client financial literacy	Financial planner role
			Rely on the financial planner
			Ensure client understanding
			Financial education
			Client role
			Control and ownership of finances
			Identify poor financial advice
			Allows self-assessment

Source: Researcher's own construction

**Table H3: Coding framework for Step Three of the six-step financial planning process (CFP® professionals)**

THEMES		SUB-THEMES	
STEP THREE: ANALYSE AND ASSESS THE CLIENT'S FINANCIAL SITUATION	Diversity of needs	Different needs prioritisation	Different definitions
			Different exposures to financial resources
			Different needs satisfaction
			Time orientation (Hofstede)
			Indulgence (Hofstede)
			Limited exposure and a lack of financial education
			Different cultural upbringings
			Immediate needs
	Prioritised needs in Black households	Provision for black tax	Understanding of black tax
			Single Black females
			Cultural expectations
			Feelings of conflict
			Over-committed and in debt
			Long-term financial implications
		Financial planner and black tax	Need for belonging
			Ubuntu (to uplift the family and community)
			Seek understanding
			Boundaries around money
			Probe emotions and beliefs
		Estate planning	Leaving a legacy
			Current generations
			Long term planning versus short-term cash flow
			A will
			Stigmas
			Family implement customary law despite valid will
		Life insurance	Misinformed regarding life insurance
			Secrecy regarding beneficiaries
			Lack of financial education
			Directed marketing campaigns
		Provision for funerals	Limited exposure to financial products
			Caring for multiple elders
			Limited pay-out
			Different cultural needs for funerals
		Owning property	Millennial generational cohort
			Limited exposure to alternatives
			Historically excluded from owning property

	Religious and customary beliefs	Payment of Zakat (Muslim)
		Islamic estate and succession planning (Muslim)
		Pre-marital financial counselling
	Other financial needs	Provision for lobola / dowry
		Emergency fund/savings
		Retirement planning
		Provision for initiation school

Source: Researcher's own construction

**Table H4: Coding framework for Step Three of the six-step financial planning process (decision-makers in Black households)**

THEMES		SUB-THEMES	
STEP THREE: ANALYSE AND ASSESS THE CLIENT'S FINANCIAL SITUATION	Provision for family home	The role of the family home	Retirement
			Used to perform rituals and traditional ceremonies
			Site of family graves
			Reliance due to black tax financial constraints
			Safe haven for family members
			Safety net
		Family home succession planning	Not possible to sell the family home
			Disagreements with regards to succession
			Family home becoming a financial burden
			Unrealistic attachment
	Estate planning	Avoidance	Arguments and disagreements
			Descendants' clarity
			Estate planning introduced at a young age
			Death discussions taboo
			Money discussions taboo
		Life insurance	Funeral policies prioritised over life insurance
			Stigma of murder
			Deliberate discussions
			Awareness and knowledge
			Advertisements and marketing campaigns
		Islamic succession	Shariah law favours male descendants over female descendants
			Islamic succession and inheritance law not recognised
	Provision for black tax	Nature and extent of black tax	Caring for elderly parents
			Shariah law duty to care for one's mother
			Supplement parents' retirement income
			Caring for brother's family in the event of his death
			Educating extended family members' children
		Perceptions of black tax	Culturally expected and ensures good relations
			Financial burden
			Anything that one has in excess should be given away (Muslim)
			Does not have the same expectation from his son
			Kept from spouse
		Financial planner and black tax	Financial planner will prioritise debt obligations over black tax
			No financial product
			White financial planner objective
			Black financial planner bias
	Provision for ceremonies	Funerals	Financial plan incorporation
			Costs associated with feeding and entertaining the attendees
			Emphasis due to traditional ceremonies involved
			Dignified funeral due to impoverished background
			Targeted marketing campaigns
			Inconsistent with the provisions of Shariah law
		Rites and customs	Ritual for child before 13
			Introduction of new-born to ancestors (imbeleko)
			Ceremonies associated with the calling to become a sangoma (traditional healer)
		Initiation school	Young males are prepared for the responsibilities of manhood
			New wardrobe required
			Umgidi celebration
			Extensive and costly celebrations
			Mother has little say

		Weddings and marriage	Lobola payment
			Lobola negotiations
			Umabo – bride presents gifts to groom (Zulu)
			Umembheso – groom presents gifts to brides family (Zulu)
			Optional white wedding
			Makhoti with a kist of household items
	Other financial planning needs	Acquiring property	Father gifts children land to build home (traditional African custom)
			Bond repayment too long of a commitment
			Secondary property is a good debt
			Vacant plot is a bad debt
			Retirement plan involves downscaling
		Education planning	Provide a good education
			Child must make education provision for themselves
		Retirement planning	Elders rely on government for social grant
			Implications for future generation's retirement planning
			Cashed out and retirement funds
		Provisions for Shariah law	Payment of Zakat
			Different risk perceptions and appetites
			Divorce would not be legally recognised (talaq)

Source: Researcher's own construction

**Table H5: Coding framework for Step Four of the six-step financial planning process**

THEME		SUB-THEMES		
STEP FOUR: IDENTIFY AND EVALUATE POSSIBLE FINANCIAL PLANNING STRATEGIES	CFP® PROFESSIONALS	Tailored financial advice	Customisation of financial planning tools	Positioning a will to Black clients
				Understanding of funeral cover
				Same tools address different needs
			Cultural intelligence	Sensitivity and consideration
				Address misconceptions
		Delivery and phrasing		
		Approaches to financial planning	Fairness	
	Self-discovery exercises			
	DECISION-MAKERS OF BLACK HOUSEHOLDS	Stokvels as a financial planning tool	Characteristics	Micro-finance with no interest
				Investment and credit component
				Loans to non-members incentivised
				Purchase livestock for resale
				Stokvels receive a higher return
				Trust and accountability
				Members share trust and understanding
			Usage	Emergency fund
				Retirement fund contribution
				Tuition fees
				Purchasing school uniform and supplies
				Home improvements
				Property stokvels

Source: Researcher's own construction

**Table H6: Coding framework for Step Five of the six-step financial planning process**

THEME		SUB-THEMES		
STEP FIVE: IMPLEMENT THE FINANCIAL PLANNING RECOMMENDATIONS	CFP® PROFESSIONALS	Buy-in assurance	Online community participation	
			Remuneration model	
		Reasons for resistance	Overwhelming	Overwhelming
				Confused
				Rushed process
				Too much to implement
			Incompatible plan	Does not resonate with the client
				No emotional connection
			Demographic characteristics	Black consumers more reluctant to implement
				Taboo associated with death
				Patriarchal societal roles
				Age of the financial planner
			Transactional	View financial planning process as transactional
				DIY-clients
		Overcoming resistance	Address one financial goal at a time	
			Financial education	
	BLACK HH	Factors that improve buy-in to a financial plan or financial planner	Financial planner characteristics	Financial planner knowledgeable
				Not tied to an insurance or investment company
				Service driven
			Client conditions and expectations	Unexpected lump sum
				Retirement planning concerns
			Observable results	

\*HH: Households

Source: researcher's own construction

**Table H6: Coding framework for Step Six of the six-step financial planning process**

THEME		SUB-THEMES		
STEP SIX: REVIEW THE CLIENT'S FINANCIAL PLAN	CFP® PROF	Reviewing factors	Financial planner initiated	Annually as per FSCA
				Tailored based on agreement with client
				Based on remuneration model
				Update on progress of financial goals
		Client initiated		Client expectations
				Changes in life transitions
				Clients taught how to identify life transition
				Certain transitions require more engagement
	BLACK HH	Factors that warrant a review of the financial plan	Life cycle changes	When one gets older
				Death in the family
				Children transition from high school to university
			Lifestyle or seasonal changes	Once one has a lifestyle change
				Tax season or just before the festive season
			Struggling financially	

\*HH: Households

Source: researcher's own construction

**Table H7: Coding framework for the overall perceptions of the six-step financial planning process (CFP ® professionals)**

THEME		SUB-THEMES	
Current suitability	Partially suitable	In theory but not practice	
		General framework	
		Narrow application	
		Requires context	
		Limited interpretation	
	Unsuitable	Sales driven	
		Relationship building	

		Needs and characteristics of Black consumers
		Supportive legislation
Financial planning education and training	Changes to the academic curriculum	Human side of financial planning
		Behavioural finance
		Financial coaching elements
		Psychology of the client
		Account for different cultural backgrounds
		Process
	Contextualised content and assessment	FPSB training material
		FPI assessment tools
		Business and product specific assessment tools
		Changes to the six-step financial planning process

**Source: researcher's own construction**



**ANNEXURE I:**  
**ETHICS APPROVAL LETTER**



PO Box 77000, Nelson Mandela University, Port Elizabeth, 6031, South Africa [mandela.ac.za](http://mandela.ac.za)

Chairperson: Research Ethics Committee (Human)  
Tel: +27 (0)41 504 2347  
[sharlene.govender@mandela.ac.za](mailto:sharlene.govender@mandela.ac.za)

NHREC registration nr: REC-042508-025

Ref: [H21-BES-BMA-036] / Approval]

29 July 2021

Prof C Rootman  
Faculty: BES

Dear Prof Rootman

**A RECONCEPTUALISED PERSPECTIVE OF THE SIX-STEP FINANCIAL PLANNING PROCESS IN SOUTH AFRICA**

PRP: Prof C Rootman  
PI: Ms J Kinsman


Your above-entitled application served at the Research Ethics Committee (Human) (26 May 2021) for approval. The study is classified as a medium risk study. The ethics clearance reference number is **H21-BES-BUS-036** and approval is subject to the following conditions:

1. The immediate completion and return of the attached acknowledgement to [Imtiaz.Khan@mandela.ac.za](mailto:Imtiaz.Khan@mandela.ac.za), the date of receipt of such returned acknowledgement determining the final date of approval for the study where after data collection may commence.
2. Approval for data collection is for 1 calendar year from date of receipt of above mentioned acknowledgement.
3. The submission of an annual progress report by the PRP on the data collection activities of the study (form RECH-004 available on Research Ethics Committee (Human) portal) by 15 November this year for studies approved/extended in the period October of the previous year up to and including September of this year, or 15 November next year for studies approved/extended after September this year.
4. In the event of a requirement to extend the period of data collection (i.e. for a period in excess of 1 calendar year from date of approval), completion of an extension request is required (form RECH-005 available on Research Ethics Committee (Human) portal).
5. In the event of any changes made to the study (excluding extension of the study), RECH will have to approve such amendments and completion of an amendments form is required PRIOR to implementation (form RECH-006 available on Research Ethics Committee (Human) portal).
6. Immediate submission (and possible discontinuation of the study in the case of serious events) of the relevant report to RECH (form RECH-007 available on Research Ethics Committee (Human) portal) in the event of any unanticipated problems, serious incidents or adverse events observed during the course of the study.
7. Immediate submission of a Study Termination Report to RECH (form RECH-008 available on Research Ethics Committee (Human) portal) upon expected or unexpected closure/termination of study.
8. Immediate submission of a Study Exception Report of RECH (form RECH-009 available on Research Ethics Committee (Human) portal) in the event of any study deviations, violations and/or exceptions.
9. Acknowledgement that the study could be subjected to passive and/or active monitoring without prior notice at the discretion of Research Ethics Committee (Human).

Please quote the ethics clearance reference number in all correspondence and enquiries related to the study. For speedy processing of email queries (to be directed to [Imtiaz.Khan@mandela.ac.za](mailto:Imtiaz.Khan@mandela.ac.za)), it is recommended that the ethics clearance reference number together with an indication of the query appear in the subject line of the email.

We wish you well with the study.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Govender', with a stylized flourish at the end.

**Dr S Govender**

**Chairperson: Research Ethics Committee (Human)**

Cc: Department of Research Development  
Faculty Administration: BES

/uspies

Appendix 1: Acknowledgement of conditions for ethical approval

### ACKNOWLEDGEMENT OF CONDITIONS FOR ETHICS APPROVAL

I, **PROF C ROOTMAN** (PRP) of the study entitled **[H21-BES-BMA-036] A RECONCEPTUALISED PERSPECTIVE OF THE SIX-STEP FINANCIAL PLANNING PROCESS IN SOUTH AFRICA**, do hereby agree to the following approval conditions:

1. The submission of an annual progress report by myself on the data collection activities of the study by 15 November this year for studies approved in the period October of the previous year up to and including September of this year, or 15 November next year for studies approved after September this year. It is noted that there will be no call for the submission thereof. The onus for submission of the annual report by the stipulated date rests on myself. I am aware of the guidelines (available on Research Ethics Committee (Human) portal) pertinent to the submission of the annual report.
2. Submission of the relevant request to RECH in the event of any amendments to the study for approval by RECH prior to any partial or full implementation thereof. I am aware of the guidelines (available on Research Ethics Committee (Human) portal) pertinent to the requesting for any amendments to the study.
3. Submission of the relevant request to RECH in the event of any extension to the study for approval by RECH prior to the implementation thereof.
4. Immediate submission of the relevant report to RECH in the event of any unanticipated problems, serious incidents or adverse events. I am aware of the guidelines (available on Research Ethics Committee (Human) portal) pertinent to the reporting of any unanticipated problems, serious incidents or adverse events.
5. Immediate discontinuation of the study in the event of any serious unanticipated problems, serious incidents or serious adverse events.
6. Immediate submission of the relevant report to RECH in the event of the unexpected closure/discontinuation of the study (for example, de-registration of the PI).
7. Immediate submission of the relevant report to RECH in the event of study deviations, violations and/or exceptions. I am aware of the guidelines (available on Research Ethics Committee (Human) portal) pertinent to the reporting of any study deviations, violations and/or exceptions.
8. Acknowledgement that the study could be subjected to passive and/or active monitoring without prior notice at the discretion of RECH. I am aware of the guidelines (available on Research Ethics Committee (Human) portal) pertinent to the active monitoring of a study.

Signed: \_\_\_\_\_



Date: 30/7/2021

**ANNEXURE J:**  
**CONFIRMATION OF DATA TRANSCRIPTION**

**JOHANNESBURG BRANCH**  
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CK No 2005/O63299/23  
E : [info@qualquarter.co.za](mailto:info@qualquarter.co.za)  
W : [www.qualquarter.co.za](http://www.qualquarter.co.za)



8 January 2023

**TO WHOM IT MAY CONCERN**

This letter serves to confirm that Qualitative Quarter was responsible for the transcription of Jasmine Kinsman's data for her research thesis.

Please do not hesitate to contact me for any further information.

Sincerely,

A handwritten signature in black ink that reads 'Rathbone'.

**JULIE RATHBONE**

Owner

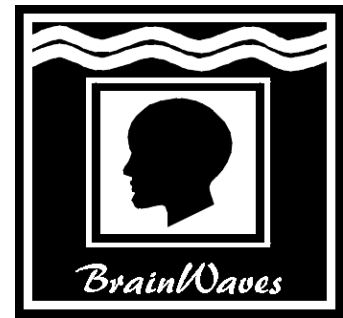
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**ANNEXURE K:**  
**LANGUAGE PRACTITIONER'S DECLARATION**

# BrainWaves

Research & Training cc.

CK 97/20575/23



Postal address: 60 Flatford Place, Kidlington OX5 1TH, United Kingdom  
Email: jill.fresen@gmail.com

10 January 2023

## *Certificate of language editing*

### **To whom it may concern**

This is to certify that I have edited the thesis:

#### ***A reconceptualised perspective of the six-step financial planning process***

by Jasmine Estonia Kinsman, in terms of language usage and expression.

I focused on language issues, including grammar, consistency, tenses, logical flow, sentence construction, SA spelling, and consistency of Harvard referencing style.

I inserted comments and suggestions for the further attention, decision and action by the author. No further editing or checking was done after changes were made by the author.

J.W. Fresen (PhD)<sup>1</sup>

Professional  
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**Jill Fresen**  
Full Member

Membership number: FRE001  
Membership year: March 2022 to February 2023

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<sup>1</sup> Electronic signature withheld for security reasons



**ANNEXURE L:**  
**TURNITIN REPORT**

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