

Seven cures for a lean purse: Age-old money lessons from 1926 that apply in 2020

By [Gavin van Dyk](#)

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There is much uncertainty in the world today and the effects of the coronavirus pandemic has had a significant impact on the financial and emotional well-being of many South Africans. Covid-19 and the consequent lockdowns have plunged many countries into recession in 2020 with the steepest per capita income contraction in many decades.



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While an alarming number of jobs have taken a tumble in these turbulent times, the role of a certified financial planner has never been as important. The pandemic has brought an opportunity and a dire need to help people once again consider their personal relationship with money, their money-habits and the emotional issues relating to their finances.

Although there is a lot to be said about revisiting one's financial plan, providing for sufficient liquidity and an appropriately diversified portfolio aligned to your personal cash flow needs and risk-adjusted return requirements, some of my recent discussions with clients have reminded me of a classic book on personal finance. It was a gift to me when I was a teenager in the early '80s and the lessons are as relevant today as when they were first written.

Richest Man in Babylon is a collection of short stories and parables written by George S Clason in 1926 highlighting important principles of money which still apply in 2020 and is well worth reading prior to engaging in a comprehensive financial planning exercise.

The key lessons come from Arkad, the proclaimed richest man in Babylon at the bequest of the king he shares his "seven cures to a lean purse" so that both individuals and the community can benefit from his wisdom.

1. Start thy purse to fattening

Live on nine-tenths of your earnings. Pay yourself first by saving at least 10% of your income which in time will provide you with income bearing investments. By foregoing certain non-essential purchases now, you will accumulate wealth over the longer term. You will also find that once you live on nine-tenths of your earnings, you will manage just as well as before and saving a larger portion of your earnings will become easier.

2. Control thy expenditures

Live within your means – do not spend more than you earn after savings. Lifestyle inflation is considered an ‘unusual truth’ of humanity - what each of us calls our ‘necessary expenses’ will always grow to equal our incomes unless we protest to the contrary.

3. Make thy gold multiply

Invest wisely – invest in appropriately diversified investments, taking advantage of time and compounding returns. Build a portfolio, which over the long-term will provide you with a regular and sustainable income when you no longer earn from your work.

4. Guard thy treasures from loss

Understand the risks you are exposing your money to. Do not be tempted by large returns. Rather consider prudent investments which seek an appropriate level of risk-adjusted returns. Do your homework and consult the wisdom of those experienced in handling money for profit.

5. Make of thy dwelling a profitable investment

Own your home and, if possible, earn a passive rental income by letting out a portion of the property.

6. Insure a future income

Plan and make provision for your family should you no longer be there to support them. The key is to leave your loved ones in the lifestyle they have now, should you be gone. It is also crucial to save for a financially secure retirement – too many people make the mistake of putting off saving for retirement and the less years you have to save the less compound interest can work in your favour.

7. Increase thy ability to earn

Invest in yourself through education and keeping your knowledge up to date and relevant. Lockdown has provided some of us with an opportunity to learn a new skill or hobby – make sure you do this regularly, so that you keep up with the changing world around you, and also derive purpose and meaning from your work.

Learning these seven principles and living by them, will go a long way in helping South Africans out there build a strong financial foundation. As a financial planner my goal is to ensure that the clients I work with have a" richer and more fulfilled future.

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