QUARTER 03 2011

QUARTERLY JOURNAL OF FINANCIAL KNOWHOW

Mark Wenning's Financial Informer©



Mark Wenning
Certified Financial Planner®

office: Nedbank Private Bank, 9 The Boulevard, Westway Office Park, Westville
postal: P O Box 1985, Westville, 3610
email: markw@nfp.nedbank.co.za
phone: 031 251 7143
mobile: 082 900 0332
fax: 031 251 7158
assist: Janet Rackham, janetr@nfp.nedbank.co.za
assist: René Sturrock, renes@nfp.nedbank.co.za

Starting your own business requires careful financial planning. Speak to me about all your business assurance needs.

Why me?

Could you build your own television? Given the time, dedication and technical knowledge you could. However, wouldn't it be better to leave it to the experts? Your financial planning is the same!

You might be thinking, "I have a good salary, I pay my bills on time, I know how to do my taxes, I have insurance... I'm handling my finances pretty well; spending time and money on financial planning is not worth it for me." Some people think this way, but often it is because of a lack of awareness of financial opportunities and best practices. Indeed, time spent devising and implementing a well-researched and sound financial plan will likely yield:

- More money for you and your family
- Better preparation and flexibility for life changes
- Increased protection against mistakes and unexpected circumstances

An investment in financial management provides peace of mind by ensuring your best odds of permanent wealth and comfort. This planned approach to success is the result of a multi-step process. You must:

- Set achievable financial and personal goals
- Assess your current financial health by examining your assets, liabilities, income, insurance, taxes, investments and estate plan
- Develop a realistic, comprehensive plan to meet your financial goals by addressing financial weaknesses and building on financial strengths
- Put your plan into action and monitor its progress
- Revise your plan to accommodate changing goals, changing personal circumstances, changing financial opportunities, and changing market and tax laws

The planning process requires skill, knowledge, diligence, and discipline, but great reward makes it well worth the time and effort.

Can I do it on my own?

The question is, do you need professional help in order to design and stick to an effective financial plan? To some degree, this depends on your unique situation, but most will find that they are better off seeking the information, expertise, experience, and discipline provided by a financial advisor.

Making quality financial decisions require an ample commitment to learn and research. While the Internet's easy access to information has helped to make it feasible for individuals to independently manage their finances, the magnitude of investment skills and information that you need can be overwhelming. The financial world is filled with foreign concepts, esoteric language, legal rules, and difficult methodologies. Whether you want to develop a portfolio, plan for retirement, pay for university, or reach any other major financial goal, there are professionals who have spent their working careers serving people with the same concern, and it is a good idea to take advantage of their experience.

As an analogy, consider the manufacturing of televisions. Since they make so many televisions, Sony has grown to be good at it. They can make a high-quality television for a just a few thousand rand. Consider how much it would cost you to make your own television; you might be able to do it, but it would take a huge commitment of time and money to learn the science, purchase the materials, and execute the necessary procedures. And the finished product would likely be shabby in comparison. Financial decision-making is the same. You can make financial decisions by yourself or get advice from an experienced professional. The financial decisions of individuals are commonly costly and mediocre, and, alternatively, the appropriate financial professional will make good decisions for you at no cost.

What will I get from a financial advisor?

Professional financial help goes far beyond buying insurance or picking an investment. Having an advisor arms you with expertise and resources with which to approach planning your financial future. This coaching and support can help you to smoothly endure and make the most of the circumstances in your life - career, marriage, children, assets, liabilities, etc.

Specifically, financial professionals can help to:

- Avoid costly mistakes, manage risk, save time, and improve your overall investment results.
- Guide you through the maze of retirement options, retirement annuities, pensions, and annuities and put you on course to have the type of retirement you've always dreamed of.
- Decrease your estate tax liability, thereby aiding the financial stability of your loved ones.
- Reach your education savings goals with endowments, investments and other techniques.
- Determine the type and amount of insurance you need to protect yourself, your family, and your assets.
- If you own a business, develop a strategy to manage your business finances, including cash management, financing, employee benefits, and business taxes. Furthermore, a financial professional provides the emotional discipline required to make sure plans are acted upon. He or she provides guidance, reassurance, support and stability to help you stay on course and reach your long-term goals.

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Business Assurance

Businesses, small and large, have a unique set of financial requirements. Two of the more common needs catered for include:

Buy-and-Sell agreements

These are legal agreements between partners or shareholders which ensure that a business's management and ownership is not thrown into disarray upon the untimely death of one of the stakeholders.

Keyman policies

This is a special life policy taken out by an employer on the life of a key individual in the organisation. It provides the business with bridging finance in the event of the employee's untimely demise.

Besides considerable tax and estate duty advantages, having these agreements in place increases the businesses credit ratings with lenders, customers and staff alike. Other specialised needs catered for include: **restraint of trade agreements**, **deferred** and **preferred compensation,contingent liabilities**.

Buy and Sell Agreement - the Wikipedia Definition:

A buy-sell agreement may be thought of as a sort of "premarital agreement" between business partners/ shareholders. It is sometimes called a 'business will'. An insured buy-sell agreement (agreement funded with life insurance on the participating owner's lives) is often recommended by business succession specialists and financial planners to ensure the buy-sell arrangement is well-funded and also to guarantee there will be money when the buy-sell event is triggered. A buy-sell clause (or Shotgun clause) in a shareholder agreement preserves continuity of ownership in the business and ensures that everyone is fairly treated, the buyer as well as the seller. It is a binding contract between business partners or shareholders about the future ownership of the business. A buy-sell agreement is made up of several legally binding clauses in a business partnership or shareholder agreement (or it can be a separate agreement that stands on its own) that can control the following business decisions:

- Who can buy a departing partner's or shareholder's share of the business (this may include outsiders or be limited to other partners/ shareholders);
- What events will trigger a buyout (the most common events that trigger a buyout are: death, disability, retirement, or an owner leaving the company); and
- What price will be paid for a partner's or shareholder's interest in the partnership and so on.



The big bang theory

Most new graduates have no money and little, if any, practical experience. Even so, launching a startup business may be less crazy than it sounds. The Mark Zuckerbergs (Facebook) of the world make startups look easy, but the cold hard facts are that 9 out of 10 new businesses fail in the first five years. However, graduates that have the courage to take a risk may be the lucky one in ten!

Carol Roth, a Chicago-based business strategist who has helped her startup clients raise over $1 billion in capital and author of a *New York Times* bestseller, *The Entrepreneur Equation: Evaluating the Realities, Risks and Rewards of Having Your Own Business* says that before you make up your mind about which way to go, take a hard honest look at your motivation for starting a company. Too many entrepreneurial wannabes of all ages (not just new grads) are "looking to get rich, escape the corporate grind, and work shorter hours with more free time," she observes.

None of those reasons is likely to lead to success. What will? Says Roth, "If you're focused on solving a customer problem or need, believe you can do what you do better than anyone else, and you're dying to work long hours, wear many hats, and juggle endless responsibilities, you have the right startup mindset."

You also need certain personality traits. One of them is a willingness to work very hard all by yourself, at least for the first year or so (and possibly longer).

The personal qualities of successful entrepreneurs

Most entrepreneurs have certain character traits that stand them in good stead for the rollercoaster ride that is running a small business. These include:

Savvy - Those who have made it to the top all seem to have intuitive good judgement when making business decisions. This goes further than just having the business degrees or diplomas. It's more about common sense and instinct, combined with the ability to learn from the past, look ahead and focus on tomorrow.

Drive: Successful entrepreneurs are highly motivated and they're not prepared to settle for second best. Coupled with that, is the confidence that they have both the ability to do so, and that if they don't necessarily have the skills, they'll make a plan to acquire them.

Hard workers: No matter how confident and passionate you are, your venture probably won't flourish if you're not willing to work harder than most.

Inability to accept the status quo: Where others see problems, the entrepreneur sees opportunity. They aren't afraid to take a calculated risk, even if that means standing alone. Therefore, they also have to be resourceful in order to find solutions to problems.

Strong leadership: It takes a skilled leader to run a small business, where there is often a lot of uncertainty and tough competition. In this intimate setting, their leadership abilities are constantly being scrutinised and tested.

Passion: An enthusiasm for what they are doing and their competitive nature gives would-be business tycoons energy that the rest of us would love to have.

Please see the info box on the left

An attorney and former general manager and part owner of the Philadelphia Eagles, Susan Spencer also launched two thriving businesses and wrote a book called *Briefcase Essentials*. "Many young entrepreneurs fail because they take on employees, which means overhead, too quickly. The less financial pressure you put on yourself at the outset, the more likely you are to succeed," she says.

The downside: "Doing everything yourself -- selling, keeping the books, paying the bills, and so on for 10 or more hours a day is a lonely existence, and it takes extraordinary drive and determination. It's not for everyone."

With that in mind, are you sure you want to leap in head first? If not, Carol Roth has a suggestion that makes sense: get a job in the industry where you eventually want to establish your business as a way to learn "how to manage vendor relationships, market your product, deal with customers, and keep detailed books."

While you're soaking up all that real world knowledge, you can continue to start your business idea in your spare time, doing what Roth calls a "jobbie": a cross between a hobby and a job. It "lets you explore how viable it really is while getting paid by someone else."

If, however, you're determined to start your own business right now, without easing into it by getting more experience first, you'd be smart to reach out to a network of fellow fledgling business owners for advice and support.

Spencer points out that this very early stage in your career could be a good moment to start a business, for a couple of reasons. First, your tolerance for risk is greater now than it may ever be again (especially if you have no student loans and minimal living expenses). "Before you take on responsibilities like a mortgage and kids, give this your best shot," she says. "As long as you're going into it with your eyes wide open, you are unlikely to regret it."



The oath by a marrying couple to "have and to hold" one another "until death us do part" has been part of traditional Western marriage vows for centuries. A married couple's financial planning should factor in the possibility of the death of one partner, and look to address the adverse financial implications for the survivor, and any children. In the 21st century where both spouses are often breadwinners, the need for married couples to take out life assurance on one another is as great as ever.

In many marriages both spouses earn an income and it is usually crucial that they insure against the loss of either spouse's income due to death, disability or dread disease. The loss of one spouse's income often leads to a cash flow shortage for the survivor. This could result in the survivor having to make adverse changes to his or her lifestyle and that of any young children.

Cover against the loss of the "stay-at-home" spouse

Usually where only one spouse earns an income (or earns the bulk of the family income) while the other takes greater responsibility for the raising of children, couples will easily understand the benefit of insuring the primary income-earner against death, disability or dread disease.

However, the loss of the spouse who is raising the children will also have an adverse financial impact on the surviving spouse and minor children. The loss of a stay-at-home spouse (whether through death, disability or dread disease) could result in the other spouse having to either cut back substantially on his or her working hours, could possibly require a career change, or the hiring of a full-time childminder.

In any of these scenarios, assurance cover on the "stay-at-home"spouse is a prudent if not vital aspect of the family's financial planning.

Liquidity for settlement of bonds and other debts

Banks often request the primary income-earning spouse to provide life cover on his or her life for the family's mortgage bond. However, it would be prudent to also have cover in place on the life of the other spouse in order to ensure the earliest possible settlement of this debt.

Cover should also be taken out to ensure adequate funds are available to settle any overdrafts, credit cards balances and accounts in the name of the spouse.

Liquidity for costs of winding up a spouse's estate

Many married couples leave their respective estates to one another on death and thus ensure that no estate duty (or capital gains tax) is payable on death of the first-dying spouse.

However, the need for liquidity to cater for other costs of winding up the first-dying spouse's estate is often overlooked, especially in the case of the potential death of a spouse who is not the principal income-earner. These costs include executor's fees (calculated at 3.5% plus VAT on the gross value of the assets in the deceased estate), funeral expenses, and Master's fees. Add the legal (conveyancing) fees required to transfer an immovable property into the survivor's name and a substantial amount of money may be needed despite the fact that the deceased's estate has "simply" been left to a spouse.

The deceased spouse's estate might not have cash readily available to meet these expenses, requiring the survivor to make an immediate cash contribution or face the enforced sale of the family home or liquidation of other assets!

Provision of bequests for children

Married couples, in their testamentary planning, often simply leave their estates to one another in the event of either of their deaths. For couples with children, this strategy has certain potential shortcomings in that the surviving spouse may remarry and on his or her subsequent death leave the family's assets to a new spouse, or otherwise lose the inherited estate to ill-fortune or poor business dealings.

To protect against this eventuality, a married person, while leaving his or her estate to a surviving spouse, may wish to consider at the same time leaving cash bequests to minor (or adult) children using a life policy to fund these bequests. The use of testamentary trusts to protect minor children's bequests should be considered or else an executor may be required to pay these over to the Guardian's Fund administered by the Master of the High Court.

Provision for maintenance of extended family members.

Many people find themselves marrying for a second time, having had children from a previous marriage. This not uncommon situation often requires some careful financial planning.

Take the case where a wife has remarried and her children from her previous marriage live together with her and her new husband. The planning for her potential death (or disability or contracting a dread disease), in terms of deciding with whom her children will stay in such event, and the provision for their financial future, requires thought. Even where she is not the primary income-earner, a life policy on her life structured to provide funds for her children would be a wise investment.

The case of aged parents should also be considered. Often retired parents live with their adult children, and one could find that after the death of a spouse, one "inherits" the in-laws (or is faced with the unpleasant task of extricating oneself from the moral responsibility of providing for them). A life policy on a spouse's life aimed at providing funds for dependent parents could ensure that this difficult situation does not materialise.



The lighter side of marriage

Women who think of their husbands as angels are widows
Bruce Lansky

A good wife always forgives her husband when she is wrong
Milton Berle

She lied to me when she told me that her father was a banker and his health was failing. After marriage I found out his health was fine and it was the bank that was failing.
Milton Berle

When a man steals your wife there is no better revenge than to let him keep her
Sach Guitry

Some wives can cook but don't. My wife can't cook but does.
Henry Youngman

Do you know what it means to come home at night early to a woman who will give you a little love, a little affection and tenderness? It means you are in the wrong house.
Sardar Schwarnegger

When I was young I vowed never to marry until I found the ideal woman. Well I found her but she was waiting for an ideal man
Khurram Sarkar

Marrying a man is like getting your hair cut short. You can't know it suits you until it's too late.
Jane Mano

If the divorce rate keeps increasing part of the Marriage vow will have to be changed from "I do" to "adieu".
Sadam Bush



Home and dry

A house is usually the most valuable asset the average person acquires during his or her lifetime. As a home is also usually the most expensive purchase one ever makes, it is usually funded by a home loan from a bank, secured by a mortgage bond registered against the title deed's of the property.

If a married homeowner dies, it is often his or her wish (which should be recorded in a Will) that the house passes to a surviving spouse. To give effect to such a transaction, the executor of the deceased home-owner's estate will instruct a conveyancer (a specialist attorney) to attend to the transfer of the property from the deceased to the survivor.

Out of community of property

In the case of a couple married out of community of property, this involves a "full" transfer of the property – i.e. the applicable process is quite similar to that which would apply when a person sells a property to a third party. Lawyers are not in the habit of working for free, and the estate would be liable for certain fees in connection with the transfer, such as conveyancing (transfer) fees and deeds office fees, and an upfront payment to the municipality to obtain a "rates clearance". Fortunately, the payment of transfer duty (a tax normally applicable on transfer of fixed properties - see article below) is NOT required when a property transfer is made from an estate to an heir.

In community of property

For a couple married in community of property, the transfer process is done by way of an endorsement to the existing title deed of the property. This still entails an application to the Registrar of Deeds, and attracts conveyancing and deeds office fees, and a rates clearance.

Outstanding mortgage bond

If a homeowner dies before a mortgage bond is settled, careful financial planning is critical. In order for the transfer of the home from the deceased to the survivor to take place, the bank would in most cases require the outstanding bond to be settled. If the estate (or the surviving spouse) does not have sufficient cash reserves (called "liquidity") to settle the bond, then the spouse may be forced to apply for a new loan in his or her name, to settle the deceased's bond. Since the advent of the National Credit Act (NCA) it has become increasingly difficult in recent years for a potential borrower to qualify for a bond and the ability of the survivor to qualify is based on his or her income alone. Where the surviving stay-at-home spouse does not earn an income, the granting of a bond is unlikely. In the absence of access to cash, such as from a life policy, the executor's only recourse may be to sell the family home!

A proper financial plan aiming to provide an estate or surviving spouse with liquidity to settle an outstanding bond and pay for property transfer costs is imperative.

The homeowner's duty

Taxes levied on the acquisition of immovable property (i.e. property transfer taxes) are common throughout the world.



In traditionally Common Law countries (i.e. those with a largely British heritage), such as the United Kingdom, United States, Canada, Australia and New Zealand, these taxes tend to be levied as a stamp duty on the deed of sale – usually at rates below 2%. In Civil Law countries (i.e. countries with a European continental heritage), such as the Netherlands, Belgium, France and Portugal (and their colonies), these taxes are more akin to our own transfer duty and are usually levied at relatively high rates (in many instances exceeding 6%).

Transfer duty (originally referred to as the "40th penny" - because of a 2,5 % tax rate at the time) was introduced in Holland in 1598. It was also introduced in the Cape of Good Hope, a Dutch colony at the time, as long ago as 1686.

The Transfer Duty Act 40 of 1949 became law on 1 January 1950 and repealed the diverse provincial laws relating to transfer duty at the time. The Act is still in force today and applies to most acquisitions of property. The tax bases for VAT and transfer duty overlap to some extent. Therefore, where VAT is payable on a property transaction, no transfer duty is payable.

The Transfer Duty rates applicable to properties acquired under purchase agreements concluded on or after 23 February 2011 are based on the following "sliding scale":

VALUE OF PROPERTY (Rand)	RATE
0 – 600 000	0%
600 001 – 1 000 000	3% of the value above R600 000, but less than R1 000 000
1 000 001 – 1 500 000	R12 000 + 5% of the value above R 1000 000 but less than R1 500 000
1 500 001 and above	R37 000 + 8% of the value exceeding R1 500 000

* Since 23 February 2011, the above rates apply to all persons, including Companies, Close Corporations (CC's) and Trusts.

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