

Mark Wenning's

FINANCIAL INFORMER

Quarter 3 / 2013



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The Golden Girls

For a variety of reasons, women are often at a greater risk than men when it comes to achieving a secure retirement. It is important to do all you can to educate yourself about your options and what you can do to take charge of your financial future. A survey has discovered that South African women show a shocking lack of awareness and foresight when it comes to retirement planning and could condemn many to a poverty-stricken retirement.

So says the results of an online survey which was conducted via Fin24 in April 2013 on behalf of the deVere Group.

The study showed that women represent less than 25% of the retirement planning sector in South Africa, with over half of those surveyed relying on once-yearly communication with their financial adviser and nearly a quarter "never" communicating with them.

The results for women in the 51-60 age bracket, many of whom are on the cusp of retiring, paint an even gloomier picture with only 12% currently seeking any kind of retirement planning advice.

Bleakest of all is the regional perspective for Limpopo and the Free State; not a single woman from these provinces completed the survey, which had as a prerequisite some form of existing retirement planning.

Among respondents, 60% and 28% were from the Western Cape and Gauteng, respectively.

The under-40s are better prepared, representing 64% of those who completed the survey. Of all the women surveyed, only 16% were "very happy" with the earnings results from their investments.

The good news for women: they live longer, so they will have longer to enjoy their retirement. The bad news: they live longer, and so their retirement will be much more expensive than for their male counterparts.

Women tend to outlive their husbands. Only one-third of women over sixty-five are married, and on average women will survive their husbands by fifteen years.

The combination of being on their own and living longer means that women need far more retirement capital than do most men.

Unfortunately, women's pension plans just don't measure up. A study by the Older Women's League says that women only receive 54% as much private pension income as do men, and they are falling further and further behind. There is a simple reason for this. The pension you receive depends on whether you stay on the job.

Today, more and more women are leaving the work force, because of layoffs, poor job prospects, or to spend more time with their families. On average, women are out of the work force for at least ten years, while men, on average, take just one year out of the work force.

Women often think that they can rely on their husbands' pensions, but they are wrong. Let's assume that a couple is living on the husband's pension, and the wife dies. Though grief-stricken, the husband suffers no financial detriment, and goes on collecting his full pension. But let's say the husband dies first, as is

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ordinarily the case.

His wife will probably get only 50% survivor benefits, which won't come close to providing her with the income she needs to carry on her lifestyle. No wonder 41% of older women are living close to the poverty line. Not surprisingly, many widows who are struggling financially were comfortable before their husband died.

Whether you are married or not, here are some of the things that you can do to build a secure retirement for yourself.

Understand your finances and take charge of your retirement: Find out as much as you can. Even if you are worried about the answers, it's better to find out now than when you are ready to retire. Don't just sign tax returns; be sure you understand them. Get assistance if you need clarification. Identify your financial assets and debts, and begin to save for your future by settling debt and budgeting. If you are married, be sure that you and your husband each understand what you own and what you owe, and use insurance to plan for the possibility of death or disability.

Take the first step to learn how much you will need to have a comfortable retirement: The big question is whether your guaranteed sources of income, like a South African pension, combined with retirement annuities and savings will be enough for a comfortable retirement. Look at what sources of retirement capital you can count on and what you can expect to receive from them. Some of your expenses may go down, but others, especially health care costs, may go up significantly. Other factors include how long you will be retired, investment rates of return, and inflation. I will be able to assist you with a full and comprehensive Financial Needs Analysis.

Take advantage of retirement benefits available at your workplace: If your employer adds matching contributions, that's free money. The sooner you start, the longer the money will have to grow. Consider sacrificing some current salary in return for a good retirement plan, and seek out employers who will match part or all of your savings in a contributory plan. The longer you work, the more you can put away for retirement. And the older you are when you retire, the fewer years of retirement you will have to fund.

Take time to educate yourself about Retirement Annuities: It is always a wise financial decision to set aside additional funds for retirement, even if you are a member of a company pension or provident fund plan. The Retirement Annuity Plan is a tax-efficient vehicle that can give you money back as a tax deduction. This allows you to save more and thereby cope with the high costs of living in the years when you need it most. The plan is an exceptionally tax-efficient investment that can assist in saving retirement capital which in turn will provide sufficient income for the future.

Take the time to sound your own alarm! This is your wake-up call: don't put it off! Many women face challenges meeting retirement income needs, but educating yourself will help you choose savings and investment tools wisely. Starting to plan now will give you more options later. The promise of retirement is having time to yourself after a lifetime of hard work.

Saving early pays off Compound interest makes it easier to accrue assets, but you need to start saving early to get the full benefits of compound interest. Consider this: a young woman saving R1,000 a year for ten years, from age 20 until age 30, and then saving nothing from age 30 to 58, will have R112,289 at age 58. A woman who starts saving at age 40, and saves R1,000 a year for ten years will have only R29,018 at age 58.

Retirement isn't just for men!



The Golden Girls is an American sitcom that originally aired from 1985 to 1992.

Starring Bea Arthur, Betty White, Rue McClanahan and Estelle Getty, the show centres on four retired women sharing a home in Miami, Florida.

Rue McClanahan (Blanche Devereaux on Golden Girls) died at age 76 in 2010 after a massive stroke. Betty White, now age 90, is the only Golden Girl star that is still alive. Bea Arthur (Dorothy Zbornak) died in 2009 after suffering from cancer while Estelle Getty (Sophia Petrillo) died in 2008 at age 85 of natural causes.

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Strange Celebrity Wills

Dusty Springfield

British soul singer Dusty Springfield was passionately devoted to her pet cat in life and in death. Springfield's will outlined strict instructions for the cat's care, requesting it be fed nothing but imported baby food and that it be serenaded with Springfield's hits at all times. Springfield also arranged for the cat to marry the pet cat of its new guardian.

Gene Roddenberry

Star Trek creator Gene Roddenberry's will instructed his body be cremated and his ashes scattered in space. These demands were followed to the letter when he died in 1997.

Michael Jackson

The King of Pop was thought to be teetering on the brink of bankruptcy when he died in 2009, but he turned out to be worth more than $235 million. Most of this money was left to his three children, but his mother also receives a monthly allowance of $26,804, including $1000 a month for "grooming expenses".

What's in a Will?

Our law views a Will as one of the most important documents that a person will ever sign. In order to prevent fraud and ensure certainty our law prescribes certain strict formalities which must be adhered to in order for a document to be accepted as a valid Will.

Basically, in terms of the Wills Act, passed in 1953, a Will must be:

- Reduced to writing
- The testator/testatrix (i.e. the person making the Will) must be at least sixteen years of age, and must be mentally capable of appreciating the nature and effect of the act of making a will
- The will must be signed by both the testator and two competent witnesses. A competent witness is a person aged at least fourteen years, and also having sufficient mental capacity. (The testator can sign by making a mark, such as a cross or a thumb print, but this must be certified by a commissioner of oaths. Witnesses cannot sign by making a mark)
- The testator and witnesses must all sign in one another's presence.
- If the will is more than one page long, then each page must be signed by the testator. It is not essential for the witnesses to also sign each other page, but it is advisable that they should do so.

These formalities are strictly applied and the office of the Master of the High Court, the regulatory official who is tasked with accepting Wills, has no discretion to overlook deviations. There is, however, a "rescue" provision in the Wills Act in that if the High Court is satisfied that a deceased person executed a document while alive which did not meet the formalities (e.g. the witnesses did not sign) but that the person intended it to be a Will, then the Court will order the Master's office to accept the document as a Will despite the non-compliance with the formalities.

It follows that in order for a non-compliant "Will" to be accepted by the Master's office, an application to the High Court must be made – an expensive and time consuming process, and one in respect of which no guarantee of success can be given. It would be far preferable to ensure that your Will complies with the formalities set out in the Wills Act.

The Questionable Will Challenge

The Master of the High Court is the functionary who determines whether a Will complies with the formalities set out in the Wills Act. While this sounds a simple task, the following scenarios show that this is not always the case. Can you successfully identify whether the Will in question is valid or invalid in each of the following situations?

Will #1

Before Larry died, he and his two friends, Mo and Curly, prepared a joint Will in which they stated that the assets of the first-dying of them are to be inherited by the surviving two. They and two witnesses each signed every page of the Will.

Will #2

Billy Bob on his deathbed asks his wife Brandy to handwrite a Will for him in which he leaves his pickup truck and gun collection to Brandy and his eight young children. He signs the document in the presence of his wife and his fourteen year old cousin, who both sign as witnesses.

Will #3

A wealthy tycoon Donald suddenly takes ill and has his attorney urgently prepare a one-page Will leaving his sizeable estate to his young wife. At the hospital, his attorney presents the Will to Donald who signs in the

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presence of the attorney as well as the attorney's secretary, who has accompanied the attorney. The attorney signs the Will as a witness and instructs his secretary to return to their office where she adds her signature as witness and makes a photocopy of it. Donald dies soon after.

Answers:

Will #1 is valid – any number of persons may execute a joint Will and they need not be related

Will #2 will be valid – the wife and cousin are competent witnesses. The Wills Act prohibits a witness from inheriting from a Will which he/she witnesses or handwrites (except to the extent which the person would have inherited in terms of intestate law). Thus Billy Bob's wife may find herself barred from inheriting from the Will, but the Will itself would not be invalidated by her act of witnessing.

Will #3 is invalid – the testator and attorney (first witness) were not present at the time the secretary signed (as second witness). An application to the High Court would be needed to "condone" the non-compliance with this formality.

Will tips



To ensure that your estate devolves efficiently and cost-effectively, and with the minimum of inconvenience to your family and heirs, it is important to ensure that you have a properly planned and up-to-date Will. Your Will should also be reviewed regularly. Here are some points to consider when reviewing your Will:

Change in assets / personal circumstances

You should review your appointment of heirs regularly to keep up to date with changes in your family circumstances e.g. marriage, retirement, purchase of a property, death of a spouse or family member. If you are recently widowed, remarried or divorced, it is advisable that you execute a new Will. Your previous Will may not be adequate.

Testamentary (Will) trusts

You may wish to create a Will trust to administer funds inherited by your spouse, children or grandchildren, or disabled or incapacitated heirs, or heirs who lack skills to administer monies. Testamentary trusts can also be used to reduce the future income tax obligations payable by your spouse and heirs.

Executor's fees

The fee of the person or institution named in your Will to attend to the winding up of your estate is negotiable - but not after the event. Executor's fees can constitute a major expense in an estate. If you have simply taken up the generous advice of the bank or attorney who drafted your Will, that they be nominated as executor of your estate, without discussing the fee, then the legal tariff will apply (currently 3.5% plus VAT based on the value of the estate assets). For example, an estate worth R3m (say consisting of a residence valued at R2m and investments and movable assets valued at R1m) would attract executor's fees of R119,700! As it is unlikely that you will be in a position to negotiate a fee from your grave, it is a good suggestion to provide for a (lower) negotiated fee to be stipulated in your Will. This move could save your heirs thousands of Rands.

Planning for administration liabilities

Various liabilities arise in winding-up a deceased estate, and a planner's failure to provide sufficient estate liquidity can cause hardship for heirs, as estate assets must be sold if the estate (or the heirs) cannot pay.

Some of these liabilities include: funeral costs, executor's fees, conveyancing fees, valuation fees, estate agent's commission, estate duty, income tax and Capital gains tax.

Foreign assets

You should ensure that your Will deals adequately with any foreign assets you may own.

Married heirs

You can protect your heirs' inheritances from being claimed by spouses in the event of a future divorce.

Family trusts

If you have an existing inter vivos (family) trust, you may wish to nominate your succeeding trustee in the event of your death.

Better late than never!



Marilyn Monroe

Marilyn left all of her clothes, underwear and personal effects to her acting coach Lee Stasberg with the request that he distribute it amongst her friends and family. Sadly, Strasberg ignored her instructions, storing the items in a warehouse and bequeathing them to his widow, who sold them in 1999 for over $13.4 million.

Harry Houdini

Escape artist Harry Houdini's will demanded his wife Bess conduct a séance every year on the anniversary of his death. He promised Bess he would contact her from the afterlife, and even devised a secret ten-digit message so she would be sure it was him. Bess held the séances but never reported hearing from Houdini.

Charles Dickens

The iconic author specifically requested that mourners attending his funeral should be banned from wearing black scarves, cloaks, hats or any other "revolting absurdity". He also asked the date, time and place of the service to be kept secret to keep his fans away. His instructions were ignored and he was given a huge public funeral.

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