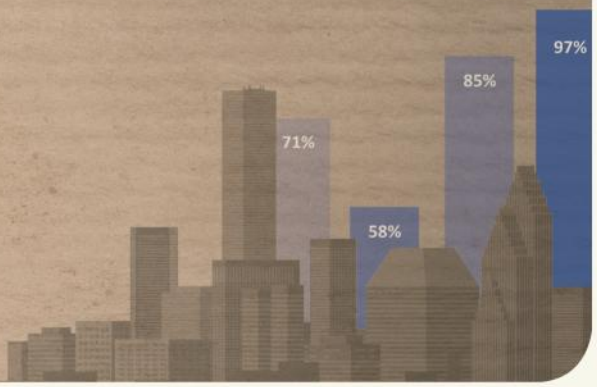
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Financial Resolutions You Can Keep

Did you make any resolutions concerning your personal finances last January? If so, how did you do? Did you attain your financial goals, or was this year a total financial washout for you? While 31 December may be a day to reflect on the year gone by, now is the time to look forward to the New Year, review your financial scorecard for the past year, and then look for ways to improve in 2014.

There's a good chance last year's resolutions didn't stick. According to a report from the University of Scranton's "Journal of Clinical Psychology," only 8% of us actually achieve our New Year's resolutions. The good news about New Year's resolutions is that you get a fresh crack at them each year. Here are some financial changes you should resolve to make in 2014.

Calculate Your Net Worth

If you haven't done so already, the New Year is as good a time as any for determining what you're worth (financially, of course). Calculating your net worth is a key step in assessing your financial health and reaching your financial goals. Looking closely at all your assets and liabilities helps create a clear picture of where you are prioritizing your current spending and saving and where you need to make changes in your spending and saving habits.

Many sites, including Investopedia, offer free tools that will help you calculate your net worth. The resolutions you need to make will become more obvious after making this calculation.

Consider Your Retirement Savings

The simple fact is, if you want a comfortable retirement you have to actively keep an eye on your progress toward your goal. If you sit back and hope that your company pension will somehow provide enough to give you the retirement you desire, you are likely heading for disaster. Research has shown that as many as 94% of South Africans do not make sufficient provision to enjoy a comfortable retirement. As a result, they need to continue working in their retirement years, or depend on family members for support.

The financial pressures to provide for a financially secure retirement are increasing because:

- People are living longer, which means that they need more money at retirement.
- Many people are retiring at an earlier age, again necessitating greater provision for their retirement years.
- Inflation affects the buying power of retirees' incomes and this is exacerbated by the fact that people are living longer. It is therefore important for people to have sufficient funds to provide for inflationary increases in their income after retirement.
- Many companies have stopped paying medical aid contributions for retirees because of escalating costs. This has forced individuals to make their own provision for medical costs after retirement.

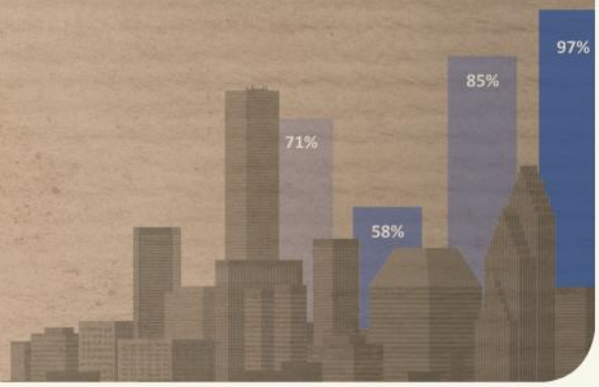
The cost of delay

Putting off starting to build a retirement nest-egg is very costly indeed. The earlier you start making provision for your retirement, the

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better. The graph on the right illustrates how much you will need to invest at different ages to reach a goal of R1 000 000 at retirement. Please note that this is for illustrative purposes only. The graph is based on an investment return of 10% p.a. after charges.

Update Your Savings and Debt Reduction Goals

Easily accessed funds can be quite tempting! Therefore, to help you reach your goal, be sure to transfer amounts earmarked for savings from your current account to a designated separate savings or investment account that is not easily accessed, thus making it less tempting for you to spend.

Take a few minutes now to set new savings goals for 2014 including how much you would like to add to your retirement nest egg, your children's education fund or the deposit on a new home.

It is also a good idea to start paying some extra principal toward your home bond payment each month. By doing so, you'll earn a risk-free return on that money equal to your bond interest rate. Plus, you will cut down on the number of years it will take to pay off your home loan. However, if you must choose between adding to your retirement nest egg and paying extra on your home loan then please talk to me and I will help to determine which option is more suitable for you.

Pay Off Your Credit Cards

If you owe money on credit cards, determine how much you can realistically afford to pay off during the year. For best results, try not to charge additional purchases on those cards while you're trying to pay off what you owe. If you have high interest credit card balances, consider whether it would be more beneficial to pay off those high interest debts or to add to your savings. This is often not something that is immediately obvious but makes total sense when looked at carefully. Basically there is no sense in saving with a 5% return when you are paying 10% for credit!

Review Your Credit Report

Review your credit report, and take steps to repair any negative aspects. South Africans are now entitled to a free credit report each year thus leaving very little excuse for not reviewing what is one of your most important financial reports. Since errors in these reports are not uncommon it is in your best interest to check (You can get a free credit report at www.mytransunion.co.za). A poor credit report could adversely affect the amount you are able to save as it could result in you paying higher interest rates on loans which will ultimately reduce your disposable income.

Review Your Life Insurance and Disability Insurance Needs

As you progress through your career, your life and disability insurance need to keep pace and require regular revision. Consider whether you need more or less life insurance, and whether your needs would be better satisfied with new generation products or a different structure. Also, review your disability insurance coverage and determine whether you have enough cover based on your current income.

The Bottom Line

Be cautious about setting too many or unrealistic financial goals otherwise you may be hard pressed to accomplish many of them. Take this opportunity to restate your financial resolutions simply and clearly for the New Year and near future. It may be a good idea to maintain a checklist so as to keep track of how you are doing throughout the year. Consider meeting with me so that we may review the goals and objectives that you have established.

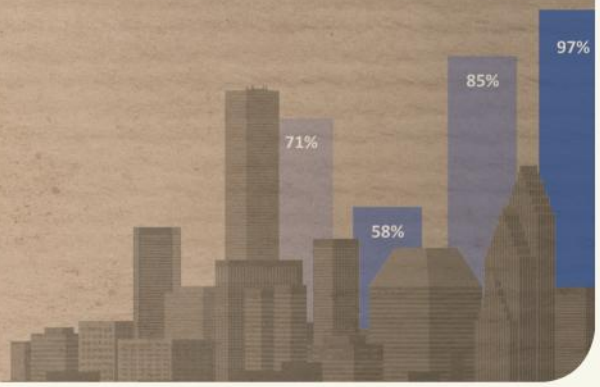


"The longer you delay funding for retirement, the more you will need to save later in life to ensure a comfortable retirement."

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DEAD OR ALIVE: PRESUMPTION OF DEATH

It seems obvious to say, but the general rule is that a person must be dead before succession can occur. Death is proved by obtaining a death certificate signed by a medical practitioner. This is important: without proof of death, an estate cannot be administered.

So what happens if a person simply disappears, for example at sea, and a body is not found? Here an application must be made to the High Court for an order pronouncing a person to be presumed dead. Only when a court makes a "presumption of death" order can the disappeared person's estate be administered and life policies collected. Because it is possible that the deceased might still be alive, this case constitutes an exception to the rule that he or she must be dead before succession can occur. For this reason, it is also customary for a court to order that the estate of the person presumed to be dead should be distributed amongst his heirs subject to the provision of security that the estate can be returned to the missing person should he or she reappear.

(Continued on page 4)

Death's Duty - The Role of the Executor

When a person dies, the property of the deceased does not immediately accrue to the deceased's heirs, but passes instead to a functionary who is tasked with administering the deceased estate until it is passed to the heirs. The person appointed to perform the task of such administration is termed the executor of the estate. This article examines the executor's duties and explains how the estate is wound up.

Until an executor has formally been appointed, the deceased estate is "frozen" i.e. the assets of the estate, including banking accounts, may not be dealt with. In the absence of proper planning, this period of time is often extremely stressful for the surviving family. It can take months before an executor is appointed, particularly where a Will cannot be found.

The first questions that arise are who is the executor and how is he or she appointed? The executor is appointed and granted authority (called letters of executorship) to act in this capacity by the Master of the High Court. The Master is a government official whose duties include the overseeing of the winding up of deceased estates. The Master will usually appoint as the executor the person nominated for this purpose in the deceased's will. If there is no will or it cannot be found, then the Master will appoint a family member, such as the surviving spouse or an adult child, or suitably qualified professional person to the position of executor. In the case of a family member, the Master usually requires a professional person to assist the family member.

Before confirming his appointment, the Master may request security from the executor, to protect the estate against any negligence or dishonesty on the part of the executor. The Master will usually not request security in cases where a surviving spouse, child or parent is appointed or where the requirement of security is dispensed with in the will.

Where the value of the assets in an estate is less than R125,000, the Master may decline to nominate a formal executor and instead direct an interested party such as a family member to wind up the estate informally. This person need not comply with the usual formalities, but simply collects the assets of the deceased and pays the creditors and the heirs. In cases where a formal executor is appointed, the executor must wind up the deceased estate in accordance with the provisions of the Administration of Estates Act.

Initially his duties entail taking possession and control of the assets falling into the estate and the publishing of notices calling on creditors to lodge their claims with the executor. As soon as the initial formalities have been complied with, the executor will have the assets in the estate valued, and will draw the formal accounts of the deceased estate, setting out, for instance, the assets and liabilities of the estate, and the manner in which the balance of the estate is to be distributed to the heirs. After the Master has inspected the account and it has been published and made available for inspection by interested parties, the executor is able to make payment to creditors and heirs. Once the estate has been finalised and the necessary formalities complied with, the executor will apply to the Master for his discharge.

The entire process may take a year or longer. For this reason, it is critical that one's financial planning provides for the direct availability of cash for surviving family during this time. Life assurance plays a vital role, as a life policy can

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be made payable directly to the heirs by way of a "beneficiary nomination". This ensures that the proceeds bypass the estate and are available to the heirs to see them through until their inheritances are paid.

The nomination of family members as direct beneficiaries on policies has multiple benefits. Not only would these proceeds avoid the 3.5% executor's fee, but would also provide the beneficiaries, a surviving spouse and children for instance, with a source of income while the estate is being wound up. If the estate was nominated as beneficiary to these life policies, the proceeds would be paid directly to the executor, to be held until the estate is finalised. As this could take a number of months or, in extreme cases, years, the family would have to approach the executor "cap in hand" for an interim advance – and there is no guarantee this would be given.

In certain cases, however, it is appropriate that the estate in fact be nominated as the beneficiary of life policies. This would be the case where the estate requires liquidity to provide working capital for a family business, or to pay cash legacies, creditors, estate duty and the executor's fee itself. Life insurance is clearly an extremely useful tool with which to provide funds for the executor of a deceased estate to pay not only estate duty and debts, but also to pay the executor his own fee.

Executor's Fees - How it works

For undertaking his duties, the executor of a deceased estate is entitled to be remunerated from the estate. If the remuneration is not stipulated in the will, then the official tariff will apply: 3.5% of the value of the estate assets and 6% of income received by the executor. If the executor is a VAT vendor, then the executor's fee will attract VAT at 14%, with the result that the total executor's fee, inclusive of VAT, amounts to 3.99% of the estate assets and 6.84% of the income. It is an often overlooked fact that the maker of a Will can negotiate a reduced executor's fee which can then be stipulated in the Will. This cannot be done after the testator dies, and in the absence of any agreed reduction, the legal tariff will normally apply.

In cases where a family member is appointed as executor, he or she must usually appoint a suitably qualified person, such as a trust company or an attorney, to attend to the task on his or her behalf. The fee for the trust company or attorney should then be agreed between the parties when the appointment is made. In the absence of any agreement then the appointed agent would usually be entitled to charge the tariff.

It is important to note that the executor's fee is levied on the "gross estate". This is the gross value of all the property and assets forming part of the estate, prior to the deduction of liabilities such as mortgage bonds on fixed property. Thus the executor's fee in respect of a property valued at R1 000 000 would be R35 000 plus VAT, notwithstanding the fact that the property is subject to a bond of the same amount, for instance. If the deceased was married in community of property, the fee is calculated on the value of the combined joint estate (i.e. including the assets held in the survivor's name)! The "gross estate" would include the proceeds of insurance policies of which the estate is the nominated beneficiary; the proceeds of other policies, of which the deceased's heirs or creditors are nominated beneficiaries, and not the estate, while possibly being subject to estate duty do NOT fall into the gross estate as such and would not attract the executor's fee.



(Continued from page 3)

Factors which a court may take into consideration in making such an order include the length of time that the person has been missing, the age and health of the person as well as the circumstances of the disappearance. Here are a few examples illustrating how our courts have treated such applications:

In a 1996 case the court held that proof that the missing person suffered from depression and high blood pressure was not sufficient to presume his death, and his absence for a period of two years was deemed insufficient for a presumption to be made

In a 1956 case it was held that the fact that a person had been missing for 30 years was considered insufficient reason for announcing a presumption of death

However, in another 1956 case a presumption was declared where a person had been for a swim in the sea and had disappeared, even though he had not been missing long.

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