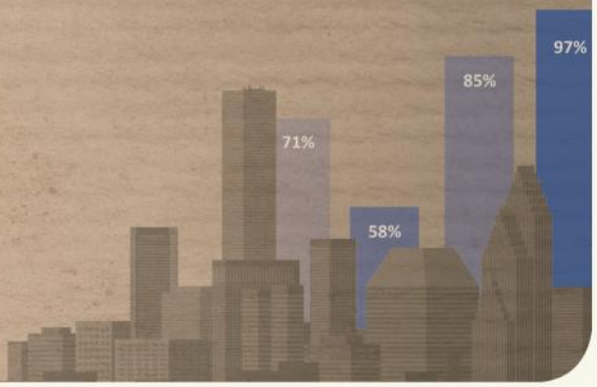
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Medical Aid Gobbledegook

Confused by your medical scheme? Medical schemes can be complicated things. If you have just joined one, or you've been a member for a long time, but there are things you're not sure of, take a look at these quick explanations. They might help you get over a medical scheme hurdle or two.

Remember that all schemes have their own rules and regulations, and if you need exact information about rules and benefits, it is essential that you contact your scheme directly.

Medical schemes are not profit-making businesses – their income is derived from the contributions of their members and their expenses are made up of two things: claims they pay out and administration costs. The company administering the scheme can legally make a profit. This is usually quite small in comparison to the costs of medical claims.

For a variety of reasons, most medical schemes have experienced a sharp increase in claims expenditures over the last couple of years. Schemes have tried in different ways to protect their reserves, in order to prevent insolvency. The Council for Medical Schemes, the regulatory body, requires schemes to have at least 25% of their contributions in reserve.

Many members feel somewhat resentful that they have to make co-payments after paying their monthly contributions.

Here are seven things you need to know about being a medical scheme member, and claiming for your medical treatment.

MSA. This stands for Medical Savings Account. What it comes down to is that a portion of your monthly contribution (no more than 25%) is made available to you for covering your day-to-day costs and acute medication costs (once-off prescriptions). This is used to pay GPs and specialists and certain other health practitioners, such as physiotherapists and psychotherapists. Schemes say this is to prevent over-use, but many members run out of benefits long before the year is over. This means that they have to cover day-to-day expenses out of their own pockets. MSAs are made available to members upfront at the beginning of the year. This sometimes causes a problem if someone resigns from the fund halfway through the year, but they have used up their MSA.

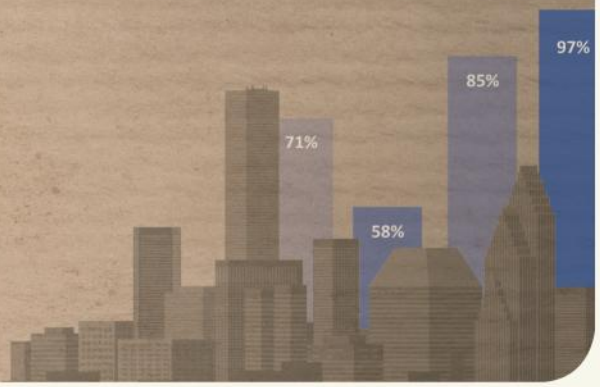
Self-payment gap. Many schemes have a SPG. This is a predetermined amount that a member has to settle for medical bills after the MSA has been exhausted. After that many schemes have a threshold benefit that kicks in. Here's an example: Member A pays in R2000 per month as a contribution. Her medical scheme gives her 20% of this amount as an MSA upfront in January. That means her MSA for the year will be R4800. If she has used this up, she is now in the SPG. In her case, she must pay the next R3000 out of her own pocket, after which her threshold benefit will kick in.

Threshold benefit. This is a predetermined amount of money that will be paid out to a member for day-to-day expenses after they have spent all the money in their MSA, and they are through the self-payment gap. It

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differs from scheme to scheme and from option to option. (Do remember that just about no hospital plans have any of these benefits). It is important to continue submitting claims to your scheme even after your MSA is depleted, otherwise they will not know when you are eligible for threshold benefits.

100% of fund rate. Many people are under the very mistaken impression that if they have cover of 100% of the fund rate, all their hospital bills will be covered. Not so. Doctors in private hospitals are not bound to charge medical scheme rates. Do find out what the fund rate is for the option you have. If your scheme will pay R3000 for a certain procedure, and your doctor charges R5000, you will be liable for the difference. Some more expensive scheme options will pay up to 200% of fund rate. Remember that doctors seldom have set fees – many of them are open to negotiation. Don't be shy.

Cancer treatment. Many schemes set a monetary limit on cancer treatment (R350 000, or R400 000, or whatever per annum per family). If your cancer risk is high, it might be an idea to look for an option that has more extensive cancer cover, as costs for cancer treatment can escalate quickly. The last thing you need when dealing with cancer is to worry about finances. Consider taking out Dread Disease Cover in addition to your medical scheme cover.

Co-payments. These are medical costs which you have to pay in part, because the procedure or the medication is not covered fully by your scheme. If your scheme will only pay R1800 per annum for the services of an optician, and your new glasses cost R2400, you will have to pay in R600.

Medicines formulary. All schemes have to pay prescribed Minimum Benefits for the treatment of certain conditions. Some schemes have put together a medicines formulary, according to which they will pay a rand value for the treatment of certain chronic conditions. If a member is unwilling to use generic medication, he will sometimes have to foot the bill for the brand name medication. Your pharmacist will be able to give you information about generic medication.



Making Allowances

There's a strong argument that an allowance is the best way to teach a child to handle financial responsibility. There's an equally convincing case that nothing could be further from the truth.

In either event, before they get an allowance, a child should be old enough to count money. The key to a successful allowance is structuring it right from the outset.

Make it clear to your children what kinds of expenditures the money is for, and that they are expected to save some of it. Younger children - ages 7 to 10 - shouldn't be held accountable for items like school lunch money as part of their allowances, but it's not a bad idea for older kids and has the added benefit of fewer payments changing hands.

Some experts think parents should not link the allowance money to household chores as children should help out around the house because they are members of the family, not because they are paid. That's obviously your call.

Yet with children over 8 or 9 years old, giving an allowance doesn't preclude paying them for specific chores, especially the occasional type that you might otherwise pay outsiders to perform. Why not keep the money in the family?

Jayne A. Pearl, author of "Kids and Money: Giving Them the Savvy to Succeed Financially" (1999, Bloomberg Press), would say that an allowance is supposed to be a teaching tool. "Negotiation skills are an important part of that, which they're going to need for dealing effectively with friends, teachers and, eventually, their bosses."



So instead of grimacing when your children hit you up for a raise, decide when the time is right and then engage them in fruitful negotiations. How long since the last raise? Will new expenditures be covered? What amount of the raise will be saved long-term for expenditures requiring your approval?

Many parents like to give their children the equivalent in today's Rands of the allowance they received at the same age. Assuming that these parents have more or less the same means as their parents did, this can be a comfortable solution.

One way to encourage your children to develop sound money discipline is to make savings a condition of their allowances. So try to account for this when deciding on a weekly or monthly figure.

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MONEY FOR AFRICA

Each year Forbes Magazine, the well-known US bi-weekly financial publication , releases its rankings of the world's richest people. It recently published its list of the wealthiest Africans. Valued at November 2013, here are the top 5:

Aliko Dangote (Nigeria)

The wealthiest African by some margin, the 56 year old made his wealth in cement, sugar and flour. He made his first fortune more than three decades ago when he started trading commodities with a loan from an uncle.

US$20.8 bn (R219.6 bn)

Johann Rupert & family (South Africa)

Luxury goods tycoon and South Africa's richest man, Johann Rupert owes his fortune to Swiss-based Compagnie Financiere Richemont, which owns brands including Cartier, Van Cleef & Arpels and Montblanc.

US$7,9 bn (R83.4 bn)

(Continued on page 4)

Two to Tango

Each of us conclude contracts every day of our lives; often these contracts will be insignificant and mundane, such as buying movie tickets over the internet or a newspaper from a vendor, but sometimes they are more financially significant such as buying a house or signing an employment contract.

Often one isn't even present when concluding a contract: our law permits a person wishing to contract to authorise another to represent him or her. The absence of the contracting party at the conclusion of the contract may be owing to an inability to be present such as due to an illness or being away on a trip. Or the person may have a legal disability requiring another to contract on his behalf, such as minority. It is often physically impossible for the contracting party to be present in a tangible form: a juristic person such as a company requires a human to represent it in concluding a contract.

Representation is the principle whereby one person concludes a legal act on behalf of another. Thus in a contract by one person as a representative of another, the rights and obligations arising from the contract attach to the person represented (often called "the principal") and not to the representative (often called "the agent").

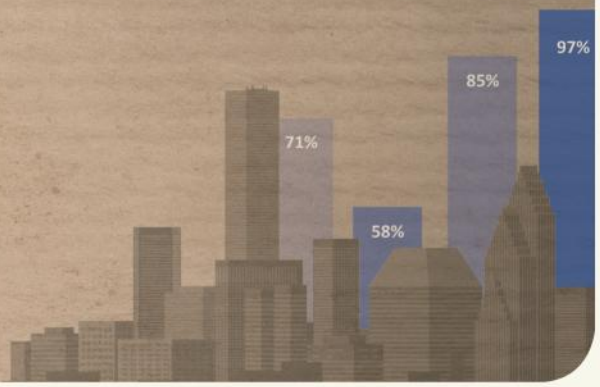
Here are some of the main points governing the conclusion of contracts using representatives:

- By and large, all types of juristic acts can be concluded by representatives, although there are some exceptions: in SA the conclusion of a marriage must be done in person and not through representatives.
- In order to conclude juristic acts on behalf of another, a representative has to have the necessary authority. A person who lacks the capacity to contract cannot give authority to another, for example, while under the influence of alcohol a person or a "lunatic" lacks capacity and thus cannot authorise another to represent him or her contractually. Other times authority is simply derived from the representatives position, for example a guardian may represent his child, and a court appointed curator will represent a mentally incapacitated patient
- Subject to certain exceptions, the authority given by a principal to his representative may be oral or in writing. However, as oral authority is difficult to prove to third parties, it is common for authority to act as one's representative to be recorded in a document called a "power of attorney" (see article on page 4)
- No specific form of words is required to express the intention that the representative is concluding a contract for another: the words "on behalf of" usually indicate a situation of representation. Often a representative will sign his name on a contract using the letters "pp", an abbreviation of the Latin term "*per procurationem*" which translates as "by the agency of"
- As a contract requires two parties, a representative can't enter into a contract with himself on behalf of his principal; such a "contract" will simply be a nullity
- The authority of a representative to conclude juristic acts on behalf of another lapses on the death of that other. Obviously as a dead person cannot contract, the authority conferred on others by the deceased lapses on his or her death.

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Power Play



The in's and out's of signing a Power of Attorney. It is common for a person wishing to authorise a trusted party to act on his or her behalf to sign a document known as a "power of attorney" (abbreviated as "POA"). But how does this far reaching document work and what are the pitfalls?

Generally, in our law, one can authorise a representative by oral or written means, without having to meet any formalities. However, one exception is contained in the Deeds Registries Act which provides that a conveyancer may not execute a deed of transfer of an immovable property or a mortgage bond before a registrar of deeds unless he or she is authorised to do so "by power of attorney". To be acceptable to a deeds registrar a POA must be in writing and attested by two witnesses over the age of fourteen years, or by a commissioner of oaths, magistrate or justice of the peace.

Other than when required by a conveyancing attorney as described above, our law doesn't in fact apply any formalities for the making of a POA. In theory, you could authorise someone by mere word of mouth to sell your car or draw your life savings from your bank account! Understandably the other party to a transaction (eg. your bank) may be hesitant to accept the word of your appointed representative as to his or her *bona fides*. Thus for practical reasons it has become practice whenever a POA is required to apply the formalities set out in the Deeds Registries Act. By rights the simple presentation of the POA by the representative should be sufficient legal proof of the bearer's authority. However, most banks will not accept their client's own power of attorney but will require a client and his or her representative to personally visit a branch to complete and sign the bank's form of POA.

Powers of attorney can be "general" or "special". A general POA is one where the representative is given the authority to act on behalf of the principal in all matters, while a special POA is one limited to a number of actions, even though the actions listed may be numerous.

A drawback in connection with POA's is that it can only be acted on by the representative while the grantor (principal) still has the capacity to act himself. Some jurisdictions recognise "enduring" powers of attorney in terms of which the representative remains empowered even after the principal loses his capacity. South African law does not recognise the enduring POA; if a principal loses his capacity to contract, for example he falls into a coma, or is declared mentally incapable of administering his affairs, then his representative equally loses the authority to act on his behalf using a POA even if it was executed when he had capacity.

Clearly a POA cannot be used to transact on behalf of a principal who has died; the POA "dies" with the principal and only a properly appointed executor may act on behalf of the deceased estate.

A danger in signing a POA is that although it can be revoked by notice to the representative, it isn't easy for a principal to notify the world at large of this. If the representative presents the POA to an unknowing third party who is induced to act on the face value of the POA, the law will protect that innocent third party.

A power of attorney can be a very useful tool to ensure that trusted persons can look after your affairs when you are unable to do so, but their limitations and pitfalls should be considered.

(Money for Africa Continued from page 3)

Nicky Oppenheimer & family (South Africa)

Formerly the chairman of the De Beers diamond mining company. He is estimated to own 1.8% of the shares in diversified mining company Anglo American, which his grandfather started in the early 1900's.

US$6.6 bn (R69.7 bn)

Nassef Sawiris (Egypt)

Sawiris runs Orascom Construction Industries, Egypt's most valuable public company. He ended a tax dispute with the government of Egypt's then-president Mohamed Morsi in April 2013, agreeing to pay $1 billion

US$5.9 bn (R62.3 bn)

Mike Adenuga (Nigeria)

He is the founder of Globacom, Nigeria's second -largest mobile phone network. He also owns Conoil, an oil exploration company. He made his first fortune at age 26 when he returned to Nigeria after studying in the U.S. He took over his mother's sawmill business and distributed lace and Coca-Cola. He made some powerful friends within Nigeria's military and cornered lucrative state construction contracts.

US$4.6 bn (R48.6 bn)

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