

Quarter 2 2020

Mark & Danica Wenning's

Financial Informer





Mark Wenning ✆ 010 234 5650
Certified Financial Planner®

Danica Wenning ✆ 010 234 5651
danicaw@nedbank.co.za

office — Ground Floor Pharos House, 70 Buckingham Terrace, Westville

email — markw@nedbank.co.za

mobile — 082 900 0332

web — www.markwenning.co.za

assist — Janet Rackham ✆ 0102345653, janetra@nedbank.co.za

assist — René Sturrock ✆ 0102345652, renest@nedbank.co.za

Frankie say Relax

Two things about the title to this story: One, only 80's kids will get it and two, Holly Johnson (the lead singer of Frankie Goes to Hollywood) can afford to relax because he is no longer on this earthly dimension. As for the rest of us still alive, we may have a few concerns at the moment.

You already know the rational steps to take during a financial crisis: Don't look at your RA or investment portfolio. Don't stay glued to the financial press and, above all else, do not panic-sell your investments.

And yet: As Mike Tyson put it, everyone has a plan until they get punched in the mouth.

A generation of investors is experiencing its first genuine financial crisis. For many millennials no amount of rational thinking can ease the pain of the first time you watch a fifth of your life savings evaporate in a few weeks.

As a guide to this pain, some seasoned investors who have been around this block before, having seen crises reaching back to Black Monday of 1987 offer some perspective. They're here to offer calm and a few tips on dealing with the crisis, mentally and emotionally.

Don't let emotions win over reason

Mel Lindauer, co-author of "The Bogleheads' Guide to Investing": "The only two days that really matter in investing are the day you buy and the day you sell. All the ups and downs in between are simply noise. If you can learn to ignore the noise and stick with your investment plan, you'll do just fine."

Brian Preston, C.P.A., C.F.P., P.F.S., and host of the YouTube channel and podcast "The Money Guy Show": "Creating wealth is simple — buy the market while you are young, and let compounding growth do its magic. However, wealth creation is not easy. You have to fight all of your human instincts and build a worldview that is separate from the herd. That is hard the first time you experience irrational behavior and whipsaw markets."

Deena Katz Evensky, professor emeritus in the department of personal financial planning at Texas Tech University: "Panicking will only create more sleepless nights for you. Maintain a 'buy and hold' mind-set. The best thing you have going for you right now is time. Don't try to time the market. You must stay in the market to get market returns. Remember, you are buying companies, not just stock. Businesses are still running and the world is still operating."

Tune out the news

Ms. Katz: "Stop listening to or reading financial pornography. If these guys were so smart, they wouldn't be working for a



living. Watching extreme volatility on a daily basis will give you ulcers and sleepless nights. A calmer long-term perspective will take you far. And don't get angry or beat yourself up with 'would have, should have' — but remember that all investments have risk."

Mr. Preston: "You can reach a certain point where staying up-to-date on the latest news and information is doing more harm than it is good. You've got to separate the actionable information from unactionable information; news about school closings or advice from health officials is good, actionable information. News about market drops or volatility can be valuable information, but not necessarily actionable. Much of the news about the market and coronavirus is great for staying informed and up-to-date, but may not be great for your sanity and financial health."

Remember: This isn't our first rodeo

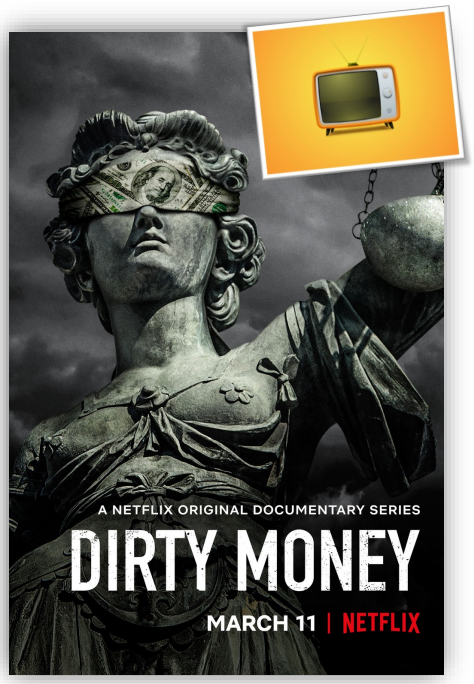
Ms. Torabi: "If we recall, the 20th century had its own host of problems and tragedies. It's not that I encourage everyone to have all this blind faith in the stock market. Instead, have faith in the human race and its proven ability to adapt, invent, transform and make the world a better place. And that, in the end, is what fuels a strong economy and financial market."

Mr. Preston: "This downturn does not feel any different to me than any other periods of panic and wild swings. Whenever I hear 'new paradigm' or 'this time it's different,' I internally smile and know that we are humming the same song, and that I have been here before."

Ms. Katz: "Worldwide chaos and terrible news have been around forever, and somehow we live though it. Imagine what your grandparents felt during World War II or what your parents thought when President Kennedy was killed or the Vietnam War raged for years.

"There are two ultimate outcomes: We all get through this, or everything falls apart. If everything falls apart, it won't matter. If we get through this, you have a pretty good chance of seeing things go back to normal, even if it's new normal."





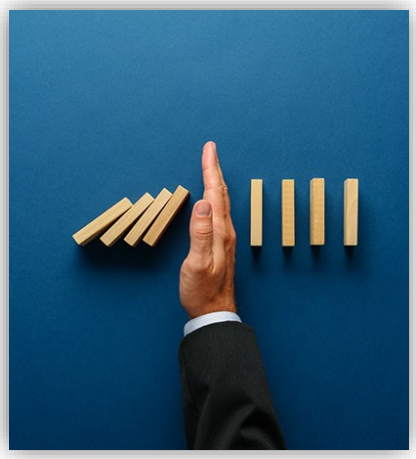
What to watch during Lockdown

From crippling payday loans to cars that cheat emissions tests, this investigative series exposes brazen acts of corporate greed and corruption.

Using first-hand accounts from perpetrators and their victims, combined with rarely-seen video footage, this addictive series keeps viewers on the edge of their seats. Amid growing public and consumer skepticism, Dirty Money is sure to tap a vein of outrage as audiences identify the pervasiveness of corporate greed and misconduct.

Wanted to know what the VW Dieselgate scandal was really all about, who Trumps dodgy son-in-law, Jared Kushner, is or how gold funds the drug trade then you will find the answers in this fascinating series.





No one can avoid the unexpected. But these simple steps can help you better face life's uncertainties.

Be kind to yourself. Some people are better at dealing with uncertainties than others, so don't beat yourself up if your tolerance for unpredictability is lower than a friend's. Remind yourself that it might take time for the stressful situation to resolve, and be patient with yourself in the meantime.

Reflect on past successes. Chances are you've overcome stressful events in the past – and you survived! Give yourself credit. Reflect on what you did during that event that was helpful, and what you might like to do differently this time.

Develop new skills. When life is relatively calm, make a point to try things outside your comfort zone. From taking a risk to trying a new sport, dealing with uncertainty helps you develop confidence and skills that come in handy when life veers off course.

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Fight or flight

"I will admit to feeling concerned about the coronavirus. As the world has not experienced this virus before, we can't reliably predict how it will evolve and how many people will be impacted," says 10X Investments chief executive officer, Steven Nathan.

"Life is always uncertain – no one knows what will happen tomorrow. I tend to refer back to guidance gleaned from Dale Carnegie's "How to stop worrying and start living". This timeless classic, written in the 1950s, tells us that most of the things we worry about never actually happen.

"It also urges us to worry less, especially about things we can't control."

A useful piece of advice in this book is to write down our fears, including what impact they might have should they materialise, which can help us prepare mentally for the worst. Then we should calmly try to improve on the worst case, Nathan said.

"I try to follow this advice when faced with uncertain issues, like the coronavirus. I have thought about what the impact might be and worked through an action plan should it materialise. I feel better even though I still don't really know how it will play out. And, no, I have not stocked up on non-perishables," he said.

How does this affect my retirement savings?

Investing, Nathan noted, involves considerable uncertainty. No-one knows what their investment outcome will be at some future date, or if their capital will last their retirement. The investment industry, which tends to prefer jargon over plain English, calls uncertainty; risk.

Uncertainty does not stop us from investing, he said. "Rather, we use proven investment principles to help improve our outcomes: invest according to your time horizon, minimise costs, invest for growth by owning blue chip companies (the stock market), diversify your investments by investment type and geography, and don't try time or beat the market.

"Crucially, though, the most important aspects of investing are within our control: Ensure you are saving adequately, invest sensibly using the above principles, and stay the course ie do not cash out your savings along the way even if things get a little hairy and the stock market responds negatively to an external event, such as the coronavirus."

The current stock market price is an estimation of the future earnings of all companies for a very long time – at least 50 years," Nathan said. It is impossible to accurately predict the next 50 years, so this estimation carries high forecast risk and is sensitive to small changes in the underlying assumptions.



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"This partly explains the volatility of stock markets, especially during a period of high uncertainty like this.

"As long-term investors, we should expect to experience a few financial crises over our investment lifetime. Other recent crises we have survived include the 2008 Global Financial Crisis, the 2000 Technology Bubble, the 1987 Stock Market Crises and the 1970 Oil Crisis, to name but a few.

"We can't reliably predict a crisis but know they have featured regularly in our investment environment since the South Sea Bubble in 1720," he said.

What should an investor do in a crisis?

'Do nothing' is not what you want to hear, so Nathan offers his best advice.

"While it is tempting to try to time the markets during a crisis, like selling shares to invest in cash at a time like this, this seldom pays off. There are thousands of professional investors out there, a handful of whom have managed to time one crisis, such as the 2008 Global Financial Crisis. However, these managers did not display this prescience with other past or future crises. Their occasional brilliance seems to be more luck than skill since no professional investor has successfully timed markets over consecutive crises".

"Trying to time the market in a time of crisis like this is not realistic. We don't know when the crisis will end so it is not obvious when to exit, or when to re-enter.

"What we do know is that investment risk falls when prices fall because lower prices imply lower expectations of future economic growth and corporate earnings. This logic contradicts our emotions. We tend to be more confident when stock markets are rising due to rising expectations of future earnings.

"This is illogical. Buying companies at higher prices is riskier than buying them at lower prices. Remember, the stock market is trying to estimate these companies' future earnings over the next 50 years."

Ben Graham's quote from 1950, explaining how stock markets are driven by emotions and sentiment in the short term, but by profits in the long term, is noteworthy today, said Nathan.

"I don't think it is unreasonable to expect (but obviously there is no guarantee) the coronavirus to be contained within the next 18 months. Hopefully that will happen sooner.

"Aggregate company profits are unlikely to be negative during this entire period but will fall, as will dividends. There will be a cost to pay for this, probably around one year's growth in corporate earnings, equal to around 5%. This is a high-level estimate to illustrate a principle, and is below the 10% correction in global stock markets and SA's 13% fall for the year to 9 March 2020.

"In summary, we at 10X don't believe that investors should change their long-term investment view as long as their investment strategy is appropriate for their investment goals and is based on proven investment principles. If not, a crisis like this presents a great opportunity to address any failings."

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Limit exposure to news. When we're stressed about something, it can be hard to look away. But compulsively checking the news only keeps you wound up. Try to limit your check-ins and avoid the news during vulnerable times of day, such as right before bedtime.

Avoid dwelling on things you can't control. When uncertainty strikes, many people immediately imagine worst-case scenarios. Get out of the habit of ruminating on negative events.

Take your own advice. Ask yourself: If a friend came to me with this worry, what would I tell him/her? Imagining your situation from the outside can often provide perspective and fresh ideas.

Engage in self-care. Don't let stress derail your healthy routines. Make efforts to eat well, exercise and get enough sleep. Many people find stress release in practices such as yoga and meditation.

Seek support from those you trust. Many people isolate themselves when they're stressed or worried. But social support is important, so reach out to family and friends.

Control what you can. Focus on the things that are within your control, even if it's as simple as weekly meal planning or laying out your clothes the night before a stressful day. Establish routines to give your days and weeks some comforting structure.



Helping hands

There is now a range of measures available to help South African businesses and individuals amid a crippling corona-induced economic crisis. Government, banks, and insurers all have interventions to help cushion the economic blow of Covid-19. Most of the support is aimed at small businesses, and their employees. Here is where you can find help and money during the coronavirus lockdown and beyond.

There is now a range of measures - from government, banks, and insurers - available to South African businesses and individuals amid a crippling corona-induced economic crisis.

From loans to tax breaks, most interventions are aimed at getting small businesses in particular through the next couple of months. More measures are expected to help individuals, the self-employed and the informal sector.

Here's where you can find help, and money, to get through the coronavirus disaster.

For all businesses

Tax breaks:

Companies can claim back up to R1 500 a month per employee who earns less than R6 500 (for those younger than 30), and R500 for those 30 and older. These amounts will be paid back every month by SARS as part of the Employment Tax Incentive (ETI) programme.

UIF payouts:

As part of the special Temporary Employee/Employer Relief Scheme (TERS), administered by the Unemployment Insurance Fund (UIF), money will be paid out to workers in distressed companies. The amounts paid will be a percentage of an employee's salary, according to a legislated sliding scale from 38% (for the highest earners) to 60% (for the lowest earners). The maximum benefit is R6 730 a month. Companies struggling to pay salaries due to the coronavirus crisis need to report this via email to Covid19ters@labour.gov.za.

Struggling with rent?

While new regulations pave the way for large property landlords and retailers to work together to come up with rent relief schemes, there is not yet any official announcement on rental holidays. But The Foschini Group has already announced that it won't be paying rent during the lockdown. For now, individual tenants are advised to contact their landlords to agree on new terms.

For small and medium-sized businesses

Government funding:

There are two main government schemes aimed at small businesses. **The Debt Relief Finance Scheme** will assist distressed small

South Africa's major banks have introduced various measures to assist consumers who are impacted financially by the coronavirus disaster and the 21-day lockdown intended to curb its spread. Most of the assistance comes in the form of three-month debt holidays on loans ranging from mortgages to credit card balances. Some consumers will automatically receive these payment holidays, while others will have to apply at their banks.

Absa

Individual customers who owe Absa money will be invited to take an up to three-month repayment holiday, regardless of the kind of loan or how much money those customers earn. There will also be an option to reduce repayments instead. Individual clients will automatically qualify for the relief, but business and corporate clients are encouraged to contact the bank for case-by-case arrangements on their debt.

Standard Bank

Standard Bank is offering all of its personal banking customers, and business clients who earn less than R20 million a year, a three-month debt holiday until the end of June. Clients earning R7 500 or less and students will automatically receive the three-month holiday, while other banking clients can apply for the relief by contacting the bank.

FNB

First National Bank (FNB) will be offering debt repayment holidays of up to three months to its customers, but strict terms and conditions apply. Clients will need to contact the bank, and have a letter from their employer to show loss of income due to the novel coronavirus. Those who are self-employed would need to submit financial statements.

Nedbank

Nedbank is offering clients "individual solutions to cashflow challenges" due to the coronavirus, which includes halting debt repayments (or part thereof) for a "suitable" period. Alternatively, clients loan periods may be extended or they could get more credit to manage short term cashflow shortfalls.



companies with funding. Then there is the **Business Growth/Resilience Facility** aimed at small companies which can take advantage of supply opportunities resulting from the coronavirus pandemic or a shortage of goods in the local market. For both of these, companies first need to register at https://smmesa.gov.za/. Further details to apply for both schemes will be released on Thursday. (Money will be paid out within seven business days after an application has been approved)

Delay in payment of provisional tax:

Instead of paying 50% of their expected tax bill six months into the tax year, and then settling the full amount at the end of the tax year, companies are now allowed to pay only 15% after six months, and another 50% by the end of the tax year. Then, by 30 September 2021 (or six months after the end of its financial year), the company needs to pay the outstanding balance. (This option is only for companies with an annual turnover of less than R50 million.)

Delayed employee tax payments:

Businesses with an annual turnover of less that R50 million can also keep back 20% of the pay-as-you-earn (PAYE) payments they were supposed to hand over to the SA Revenue Service (SARS) for the next four months. But they will have to pay back this amount in equal instalments, with the first payment expected on 7 September 2020.

The Oppenheimer family's R1 billion:

The money made available by the Oppenheimer family will be paid out directly to employees of small, medium and micro-sized businesses as interest-free loans. Employees themselves will not be liable to pay the money back, but companies will be. The typical loan amount per employee is expected to be around R750/week, for a period of 15 weeks. Currently, the money is available to clients of Absa, First National Bank, Nedbank, and Standard Bank, and limited to businesses which were "financially sustainable" before the coronavirus crisis. Businesses will be able to apply directly with their banks from Friday, April 3.

Johann Rupert's R1 billion:

The Rupert family's donation will be distributed as loans through Business Partners, a funder of small companies. Apply for assistance on their website address at www.businesspartners.co.za.

For the self-employed

Delay in payment of provisional tax:

Instead of paying 50% of their expected tax bill after six months into the tax year, and settling the full amount at the end of the tax year, provisional taxpayers only have to pay 15% after six months, and another 50% by the end of the tax year. Then, by 30 September 2021, they need to pay the balance. While it hasn't finalised which individuals would be eligible, Treasury says that it will probably be those who have a turnover of less than R5 million and don't earn more than 10% of their turnover from interest, dividends, foreign dividends, rentals from letting fixed property and pay received from an employer.

For individuals

South Africa's big banks have announced individual measures to assist clients, with some offering three-month payment holidays on home loans, vehicle finance, personal loans, and credit cards.

Momentum short-insurance clients: Clients can get cash back (to a total amount of R26 million) early from their no-claims and safety bonuses.

MiWay clients: Clients will automatically get an average 10% reduction in their car insurance premiums during the month of April.

OUTsurance clients: For clients who miss a premium and are within six months of their OUTbonus payment, the bonus will be available for use in lieu of the premiums. Clients can also contact the insurer to temporarily reduce their cover, without impacting the terms of their cover. For an example, a customer who has a comprehensively insured vehicle, which is not financed, may want to temporarily reduce cover to third party fire and theft. Although natural perils (flood, fire, hail etc) are not generally covered under third party fire and theft during this period it will include this cover. Excess payments for those clients who do have a claim between April and June 2020 will also be reduced.