

Quarter 2 2021

Mark & Danica Wenning's

Financial Informer



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How Richie Remains Rich

The accumulation of wealth isn't something that (usually) happens overnight. It is also something that has to be managed and maintained successfully. There have been many fortunes lost but this is how quite a few have been retained.

A common discipline that's continued to sustain a lot of high net-worth individuals to build and retain their wealth has been the appreciation for sound financial advice, money management and legacy planning through their journeys.

For individuals and families who have already made their fortune and are looking to grow and retain it, emphasis is often placed on actively managing and growing their wealth through various wealth creation tools for future generations.

Accumulating wealth often happens over time as part of a varied and long-term strategy to increase net worth. Although there is an influx of strategies to grow wealth through all life stages and seasons, there isn't a one size fits all approach as every individual or family is unique. However, it is nevertheless important to understand the values that govern wealth generation and apply them to your own unique strategy."

Wealthy families abide by some common principles to build their wealth. These are some of the guiding principles for growing wealth; which constitute mastering the art of managing your money and assets to increase wealth.

Listen – as a starting point seek advice from your financial advisor who will be able to assess your current financial position and guide you on your wealth creation journey.

Learn - to leverage your assets. This involves strategically using good debt, assets and money at your disposal to reach your wealth aspirations. For example, borrowing against an existing asset could unlock funds that can be used to purchase other assets and broaden income generating opportunities.

Protect - your wealth. As your earnings grow and net worth increases, so should your insurance and legacy planning prospects. Ensure that you consider covering yourself with disability insurance, home, and car insurance, and an umbrella policy for anything else. This also includes having ample emergency savings, so that you can weather any financial storm or pandemics that dent your income stream, as well as back-up sources of income to alleviate any variations in earnings.

- Consider growing your property portfolio – property is one of the common investments that many affluent individuals and families use to grow their wealth over a period of time. This can be in the form of physical property or listed property shares.
- Diversify your investments – as the



adage goes 'do not put all your eggs in one basket'. This investment principle has 'stood the test of time' as part of a broader wealth creation strategy.

One of the major lessons to learn about wealth creation is to understand that how we think about and act with our money dictates a large part of our financial outcomes. The importance of wealth planning with a financial advisor cannot be overlooked. To grow and sustain wealth, requires a solid wealth plan and sound advice.

Someone to watch over me

One of the most important jobs we have as parents is making sure our children are well cared for and protected. But how do we ensure this continues long after we are gone? Do we like thinking about it? Oh hell no we don't but ignoring it would result in an unthinkable situation for those you love the most.

First of all you have to have a valid will in place. If a parent dies without a will, it can create numerous challenges.

For example, the child's inheritance will be paid into the State Guardian Fund, which can mean a lengthy process before funds can be accessed. When you have minor children, it is also vital that you nominate a guardian. Should you pass away without doing this, it triggers a debate around who will look after your children and this is not a decision you want to leave to someone else."

Here's what you need to know when choosing a guardian for your child:

Choosing a Guardian

1. A natural guardian is a biological parent – whether married or not, both parents have parental rights and responsibilities.

2. A parent who is the sole surviving guardian may appoint a fit and proper person as a guardian, should they pass away.

3. An appointment of a guardian in a will does not remove the surviving parent as a guardian.

4. Co-guardianship is possible but must be practical, for example the individuals should live close to each other.

5. The decision should always be in the child's best interest. If the surviving parent is not a suitable guardian then, as the upper guardian of all minors, the court may give the guardianship to any other person who applies.

Parents can also consider drawing up a testamentary trust as part of an instruction in their will to preserve wealth, protect the child's inheritance and eliminate the possibility of this inheritance being placed in the State Guardians Fund. The



7 Tips for raising caring kids

Harvard research in human development clearly shows that the seeds of empathy, caring, and compassion are present from early in life, but that to become caring, ethical people, children need adults to help them at every stage of childhood to nurture these seeds into full development.

We should work to cultivate children's concern for others because it's fundamentally the *right* thing to do, and also because when children can empathize with and take responsibility for others, they're likely to be happier and more successful. They'll have better relationships their entire lives, and strong relationships are a key ingredient of happiness. In today's workplace, success often depends on collaborating effectively

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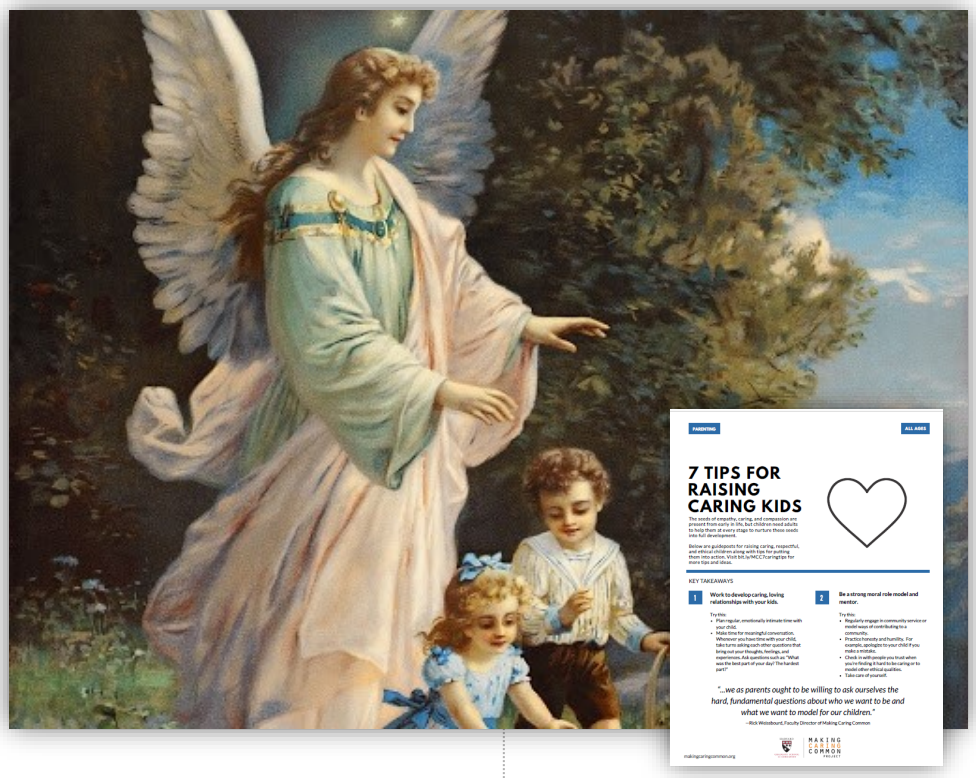
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trust is created when you pass away and will remain in place until the child reaches a certain age. There are formalities that must be met to ensure the trust can be created on your passing and so it is advisable that you work with an estate planning expert to help you draft your will.

The rights of adoptive children

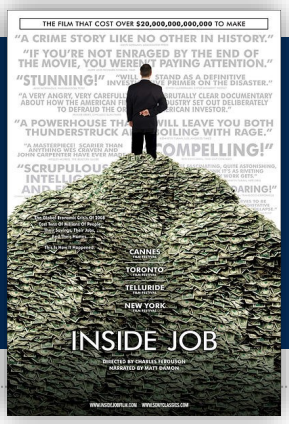
Whether a child is adopted or a biological child, all children are treated the same in terms of the right to inherit. An adopted child can inherit from his/ her adoptive parents and their parents' blood relatives. The child would also be able to inherit from their step-parent, should the step-parent formally adopt the child. Similarly, the adoptive parent can inherit from that adopted child.

The Children's Act is currently under review and amendments seek to further address the promotion and protection of a child's rights to physical and psychological integrity. It also aims to regulate the position of unmarried fathers and provide clarity concerning guardianship and parental responsibilities and The Children's Amendment Bill will be a significant change towards protecting the rights of our children.



Planning for the unthinkable may be an uncomfortable task but it will result in peace of mind knowing that your children will be in good hands if yours aren't there to hold.

Inside Job is a 2010 American documentary film, directed by Charles Ferguson, about the late-2000s financial crisis. In five parts, the film explores how changes in the policy environment and banking practices helped create the financial crisis. *Inside Job* was acclaimed by film critics, who praised its pacing, research and exposition of complex material. It screened at the 2010 Cannes Film Festival in May and won the 2010 Academy Award for Best Documentary Feature. Currently available on Netflix.



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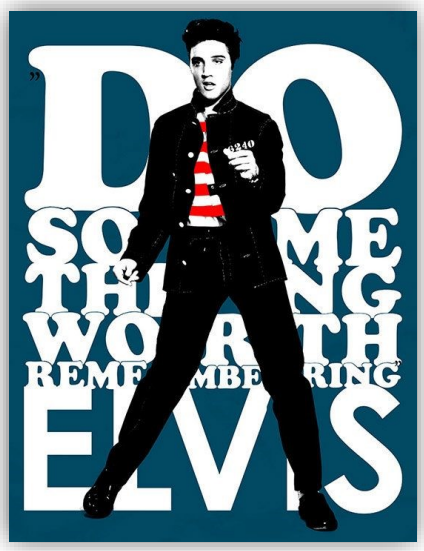
with others, and children who are empathic and socially aware are also better collaborators.

Attached to this email you will find the results of the Harvard study and a set of guideposts to raising caring, respectful, and ethical children, along with tips for putting them into action. These guideposts are supported by many studies and by the work that various organizations have conducted over several decades with families across America.



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Elvis' 2020 net worth

According to Forbes, Presley is the fifth highest-paid dead celebrity of 2020. Still the most successful solo artist of all time, his continued music sales combined with the millions of dollars Graceland brings in a year has made his 2020 net worth $23 million. The outlet notes that Graceland typically brings in $10 million annually, but the coronavirus (COVID-19) pandemic required the museum to close for two months. It's now running again, but at limited capacity.

Lisa Marie inherited Elvis Presley Enterprises when she turned 25 in 1993, and Graceland was named a National Historic Landmark in 2006. Priscilla's smart decision to create Elvis Presley Enterprises and transform her former home into a museum locked in her ex's post-mortem earnings.

One for the money

Elvis Presley's estate is reputed to have lost 73% of its wealth to estate taxes and fees. However, estate taxes are not only a problem for the rich and famous. This article explains how estate duty works and why you should consider its potential impact on your estate.

"*Last Will and Testament - I, the testator, being of sound mind, do hereby leave and bequeath upon the South African Revenue Service, in consideration of their kindness and benevolence to me during my lifetime, a cash amount to the value of 1/5th of my estate.*" Seemingly an extract from the Will of a deranged madman, but in effect not necessarily beyond the realms of possibility. Estate duty can play havoc with your testamentary planning and it's not only the mega-wealthy that should be concerned.

Death taxes - an historical perspective

Throughout the ages, governments and rulers have sought to impose new and innovative taxes on their subjects. In the 18th century, English Prime Minister William Pitt introduced a tax on windows, leading to the creation, by his opponents, of the saying 'Daylight Robbery.' He also introduced taxes on wig powder, playing cards, servants and dogs. The Russian leader Peter the Great introduced taxes on beards, souls, hats, clothing, food, chimneys and boots, as well as birth, marriage and burial. And in ancient Rome, Emperor Nero levied a tax on urine! However, it is the Roman emperor Augustus who is considered by many to be the most brilliant tax strategist of the Roman Empire. He thought to levy a tax on the one event that even the smartest accountant has not yet formulated a way of avoiding: dying. Augustus instituted a death tax to provide retirement funds for his military. The tax was five percent on all inheritances except gifts to children and spouses. So innovative was this tax, that centuries later, the English and Dutch referred to the inheritance tax of Augustus in developing their own inheritance taxes.

Death taxes – the modern approach

Today many countries levy a form of death tax. A death tax usually takes one of two forms: either an "estate tax" levied on the assets in a deceased estate and payable before the estate passes on to the heirs, or an "inheritance tax" payable by the heirs in an estate. Many people view inheritance and estate taxes as being the preserve (and concern) of only the wealthy. However, in South Africa this is not necessarily the case.

What is Estate Duty?

In South Africa, our "death tax" is euphemistically called "estate duty" Simplistically, estate duty is a tax levied on an estate after a person dies and is calculated as a percentage (currently 20% but rising to 25% on estates over R30m) of the value of



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the net assets in the estate, over and above a certain threshold.

How is Estate Duty calculated?

Estate duty is charged upon the "dutiable amount" of the estate. The "estate" consists of all "property" of the deceased (including immovable and movable property, investments and business interests) and in the case of SA residents, on their assets wherever in the world they are situated. In the case of couples married in community of property, it is the deceased spouse's half-share of the joint estate that counts as the "estate". The calculation of the value of the "property" is in most cases relatively straightforward. It is at the next stage of the calculation that events take an unexpected (and somewhat sneaky) twist. For the purpose of the calculation of estate duty, certain assets that are not property of the deceased at all are simply "deemed" by the legislation to be property of the deceased. This "deemed property" includes the proceeds of life assurance policies, including unapproved group life policies, which are payable on the death of the deceased. It is important to note that even if one has nominated a beneficiary to receive payment directly from the assurer or fund concerned, and the monies do not ever come into one's estate, these items are still "deemed" to be assets in the estate and could attract estate duty.

What deductions are allowed?

The estate duty net is cast fairly wide. However, there is some good news, in that certain deductions are allowed against the value of the estate before the duty is calculated. Firstly, all the deceased's debts and liabilities are deductible: deathbed expenses, funeral costs, executor's fees, mortgage bonds, overdrafts, outstanding loans and taxes, even any capital gains tax payable by an estate on death qualify here. Secondly, deducted from the "estate" is the value of any assets or property left to a surviving spouse or devolving on the spouse in terms of our intestate succession law. The "surviving spouse" deduction includes unmarried "life partners", including same-sex partners. For the married person who leaves all or the bulk of their assets to their surviving spouse, the payment of estate duty on their death is avoided. However, this "avoidance" often turns out instead to be nothing but a temporary postponement of the estate duty liability. This is because often the surviving spouse on his or her death will leave the assets (which may even have increased in value) to the couple's children, and the taxman will then receive his due from the couple's estate.

On what size estate is the duty imposed? As estate duty is not intended to be levied on "smaller" estates, all estates qualify for an exemption (or "abatement") from duty of the first R3.5 million of the net estate. This is increased up to a maximum of R7 million in the case of a second-dying spouse who inherited assets from their



"He said that there was death and taxes, and taxes were worse, because at least death didn't happen to you every year."

Terry Pratchett





Attached to this email you will find the document which is the outcome of the project titled: "Multilingual Financial Terminology List." The document translates over 400 terms relevant to financial services sector from English into the 10 other official languages. It includes terms relating to insurance, pensions, retirement funds, wills, investments and capital markets, financial advisory and intermediary services, tax, credit, banking and general financial business.

first-dying spouse.

How much estate duty must be paid? After allowing for the deductions and abatement, the result is the "dutiable estate" – it is on this value that estate duty is calculated, currently at a rate of 20% on the first R30 million of an estate and 25% on anything in excess of that.

Capital gains tax

In addition to estate duty, Capital Gains Tax ("CGT") is also levied on death - any capital gains (profits) made on the sale or the transfer of an asset to an heir (when one dies one is deemed to have disposed of all one's assets at market value, although gains on assets left to a surviving spouse are ignored; the CGT on those rolls over to the spouse to be paid when he or she sells the asset or subsequently dies). The sum of all taxable gains made by the deceased is taxed in the estate, after an exemption of R300 000 in the year of death is applied.

Estate duty and CGT is payable by the executor of the estate from the assets of the estate and must be paid before inheritances can be paid to heirs. While the deceased (for obvious reasons) is in no position to be concerned with the effect of these taxes on the estate, to the heirs the effects can be devastating. Not only do these taxes directly diminish the capital an heir will inherit, but in an illiquid estate, the executor may be forced to sell valuable assets, such as the home or a family business, sometimes at knockdown prices, to finance the tax burden. Estate duty and CGT can be a crippling burden on an estate. One's financial planning should carefully calculate the possible burden and provide for adequate life insurance to be put in place to cover the exposure. Unlike Elvis, make sure your wealth doesn't "leave the building"!