

Mark Wenning's

Financial Informer

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Lessons to be learnt from the 1%

There are mistakes the truly wealthy don't make and 2025 will be no different. It is a new year and high-net-worth individuals are reviewing their financial strategies, leveraging experience and trusted advisors to avoid common mistakes. What we can all learn from their approach can benefit everyone aiming to protect and grow their wealth this year.

As we kick off 2025, it's a great time to think about how to make the most of our money. The wealthiest people are known for being smart with their finances, and they've learned a few things along the way. While we can't all be billionaires, there's a lot we can learn from the way they avoid common money mistakes.

Here are some of the big ones the financially astute won't make in 2025 – and how you can apply these lessons to your own life.

1. Being smart with tax

The wealthy know how to keep more of their money by being smart about taxes. They use tools like retirement accounts, trusts, and even offshore investments to lower what they owe. It's worth looking into tax-friendly options like tax-free savings accounts (TFSAs) or retirement annuities. A quick chat with a tax expert can also help you avoid paying more than you need to.

2. Covering all their bases

The wealthy never leave their wealth unprotected. They make sure they're covered with life insurance, business insurance, and insurance for their valued possessions. Having the right insurance is just as important for all of us – whether it's for your home, car, or your health. It's not about spending more; it's about protecting what you have aquired.

3. Rainy days

The 1% know the value of having money they can access quickly. While they invest in property, stocks, or businesses, they always keep some cash handy for unexpected expenses – or even to jump on a great opportunity. This is good advice for anyone and means building an emergency fund so you're not caught off guard when life happens.

4. Not fashion victims

You won't catch a wealthy investor risking all their money in the latest TikTok investment tip or a get-rich-quick scheme. They stick to investments that are backed by research and have a track record of success. If you're investing, take the time to learn about where your money is going, and avoid anything that feels too good to be true.

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5. Future proof

They are serious about planning for the future. They know exactly how their money will be passed on to their loved ones because they've taken the time to set up wills, trusts, and other structures. Even if you don't have billions, having a will and talking about your wishes with your family can save them a lot of stress down the road.

6. Keeping up with the times

Things change – interest rates increase, markets shift, and inflation can eat away at your money. Wealthy people closely monitor these changes and adjust their plans to stay ahead. Everyone can do the same by reviewing their finances regularly and ensuring their budget or investments still make sense in today's world.

7. Helping hands

Even the richest people in the world have teams of experts helping them make the right financial decisions. While you might not need a whole team, talking to a financial advisor can help you make smarter choices with your money. The key is to get advice before making big decisions.

8. Sweating the bigger stuff

The super rich don't just focus on making money – they think about the bigger picture. For many, this means supporting their families, donating to charity, or investing in causes they care about. The same goes for us: it's important to think about what matters most and make sure our money is helping us live the life we want.

Conclusion

The super wealthy don't stay that way by chance – they follow good habits and avoid mistakes that could cost them. The good news? You don't need to be a billionaire to start thinking like one.

As 2025 gets underway, take some time to review your finances, make a plan, and avoid these common pitfalls. Small changes can make a big difference, and with the right mindset, you can set yourself up for a more secure and successful future.

In a dynamic interest rate environment, you can adopt several strategies to optimise your portfolio:

- Diversification: Spread your investments across different asset classes, sectors, and geographic regions to manage risk and reduce the impact of interest rate changes on your portfolio.
- Duration management: For bond investors, managing the duration of your bond holdings is crucial. Shorter-duration bonds are less sensitive to interest rate changes, while longer-duration bonds offer higher yields but come with greater risk.
- Income generation: In a low-interest-rate environment, seek higher-yielding assets like dividend-paying equities, REITs, or high-yield bonds to generate income.
- Risk assessment: Understand the risk profile of each asset class and how it aligns with your risk tolerance and investment goals. Equities offer higher returns but come with higher volatility, while fixed-income investments provide stability but lower returns.
- Market analysis: Stay informed about economic indicators, SARB's monetary policy decisions, and market trends to anticipate interest rate changes and adjust your strategies accordingly.



What if you were told you that everything you have ever wanted could be yours if only you willed it? The 1% Club is not just any book; it is proof that reality is malleable, your outcomes are controllable and that you design your life with your mind. It's not about faith; there's proof. The 1% Club introduces you to seven hacks for a life you have always dreamt of. This book invites you to conduct seven experiments, which demonstrate that there really is a strong, loving, positive and totally awesome energy in the universe and that it is ready for you to tap into. It will grant you everything that most people desire, but only a few have. Each of these hacks is a litmus test to the possibilities of an incredibly successful life. They demonstrate that these seven experiments are as dependable as gravity and are proof that you are capable of greatness. For years, you've been seeking hacks to an 'XtraOrdinary Life'. Now, you have it.



Ironically, anyone who remembers the 1982 movie that lends its name to the title of this article on caring for aging parents, is probably close to retirement age themselves!

The loon birds have returned to Golden Pond, and so have retired professor Norman Thayer and his wife Ethel, who have had a summer cottage there since early in their marriage. This summer, their daughter Chelsea (Jane Fonda) whom they haven't seen in years, feels that she must be there for Norman's birthday. She and her fiance' are on their way to Europe, but will return in a few weeks to pick up the fiance's son. When Chelsea returns, she is married, and her stepson has the relationship with her father that she had always wanted.

Will father and daughter be able to communicate at last?

On Golden Pond

Old age is a reality, and with it can come ill health, both physical and mental. Circumstances can arise when the elderly are not able to take care of their own finances. So, it would be important that someone who has their back or whom they trust can take over those affairs for them.

So, what's the process? Who should take care of their finances, and do you ensure that a person that's put in that position doesn't abuse it? For some it may be a touchy subject to discuss with their parent about what should happen in the event of their death or what happens if they are no longer able to deal with finances.

There is no best time to have to have the conversation, however if there are a couple of troubling signs that your parents might be losing track of their financial affairs it will become necessary. Examples of these might be that they start having difficulty with simple, mundane tasks, like paying their monthly bills, or become oblivious about their cash and there is unopened mail in the house. Or if they are continually complaining about not having enough money, even though you know they've got a good pension that's providing them with a solid source of income. Those are some signs that should give rise concern.

Who is the best person for the job?

In terms of the family, where there is more than one sibling/child, what does the family do to designate a person to look after their parents' finances? What qualities must that individual have in order to be best suited to the task?

The first thing is that it's very important to have a clear picture of what exactly you are dealing with, and you need to determine how much help your parents really need.

Then you need to identify what specific areas they need help in. One cannot really speculate or say that there is one specific attribute that will qualify you as the best person for the role, however each family knows who the logical person, that has the ability to work with the parents is, and give them the right advice. Or, at least, one would hope so!

Power of Attorney

What is a power of attorney, and what are the fiduciary duties of the individual who has it granted to them? The things that a power of attorney provides you with is the power to make decisions on behalf of your parents. A power of attorney is a valuable tool in various situations. For example, an elderly parent who struggles to handle their affairs due to age may grant power of attorney to an adult child to assist them. However, it is important to note that a power of attorney is typically a temporary solution and that it terminates automatically when the principal:

1. passes away; or
2. becomes insolvent and their estate is sequestrated; or
3. becomes mentally incapacitated, rendering them unable to make decisions for reasons such as Alzheimer's, stroke, mental illness, dementia, coma following an accident, age-related cognitive decline, and more.

The agent's authority is limited to what the principal can do. If the principal (the parent) loses legal capacity, the power of attorney immediately becomes void, and the agent can no longer act on the principal's behalf.

Scenario 3 above often surprises people because it seems counterintuitive for a power of attorney to lapse precisely when it is needed most. In South Africa, a power of attorney remains valid only as long as the principal can understand the concept and consequences of granting someone this authority. When the principal can no longer make decisions or appreciate the legal nature and consequences of their actions, they lack legal capacity.

Additionally, a person suffering from a mental impairment, like dementia, cannot grant a power of attorney since they lack the legal capacity to do so. In South African law, there is no recognition of the concept of an

"enduring power of attorney," which would allow actions to continue after the person granting it loses capacity without court involvement.

Despite their good intentions, family members acting under an invalid power of attorney are acting unlawfully and may be held personally liable for any damages incurred because they lack legal authority to act.

What other options do you have?

- Establishing a trust to manage the financial aspects of an estate while the person still has legal capacity is an option. That will allow for the trustees of the trust to manage the assets. However, this choice comes with costs, tax implications, and other considerations.
- The High Court can appoint a curator when an individual cannot manage their affairs. A curator bonis handles financial matters, while a curator ad personam handles personal affairs like medical consent and living arrangements. Unfortunately, curatorship applications are costly exercises and not a particularly pleasant experience for the principal or the other parties involved.
- A simpler and less expensive option is the appointment of an administrator by a Master of the High Court under the Mental Health Care Act No. 18 of 2002. An administrator can only handle a person's property, not personal affairs. This alternative is only available in cases of actual mental illness or severe/profound intellectual disability, and only for smaller estates (assets up to R 200 000 and annual income up to R 24 000).

Respect and dignity

How does an adult child take control of their parent or parents' affairs, while at the same time giving them that sense of respect, dignity and even a feeling of control?

The first step is to collaborate with them. Do not dictate to them what you think or what your opinion is. Always keep the conversation casual and put their needs first. The moment you approach them with humility it changes the narrative and creates a platform where a good conversation can be held. So, focus on what their needs are.



Financial planning

In terms of a financial planner or a financial advisor, how important is that individual in this type of scenario?

A financial planner will add a lot of value in this scenario, because they have the ability to do a difficult job, and a lot of these financial concepts are very difficult to understand for a layman. So, a good financial planner will have the ability to communicate this in layman's terms, and then also be objective in the approach, to give them advice without necessarily being emotionally involved in the whole process. There is a lot of value in consulting a financial planner who will help them with tax planning, and a lot of complex issues that come together with retirement or old age.

A matter of trust

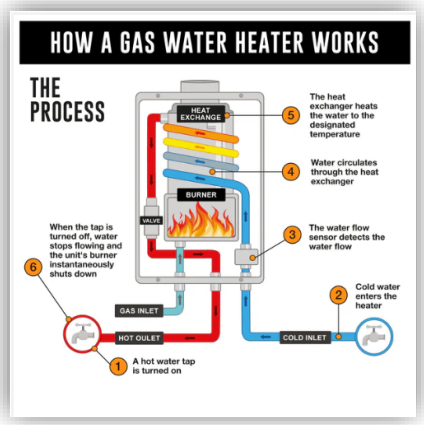
How do you ensure that the person that's been entrusted with this very important responsibility, the holder of the power of attorney, is someone who may be trusted and that they don't abuse their position and run off to Jamaica with the money?

There is no good answer to this. Yes there is some legal recourse that can be taken where a family member takes advantage of this situation but ultimately it will be a moral issue more than anything else.

The best person to intervene would be fellow family members who can see what's happening, because more often than not, elderly parents will not have the ability to identify that their funds are being misused. Luckily this is rare and most children will act in the best interests of their parents.

Caring for aging parents is not simple, however if they did a good job, it will be easy.

Despite their good intentions, family members acting under an invalid power of attorney are acting unlawfully and may be held personally liable for any damages incurred because they lack legal authority to act.



Gas heaters work by burning natural gas or propane to generate heat, which is then distributed throughout a home or space:

- **Fuel**: A gas heater's fuel source is either natural gas or propane.
- **Ignition**: A pilot light or electric filament ignites the fuel.
- **Heat exchanger**: The heat produced by the burning fuel passes through a heat exchanger, which becomes hot.
- **Air distribution**: A blower forces warm air from the heat exchanger into the home's ductwork. The warm air fills the rooms, while colder air is brought back into the furnace by return ducts.
- **Radiant heat**: Some gas heaters provide radiant heat by burning LPG (liquefied petroleum gas) and heating radiant tubing or refractory material. Objects and people in the area then absorb this heat.

It's a gas

The inclusion of insurance for water heating systems such as geysers is common – and expected – under every available building insurance policy. Over the last few years new types of heating systems have become increasingly popular and there is a growing trend to install alternative heating systems such as solar geysers, heat pumps and gas-powered heating systems.

Like solar geysers, gas heating systems should also be approached differently with regards to insurance. Additional insurance perils such as fire and explosion need to be considered and accommodated. The issues relating to compliant installation are more complex compared to electrical or solar geysers and may have a significant effect on insurance if not completed correctly.

Heat pumps are designed to provide hot water instantly and will not have the usual water reservoir found in a traditional geyser installation. They may also have an alternative form of power supply, such as gas. Heat pumps are unlikely to be included under the geyser cover of an insurance policy. The insured must therefore ensure that their heat pump installation is noted on the insurance policy and that the correct cover is provided. Cover for heat pumps is usually best issued under the *Machinery Breakdown* section of a policy.

Understanding different types of car insurance



Third-party or Liability cover:

Third-party cover, also known as liability insurance, is a type of car insurance that covers another individual in the event of an accident should you be held responsible for any damages to their car, injuries, accidental death and damage to property. Policies offer limited cover as they only protect the person that sustains injuries caused by you. However, they do not cover you for any damages due to an accident.

Third-party insurance is ideal due to its low price; it is the most affordable car insurance policy offered by insurers.

So if your vehicle is fully paid off or you can afford to repair any damages sustained, this type of insurance is perfect for you.

Third-party Fire and Theft insurance:

This insurance coverage protects other motorists should you be liable for causing an accident resulting in injuries, damage to property and accidental death.

In addition, this policy protects you against accidental damage caused by fire, theft, and hijacking.

Third-party Fire and Theft cover is also affordable for motorists who tighten their belts during these challenging economic times.

Comprehensive Car Insurance:

Comprehensive car insurance covers damages to your vehicle from collision and non-collision events such as theft and hijacking, vandalism, or natural disasters such as hailstorms and other weather-related disasters.

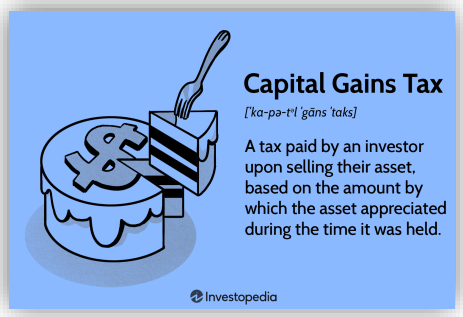
In a claim event, you are only responsible for the excess to repair or replace your vehicle.

Comprehensive car insurance can be more expensive than other types because it provides a broader range of coverage. This policy can also offer additional benefits like a courtesy car/car hire, towing and credit shortfall, resulting in a higher cost of coverage than other types of policies.

Comprehensive car insurance is perfect for all motorists; the peace that comes with knowing your vehicle is fully covered can't be emphasised enough.

Home sweet home

Selling a home can be a challenging experience: preparing for show days, dealing with estate agents, considering offers to purchase, trying to make sense of legal contracts. And after the home is sold there remains one possible further task: working out whether the taxman will take a slice of the profit ….



Many homeowners believe that the sale of a personal residence simply doesn't attract Capital Gains Tax ("CGT"). While this is often the case, it is not necessarily so. This article looks at how and when CGT applies to the sale of a personal residence.

The in's and out's of CGT

It is the disposal of an asset that triggers the application of CGT. The definition of "disposal" is far reaching. The sale of an asset is an obvious disposal, but the donation or destruction of an asset is also defined as a disposal. And if a taxpayer dies or emigrates they are deemed to have disposed of all their assets!

The gain (or loss) that a taxpayer makes on the disposal of an asset is calculated by deducting the "base cost" of acquiring the asset from the net proceeds of the disposal. The net proceeds are the proceeds of the disposal left after payment of disposal costs, such as estate agent's fees in the case of the sale of a property. If the taxpayer receives no proceeds (for example on the donation of an asset to his or her child) then the proceeds are deemed to equal to the market value of the property at the time. Thus one can't avoid CGT by simply donating assets to children: in fact this can be an expensive option as donations tax is also likely to apply.

The base cost of a disposed asset is generally the outlay or expenditure actually incurred in acquiring the asset (the price payable in the case of the purchase of a house), the cost of improving the asset (e.g. home extensions or building a swimming pool) and any expenditure directly related to its acquisition (for example transfer duty and conveyancing costs incurred on purchasing a property). It is important to note that interest paid on a mortgage bond is not considered part of the acquisition cost of a home. Generally the method of funding the acquisition (bond and/or cash) is irrelevant to the determination of a future CGT liability upon sale. If the disposed asset was acquired before the introduction of CGT on 1 October 2001, then only the portion of the gain attributable to the period after this date is taxed. Put another way, the gain attributable to the pre-CGT era is excluded from taxation. There are a number of options available to a taxpayer in calculating the base cost of assets acquired before 1 October 2001 and specific advice should be sought in this regard.

Once the gain or loss on the disposal of each asset has been established, the sum of all such gains (less any capital losses) are tallied, and from this total amount, an exemption of a modest R40,000 is allowed each tax year (and only for natural persons i.e. individual taxpayers not companies or trusts, other than "special" trusts).

The taxman's cut

A portion of a taxpayer's total capital gains in excess of the annual exemption is added to his or her normal taxable income for the particular tax year. In the case of "natural" persons, 40% of the total net capital gains for the year is added to the taxpayer's income and in the case of companies and trusts, 80% is added to taxable income.

The amount of additional income tax payable on the capital gain on the disposal of assets will depend entirely on the amount of other taxable income earned by the taxpayer in that year. If, for example, the taxpayer has earned sufficient income in that year to put him or herself into the highest marginal income tax bracket (45%), then the 40% portion of his capital gains when added to his normal income will attract tax at an effective rate of 18%. This means that this taxpayer will pay "CGT" on his gains at an effective rate of 18% of the gain (i.e. 40% x 45%). *It can thus be said*

In the case of "natural" persons, 40% of the total net capital gains for the year is added to the taxpayer's income and in the case of companies and trusts, 80% is added to taxable income.



While the "primary residence" exemption applies to the sale of most homes, there are a number of situations where the unsuspecting home-owner may not qualify for the exemption, or will otherwise be liable for some CGT on the sale of a home despite being able to claim the exemption.

that the net effective "rate of CGT" in the case of natural persons thus ranges from zero up to a maximum of 18% of net capital gains made depending on his or her marginal tax rate.

Home sweet home

What about CGT on the sale of a home? In the case of the disposal by a taxpayer of his or her "primary" residence there is a major concession: the first R2m of any gain is exempt from CGT. Only the gain in excess of this amount (if any) will attract CGT. For many taxpayers this means that the gain made on such a sale will not attract any tax. However, house prices have increased considerably since 2001 and even in the current economic climate many homeowners who have owned their homes for some years may find themselves one day paying CGT on the sale of their property.

It is important to note that the R2m tax-free concession only applies to the disposal of what SARS terms a "primary residence": this is a property which (a) is owned by a natural person (not a trust, company or close corporation), and (b) the owner (or spouse of the owner) must ordinarily reside in the home and must also "mainly" have used the home for domestic or private residential purposes. It is not a requirement that the residence must constitute or be used or resided in as a primary residence at the time of disposal; in a situation where the house constituted a primary residence for only a portion of the period of ownership, the overall capital gain must be split into "primary residence" and "non-primary residence" portions on a time basis, with only the "primary residence" portion of the overall capital gain qualifying for the exclusion of R2 million (the exclusion of R2 million is not apportioned).

Spouses who are married in community of property are deemed to have shared the gains made on disposal of assets, and in their case the R2m exemption will also be shared: they do not each receive the full exemption.

Business is business

While the "primary residence" exemption applies to the sale of most homes, there are a number of situations where the unsuspecting home-owner may not qualify for the exemption, or will otherwise be liable for some CGT on the sale of a home despite being able to claim the exemption. Let's look at some of these situations….

When assessing the primary residence exemption, "work-from-home" taxpayers should proceed with caution. Firstly, the exemption will not apply at all if a home is used "mainly" as a business (i.e. more than 50% for business in terms of floor space usage) even if the business owner resides in the premises. Furthermore, there are implications even if only a small portion of a disposed home has been used for business purposes, for example where a study in a home is used as an office, or a "granny flat" is used to generate rental income. In these situations, the proportion of the property that is used for non-residential purposes will be excluded from benefiting from the exemption and that portion will attract CGT on disposal of the property.

Trust matters

Most importantly, to qualify for the "primary residence" exemption, the home must be owned by the taxpayer in his or her own right. If the home is owned by the taxpayer's family trust or a company, the exemption will not apply at all. This will be the case even if the taxpayer is a beneficiary of the trust and occupies the house as his or her residence.

The bottom line

A home is often the most valuable asset one ever acquires, and one's financial planning should accurately take into account the impact of Capital Gains Tax on a house sale.