

MANAGING FINANCES

Northwood Financial Services CC



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SERVICES OFFERED:

- Financial Planning
- Short-term Insurance
- Risk Management
- Mortgage Loans
- Wealth Creation

A LESS VOLATILE ECONOMY

The extended economic growth is now strengthening the economy, making it more robust despite increasing risks. There is a steady forward momentum, which should continue through mid 2007.

The high prevailing confidence, capacity expansion and new labour hiring, and the absence of debilitating constraints on growth are driving this steady performance expectation.

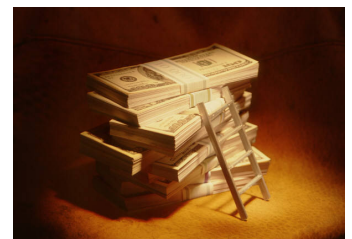
Good news on the inflation front is also undeniable: lower inflation expectations, still easing wage settlements, supportive fiscal surpluses, firm Rand disciplining price formation, moderating output growth keeping the economy abreast its potential, contained world inflation.

Also, strong asset market gains in equities and especially the middle priced property market is steadily adding to wealth, underwriting especially growth in

durable goods consumption. New job gains further boost growth in non-durable consumer spending. Despite strong labour absorption, staff turnovers aren't as yet unduly high, because of an undetermined reservoir of employable labour, and nominal wage and salary increases have kept easing towards 6%.

Finally, South Africans have become more responsible about the management of their debt. Both the number and the value of civil judgments for bad debt have consequently declined significantly.

All of this promises to reduce cyclical volatility in the economy. South Africa seems to have arrived in a policy zone where Australia and other OECD economies have been operating for some time.



ECONOMIC OUTLOOK

Inflation: CPIX continues to surprise on the downside – rising 3,7% year-on-year, last month

Interest rates: In the absence of unforeseen shocks, the stable interest rate pattern will continue over the short term

GDP: 5% GDP growth is possible, based on

a steady forward momentum

Currency: The Rand will likely remain between R 6,25 and R 6,65 to the Dollar this year

[Based on Information in the Media]

[The content of this report is provided for information purposes only.]

ESTATE DUTY DEDUCTIONS

Proper *estate planning* is necessary to optimise your inheritance. Knowledge is crucial to achieve this. Involve therefore trusted expertise in your *estate planning*.

It is useful to know, for example that certain rebates may be deducted from the duty payable on your estate. They include:

Transfer duty: Any proven transfer duty which has been paid in respect of the acquisition from the deceased, or the estate, can be deducted from the total estate duty payable.

Quick succession: Where the deceased has inherited the whole or part of an estate in

respect of which duty has been paid, from another person whose death occurred less than 10 years before. Duty on that part of the estate shall be reduced on a percentage basis. If the deaths occur within two years of one another the rebate is 100%; within four years, 80%; within six years, 60%; within eight years, 40%; and within ten years, 20%.

This knowledge and its proper application can substantially reduce the duty payable on your estate. Make therefore the effort to involve trusted expertise in your planning process.



CONSIDER DEPENDENTS

The Pension Funds Act has a *general rule* regarding the nature of benefits payable on the death of a member of a retirement fund. It provides that if, within twelve months of the death of a member, the fund becomes aware of a dependant or dependants of the member, the benefit must be paid to such dependant or in proportions to some or all of the dependants.

A dependent is defined as:

A person in respect of whom the member is legally liable for maintenance;

A person in respect of whom the member is not legally liable for maintenance, if such person –

Was upon the death of the member in fact dependent on the member for maintenance;

Is the spouse of the member, including a customary union spouse;

Is a child of the member, including an adopted- and illegitimate child.

A person, in respect of whom the member would have become legally liable for maintenance, had the member not died.

It is always useful to explore the impact of your dependents on your retirement – and other financial planning.

The character of a man is known from his conversations.

– Menander



UNIT TRUSTS

Unit trusts were introduced in South Africa in 1965. There are currently over 550 unit trusts available in the South African market.

Unit trusts provide small investors with a method to invest in the stock market on a less risky basis. They pool the money of a number of investors who want to invest in shares, bonds and money market instruments. The total fund is then divided into individual units containing the same portion of assets as the fund.

Investors share in the gains, losses, income and expenses of the fund proportionately. The value of the

fund fluctuates according to the value of the underlying securities.

The unit trusts concept offers full time, professional management and the benefits of a diversified portfolio even if investing a small amount – as little as R100 per month.

Unit trusts also offer a higher degree of security than a direct investment in shares. They offer the prospect of long-term superior performance.

A unit trust is one investment option. You should carefully consider what role it should play in your overall investment plan.



LIFE-OF-ANOTHER POLICIES

Business assurance anticipates the flow of funds between parties during the transition of key individuals. Capital Gains Tax (CGT) is therefore an important consideration in business assurance.

If policies are taken out on the *life-of-another* basis the capital gain in respect of the policy is exempt from CGT. The Income Tax Act provides that the capital gain must be disregarded in the hands of the original beneficial owner of the policy.

A buy-and-sell agreement usually provides for the deceased's estate to cede the policies back to the

survivors on payment of some agreed upon amount. This is also the case where the partnership is dissolved prior to the death of any of the partners. The Income Tax Act exempts any capital gain in the hands of the surviving partner (life insured) to whom such policy is ceded if the policy was taken out to insure against the death, disability or severe illness of the life insured (the other partner).

CGT can become tricky in *business assurance*, with costly consequences. Plan carefully, and don't hesitate to involve trusted expertise.

The man who has confidence in himself gains the confidence of others.

– Hasidic Saying





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A telephone call worth over R50 000

Paul has always lived beyond his means. He makes minimum payments on his credit card and clothing accounts. He uses bank overdrafts to fund his lifestyle. A typical start up family situation ...

Recently he received a promotion and asked for help in reducing his debt. As part of the exercise, I asked him to identify the interest charges on each of his accounts.

His home loan seemed very expensive. We renegotiated with a different financial institution and by cutting a mere 0.75% off the rate, we reduced not only his monthly repayments but also the total interest due on his home loan.

By applying the savings in monthly bond repayments and his salary increase to current debt, he will be debt free within 12 months thereby saving well over R50 000.

If you are in financial stress, we can help.

C R E A T I N G W E A L T H

SLEEP ENOUGH

Skimping on sleep is a risky strategy for you and the people around you.

Shave off just an hour of sleep a night, and in a couple weeks' time you'll have accumulated a *sleep debt* guaranteed to sap your creativity, stunt your productivity, and make you grumpy to boot.

In our blaring, always-on society, there's plenty to distract us from the body's silent signal that it's time to shut down and recharge.

A sleeping mind is often busier than one that's awake. During sleep the brain may record long-term

memories. It dispatches the hormones and chemicals that repair damaged cells and replace dead ones. Indeed a solid night's sleep is the secret to peak performance.

Figure out your own personal sleep budget. If your first instinct when the alarm goes off is to hit the snooze button, chances are, you went to bed too late. Also, teach your body to fall asleep. Try to spend five minutes concentrating on absolutely nothing.

Not convinced? Try this: for two weeks, give sleep some respect. See if you don't like that face you forgot you had.

