

MANAGING FINANCES

Northwood Financial Services CC



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SERVICES OFFERED:

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

A CHANGING ECONOMY

The economy is no longer accelerating, but it is also not standing still. Some sectors are still accelerating, others maintain their growth and still others are about to start growing. There are however sectors where growth is easing or outright weakening.

The sectors with most strength are manufacturing and civil engineering. Manufacturing continues to benefit from strong domestic spending, with cost containment, fixed investment and good productivity gains all improving competitiveness. Price pressures are mostly oil and Rand-related. Civil engineering should be a main beneficiary of the big infrastructure plans being rolled out in coming years.

Sectors maintaining their growth include non-residential building and construction, non-durable consumer spending and semi-durables. The non-durable and semi-durable household spending booms have two

supporting pillars, middle class expansion fed by solid employment growth and real purchasing power gains, and strong government spending supporting redistribution.

Sectors that seem to be losing momentum are mainly credit dependent, especially in the durable sectors (new car sales, furniture, electrical appliances). These tendencies are closely tied to the housing market slowdown underway since last year.

It seems, in conclusion, too early to announce the beginning of a new downswing in the business cycle. But, there is selective loss of growth momentum, which is gradually spreading, even as new sector boosters are gaining strength.



ECONOMIC OUTLOOK

Inflation: Economists revise their inflation forecasts higher.

Interest rates: Interest rates look set to rise even further this year, to a total of 1-2% this year.

GDP: Growth had slowed down substantially, from a peak of 5.6% in 4Q04 to 4.0% in 1Q06.

Currency: The Rand has lost 11.8% against the US dollar in the year to date.

[Based on Information in the Media]
[The content of this report is provided for information purposes only.]

ALIFE POLICY IN AN ESTATE

It is crucial in estate planning to establish whether an asset is considered property in the estate of a deceased. This article explores when a life policy is considered property or deemed property in an estate.

The only link required between the deceased person and a life policy, for the policy to be dutiable in the estate of the deceased, is that the policy must have been on the deceased's life.

There are three requirements that must be met in order for a life policy to be deemed property in the estate of a deceased person. They are:

1. The policy must have been on the life of the deceased;
2. The policy must be a "domestic policy"; and
3. There must be an amount due and recoverable under the policy in the event of the death of the deceased.

It is important to make sure you understand exactly what will be property in your estate. Consult somebody you can trust. Without reliable information your estate planning will be guesswork.



RETIREMENT FUND DEDUCTIONS

A retirement fund may make some deductions from the benefits payable to a member when the benefits become due. This article clarifies what these deductions are.

These allowable deductions include:

An amount due in respect of a housing loan or guarantee provided by the fund, which was secured by a first mortgage bond, a pledge by the member, or a combination thereof.

An amount due by the member in respect of a housing loan granted by the employer. This deduction may not exceed the lump sum benefit payable.

Compensation due to the employer in respect of damages caused, but only if liability has been established. This amount may exceed the lump sum benefit payable.

Any amount due on the benefit by the member under the Income Tax Act.

Medical aid subscriptions and insurance premiums, but only with the consent of the member.

You should consider the impact of these deductions on your retirement fund when you do your planning. It is always good to involve a knowledgeable person you can trust.

Everybody gets so much information all day long that they lose their common sense.

- Gertrude Stein



COLLECTIVE SCHEME PROTECTION

Investors in collective investment schemes – the new name for Unit Trusts – are well protected under law. Assets in a collective investment scheme must, for example, be held separately from the assets of the management company. Investors will have additional protection under the new Collective Investment Schemes Control Act. This protection is based on more information to investors.

The new Act also impacts investment advisors. Before selling a client a collective investment scheme, an advisor needs to provide the client with the following information:

The investment objectives of the fund;

All charges related to the fund;

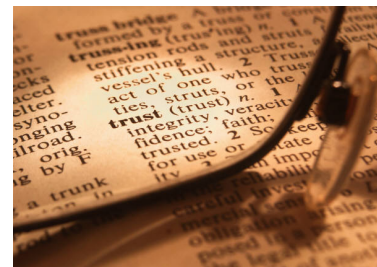
Risk factors associated with the fund;

Distribution dates of income accruals;

Any other pertinent information assisting the investor in making an informed decision.

Although the primary obligation to inform the client rests on the scheme, in most cases schemes require that financial advisors disclose this information to clients when advising the client. All information must be given to the client in good time and in an understandable manner.

This information will enable you to decide what role collective investment schemes should play in your investment plans.



CAPITAL GAINS TAX EXEMPTIONS

The purpose of business assurance is to fund the smooth transition of ownership caused by death, disablement or severe illness. Capital Gains Tax (CGT) can seriously impact this funding. It should hence be carefully considered.

Policies taken out on the life-of-another basis – an important mechanism in business assurance - is exempt from CGT if the following requirements are met:

The policy must have been taken out:

To insure against the death, disablement or severe illness of a person (the life insured);

By another person (the

purchaser) who held any shares or similar interest in a company in which the life insured held an interest;

For the purpose of enabling the purchaser to acquire the life insured's interest in the company in the event of the death, disability or severe illness of the life insured; and

No premium on the policy was paid by the person whose life is insured under the policy while the purchaser was the beneficial owner of the policy.

It is always better to consult a knowledgeable – and trusted – person to help with the details of business assurance.



If an idea's worth having once, it's worth having twice.

– Tom Stoppard



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

Company Retirement Schemes

- No one likes unpleasant surprises
- Everyone will retire sometime

Yet, year after year, fewer than 10% of our clients hand us their latest Employer Retirement Benefit Schedules. Without this statement, we are unable to project your standard of living at retirement and unable to identify possible shortfalls.

Most employees should have received their 2006 statements already. Please fax it to us now.

(Have you reviewed our new calculators at www.northwood.co.za?)

BENEFITS OF LEISURE ACTIVITIES

We all work in a demanding work environment, where taking time off comes at a premium. It is fun to take time off from work, but there are also other benefits that can be equally rewarding.

These benefits include:

Finding Yourself: Most people play certain roles at work. Out-of-the-office activities allow you to be yourself. This presents a level of freedom of expression and emotional relief that is very valuable.

Relieving Stress: A good way to escape from office worries is to escape from the office. It's a lot easier to ignore the call of duty if

you're busy with some leisure activity.

Enhanced Creativity: The most creative thoughts often come when you are occupied with something else. During leisure activities you move away from your to-do list, toward a much more open space where intuition operates.

Starting Fresh: Through leisure activities you can learn how it feels to expand your own horizons – to become a beginner once again.

The impact and importance of these benefits should make leisure activities a priority – and a fun element – of personal development.

