

MANAGING FINANCES

Northwood Financial Services CC



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SERVICES OFFERED:

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

GDP: TOP PERFORMING SECTORS

The 4.9% GDP growth in the second quarter 2006, surprised many people. This surprise may be even bigger if we look at the sectoral growth.

The top five sectors far outperformed the average GDP growth:

- Construction: 14%;
- Finance and Business Services: 8.5%;
- Retail, Wholesale and Motor Trades: 6%;
- Manufacturing: 6%; and
- Transport and communication: 5.6%.

These sectors contribute 70% of GDP output, and averaged 6.7% (weighted) growth. This is way above the wildest expectations.

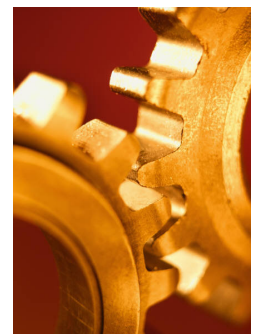
Unfortunately, the remaining 30% of GDP averaged less than half the top five:

- Mining: 3.1%;

- Electricity: 4%;
- Personal Services: 3.4%;
- Government: 1.5%. (very slow, as usual); and
- Agriculture: -33%.

The top five performers are where the action is in our economy, with consistent growth in the 5.5%-7% range. Also for job creation, fixed investment spending, profit growth and tax collection.

If agriculture and mining – contributing less than 10% of GDP outputs – can get their output growth trends back to normal, the overall growth rate will improve by 1% plus. This is not impossible and encouraging for the general longer term growth outlook.



ECONOMIC OUTLOOK

Inflation: CPIX will increase from 4.7% to a peak around 6.0% in March 2007.

Interest rates: Another two rate hikes are being priced in by the market.

GDP: The overall economic growth will be better balanced in the quarters ahead.

Currency: The average R/US\$ estimate for 2006 is R6.70, and R7.30/US\$ for 2007.

[Based on Information in the Media]

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

ESTATE DUTY CALCULATION

The basics behind any process are powerful. This is especially true when it impacts your loved ones when you are no longer there.

This article explains the basics of estate duty calculations. Estate duty is calculated on the *dutiable amount* of an estate. This amount results from the following steps:

Determine the *total value* of the estate, including the property and deemed to be property, of the deceased;

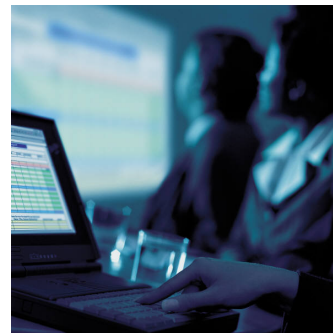
Deduct from the *total value* of the estate the various *deductions* permitted – resulting in the *net value* of the estate;

Deduct from the *net value* of the

estate the allowable abatement. This will result in the *dutiable amount* of the estate.

Estate duty is then calculated on this amount. This amount is thus central to your estate planning. Through the appropriate use of the deductions and allowable abatement you can reduce the estate duty on your estate. An understanding of the *dutiable amount* will also clarify the duty payable – this is crucial for provision planning.

Engage trusted expertise to help you calculate your specific *dutiable amount*.



RA: CURRENT CONTRIBUTIONS

The Income Tax Act allows for annual deductions on current contributions to retirement annuities (RA). The greatest of the following applies:

15% of the amount remaining after the deduction from the income derived by the taxpayer for the year of assessment. Certain exclusions exist and can be clarified in a discussion; or

The amount, if any, by which the amount of R3 500 exceeds the amount of any deduction to which the taxpayer is entitled under pension fund contributions, in respect of the said year; or

The amount of R1 750.

In 1995 all gender discrimination in

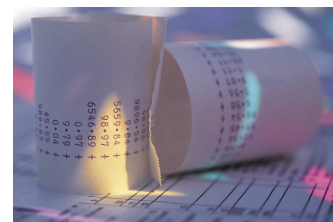
respect of RA contribution deductions was removed.

Also, RA contributions can be deducted from the employee's remuneration before employees' tax. Proof of payment must, however, be furnished to the employer by the employee. This contribution is restricted to the maximum tax deduction to which the employee is entitled.

All three of the above amounts must be determined and the greatest of the three represents the maximum current contribution that is deductible in the year of assessment.

A woman is like a teabag, only in hot water do you realize how strong she is.

- Eleanor Roosevelt



COLLECTIVE INVESTMENT SCHEME STRUCTURE

It is useful to understand the structure of a collective investment scheme. This article presents a brief overview of such a structure.

Each collective investment scheme has three legal entities:

The Fund: This is the cash contributions of the investors. These contributions are invested in shares, cash, gilts and property. A fund cannot be declared insolvent. It can only be liquidated to pay out unit holders.

The Trustee: Collective investment schemes are governed by a *trust deed*. A trustee must be appointed to exercise fiduciary control. The trustee is usually a bank

and serves as custodian of all cash and securities within the fund. The trustee protects investors from the misappropriation of funds.

The Management Company: This body acts as administrator of the fund. A team of portfolio managers work within the management company. They make the investment decisions and control the trade of securities. The management company charges a once off fee at entry, and an annual administration fee.

You should always check the structure of a collective investment scheme before you invest in it.



REORGANISATION DIFFICULTIES

Proper business assurance enables the smooth running of a business when a “partner” is lost due to death or disability. This article highlights the difficulties that may arise from reorganisation after the loss of a partner.

These difficulties include:

Heirs as Partners: The survivor may be forced into sharing profits with “partners” without knowledge, skill, or ability, and who may not participate in business operations.

A Stranger as Partner: If a stranger buys the heirs’ interest, the survivor may be forced to co-operate with the stranger, or even a

competitor.

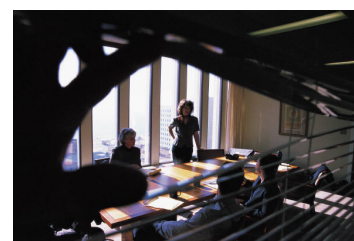
Selling to Heirs: Selling the survivor’s interest to the heirs will be delayed until the estate is wound up. This may result in various operational risks. Valuable time may also be lost if there is disagreement over the price.

Selling to Survivor: The survivor may struggle to find the cash to buy the deceased interest – particularly if the heirs hold out for an unreasonable price.

These difficulties emphasise the need for proper planning. Business assurance is central in this regard.

Most people can do extraordinary things if they have the confidence or take the risks.

– Philip Adams





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Good News for South Africans

Did you know that number portability will be a reality within a few days. This will allow you to switch from one mobile provider to a cheaper one and keep your existing number.

We expect International landline call costs to drop by up to 70%

The cost of a domestic land line call could halve within a few months.

You can get full internet for R39.95 per month.

And to add the cherry on top, petrol prices will drop this month and next month as well.

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

WISE WORDS

Here are some wise words from Eleanor Roosevelt, a previous USA First Lady:

“You gain strength, courage and confidence by every experience in which you really stop to look fear in the face.”

“The things you refuse to meet today always come back, usually under circumstances which make the decision twice as difficult as it originally was.”

“Do what you feel in your heart to be right – for you'll be criticized anyway.”

“Surely, in the light of history, it is more intelligent to hope rather than to fear, to try rather than not

to try ... Nothing has ever been achieved by the person who says, 'It can't be done.'”

“In the long run, we shape our lives, and we shape ourselves ... the choices we make are ultimately our own responsibility.”

“The future belongs to those who believe in the beauty of their dreams.”

“Do not stop thinking of life as an adventure. You have no security unless you live bravely, excitingly, imaginatively.”

We can all learn and apply these words in our lives.

