

# MANAGING FINANCES

Northwood Financial Services CC



## INSIDE THIS ISSUE:

ESTATE DUTY  
DEFINITIONS 2

OFFICERS OF  
RETIREMENT  
FUNDS 2

INVESTING IN  
PROPERTY 3

LIFE-OF-  
ANOTHER  
POLICIES 3

YOUR OWN  
LIFE PLAN 4

## SERVICES OFFERED:

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

## FIXED INVESTMENT THE NEXT BIG THING

The present fixed investment revival started in household residential investment. But, with the household pricing boom decelerating, a change in this boom is on the cards. Other forms of non-residential building expansion, especially office, factory and warehouse space may be sustained by the overall strong growth in the economy. This growth may also maintain some residential building momentum.

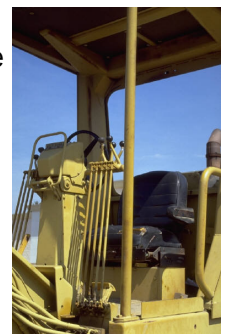
The infrastructure boom is slowly taking shape – a favourable situation for transport equipment and machinery investment. Construction activity and transport equipment could therefore be the crown jewels of the fixed investment boom. Especially because fixed investment in machinery and equipment did not keep pace with the economy's general acceleration.

This potential may result in a watershed change – where short interrupted business cycles (of the

last 30 years) will be replaced by a longer, faster growth era, rewarding earlier and bigger capacity expansions. The proposed public infrastructure plans will provide an important anchor for the required private expansion decisions.

Even so, the state of the world economy will be as important in driving these decisions. The world economy can sink or boost the economy to even higher levels.

Thus one can observe turbulence in every component of fixed investment spending. The fast growing economy is pushing and the promising infrastructure is pulling. One is however still well-advised to never lose realistic sight of global prospects or political doings.



## ECONOMIC OUTLOOK

**Inflation:** CPIX will peak close to 6% in the first half of 2007 and then fall back into the target range

**Interest rates:** Analysts are divided, some expect no change in February, other expect a (final) 0.5% increase

**GDP:** GDP keeps growing at about 5%

**Currency:** A fair valued Rand in the 6.60-7.90:\$ range

[Based on Information in the Media]

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

## ESTATE DUTY DEFINITIONS

To do proper estate planning you need to understand what factors come into play when you die. This article presents some definitions to explain some of these factors.

**Estate duty** is applied at a flat rate of 20% on the dutiable amount of the estate of the deceased person. If the deceased is resident in South Africa at the time of death, all assets, wherever they are situated will form part of the estate.

The **dutiable amount** is calculated by adding to the value of the property which actually belonged to the deceased at the date of death, the value of the

property deemed to have belonged to the deceased at the date of death. An abatement of R2 500 000 is allowed to be deducted from the value of the estate. What is left is the dutiable estate – the estate on which duty will have to be paid.

**Property** means any right to or in property, movable or immovable. Property of the deceased estate is valued at **fair value**.

It is always advisable to get expert guidance in your estate planning.



## OFFICERS OF RETIREMENT FUNDS

Every retirement fund must appoint the following officers:

**Principal Officer:** An individual who is resident in South Africa. If the principal officer is absent from South Africa, or unable to carry out his duties, a new principal officer must be appointed within 30 days. Whenever a new principal officer is appointed his name must be submitted to the Registrar within 30 days.

**An Auditor:** Every fund must appoint an auditor registered under the Public Accountants' and Auditors' Act. The fund must within 30 days of such appointment apply to the Registrar for approval of such appointment. Funds that are

audit exempt need not appoint an auditor.

**A Valuator:** Every fund which is required to have its financial condition investigated, must appoint a valuator. The appointing procedures are the same as for an auditor. A *valuator* is defined as *an actuary or any other person, who in the opinion of the Registrar, has sufficient actuarial knowledge to perform the duties required of a valuator in terms of the Act.*

These officers are appointed to ensure that your money is well managed in retirement funds.

*Destiny is no matter of chance. It is a matter of choice.*

– William Jennings Bryan



## INVESTING IN PROPERTY

Property is normally included in a well balanced investment portfolio. It is thus useful to understand the basics of property investment.

The decision to invest in property is affected by the costs involved. Transfer duty, conveyance costs, stamp duties, bond registration costs and estate agents' commissions are some of these costs.

The investment return from property is made up of two elements:

**Rental Income:** The easier the property is let the lower the rental. An important aspect of rental return is the use of gearing through borrowing.

The risk is that the cost of borrowing rises faster than the rental income received.

**Capital Value:** The value of a property increases if the current market yield for the type of property decreases or if its rental income increases. The level of interest rates in the economy will affect the market yield. If interest rates decline, the value of the property is likely to increase. If interest rates rise, the value of the property is likely to decline.

You should carefully consider the role and size of property in your investment portfolio.



## LIFE-OF-ANOTHER POLICIES

Business assurance focuses on providing cash when a key person is no-longer available in a business. This can be achieved on a life-of-another basis. This is where A and B take out a policy on C's life and pay the premiums, A and C insure B, and B and C insure A.

Here the applicants should sign a letter showing that they possess, when the proposal was made, an insurable interest on the life assured for a sum not less than the amount stated in the proposal.

If the policies are taken out in this way, they will achieve the same as single life policies effected by each individual on his own life and ceded to the remaining partners. The only

difference is these contracts would safely satisfy the requirements of the Estate Duty Act and would be entirely excluded from estate duty.

There are numerous options to implement business assurance.

It is important to explore all options and make sure you select the most suitable one for your specific situation. To do this effectively you should consult a trusted expert.

*Courage is resistance to fear, mastery of fear – not absence of fear.*

– Mark Twain





## Staff Update

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We have several changes to our staff complement this year.

John Bean has left us and two new persons have joined.

Jillian is our new Client Liaison Officer.

Morgan is an Administrative Assistant.

The increase in staff is due to the increase in workload.

**C R E A T I N G   W E A L T H**

## YOUR OWN LIFE PLAN

Answering the following questions can help you develop your own life plan:

**Core values:** What's most important to you?

**Dreams:** What do we dream about?

**Family:** Do you allow time with your children?

**Peers:** Do you help your peers to accomplish their personal goals?

**Exit plan:** Do you want to retire? Or do we just want to reduce our hours, and if so, when?

**Financial:** How much money do you want to make? Can your current employment support your income goals? How much do you need to save for your later years?

**Friendships:** Are you spending enough time with people who are important to you?

**Fun:** Are you still having fun at work?

**Interests:** Do you have the time and resources to pursue your hobbies?

**Location:** Where do you want to live?

**Physical Health:** How can you maintain your health?

**Relationship with spouse:** Are you continually developing and improving your relationship with your spouse?

**Society:** Are you giving back to your community?

