NORTHWOOD FINANCIAL SERVICES CC
FSP NR 13296

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MANAGING FINANCES

Northwood Financial Services CC

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SERVICES OFFERED:

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

THE 2007 NATIONAL BUDGET SPEECH

Minister Manual once again proposed welcome personal income tax relief. For example, a person earning a taxable income of R300,000 for the year will have an additional R326-25 per month. This disposable income can be used to settle debts, update risk protection levels or increase investments.

Interest and dividend exemption levels have increased from R16,500 to R18,000 per year for taxpayers under 65 years; R24,500 to R26,000 per year for taxpayers 65 years and older; and from R2,500 to R3,000 per year for foreign interest and dividends.

Interest-bearing investments may thus become more attractive to investors. Clients may be well advised to review their emergency fund vehicles or general interest bearing investments.

The income tax deduction allowed for contributions made by members to their medical schemes has been increased from R500 to R530 for each of the first 2 beneficiaries; and from R300 to R320 for each additional beneficiary. This additional tax saving may result in medical aid membership becoming more affordable to clients.

Also the estate duty rebate has increased from R2.5 million to R3.5 million. In view of the increased abatement a client is now able to bequeath an estate residue exceeding R3.5 million to his or her spouse in order to limit the estate duty liability.

It has further been proposed that the annual donations tax threshold be increased from R50,000 to R1000,000. The annual exclusion threshold for capital gains or losses has been increased from R12,500 to R15,000. The capital gains tax threshold on death has been substantially increased from R60,000 to R120,000. This will result in a positive impact on the liquidity in a deceased estate, which may necessitate revision of the estate plan and or will.

A number of important changes to retirement funds were also announced. The first is the abolition of retirement fund tax. The abolition of this tax will result in improved net returns on retirement fund investments and thus increased retirement fund benefits for members. Next, the tax on lump sums payable by a retirement fund to members with a taxable income of less than R43,000 per year (new income tax threshold) will also be abolished. This will result in an increase in retirement income for such taxpayers. But the R120,000 tax-free amount of retirement fund lump sums has not been amended. All of this will make retirement funds even more appealing investment vehicles.

DONATIONS EXEMPTED FROM TAX

Donations play an important role in estate planning. It is therefore important to know which donations are exempted from donation tax in terms of the Income Tax Act.

These donations are:

Donations to or for the benefit under an antenuptial contract entered into in terms of the Matrimonial Property Act;

A donation which is provided for via a will or contract, where delivery is suspended until the donor's death;

Donations where the recipient will not receive any benefit until the death of the donor;

A donation which is cancelled within six months from the date it took place;

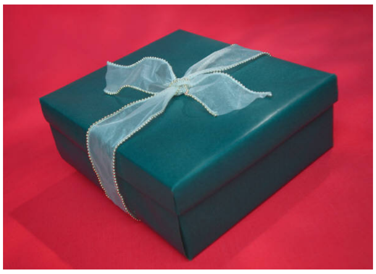
Donations of property, if it consists of any right in or to an insurance policy, which is disposed of by means of cession, subject to revisionary rights;

A donation under a trust;

Donations made by public companies; and

Donations made by a natural person amounting to R30 000 during any year of assessment.

It is best to clarify any queries with a trusted knowledgeable person. This person can also assist you with your overall estate planning.



I know of no more encouraging fact than the ability of a man to elevate his life by conscious endeavour.

– Henry David Thoreau

INITIAL CONTRIBUTIONS STATEMENT

Most individuals make use of retirement funds in their retirement planning. It is comforting to know that an employer is obligated to pay both employer and employee fund contributions over to the fund within seven days after the end of the month.

The employer must also provide information to the fund regarding these payments. The information must be submitted to the fund not later than 15 days after the end of the month in respect of which the payment is made.

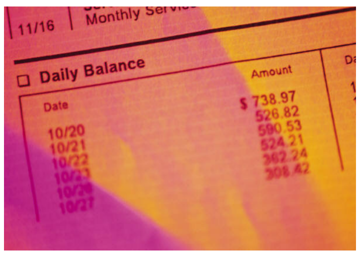
The Initial Contribution Statement must contain the following information:

The name of the fund, registration number and period for which contributions are made;

The name and address of the employer which made the deduction, responsible person at employer; and

The full name, date of birth, means of identification, date of membership, the pensionable emoluments of the member and the amount of contributions, split between member and employer, as well as any additional voluntary contributions paid.

These requirements ensure that your employable contributions are well recorded with your retirement fund, allowing you to concentrate on additional planning to ensure a comfortable retirement.



CAPITALISATION RATE OF PROPERTIES

Property is usually included in a balanced investment portfolio. This article explains the capitalisation rate for properties.

The capitalisation rate for a property is calculated by dividing the expected first year's net operating income by the purchase price and multiplying it by 100. It is the income that would be received if the building is fully let at open market rentals. VAT as a once-off expense is ignored.

The capitalisation rate is a valuable tool in comparing one building with other properties. This is because it standardises rental assumptions.

Prices of existing buildings rented out at low capitalisation rates drop when the market capitalisation rates increase. A decrease in capitalisation rates make buildings more attractive if previously rented out at the higher capitalisation rates. Capitalisation rates are published for similar types of buildings. Rates can be calculated independently for a particular building and then compared with the published rates for that category of building. This will help you to make better informed investment decisions.

A trusted expert can further assist you in making optimal investment decisions for your specific investment portfolio.

He does not possess wealth that allows it to possess him.

– Benjamin Franklin

FUNDING BUY-AND-SELL AGREEMENTS

"Buy-and-sell" agreements can play a central role in ensuring business continuity during the loss of key individuals in a business. This article explores why buy-and-sell agreements should be funded by life assurance.

Life assurance is often the only safe and sure way of creating the necessary funds in terms of the agreement for the following reasons:

It provides ready cash the moment it is needed.

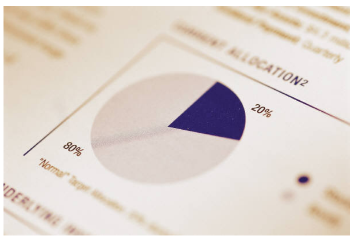
It eliminates uncertainty as far as the heirs are concerned by giving them a fair value for their interest at a time when they need it most.

It gives the surviving partners complete and unhampered ownership of the business immediately.

It eliminates the need to borrow and pay 100c in the Rand plus interest until the debt is cleared.

It prevents the business being drained of its capital resources.

The appropriate use of life assurance will thus free up the personal assets of the various partners, as well as profits to promote expansion and secure stability, or for any other purpose. This makes life assurance an attractive option.



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CREATING WEALTH

We have moved our offices. To find us, travel along the M5 towards Sunrise Circle. While on Prince George drive you will get to the Capricorn intersection, turn right. First left and first left again brings you to 1 Park Close. Parking is around the corner.

Our offices have been especially fitted to allow us to complete your review in one meeting. As you leave, your Financial Plan will be printed allowing us to hand you the latest information.

Office hours will be extended to allow for those who can only be at a review after normal working hours.

Those who live outside Cape Town and who have access to SKYPE, please let us have your SKYPE details. Your review can happen at any time. You will be linked so that you can view my laptop and follow the review as if you were in my office.

See you soon.

RELAX AND DE-STRESS

Apply these simple suggestions to relax, de-stress, and avoid burnout:

Breathe Deeply: Borrow a tip from professional athletes, and take a few slow, deep breaths to relax and collect yourself.

Take a Walk: It will burn off nervous energy. You can get some exercise and enjoy the scenery. This will help you think more clearly.

Eat and Drink Well: Heavy foods, too many or too few calories, and inadequate nutrition can leave you short on fuel. Go for veggies, fruits, grains and lean proteins. Once you feel thirsty, you're already dehydrated, so drink up. It will also flush toxins away.

Slow Down: Good time-management and delegation strategies can help avoid confused priorities and schedule-melt-downs.

Team Up: Whether via delegating to employees, partnering with other firms, or simply networking for support and advice, share the load with other people.

Sleep Well: A good night's sleep is a necessity for clear-thinking and mindful responsiveness (versus mindless reactivity).