

# MANAGING FINANCES

Northwood Financial Services CC



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## SERVICES OFFERED:

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

## EMPLOYMENT GROWTH

Employment growth is crucial in the South African economy. It has a direct impact on the economy, but it also impacts other important factors such as crime. Grant Thornton – the auditing and consulting services firm – has reported, in its annual Employment Growth Index, the good news of a 7% growth in South Africa's employment rate.

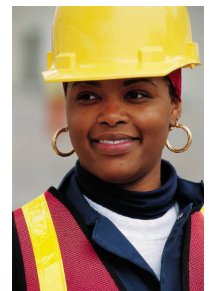
The research was conducted among 200 privately held businesses, employing between 100 and 400 people. These companies – according to many experts – form the real engine for sustainable growth.

62% of these privately held businesses have increased their staff complement over the past twelve months. Those that increased employment, on average, had 14% more employees.

Those that cut staff lost an average 11% employees. Overall there was a 7% increase in employment.

The leading sector was construction, with 13% growth, up from 11% in 2006. The manufacturing sector reported a 5% year-on-year growth in 2007, after a 3% decline in 2006. The services sector reported a 8% year-on-year growth and the retail sector a 4% growth. In 2006 the services sector had 6% growth and the retail sector 5%.

This research indicates that the South African economy is well past the years of jobless growth. Prospects for next year are excellent as well, with 53% of all respondents saying they expect to increase their staff complement in the next year.



## ECONOMIC OUTLOOK

**Inflation:** CPIX should dip to 5.2% (from 5.3%)

**Interest rates:** Interest rates are likely to remain unchanged

**GDP:** Economic growth should remain at about 5% of GDP

**Currency:** The Rand has depreciated by around 4% against the dollar since February

[Based on Information in the Media]

[The information and materials presented in this report are provided to you for information purposes only.]

## TESTAMENTARY TRUSTS

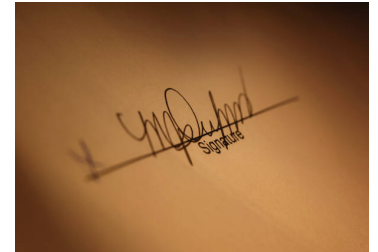
Trusts play an important role in estate planning. This article shed some light on one of the popular trust types in use in South Africa, the testamentary trust.

A *testamentary trust* is created when somebody – the testator – stipulates in their will that when they die their estate or part thereof is to be administered in trust for the benefit of their nominated beneficiaries. A testamentary trust therefore only comes into legal existence on the death of the testator.

This trust type is often created to protect the interest of minor

children or those who are unable to look after their own interests. If both parents die and leave minor children without making provision for a trust, the money coming out of the estate will be paid into the Guardians Fund. This Fund will be administered by the Master of the High Court. This highlights the need to create a trust to protect the interests of your beneficiaries – especially minor children – while providing sufficient flexibility for your wishes to be carried out.

Discuss the appropriateness of a *testamentary trust* with a knowledgeable confidant.



## RETIREMENT FUND: MINIMUM BENEFITS

Legislation introduced the concept of minimum benefits to retirement funds. This concept provides that every registered fund must provide the following minimum benefits to a member:

On withdrawal prior to retirement – an amount not less than the minimum individual reserve.

On liquidation of the fund – an amount not less than the minimum individual reserve, but the minimum reserve amount can be reduced proportionately where the sum of all the minimum reserve amounts is more than the fair value of the assets in the fund.

On conversion from a defined benefit fund to a defined contribution

fund – not less than the minimum individual reserve, again with the proviso to proportionally adjust the minimum individual reserves to the fair value of the assets.

A pension increase that must not be less than the minimum pension increase as defined. This pension increase must be granted on the effective date of the first actuarial valuation following 7 December 2001. It must be granted at least once every 3 years thereafter.

These minimum benefits guarantee a level of value from your retirement fund contributions. But an extensive planning process will increase it even more.

*Without a humble but reasonable confidence in your own powers you cannot be successful or happy.*

– Norman Vincent Peale



## TAX FREE LUMP SUMS

An important consideration for many investors is the taxation of employment lump sum benefits.

If the employee receives a lump sum gratuity for services rendered or retrenchment payouts, the first R30 000 of such lump sum will be tax free.

However, certain conditions apply:

The taxpayer must be 55 years or older;

The termination of such taxpayer's services must be due to ill-health or being too old to work; or

When the employment was terminated due to the employer ceasing to trade, or a general

reduction in personnel of a particular class (excluded are persons who were at any time a director of the company or who held more than 5% of the share capital of the company.)

Each taxpayer may only receive this tax free exemption once in their lifetime. Also, accumulated leave pay and bonuses paid out at the time of retirement qualify for this exemption even though they may not be directly connected with the retirement.

Tax can reduce your investments if you do not plan carefully. Consult an expert with experience to assist you in this process.



## BUY-AND-SELL PREMIUM LIABILITY

A buy-and-sell agreement is often used in business assurance. When partners enter into a buy-and-sell agreement they normally agree that when the first of the partners die, each surviving partner will purchase such proportion of the deceased partner's interest, as the interest held by such surviving partner bears to the total interest held by all the surviving partners.

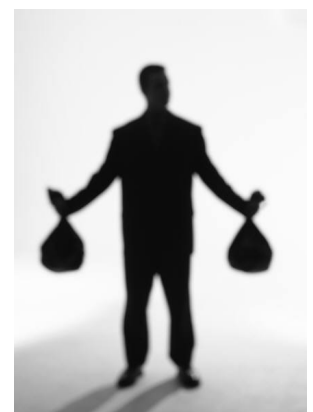
If this is the case the policies that fund the agreement must be taken out in such a way that each partner owns the policy on the life of the other partner, in the same proportion as the part-owner of the

policy will be required to purchase the interest of the partner whose life is insured under the policy. Partners can also agree that on death of a partner the interest will be purchased in equal shares by the surviving partners. In such a case the surviving partners need to be equal owners of the policy.

Business assurance arrangements may seem straightforward but can be complicated, as such it is better to involve an expert to ensure optimal results.

*Only the curious  
will learn.*

– Eugene S.  
Wilson





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## CREATING WEALTH

### INTUITION AT WORK

Intuition plays a huge role in the workplace – especially in making decisions. Gary Klein, an acclaimed US business researcher, encourages people to trust their instincts. He says intuition is an essential skill that anyone can master and use to improve performance.

People base most of their critical decisions on intuition. This makes it an important subconscious tool that originates from an ability to recognize patterns and interpret cues. As we increase our experiences, we develop our intuitive skills. It is a natural outgrowth of experience and

preparation.

Intuition is the way we translate experience into action. As we acquire more patterns, larger repertoires of action scripts, and richer mental models our intuition improves.

Intuition training helps us to use our gut instincts to get it right when much is riding on the results of our decisions. Even inexperienced people need to build intuitive decision skills as quickly as possible to help them avoid frustration, bad habits and poor attitudes.

### This has been a busy year

- We have two new staff members.
- We moved to new offices.
- Those of you who have already had your annual review would have noticed the use of new technology.
- Those with ADSL and living outside Cape Town would have experienced our super live conferencing programme, which allows for reviews when you need them, rather than when I travel to your city.
- Our website is next. Over the coming three months new features will be added. The site will be friendlier and have super new features.

We wish all our clients well over the Religious Holiday period, which is about to start. May you each experience Peace and Harmony in your lives.

