



MANAGING FINANCES

Northwood Financial Services CC

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SERVICES OFFERED:

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

THE NEXT STAGE OF DEVELOPMENT

The South African Minister of Trade and Industry, Mandisi Mphahlele, recently shared the following on the South African economy:

South Africa is ready for the next stage of development of the economy. This is only possible on the current sound and well-managed foundation.

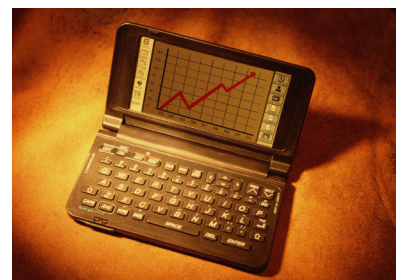
The economy is growing at rates that haven't been seen in a long time – but it's qualitatively different – its not just fuelled by global commodity demand or consumer demand. It is no longer the historical characterised SA economy of boom-bust cycles. In seven or eight years we have seen steady, rising growth.

Now there is also rising investment and we are creating jobs at a scale we haven't seen for a long time. Employment has grown by an average of 2.7 percent each year for the past five years. This presents a sustainable basis to further develop

the economy. South Africa must also continue to bring about greater diversity in the different sectors of the economy.

Growth bottlenecks have also been identified. Major issues include infrastructure and the logistics network, as well as constraints in generating skills the economy needs. There are also challenges in the area of industrial development and challenges in the area of broadening economic participation – particularly the role of small and medium enterprises.

The good news is each of these bottlenecks is being addressed.



ECONOMIC OUTLOOK

Inflation: CPIX were steady at 6.4% year-on-year in June – still above the Reserve Bank's target, where it may remain for some time

Interest rates: Another 0.5% rate increase in August make sense, but it should be the last for 2007

GDP: The rate of growth had

slowed, but is still encouraging

Currency: The Rand is heading firmer

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

ASSETS IN A TRUST

Assets in a trust become attractive in estate planning. It is however important to consider the costs of transferring the assets to the trust.

Any asset can be placed into a trust. Donating the assets to the trust is an option, but donations tax may be payable.

Alternatively, the assets may be sold to the trust via a loan and the loan repaid to the individual by the trust (with or without interest). Upon death the outstanding loan will be added to the estate, and will be subject to estate duty.

It is important to note that there are also costs involved in transferring assets into the trust. These include:

Fixed Property: A conveyance fee, transfer duty and registration fees for a loan (of applicable).

Shares: Marketable securities tax on the value of the shares being transferred.

Remember that assets can be donated to a spouse without having to pay donations tax at all, regardless of the value.

Contact us if you want to discuss the detail costs of transferring assets to a trust or any estate planning issue.



LATE PAYMENT OF CONTRIBUTIONS

Most people blindly accept that employers will pay their retirement contributions to their retirement fund and that they will be on time and accurate.

It is comforting to know that legislation governs this process and that an employer is liable for interest in respect of the late payment of contributions to a retirement fund. The interest so paid forms part of the income of the fund.

A contact person of the fund must report to the principal officer, or the fund's authorised person, within 15 days after the due date. The contact person must also report a discrepancy of more than 2,5% of the total contributions

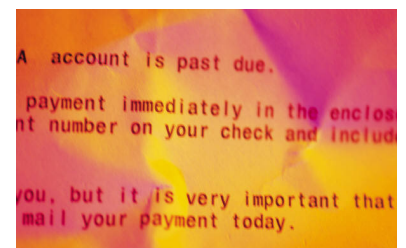
payable for that period. The principal officer or authorised person must in turn submit a written report to the board. The board must in turn inform the members and the Registrar.

If the failure to pay continues, the principal officer or the person authorised by the fund must report the matter to the Attorney General and must inform the Registrar accordingly.

This protection, although reassuring, is however not enough to ensure carefree retirement. Contact us if you want to discuss your plans for retirement.

You have to have confidence in your ability, and then be tough enough to follow through.

- Rosalyn Carter



INVESTMENT INFORMATION

To do proper investment planning requires information on your assets and liabilities. The following are examples of the information required:

Detail of all short-term investments, i.e. bank accounts and money market funds.

Detail of all long-term debt instruments, e.g. fixed deposits and participation mortgage bonds.

Detail of all equity investments, e.g. individual shares and unit trusts.

Detail of all other investments such as rental property and property unit trusts.

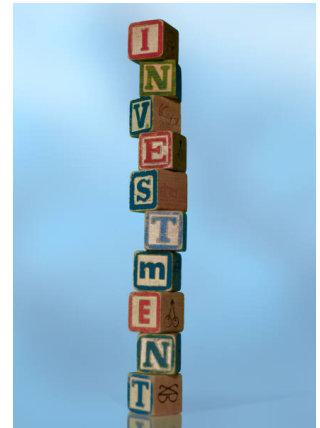
Detail of any significant lifestyle or hard asset investments, e.g. tank containers and share

options.

Detail of all insurance, retirement annuity, pension, provident fund, deferred compensation and share options. Included here should be the allocation of the investments over the different asset classes.

Detail of all liabilities, with distinction between those liabilities where interest is tax deductible (e.g. a loan against rental property) and those investment where it is not (e.g. a mortgage on a home).

To gather and group this information can be overwhelming and complicated. Call us if you need assistance with it, or any other aspect of your investment planning.



CGT ON LIFE-OF-ANOTHER POLICIES

Capital gains tax (CGT) should be considered in business assurance. This article looks at CGT's impact when the policies are taken out on the *life-of-another* basis.

In the case of a *life-of-another* policy is the capital gain in respect of the policy exempted from CGT. If A and B have effected life insurance on each other's lives in terms of a buy-and-sell agreement and B dies, the proceeds of the policy on B's life are paid to A who is the original owner of the policy as he was the applicant and owned the policy since inception. There is thus no capital gains tax liability in respect of the gain.

When a partner dies, the estate still owns a portion of the policies on the lives of the surviving partners. A buy-and-sell agreement usually provides for the estate to cede the policies back to the survivors on payment of an amount. Any capital gain in the hands of the surviving partner to whom such policy is ceded is also exempted.

Contact us if you want to explore the CGT implications or any other aspect of your business assurance.

An idea isn't worth that much. It's the execution of the idea that has value.

- Joel Spolsky





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**Where people like you
come to make smart
choices about money**

We very seldom discuss insurance claims. I guess that's because we don't want to speak of death. This month I have decided to share how much Liberty Life has paid out during the first quarter of this year.

Death Claims = R365 million

Lump Sum Disability Claims = R32 million

Monthly Income Disability Claims = R18 million

Dread Disease Claims R33 million

Educator Death Claims R271,046 (This product is only a couple of months old)

One claimant's family received over R15 million from a policy less than a year old.

EXECUTION HABITS

Great leaders have an execution advantage when it comes to change. They achieve great results because they execute plans rapidly.

Here are some habits that ensure this execution advantage:

Inspired Mission and Clear

Direction: A mission and direction that everyone understands and can follow is crucial. When you communicate it think WIIFT - *what's in it for them.*

Hire the Best: Top performance comes from top people. If the people are in-sync with the organisation, they will be more willing.

Strong Leadership Team: It is virtually impossible to lead significant change alone. Take time to assemble the right support team.

Get Out of the Way: To truly empower people set the vision, direction, and pace - then get out of the way. This means giving up some control and accepting some risk.

Communicate Regularly: As leader, your willingness to communicate regularly and honestly - even when times are bad - goes a long way to inspire confidence for peak performance.

