Contents

3 Editorial

4 Changes in retirement thinking
Dave Edgar outlines some of the current thoughts regarding retirement

5 Year of the “Fire Rooster”
Mark Huxter considers the economic outlook for the year ahead

7 Income Tax legislative update
Lorraine White elaborates on the recent Bills which were signed into law

9 The risks of starting a business in retirement
Loren Godet discusses the risks of using retirement capital to fund a business

10 Snippets
Malibuye Tom gives sensible advice re: topping up retirement savings and reports on recent tax bills signed into law

11 30 seconds with …
Odette Moses

12 Adopt a penguin chick
Jeni Williams provides information on penguin adoption

13 90th Personal Trust Ayala Bowls Tournament
Mark Gibbs reports on a successful event
Writing this editorial in the first week of February, prior to your reading it at the beginning of March, I am sure that there will be happenings on the world stage and in our smaller South African theatre that will occur in the intervening period. Certainly Antonio Guterres, taking over from Ban Ki-moon as United Nations Secretary General, will have his hands full.

If the first three weeks of January are anything to go by, then 2017 promises to be a year both absorbing and eventful. On the economic front on 8 January, at the ANC’s 105th birthday celebrations, President Zuma forecast a 2.9% growth rate for 2017. Two days later the SA Reserve Bank and the National Treasury predicted growth of just over 1%. Then on 17 January the IMF forecast a growth of 0.8%. Someone’s Maths is somewhat wonky! The Consumer Price Index (CPI) increased to 6.8% in December but the Reserve Bank outlook is that it will slow to 5.8% in 2017; while the benchmark repo rate remains unchanged at 7.0%.

Also on 17 January Theresa May announced her BREXIT plans while the World Economic Forum (WEF) commenced in Davos. May’s announcement that the UK would leave the EU’s single market made clear her policy for the UK to become a global player, aiming to trade freely far beyond Europe. Already Mathias Cormann, the Australian Finance Minister, has made a friendly announcement suggesting that, once the UK is free from the tight monetary constraints of the EU, Australia will be a willing direct trade partner with the mother country. South Africa will have to play her cards carefully but increased trade with the UK is certainly a possibility.

At the WEF at Davos, IMF Managing Director Christine Lagarde told the gathering that a response was needed to the rise of populism and anti-globalisation. The latter was seen in the Brexit vote and the American election outcome, both resulting in a rise of national unity. South Africa’s Trade and Industry Minister, Rob Davies, spoke of the Fourth Industrial Revolution and its impact on the world and especially the working classes. Leaders promise more jobs but computerisation and mechanisation in, for example, the mines, factories and construction sites, have seen employees being laid off and retrenched.

The rise in nationalism is being seen in France with the first round of the French Presidential Election to be held on 23 April. The last few weeks have seen a surge of support for Marine Le Pen and her National Front Party. The pollsters suggest that she has little chance of winning but, after both the Brexit and American election results upset the opinion polls, nothing is certain.

On 20 January Donald Trump was inaugurated as the 45th President of the United States. Trump’s approval rating is the lowest for an incoming President since the Second World War. The next few months will show whether this rating improves or drops even lower.

Here, at home, in the Western Cape, our attention has been on water and fire – not enough of one to put out the other. New water restrictions were effected as from 1 February and we can expect even more stringent regulations before, hopefully, early rains come to our aid. Every December and January fires ravage the Western Cape. This year they have proved particularly destructive in the Somerset West region, Paarl, Simon’s Town and Signal Hill. The City of Cape Town reported that between 1 December and 26 January fire-fighters responded to 3,166 fires, an average of 55 per day! Our heartfelt thanks go to the members of the various Fire Brigades and the hundreds of volunteers.

Hopefully no Personal Trust client owned a Ford Kuga that self-incinerated. On the other hand we hope that many clients (and Personal Trust staff) had the good fortune to pick the ‘Sun’ Met winner.

In this edition of Personal Opinions Mark Huxter’s “Year of the Fire Rooster” outlines the possibilities that face our South African market; Lorraine White gives an update on recent Income Tax legislation; Andy Calmeyer writes of opportunities in uncertain markets; Dave Edgar gives sage advice regarding retirement and Loren Godet discusses the pros and cons of capital withdrawals and business ventures. Ronald Smith’s summary and interpretation of the Budget proposals are on an insert page.

Finally, the majority of our clients will have children or grandchildren readying themselves for the new University academic year. There have been rumblings of further protest action and we can only hope that such noises do not presage widespread unrest, discontent and disruption of lectures.

We wish all our clients a happy, healthy and prosperous rest of 2017. Ed.
Will we have enough funds at retirement? This is a question we face on a daily basis in our jobs and one that also sits on my own mind fairly frequently. Retirement (the distribution phase) and pre-retirement (the accumulation phase) thinking can be financially daunting, but one that should not be put on the back burner until it’s too late. Confront it.

South Africans are amongst some of the worst savers in the world and gone are the days of your contribution to your one retirement fund, sold to you by the car salesman turned financial advisor, being sufficient enough to take care of your retirement income needs. I don’t want to get caught up in the numbers as there is not a ‘one size fits all’ approach to retirement planning. Everyone is unique and a different thought process is required for each individual. However, there are different themes appearing which will require individuals and families to start thinking differently and more carefully about retirement.

Longevity. People are living longer due to healthier lifestyles and advances in medical science. The traditional thinking of retiring at age 65 may need to be adjusted and people may need to look at extending their working years to age 70. With high unemployment rates in South Africa and people often being forced to retire early, this option is often not possible and compounds the problem.

People will be forced to think differently about ways to earn passive income to supplement the income from their retirement savings. For example, Airbnb has proven to be a major source of additional income for someone willing to rent out an extra room in their house.

The mindset of retiring ‘from’ something may need to be changed to retiring ‘to’ something. Don’t stop working but rather retire to something that you enjoy with the potential to earn. This is often easier said than done but even if there is not a monetary gain in achieving this, it could help you avoid the retirement blues. Statistically the amount of people who become depressed in the first few years of retiring is high.

We are already seeing far more women in the workplace and dual income earning households are becoming the norm. The traditional concept of a ‘housewife’, which was common in the baby boomer generation, seems to be a rarity these days. Families require the dual income to cover the ever-increasing costs of having a family and helping to build their retirement nest egg.

We are in a rapidly changing world and the thinking around pre-retirement and post-retirement planning needs to be thought through more carefully and in a different way. If we can’t control the uncontrollable (inflation, life expectancy, exchange rates, investment returns) then begin with taking control of the controllable (increasing savings, allocating the funds correctly, adjusting your lifestyle in retirement to your income rather than adjusting your income to your lifestyle, finding ways to subsidise your retirement income).

Should you feel that you would like to make changes with regard to your own retirement plans, please contact your Trust Officer to discuss your options.

Dave Edgar was appointed as an Associate Director effective 1 January 2017.
Mark Huxter, Portfolio Manager, considers the economic outlook for the year ahead.

A Year of the Rooster, the soothsayers say, is often marked by success for those who have endured with patience the draining and often solitary build-up of a long-term strategy. Following this, the Rooster predicts an intensification of virile/sterile demonstrations on the part of leaders of countries and global corporations.

Economists are forecasting faster global GDP growth in aggregate for 2017, given the Trump reflation trade – reflation being the first phase of economic recovery after a period of contraction. Within that, Chinese momentum is expected to slow and US growth is expected to accelerate. Of much more concern to global free trade is the potential for Sino-American tensions (trade wars), which will reinforce the ongoing de-globalisation debate. If the top two global economies are at geopolitical loggerheads, their geopolitical tensions are more likely to spill over into the economic sphere.

Concern is created if we couple this with “Main stream media” still openly questioning the validity and suitability of the disrupter Trump as the 45th US president by raising ‘the potential influence of Russian hacking in the election outcome’; the implication that the Democrats had the presidency stolen; and suggesting that the US as a super power is in terminal decline and heading into isolation under a Trump Presidency. No one benefits from a weak presidency in the US and I am increasingly concerned that that is what we will potentially get.

Hopefully Edward Gibbon’s “The History of the Decline and Fall of the Roman Empire”, gives an instructive direction as to the future of the US and gives the lie to the purveyors of ‘fake news’. Gibbon highlighted why the Roman Empire (Empires) ultimately disintegrated. His thesis was that Rome became complacent, institutions weakened, and the leaders in Roman public life lost their sense of civic virtue. Hardly the case in the USA?

In markets, the ‘decline’ of a nation is usually associated with a weaker currency, the exact opposite to what we see with USD currently. The currency in many ways functions like the price to earnings (P/E) ratio of a nation (a fact which is of benefit to the USA and Switzerland). This is in stark contrast to the likes of Turkey and, closer to home and to a lesser extent, South Africa. The currency P/E theory may also hold in the case of the Euro and pound sterling, which is now edging to the outer limits of its valuation range, as we near Theresa May’s Article 50 trigger point (the Supreme Court ruling calls for Parliamentary debate and vote to agree to this). At some point a buying opportunity for the GBP may well emerge from this ‘hard BREXIT’.

**Global Contexts**: Potential global fiscal stimulus is a positive for risky assets in a global context but there is much to suggest that this is not a remedy that repairs global ills. This fiscal policy strategy includes already very high debt to GDP ratios, full employment in the US and potentially higher interest costs which will present a headwind to both economic growth and asset valuations. This implies that inflation and inflationary expectations will make a comeback especially in the US, as the reduction in the flow of goods, services, capital and people gradually increases supply constraints.

**Bonds**: The above is primarily bad for global bonds, which have enjoyed a bull market for the past 35 years. Whilst global interest rates are undoubtedly the most important driver of South Africa’s bond yields, we think that domestic fundamentals will be more important in determining their volatility and levels in the coming year. After the ‘reprieve’ from the rating agencies in December 2016, the risk associated with investing in South African bonds has declined materially; that is until June and renewed potential downgrades by rating agencies.

**Commodities**: While higher commodity prices are a positive from a local South African perspective, the demand/supply equation is still a concern; therefore we maintain our neutral outlook in 2017 on commodities overall. However, we must still expect lower oil prices as rising oil prices will encourage more US shale production, which will dampen any future price increases. And gold prices will be constrained by the rise in both interest rates and the dollar, in anticipation of stimulus.

**Currencies**: On the currency front in South Africa the prospect of a rising interest rate environment globally could present capital flow challenges and negatively influence the all-important carry trade. There are increasing signs that the current account deficit is likely to continue to shrink, given weakening import demand. Forecast Risks for ZAR remain as significant as ever on both sides of the forecast, given the fluid political dynamic and substantial event-driven risk.

**Equities**: South African equities in the long term potentially offer an attractive combination of value; they offer much more resilience in the face of expected ZAR depreciation, given the significant offshore exposure of many South African equity counters and the prospect of an upturn in earnings revisions as the domestic macro environment hopefully improves in 2017.

As indicated by the graphic on the next page, there are also a number of reasons to believe that a risk-on period, such as we are currently experiencing, could be short-lived and have limited upward potential. This risk-on period amplifies the divergence between asset classes and sectors, as risk-free interest rates have
increased quite sharply. Logically this is a period in which more risky asset prices tend to outperform safe asset prices.

What potential ‘Black Swans’ for 2017 are lurking in an environment ushering in a period of profound change?

1) China finally slows as debt bubbles come home to roost: Fears of a China debt blow-up have persisted for several years, but consensus remains that it is **unlikely** in the year ahead. The risk is that the recent housing and heavy industry upswing phase is poised to unwind at some point this year, which could trigger a nasty simultaneous cocktail of banking, currency and corporate debt crises resulting in a major economic slump.

2) Geopolitical Realignment undermines Globalisation: The geopolitical outlook is potentially in flux as Trump takes the reins in the US. Trump’s protectionist inclinations could create a rift with China and other export-driven economies. **Likely!**

3) Trump Derailed: Markets have priced in more pro-growth policies from a Trump Administration, but there is ample scope for disappointment. Corporate tax reform will be difficult to achieve quickly and could easily get bogged down by Congressional members. Hopes for a sizeable infrastructure programme could also be dashed if proposed tax cuts move House budget hawks (Republicans) to revolt against a widening budget deficit. **unlikely.**

4) Bond Markets upended by rising inflationary expectations: While US Treasury yields have sold off sharply since mid-2016, they still remain low by historical standards and could overshoot to the upside as investors shed long-duration exposures and/or shift into other asset classes. **Likely!**

In conclusion, the global economy is heading again, in 2017, into a period of major event-driven risks, such as the uncertainty about the path of Fed rate hikes and increased political risks; with Brexit’s Article 50 to be signed in March; with elections in France, Germany and the Netherlands. We believe that the Trump policies will eventually increase the debt/GDP ratio. This we believe will accelerate the Fed response and start aggressively rolling back monetary policy to the US economy in the course of the year, as inflationary expectations increase.

All of the above lend support to a strong USD, the anti-globalisation pulse, which is ultimately bad news for the shares of global companies and the EM (Emerging Markets) who have benefited tremendously from the steady dismantling of barriers to the free flow of goods, capital and labour. But it is also clear that the political climate could be heading towards a long, cold and dark winter. It might not be a new ice age for globalisation but certainly is to the liberal political world order we have known the last two decades.

For both corporates and governments, January and the 1st Quarter of 2017 will be a time to stand up and be counted. UK Prime Minister Theresa May needs to further flesh out in greater detail on her negotiating plan with the EU; this will need to offset concerns about the potential calamity of a hard Brexit. In the USA, Donald Trump will need to turn his words into action to justify the reflation trade which has awakened ‘animal spirits’ of markets. In Italy, attention will shift to the capital raising efforts of Unicredit. Last but not least, the earnings season will be critical in determining if corporates have been able to carry last year’s improved earnings momentum over into 2017.

Finally, the Year of the Rooster will reward carefully considered long-term strategies and stock picks; this window of opportunity is currently supported by the steepening and positive shape of the yield curve.
President Jacob Zuma has now signed off on several finance and taxation related Bills which were passed by Parliament late last year. Foremost in the minds of many are the following aspects related to individuals:

1. Taxation of Loans made to Trusts (new Section 7C)

This provision in the Taxation Laws Amendment Bill reduces the ability to avoid estate duty and donations tax through the use of interest free (or low interest) loans. In effect, the old ploy of “freezing” the value of a planner’s estate by transferring growth assets out of their hands to a trust by way of an interest free loan has come under attack. There will now be an ongoing tax cost arising for the planner. This new provision will apply to new and existing loans made to a trust as of 1 March 2017.

The mechanism by which Revenue wishes to introduce a tax cost to these planning arrangements is to deem a market related interest rate (the official rate used and published by SARS) on a loan made to a trust. This is either by applying the official rate of interest to the loan (if it is interest free) or the difference between the rate actually charged and the official rate.

It is important to note that the loan captures any “… loan, advance or credit” made or arising between a natural person and a trust, whether directly or indirectly. It applies to loans made by individuals or a company at the instruction of the planner, where there is a “connected persons” relationship.

The gist of the legislation has remained the same through various iterations of the Bill, namely to deem a market related interest rate (the official rate used and published by SARS) on a loan made to a trust. This is either by applying the official rate of interest to the loan (if it is interest free) or the difference between the rate actually charged and the official rate.

An example of the application would be as follows: Mr Bennet loans R5 million to The Longbourne Estate Trust, where his five daughters are the beneficiaries, with no interest being charged on the loan. With the official rate being 8% p.a. at present, the effective deemed interest would be R400,000 for the year. If we assume that Mr Bennet made no other donations during the year then his exempt portion of R100,000 would apply. So the tax cost to Mr Bennet would be R60,000 in the first year (R300,000 taxable donation at the 20% donations tax rate).

At current interest rates a loan outstanding to a trust of R1.25 million is the equivalent of the tax free donation’s annual exemption of R100,000. Any loan below this value would avoid any tax cost but one would then obviously not be able to reduce the value of the loan account by donating the R100,000.

Of importance are various exclusions to these provisions. The following loans, advances or credit extended will fall outside of the provisions:

- Public Benefit Organisations
- Funding of a primary residence (wholly or partly) used by the person or their spouse
- Certain situations where there is a vested interest in the trust
- Trusts created for disabled persons
- Where the provisions of Section 31 (“Transfer Pricing”) apply – i.e. this should exclude loans to foreign non-South African resident trusts
- Loans compliant with Sharia Law
- Where dividends tax applies to the loan – S64E(4)

The benefit of the growth in the assets accruing to the trust still remains under current legislation, so there may still be a tax advantage at the end (net of any tax and costs) depending on the nature of the assets and the growth. However, this estate duty saving is a future benefit that accrues to the heirs and beneficiaries of the planner, while the donation tax cost is current and ongoing and is payable during the existence of the loan during the planner’s lifetime. There is a cash flow timing difference which may not be palatable to all.

As mentioned in previous communiqués there is also the issue of the Davis Tax Committee (DTC) and their report. It appears to us
that Treasury has applied their own “independent” anti-avoidance provision which is not really in line with the recommendations of the DTC. It thus remains uncertain whether the application of S7C should be seen as the singular anti-avoidance legislative intervention or whether there will be additional measures introduced in time. Of particular importance is the matter of the “conduit principle” applicable to the taxation of trust income and capital gains, as well as estate duty abatements and the like. Having a sense of the regulator’s approach will help provide a more certain planning environment to operate in. The next Budget Speech will be closely watched for any additional regulations impacting on estate planning.

The free parking card which has existed for many years in estate planning has come to an end but that does not mean that trusts are to be consigned to the planning scrapheap. It does depend on the specifics of each situation and each case needs to be considered on its merits, whether looking at existing structures or when having new planning deliberations. Clearly the size and nature of loan accounts is of critical importance so Annual Financial Statements and loan values need to be brought up to date.

Your Trust Officer at Personal Trust will be able to assist with these deliberations.

2. Additional Voluntary Disclosure Programme

In terms of the new Bills an Additional Voluntary Disclosure Programme (AVDP) has now been approved. This allows non-compliant taxpayers with undisclosed offshore assets to make a voluntary disclosure and regularise their affairs and offshore assets. The Common Reporting Standard (CRS) is the global standard for the automatic exchange of financial account information between over 90 countries’ tax authorities. The CRS comes into effect from September 2017 for South Africa and is reported on annually. This means that there is little room to hide from the tax authorities around the world.

The main points with respect to the AVDP are:

- The window period has been extended until 31 August 2017. Applications for relief have theoretically been open from 1 October 2016 even though this was prior to the legislation being approved.
- The new AVDP falls within the ambit of the current existing Voluntary Disclosure Programme (VDP).
- Individuals and companies may apply and can do so on a “non-name approach” in a representative capacity.
- Trusts do not qualify but settlors/donors, deceased estates and beneficiaries of offshore discretionary trusts may apply. However, the offshore assets and income of the trust need to be deemed to be theirs for tax purposes.
- Anyone under audit or aware of a pending audit will not qualify.
- Any information obtained under the terms of any governmental exchange of information procedure is not eligible.

The terms applied to an application are as follows:

- 40% of the highest value of the aggregate of all assets situated outside South Africa between 1 March 2010 and 28 February 2015 that were derived from undeclared income will be included in taxable income. This is the market value determined in foreign currency converted to Rand at the spot rate at the end of each year of assessment.
- The undeclared income giving rise to the foreign undeclared assets is exempt from past income tax, donations tax and estate duty. Clearly future income, donations tax and estate duty will need to be taken into account.
- No criminal prosecution will be pursued against successful applications (as is the case for the current VDP).

In terms of the AVDP there is a concurrent ability to make disclosure to the Exchange Control Authorities to regularise offshore assets for Exchange Control purposes. Penalties of between 5% and 12% of the market value at 29 February 2016 are payable, depending on whether the penalty is funded from local or offshore assets.

Although there has been a reduction in the amount to be included in taxable income from 50% to 40% it still remains a stiff penalty, particularly when there may also be an Exchange Control penalty levied too. In some cases it may well be better to apply under the permanent VDP rather than the AVDP, even though SARS may be able to go back all the way to the original date of non-compliance under the former. The latter programme has a specific period – i.e. 1 March 2010 to 28 February 2015. The merits of each case would need to be weighed up.

With full disclosure of the beneficial owners of financial accounts internationally coming into effect it is likely that SARS will become aware of undisclosed offshore assets and the income that gave rise to them. The disclosure programmes offer the opportunity for individuals to clean up their affairs before SARS comes knocking first.

3. Local Pensions and Foreign Service

There is a provision in the Act\(^\text{1}\) that exempts the period of any foreign employment outside of South Africa from taxation on benefits paid from a South African pension fund. This relief has now been removed from the Act and its effective date is 1 March 2017.

As an example: Ms Emma Woodhouse worked overseas in the UK for 50% of the time she was employed by a South African company. She receives a monthly pension of R20,000. 50% of her pension would have been exempt from South African tax – i.e. R10,000 taxed in the normal way. Under the new rules the full R20,000 will now be taxable. This could clearly have a negative cash flow consequence for clients.

Note that the exemption remains intact but only for payments arising from foreign retirement funds or retirement capital transferred from a foreign fund to a local fund.

Notes

1. The Explanatory Memorandum and Final Response Document’s wording has created some comment about the situation where capital and income has been vested in the hands of beneficiaries but retained in the trust. Some have read this to mean that outstanding amounts not yet distributed would not fall foul of the new provisions if certain terms exist in the trust deed related to the trustees’ control of these “loans”. This is not clear to us from the actual wording of the legislation.
2. The VDP is administered under the Tax Administration Act, 2011 with effect from 1 October 2012
3. Section 10(1)(gC)(ii)
Most investors would have noticed a decline in their investment returns over the last two calendar years due to volatile market conditions, especially in 2016. When times are tough, retired and semi-retired clients feel the pinch and may consider other sources to supplement their income. Sometimes this leads to them venturing into new businesses, hoping that the capital withdrawal from their investment savings will ‘make up’ for the diminishing income.

Sometimes clients make these decisions without consulting their advisers in advance about the potential consequences should the venture be unsuccessful. Having a business plan, industry experience, a positive attitude, faith and encouragement from family and friends could simply not be enough.

“This statistics vary, but on average about 50% of all startup businesses in South Africa fail within 24 months due to the inability and inexperience of their owners” according to Ravi Govender, Head of Small Enterprises at Standard Bank. According to Ravi a major contributing factor is because these small businesses are started as survivalist ventures.

A new business may face many pitfalls and challenges. I mention only three below:

- No capital limits set at the planning phase. “We’ll see how it goes and adapt” attitude is risky.
- Cash flow problems that lead to more capital withdrawals, exceeding the initial capital at planning stage.
- Not knowing when to say “No”. Customer service, quality, follow-ups etc. are all important. Sometimes you have to say “No” to business projects in order to stay focused on quality and not quantity. Buying new stock to satisfy one or two customer requests might not be profitable.

Unsuccessful business ventures may relate to the psychology of the business owner. Did you seek professional help? Did you follow the advice or did you believe the cycle would turn if you continued a bit longer?

Let us have a look at a practical example and how the decision can affect a retired couple’s capital and income if the venture fails:

Brian and Sue retired at age 55, live in a retirement village where they have purchased a life right unit, have no debt and no dependent children. Both of them worked and now earn a pension in their retirement years. Due to increasing living costs they anticipate monthly income shortages within 24 months. Brian and Sue are both aged 60, fairly fit and healthy, with combined retirement capital of R4 million. Their current monthly income from the R4 million is R20,000.

Brian and Sue are encouraged by their son to buy a small business. The purchase price of R500,000 is redeemed from Brian’s investment capital, leaving Brian and Sue with R3.5 million capital. The business turnover is satisfactory for a new venture, but after 12 months Brian withdraws another R200,000 when the business experiences cash flow problems. The business eventually fails and they decide to close the doors after two years. They were renting premises, so there was no capital from the sale of a property, and there was no interest from anybody to buy their failed business. They were able to sell unsold stock to the value of R100,000. In total a loss of R500,000 (initial) + R200,000 (addition) – R100,000 (stock sold) = R600,000. Is this the real loss?

Brian and Sue did not approach their financial adviser prior to making the decision, but are now concerned about their financial future at the age of 62. Let us try to analyse their situation, without focusing on the reasons why the business failed:

Firstly, assume the following:

- Brian and Sue made no other capital withdrawals over the two years.
- They lived modestly off their retirement capital of R20,000 per month in year 1 of the business and R22,000 per month in year 2 of the business.
- The average return on their remaining retirement capital was 9% after year 1 of the business and 5% after year 2 due to volatile market conditions.
- Ignore taxes for this exercise.

Brian and Sue meet their financial adviser at the beginning of year 3 when their remaining retirement capital is worth R3,280,870. The first question Brian and Sue ask is: “What would our retirement capital have been at the beginning of year 3 if we had not withdrawn funds for the business?”

Assuming the four assumptions above held true, their adviser calculated retirement capital of R4,065,988 at the beginning of year 3:

- R4,065,988 – R3,280,870 = R785,118 was the loss over two years. So, the loss exceeded the original R500,000 business investment and the monetary loss of R600,000.
- The opportunity cost was R785,118. It could have been monthly income of R22,000 for three years. This represents a loss of 20% of their original R4 million capital in just two years.

It is not just the capital and future income losses we should be concerned about, but the future values and benefits in later retirement years that are lost due to the failed business venture.

Three years ago Brian and Sue had retirement capital of R4 million and were withdrawing 6% per annum for living expenses. At the start of year 3 they have R3,280,870 retirement capital and budget an extra R1,500 per month needed. Their withdrawal rate jumps to 8.6% per annum.

The potential financial situation Brian and Sue now face at age 62 can be summarised below:

- Their retirement capital has diminished but their living expenses may increase over time as they get older.
The beginning of a new tax year comes with an opportunity to top-up your retirement savings, notably by contributing to a retirement annuity. There are tax benefits to this, but more importantly, it is the right thing to do for your future self:

- The Global Health Observatory (GHO) data released in 2015 indicates that the global population aged 60 years could expect to live for another 20 years
- The reality in South Africa is that:
  - 47% of people who reach retirement age depend on family and friends to support them financially
  - 31% of retirees continue working to earn a living
  - 16% of retirees are fully dependent on the state pension
  - 4% of South Africans can afford to retire comfortably.

Several tax bills were signed into law in January, and came into effect on 1 March 2017. Here are a few that may affect you:

- **The Taxation Laws Amendment Act**
  - The tax implications on trusts with low-interest and interest-free loans
    (See article by Lorraine White on Page 7)
  - Dividends received from share incentive schemes will now be taxable
  - Dividends received from preference shares to now be deemed to be income and taxable in the hands of the holder
  - The Foreign Service portion of a pension, which was previously tax-free, will now be taxable.

- **The Rates and Monetary Amount and Amendment of Revenue Laws Act**
  - Extends the Additional Voluntary Disclosure Programme (AVDP) to be open till 31 August 2017.
  - AVDP requires individuals to declare offshore assets, not previously declared, that they have held between 1 March 2010 and 28 February 2015.

- **The Tax Administration Laws Amendment Act**
  - The technical correction pertaining to the administration of various taxing acts; for example, it removes the obligation to submit a return for a dividend derived from a tax free investment.
How long have you been with Personal Trust and what made you apply to join the company?
This is my third year in the company. I have some good friends in Personal Trust stemming from my previous employment, and they only had good comments about Personal Trust. I felt ready for change after 24 years with my previous company and jumped at the opportunity to learn more about the fiduciary industry.

What was your first impression of the company?
My first impression was the warmth towards the clients and the staff. My previous employment was with a large corporate institution which was very fast-paced and where this was not a top priority. It was, therefore, a refreshing change.

What is your experience in the industry and what department/role do you have in Personal Trust?
I have been in the fiduciary industry for 26 years, gaining experience in Deceased Estates, Will Trusts and Unit Trusts administration. I am currently one of the Managers in the Estates Department and administer a section of deceased estates. My work has become my passion and if I can make a small difference in a bereaved person’s life, it is rewarding.

Tell us about yourself
My life is filled with amazing people; most importantly is my husband, Craig, who I have been married to for six years, and with whom I have a step daughter. I have a very close family and am blessed to still have both parents close by. I have an extraordinary brother and successful sister.
My high standard and moral values have been instilled in me by my family and I strive to live by example. I would like to think of myself as being humble and quietly confident.
My life-long girlfriends are a joy in my life and my church group is an inspiration in my spiritual walk.

What are your interests?
My interests relate to travel and I have backpacked across America. What an amazing experience that was to see how different each State can be and how vast the country is. I have also travelled around small areas of Europe and took a six month sabbatical in the United Kingdom.
At home, my favourite past time would be losing myself in watching television series and reading motivational books.
Outside of home, Craig and I love going to coffee shops, movies, watching beautiful sunsets and sunrises and just experiencing the beauty of Cape Town.
On the subject of sport, I enjoy watching rugby and cricket and did kickboxing for a number of years.

How would you describe yourself?
Positive, patient and persistent.
Jeremy has been through the penguin adoption process himself and has suggested that others may wish to do this as well, as the benefits are twofold – apart from helping to save our wildlife, the benefactor also has the ability to claim the sponsorship as a tax deduction!

Jeremy has provided the following background information for those who may be interested in finding out more:

The Southern African Foundation for the Conservation of Coastal Birds (SANCCOB) is recognised internationally as a leader in the field of sea bird rehabilitation, treating in excess of 2,400 injured, sick, abandoned chicks and oiled birds annually. SANCCOB has rehabilitation centres in Cape Town and Cape St Francis.

Rehabilitation comprises a specific feeding, swimming, medication and treatment schedule for each seabird patient, depending on the nature of the injury or illness. Birds will spend 4-16 weeks undergoing rehabilitation before being released back into the wild.

SANCCOB is involved in numerous conservation projects, one of them being the conservation and rehabilitation of African penguins. The five prime African breeding colonies in the Western Cape are: Dassen Island, Robben Island, Boulders Beach, Stony Point in Betty’s Bay and Dyers Island. SANCCOB cares for rescued injured, oiled and abandoned chicks and eggs.

When the adult penguins moult they cannot go to sea to hunt to feed the chicks so the chicks are abandoned. SANCCOB rescues the chicks, feeds and rears them until they can be released into the wild. To help pay the costs of the rehabilitation SANCCOB has a programme for the public to participate: you can adopt a penguin chick for R600. Your donation will cover the cost of fish, medication, water and other essentials.

Because SANCCOB’s objective is to release as many of the rescued birds back into the wild as possible you will not be able to visit or view “your” penguin during the rehabilitation or track its movement after release. You will, however, play a vital role in saving an African Penguin and give your adopted bird the chance to live a natural life in the wild where it belongs.

Since the project’s inception in 2006 SANCCOB has released more than 4,000 chicks back into the wild. Independent research confirms that the survival rate for these hand-reared penguins is similar to that of naturally-reared chicks, making it an effective conservation intervention.

The African penguins need all the help they can get as it is estimated that there are only 25,000 left in the wild.

Your donation to SANCCOB is tax deductible. To adopt a penguin go to www.sanccob.co.za
The annual Personal Trust Ayala Bowls Tournament was held at the Hermanus Bowling Club on 12 and 13 January 2017. Personal Trust began sponsoring the Tournament in 2003.

After a few rounds, based on the points achieved at that point in the competition, the 36 teams were split up into three sections; being the A, B and C sections.

Winners of the A Section are pictured on the right:
Eugene Ferreira, Johan Gerber, AD Fourie, John Malan.

The B section was won by the team consisting of:
Basie Louw, Ian Rice, Garth Duncan, Andre Swart.

The C section winners are shown in the photo on the right:
Mark Gibbs (Personal Trust – sponsor), Pat Young, Greg Nasson (PT), Basil de Koker, Gary Nash.
Personal Trust

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Personal Trust has been in successful operation for more than 35 years, and has offices in Cape Town (Rondebosch and Noordhoek), Somerset West, Knysna, Port Elizabeth and the UK.

For more information, please contact Belinda Danks on 021 689 8975
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