Happy 40th Birthday!

A Word from the MD

The Herd, the Enabler, the Exodus and the Black Swan

Offshore Investing – an Efficient Cost-Effective Solution

A Balancing Act – Debt vs Investing

Ensuring the Longevity of Your Retirement Capital
PERSONAL TRUST – VALUE PROPOSITION

To provide personal, professional investment management, financial planning and ancillary financial services to our clients and their families:

PERSONAL SERVICE AND TRUSTED RELATIONSHIPS
- Build long-term, personal relationships of trust and care with our clients and their families to ensure their and future generations’ financial security and well-being.
- Provide excellent, ‘old-fashioned’ personal and caring service to our clients on an ongoing basis.
- Provide care and support to clients in difficult family situations through our social wellness initiative.

HOLISTIC FINANCIAL PLANNING
- Provide holistic management of client affairs under one roof – Investment Management, Financial and Estate planning, Tax, Wills, Trustee services and Administration of deceased estates.
- Deal with one Trust Officer who manages all elements of clients’ affairs with Personal Trust.
- Gain a detailed and thorough understanding of our clients’ financial needs and family set-up, ensuring all-encompassing advice on investments and estate planning.
- Determine clear and understandable financial and investment goals and develop portfolios and a financial plan as a roadmap to achieving these goals.

INVESTMENT PERFORMANCE AND RISK
- To protect and grow clients’ capital over the long term based on their investment mandate and agreed risk profile.
- Target consistent and competitive investment performance through an experienced investment team and a robust investment decision-making process.
- Provide cost effective investment solutions through our in-house asset management offering.

EASE OF ADMINISTRATION
- Provide cash management and other administrative services to clients who are less able to manage these aspects of their own affairs.

INVESTMENT BEHAVIOUR AND DISCIPLINE
- Instil financial discipline and encourage clients to improve their financial behaviour through close relationships and ongoing monitoring and review of their portfolio and financial plan.
- Improve the clients’ investment decisions by understanding the behavioural and emotional biases of investing. Emotional and irrational decisions are the largest destroyer of investor value.

FOR MORE INFORMATION, PLEASE CONTACT BELINDA DANKS ON 021 689 8975
The Directors and Staff of Personal Trust wish you a safe and happy Festive Season and a New Year full of possibilities.

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2020 has presented humanity with countless challenges and as always, humanity, kindness and bravery have prevailed. As the year draws to a close, we reflect on a global pandemic that changed how we live, work and socialise. The ongoing rise of protests around human rights issues such as the volatile #BlackLivesMatter movement in the United States right down to the fight against corruption linked to politics in South Africa. The recent elections in the US also showed us that, at times, the very fabric of democracy can be threatened during these trying times. It might be difficult to end this year on a positive however – in the horizon, the expectation of a coronavirus vaccine serves as a glimmer of hope to save millions of lives.

In this edition

Some highlights in this final Personal Opinions of the year:

- Mark Huxter and Anda Tyali explore the impact of Covid-19 on our lives and on the investment markets.
- Glenn Moore provides an efficient cost-effective solution to Offshore investing.
- Nick de Villiers covers the interesting question facing some investors in the accumulation phase of whether to invest in a unit trust or pay off a bond.
- Kristin van den Berg looks at the magic number required for a comfortable retirement.

Hats off to our staff for thriving remotely!

In response to the pandemic, we took the decision to close our offices earlier this year and work remotely. However, our reception and core services remained in the frontline to ensure Personal Trust stayed fully operational throughout lockdown levels. Our IT team, admin teams and support staff worked tirelessly to facilitate a smooth transition. As a result, our services continued to thrive and we are adapting to changes in lockdown levels. However, we are cognisant and highly alert in adapting to the second wave, thus we are ensuring that all those who are able, continue to work from home.

Your Trust Officer is on standby to respond to any queries you may have regarding working remotely or any work-related support you may need.

To our staff

This has not been an easy time. We recognise the sacrifices you have made in keeping up with your duties. Your dedication has not gone unnoticed. Thank you for your support.

To our clients, as we often say: Without you, we do not have a business. ENKOSI!

To those clients and staff travelling over the festive season; travel safely and take care.

Personal Trust turns 40

Our 40th birthday approached during this difficult time and we were not able to celebrate as we usually do. I believe this letter from Jimmy Baigrie perfectly captures our collective gratitude to our founders, and in closing, I would like to share this beautifully penned letter.

A 40th anniversary thought from and for Personal Trust:

When I think back to how we started on 01 December 1980, it was by sweeping out some unused office space at 40 St George’s Street. A florist then delivered a small vase of flowers with a note saying “Please can I be your first client” from a Rondebosch lady in her 70s, and then we went shopping for a kettle, some stationery and a few electric typewriters. I think I can safely say that nothing was further from our minds than that 01 December 2020 would be the 40th anniversary of a flourishing old-style Cape Trust Company, now settled for nearly 30 years here in Rondebosch and occupying its own Personal Trust House.

What I know I can also assure you with even greater certainty, is that this was definitely the last possible thing that was expected by Cape Town’s financial news editors, or by the other large and small Trust Companies around us in Cape Town, some of whose pedigrees stretched back nearly 150 years. The only thing further from their minds would, I think, have been that by the time Personal Trust was 40, the Board of Executors and Syfrets, as the two strongest pillars of The Association of Trust Companies in South Africa, would both long since have become subsidiaries of the same bank and no longer even be operating under their own names. If we’d got a bookmaker to give us 40-year odds on that, we’d all be cashing in big chips today! Yet that’s where they are. And here is Personal Trust.

In recent years much credit has been given to the founding directors of Personal Trust, and that’s been very gratefully received. But this credit applies mostly to the foundations laid during the first 15 years of Personal Trust’s life. From 1995, however, there are eight people whose collective importance has not been mentioned as often and who must be credited for their teamwork and leadership over the second 15 years from 1995 – 2010. Only three were there at the start, only four are still full-time now, but all eight carried the company through its most difficult transition here at Belmont Office Park throughout 1995 and the immediately following years. There were other transitions before and after 1995, but 1995 to 2010 was a make-or-break transition for Personal Trust as a company and for them as a team.

So thank you John le Roux, Andy Calmeyer, Mosa le Roux, Glenn Moore, Phil Kilroe, Terry Miles and Alan Crisp for getting it out through a difficult time. Thank you also to John Kilroe whom you brought on board to add his lifetime of corporate and commercial experience as the company grew to need more of these skills.

All of us who rejoice in today’s 40th anniversary flourishing of Personal Trust, and particularly for Personal Trust’s flourishing despite the very sickly year which 2020 has been all over the world, we all owe our principal thanks to the eight of you for holding yourselves and the company together as a team from 1995 – 2010.

In 1980 Personal Trust was born and grew through teamwork into trust as a young Trust Company by 1995. But from 1995 to Personal Trust’s 30th anniversary in 2010, your teamwork graduated Personal Trust from Trust Company adolescence into young adulthood.

Thank you from us all for your teamwork and your trust in each other and in the Company. Thank you also for the corporate decisions and commitments made in recent years to retain Personal Trust as an internally owned and so independent traditional Cape Trust Company. This means clients come first, professional skills and services come next. These are the roots from which trust grows. It is this trust which in turn generates sustainable long-term profits which sound management can then use to improve skills, services and financial security for clients and staff alike. That’s personal. That’s professional. That’s Personal Trust.

So to each of you on the staff at Personal Trust today, sincere thanks from a few dozen of us who were Personal Trust staff and clients 40 years ago today. Thanks also from another 10,000 to 20,000 clients since then. Please keep up this good work. If ever the world needed honesty, teamwork and trust, it is now. It’s in your lifetimes. Remain true to the best interests of your clients, and they will remain true to you and to your company. If you succeed in this, I believe you will find that this 40th and then your 50th and 60th anniversaries of Personal Trust will be 01 December days in your life of which you and your families will always be proud and for which you will always be grateful. That, I promise you, is a joy worth working for – specially if you can do some of it from home!

Good luck, and may the force of personal honesty, professional excellence and corporate trust be with you. Fare well.
The latest wave of coronavirus infections in America and Europe comes as the head of Roche Holding warned that a widespread vaccine this year is unlikely. The first trials to deliberately infect people to accelerate development of vaccines could occur in the United Kingdom next year — while China defended giving people drugs that are still in clinical trials.

There is no doubt the pandemic is reshaping SA’s and the global work landscape and with it, where many people choose to live.

Therefore, let us first address “the elephant in the room” — what about the much debated “herd immunity”? Herd immunity is the point at which a disease stops spreading because a healthy majority in a population has contracted it. Once a population reaches herd immunity, either through vaccination or by recovering from the disease naturally, new infection chains will die out. Those in favour of designing policy to achieve herd immunity would deliberately let the virus spread through the population while attempting to shield the vulnerable, such as the elderly and those with health conditions. In this way, the population is protected from future outbreaks. Most epidemiologists say 60% of a population needs to have been exposed to a virus to reach herd immunity (South Africa’s guestimate number stands at 40% of the population exposed).

The economic burden of national lockdowns, nowhere more obvious than in South Africa, is deep and soul wrenching. The severe impact on sufferers of other comorbidities and diseases; on domestic violence; unemployment and on a year of lost teaching time, may be felt for years to come – the long-term Covid-19 effects. So, it begs the question as to whether “kicking the can down the road” and delaying the inevitable is or was justified?

In the markets, after the global meltdown in March, equities have recovered at differing speeds depending on their characteristics as to either value or growth, with growth outpacing value. As at the beginning of November, the tech-heavy Nasdaq was up 32% year-to-date (YTD), with the Dow Jones flat at 0.75% YTD. In Europe, the EuroStoxx 50 was down 14%, with the FTSE down 21%. Due to FIFO (First In, First Out) regarding a post-Covid-19 recovery, Chinese stocks were up 8%, with the Nikkei in Japan up roughly 3%.

While the virus has clearly accelerated and enabled the outcome of numerous clearly established trends, it has highlighted the stark disparity between the haves and have-nots, as the dual impact of technology and the pandemic recession bites. Redress of this pressing issue will be addressed via active stewardship of the investment community and a strong focus on the G in ESG (Environmental, Social and Governance) through the “efficiency of the market”, effective allocation of resources and hopefully not through too much government intervention. The one trend that has been doubly reinforced is the ineffectiveness of Governments in leading a coherent policy response and the abject failure of initial modelling of the outcomes and mortality rates.

The Covid-19 pandemic has accelerated the changing nature of work, with growing automation set to disrupt 85 million jobs globally in the coming years, deepening existing labour market inequalities and hastening the pace of job destruction. According to the latest World Economic Forum’s (WEF) “The Future of Jobs” report, less than 30% of South Africa’s population have digital skills, compared with direct competitors such as India and Mexico, where these rates are 49.2% and 42.9%, respectively.

SA already has one of the highest unemployment rates among the G20 “Group of 20” countries, with low-skilled workers vulnerable to job losses. The danger of a 42% unemployment rate and rising debt service costs means no revenue for the NHl and Basic Income Grant etc. Given the kinds of technologies local companies are adopting (cloud computing, artificial intelligence, robots in industrial automation processes and big data analytics), according to the report there is little visible upside for the semi-skilled unemployed.

The exodus on the back of WFH (Working from Home) and WFA (Working from Anywhere), enabled by technology and lifestyle choices, will force companies to cut back on office space in a bid to save on overhead costs. Estate Agents are reporting rising sales in the following towns: Knysna, Hermanus, Pringle Bay and the entire Whale Coast, as well as Malmesbury and Stanford in the
Western Cape, as prime examples. Included are St Francis Bay, Chintsa and Kenton-on-Sea in the Eastern Cape; wildlife estates in the bushveld areas of Hoedspruit and Modimolle in Limpopo and the KZN north coast.

Why is the above important?

Firstly, WFA and “lifestyle choices” have implications for probably the middle classes biggest asset – one’s home or apartment in the city centre and suburbs. For example, in the “Big Apple”, renters are finding few reasons to sign leases in Manhattan and even fewer to pay a premium to live there in the Covid-19 era. The vacancy rate set a new high for the fifth straight month. Apartment listings tripled from a year earlier to 15,923 – the largest monthly inventory in records dating back to 2006, according to a report by appraiser Miller Samuel Inc. and brokerage Douglas Elliman Real Estate.

Secondly, globally Central Banks are committed to moving economies back to full employment and to reignite inflationary expectations. This will encompass artificially low or negative interest rates in the medium-term. Simply, in this environment, while much has been made about the search for yield in a world of ultra-low interest rates, Treasury/Bond valuations leave very little room for price gains and potentially room for massive losses.

It is these dilemmas that could well reshape the classic 60/40 investing strategy and retirement. While Bonds always offer a degree of diversification, there is compelling evidence that an increased equity exposure – given the current correlation of asset class price movements, increased drawing percentages of pensioners’ savings and the longevity of retirees – holds very strong and persuasive return merits. Especially, given that the Equity Risk Premia is so elevated, this implies that equities must fall massively to underperform Bonds. SA Bond yields partially negate this and therefore it is not as applicable to SA; but in SA one needs to consider other pressing real issues, such as S&P Ratings Agency who have previously highlighted the dominance of SA’s state-owned entities in certain sectors of the economy as well as reforms required to address SA’s inflexible labour market. Now they are raising concerns and worries about SA’s spending habit.

The government will be relying on a wage freeze as the main pillar to achieve its debt consolidation target, looking at reducing its wage bill by R310.6 billion over four years, including the R36.5 billion cut for 2020 – with major cuts planned for labour-intensive sectors such as learning and culture (R114 bn over four years) and police and security (R78.5 bn). Therefore, civil servants may start to fall victim to retrenchments as the government seeks to cut costs, resulting in many more people (and SA banks) feeling the reality of a prolonged recession.

One must therefore ponder various policy-driven outcomes and their impact on asset classes. Careful consideration needs to be paid to “geopolitics” and potential Black Swan events. The South China Sea, which the Chinese consider to be almost entirely their territory, is a potential flash point. China imposed unspecified sanctions on the defence companies in the US after the US approved $1.8 billion in arms sales to Taiwan and is more assertive in enhancing its influence in global institutions such as the World Health Organization, crushing the pro-democracy movement in Hong Kong, continuously ramping up the pressure on Taiwan and engaging in border skirmishes with India along their disputed border.

Therefore, the correct asset allocation is now as vital as ever for SA investors as we access the probabilities and outcomes of the economy emerging from the induced coma of the Covid-19 Lockdown.

Firstly, in SA the possibility of structural reforms, resuscitation of Eskom and the adoption of the proposals put forward by the private sector, will put us on the “High Road” and enable local investors to sell some offshore assets and multi-asset investments to buy SA Inc and SA bonds.

Secondly, the other side of the coin – an equally unlikely scenario – should trigger a sell of SA investments as we witness an accelerated decline to a failed state.

Thirdly, and the most probable outcome in the short term, meandering on the “road to nowhere”, given the Medium Term Budget Policy Statement. In this scenario, investors should sell SA Inc and buy offshore equities and SA multi-assets but be very wary of SA bonds in this environment (debt trap).

Lastly, the long term and eventual outcome where we see an IMF bailout and forced policy correction. The outcome is an investment strategy that remains and is identical to the “road to nowhere”, except for a more aggressive exposure to SA bonds.

The debate surrounding Value and Growth investments is also vital as it holds implications for EM (Emerging Markets). The main catalyst to trigger the rotation out of Growth (Tech/US) to a Value overweight (EM, EU, Pharma and Banks) is an effective vaccine or real increase in CPI and inflationary expectations globally – which need to rise to trigger such a rotation, on the back of Central Banks increasing short-term rates. Why? Currently long-term equity returns are attractive, despite being elevated relative to current P/E ratios, as they are now compensated by very low real yields. Thus, with Equity Risk Premia elevated and dividend yields above the treasury yield, investors should own the longest duration assets (Growth/Tech), especially in an environment of ZERO borrowing costs!

What will end the bull market in equities? As is often the case, the right answer is tighter monetary policy. The good news is tight money is not an imminent risk. If the US ends up with a divided government (very likely) it could mean limited fiscal stimulus, capped increases in bond yields and dampened inflation expectations, while risk/growth assets get a boost.

The Biden gridlock (GOP Senate) will be deflationary at first but the best outcome for investors over the long run. The Fed will not hike rates at least until 2023 and it will take even longer than that for interest rates to rise elsewhere in the world. The bad news is that the day of reckoning will eventually arrive and when it does, bond yields will soar and stocks will tumble. So, in the interim, stay long equities as the Equity Risk Premia is elevated which implies that equities must fall massively to underperform bonds on the back of global central banks stance on rates.
Offshore investing — an efficient cost-effective solution

Glenn Moore, Director and Fund Manager, outlines alternative offshore investment options.

During the great financial crisis in 2008/2009, I was running a small offshore share portfolio. I was astounded by the dramatic share price movements, particularly of the banks, and had many sleepless nights contemplating whether companies like Barclays, JP Morgan, AIG etc would survive. At the time, a London stockbroker asked me a simple question: “How can you have any competitive advantage running an offshore share portfolio out of Cape Town?”

Fortunately, he also provided a solution. He said, go and have a look at the iShares website and type in the code i00.US. It is an Exchange Traded Fund (ETF) that tracks the performance of the top 100 companies in the world. I looked at the underlying companies and liked what I saw. I checked the historic performance against world indices and, as one would expect, the concentrated portfolio outperformed. I have invested the vast majority of the offshore equity component of the Personal Trust retirement funds in the Global S&P 100 ever since and have been delighted with the results.

Recently, I checked the longer term performance of the Global S&P 100 against the Personal Trust approved list of offshore equity funds. Over 10 years, the best performing fund on the list delivered a return of 10.2% per annum whilst the worst delivered 4.35%. The Global S&P 100 delivered 8.8%*. Although not always the best performer, the Global S&P 100 beat 85% of the active asset managers on the Personal Trust approved list. Performance is very good, compounding at 8.8% per annum in US dollars over 10 years and is consistent with market returns. In addition, market cap weighted indices have an inbuilt formula that favours the most successful companies.

My recent check has again convinced me that few asset managers have the ability to beat the market with any degree of consistency. By investing in the Global S&P 100, you will receive consistent market related returns and no anxiety that your portfolio or manager is not performing.

Remarkably, the fees on the Global S&P 100 are just over 0.4% per annum. There is one catch however — in order to buy this ETF, you will have to open a stockbroking account overseas which requires an investment of at least £200,000. All is not lost for local investors. In recent years, companies such as Satrix, Sygnia, Absa, Standard Bank and others have launched ETF’s that track Global Equity indices. You can buy the S&P 500, the Nasdaq, the MSCI World, even the Barclays Global Bond Index – all for less than 0.5% through one provider. From another you can buy US dollar cash or even Gold bullion. You can also gain access to more exotic indices such as the 4th Industrial Revolution. These are all listed on the JSE, fees are exceptionally competitive and there is no need to use your offshore investment allowance.

From just a few Exchange Traded Funds 10 years ago, the offering has grown and improved tremendously in the last few years. One does need to know the underlying intricacies of the various ETF’s, for instance the tracking error, the underlying holdings, the exposure to derivatives, the fee structures etc.

Should these instruments be of interest as a complimentary holding in your portfolio, please chat to your Trust Officer.

* Source: Morningstar
A BALANCING ACT
- DEBT vs INVESTING -

Nick de Villiers, Trust Officer at Personal Trust’s Noordhoek office, looks at how to balance the decision of settling debt and investing.

Hopefully this article will not apply to many of our clients but should you have been an unlucky statistic of the economic impact of the financial crisis caused by Covid-19, this may be of interest to you.

Should you pay off debt (bond/credit card/loan) or invest for your future? The answer really is: it depends! You may not have been affected directly but possibly you have children or family members who are in this position.

The usual advice is to pay off your high interest debt before investing. When debt was costing 19 or 20% and your investment return was 10% at best, it made sense to pay off debt. However, if you paid off debt but had no emergency savings, the next crisis or emergency would put you back in debt again. This is why many advisers recommend having at least one to three months’ worth of expenses stashed away as savings before you start paying more than the minimum due on any debt you may have. One thing the Covid-19 crisis has taught many people, unfortunately too late in some cases, is the importance of having emergency savings. To get back out of the hole may require some careful calculation.

Firstly, ensure you have at least one month’s expenses invested for a rainy day – preferably three to six months, but if you are struggling to keep up with debt repayments go for a month’s expenses to start.

The next step is look at all your debt. Hopefully you don’t have too many debts but the idea is to list them from the smallest amount to the largest.

Once you have done this, start by contributing more than the minimum payment to the smallest lump sum – not the debt with the highest interest rate. Keep paying this down until you have paid it off.

Then you will contribute the minimum payment you were paying on that debt to the smallest capital sum you owe, as well as the minimum payment on that debt.

Keep going until you have got rid of all debt, possibly with the exclusion of a home loan. Once you have managed to reduce your total debt to a manageable level – this may be a psychological limit where you don’t feel a panic attack coming on whenever you receive your credit card statement.

The power of this is that you are keeping your total payment towards debt the same but as you have finished repaying one, you’re able to commit more towards your other debt without affecting your lifestyle.

Hopefully your smallest lump sum is also the debt with the highest interest rate, but even if it is not, keep going on the smallest total debt, as you will see a payoff sooner and this gives you a big psychological boost as you can see a tangible result to your efforts.

If all you have is home loan debt, the question becomes more complex. Paying more towards your home loan gives a guaranteed return, while investing in a unit trust offers no such guarantee, only an historical trend. The global average for stock market returns is about 8% per annum in US dollars. Given how low interest rates are locally, there is an argument to be made for perhaps paying just a little extra to your bond but rather putting the remaining free cash into an investment.

The other option is to contribute a bit more towards your retirement funding. If you are over 55, you can get the tax refund and then move the Retirement Annuity into a Living Annuity and invest in offshore feeder funds. See my article in the last quarterly newsletter on avoiding the pitfalls of Regulation 28 affecting your investment return. Even if you’re not 55, you could bump up your retirement saving a little and use the tax refund to pay a bit more into your bond.

There is another option, though this one will probably only have a limited appeal. If you are concerned that you are severely behind in saving towards your retirement, you might consider this. The idea is instead of contributing to your Retirement Annuity (RA) monthly, you pay this amount into your bond, depending how long you have had the bond this may mean you’re paying down capital and thus affecting your interest payment. In late January, or just before the end of the tax year on 28 February, you take the amount you paid into your bond instead of your RA out of the bond and put it into your retirement annuity. When you get your tax refund, you can then put this in your bond. Contributions to retirement funds are tax deductible, within certain limits. The maximum tax deduction you may make in a tax year is limited to the greater of 27.5% of taxable income or remuneration from your employer, subject to an annual ceiling of R350,000.

If you have sufficient cash flow and do not mind taking the short-term risk on increasing your bond debt, it makes sense. Especially if you’re over 55 years old and able to move your Retirement Annuity funds into a Living Annuity and invest the bulk of this money in an offshore feeder fund.

If you know someone who could benefit from discussing their debt issues or whether they should pay more towards debt or an investment, get in touch with your Trust Officer for help. If you’re wondering whether you have saved enough toward retirement, Kristin van den Berg has written an excellent piece in this edition examining how much is enough.
The magic number?

Ensuring the longevity of your retirement capital

Kristin van den Berg, Director and Trust Officer, considers how much one needs to save for a comfortable retirement.

When we plan for retirement we are, quite simply, building a nest egg that will one day be used to replace the income that ceases once retired. It is important that the income generated from your capital is enough to maintain your current lifestyle (or close to it) and will, at a minimum, last your lifetime.

‘If you aim at nothing, you will hit it every time’

In planning for retirement, it is important to know what you are aiming for. Many people are responsible and save consistently and assume that this will ensure a comfortable retirement. This is often not the case. Ongoing assessment of your ‘roadmap’ to retirement is critical in ensuring you are doing everything necessary to reach the required capital sum.

But what is the magic number? How much capital is enough to maintain one’s lifestyle and ensure capital longevity?

This is not an easy question to answer and differs widely from one person to the next. It is however a concept that should be discussed and monitored within your financial plan and in conjunction with your advisor on an ongoing basis.

Studies have shown* that choosing the right level of starting income is key to investors managing their risk of running out of money. The magic number would, likely, be adequate.

Inflation erodes the purchasing power of your capital and is one of the biggest risks to a retiree. With modern medicine, it is not unusual for retirement years to be in excess of 30 years. It is for this reason that retirement portfolios should not be invested too conservatively which can be tempting. Sufficient exposure to ‘growth’ assets (shares and property) is an important long-term consideration in preserving capital and negating the eroding effects of inflation.

VOLATILITY

Although exposure to ‘growth’ and hence riskier assets is important, too much can create a volatile portfolio which will have a detrimental impact on your long-term capital longevity. It is important that the appropriate asset allocation is put in place to limit volatility but also that the selected fund managers manage risk and hence volatility of their portfolios. Research has shown that drawing from a volatile portfolio has a detrimental effect on long term capital.

DISCIPLINE

One of the biggest destroyers of value is investor behaviour. Investors should avoid inappropriate short-term decisions based on emotions, i.e. switching to chase past performance, switching due to panic or being overly conservative.

CONCLUSION

Reaching the ‘magic number’ requires a clear strategy and takes patience and discipline. Saving is not a get rich quick scheme, it is not about chance and it will not suddenly happen. It is about starting early, planning and having clear goals.

Understanding and then reaching your required capital goals at retirement is vital and the first step to a comfortable retirement. Ongoing management of that capital throughout retirement is, however, as important.

*Source: Are you investing enough for your future? By Paul Hutchinson, Ninety One

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<th>WHAT LEVEL OF INCOME IS PRUDENT?</th>
<th>HOW LONG MUST IT LAST?</th>
<th>WHAT DOES THIS MEAN?</th>
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<td>5% income p.a. If you need R50 000 per month (post tax), this means an annual income of R76,000 per year (pre tax).</td>
<td>At least 30 years post retirement</td>
<td>You need to have saved 20x your final salary (pre-tax) to achieve this level of income – which means that in this example, you need a capital lump sum of R17.5 million upon retirement.</td>
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Do you know where you going to, do you like the things that life is showing you? As sung by Diana Ross: she so aptly asks the questions I don’t think any of us have the answers to … 2020 has been a year of forced changes and with this come many uncertainties, both in life and in investment horizons.

South African interest rates have already been cut by 300 basis points since the start of the year, with the Prime Overdraft rate now at 7.00% and the Repo Rate at 3.50%.

Interest rates are widely expected to remain low for a long period.

The South African Reserve Bank (SARB) has maintained a cautious view on longer term inflation expectations, suggesting that significant easing is less likely from here onwards. This is coupled with low growth forecasted for this year and the next and with downward pressure from muted demand on inflation in the near term.

Is it therefore suggesting we are nearing the end of this current cutting cycle? Perhaps with modest room for 25 basis points more in this cycle.

The graph on the right shows the 1990 to 2020 interest rates – the lowest in 30 years!

Portia Vlotman, Associate Director and Manager of Personal Trust’s Money Market, discusses the current interest rates and future expectations.

Interest rates at 30 year lows!

Portia Vlotman, Associate Director and Manager of Personal Trust’s Money Market, discusses the current interest rates and future expectations.

[Graph showing interest rate yield curve from January 2020 to November 2020]

South Africa official interest rates

[Graph showing South African official interest rates]

We caution clients to remain conservative in their choice i.e. know with whom you are entrusting your funds.

We have various options in the income space at Personal Trust, so please do contact your Trust Officer and discuss the options that best suit your needs.
Usufructs, usus’ and habitatios are limited interests or personal servitudes that date back to early Roman times and were historically used to afford limited rights to those who could not otherwise inherit or acquire property due to their status in society. Today, these limited interests are still with us and play an important role in protecting and accommodating needs and rights of heirs.

WHAT IS A PERSONAL SERVITUDE?

A personal servitude is a right created in favour of a particular individual to use and enjoy another’s property. This servitude is a real right and is thus enforceable against the owner of the property and third parties. It is important to note that it is personal in nature and cannot be transferred to another person by the holder thereof. It can be granted for a fixed term or until the occurrence of a future event or for the lifetime of the beneficiary. Although personal servitudes are usually created in terms of Wills, it can also be created by agreement.

WHAT ARE THE MAJOR DIFFERENCES BETWEEN A USUFRUCT, USUS AND A RIGHT OF HABITATIO?

Usufruct

A usufruct is a right that entitles the holder thereof to have the use and enjoyment of another’s property and to take its “fruits” without impairing the substance. For example, a usufruct over an investment will entitle the usufructuary to receive the income so generated from the capital, being the “fruits” thereof as it were. The usufruct over a fixed property will entitle the holder to stay in the property and to rent it out if need be. The usufructuary is bound to maintain the property and to defray the costs of all repairs necessary to keep it in good order, fair wear and tear excluded. He/she is also responsible for paying all rates and taxes. Payment of insurance premiums, costs of capital expenditure such as structural reinforcements necessary to prevent a building from falling into ruin and other similar costs, are excluded from his/her responsibilities. He/she is not entitled to compensation for any improvements made to the property.

Usus

A servitude of use/usus is akin to a usufruct but the holder’s rights are more restricted. If the property is movable, he/she may take possession thereof and use it for the duration of his/her right and if the property is immovable, he/she may occupy it with his/her family. The fruits of the property may only be taken for the holder and his or her family’s daily needs. The fruits may therefore not be sold, nor the property leased out by the beneficiary although exceptions may occur by mutual agreement.

Habitatio

The right to habitatio is applicable to a dwelling. The holder has the right to dwell in a house with his or her family and may lease or sublease the property.

In the next issue of Personal Opinions, Renette will explain how these limited interests are used in Estate Planning.
Increased use of technology has led to more scams and more victims of these scams over the last few years. Investors have been caught – and lost money – in both big and small scams. These scams are not only sold and promoted over the internet. Investors still fall prey to scams by well-presented individuals who have the gift of the gab and come across as friendly, likeable people. Retirees are often targeted and these scamsters may use religion as part of their skills to persuade investors to part with their money.

Pyramid or Ponzi schemes could also be regarded as scams. The intention of the fraudster is often to enrich himself at the expense of investors who believe they are making a sound investment. The public warning issued against RSA Search [Pty] Ltd and manager, Mr Bennie Otto, is a recent example. The reality is that scams and pyramid schemes emerge faster than the Financial Sector Conduct Authority (FSCA) can clamp down on them.

If it sounds too good to be true, why do people still invest?

I explore some of the reasons and explanations below:

- A family member or friend is already invested and receives a good return. Many schemes start well and the first investors usually benefit the most, albeit only for a while.
- Greed: the investor believes all is legitimate when he/she receives the promised returns or income for a while; and because of this return decide to invest more money.

Understanding risk is important, but so is an understanding of the spectrum of current and average returns for various investment classes. Some investment knowledge is useful when judging ‘promised’ returns. For example, if a major bank offers me 4% interest per annum on my savings deposit, how is it possible that an investment can offer me interest income of 4% per month? Take it one step further: if the promised return is 4% per month, or 48% per annum, how does it compare to share returns on the SA share market, on average?

- Investors are caught by not differentiating between regulated and non-regulated investments.

If you are offered an investment opportunity and are in any doubt, walk away and do your own investigation before submitting to the pressure of investing NOW, or consult a reputable financial adviser. Potential investors are often pressured and this should be a clear sign that all is not above board.

Regulated financial advisers and financial advisory companies must all be registered at the FSCA.

You can check the registrations on the FSCA website www.fsc.co.za or contact the FSCA Call Centre on 0800 20 37 22 should you wish to inquire about an individual or a company.

Personal Trust (Pty) Ltd is an authorised Financial Services Provider (FSP) and our Licence number is 707.

Keith Scott, Trust Officer, provides important information on the changes coming to retirement funds and to tax compliance.


- Penilaian perubahan yang kedua yang akan diterapkan pada 1 Maret 2021 adalah penentuan tunai sebesar 1/3 dari jumlah total yang telah disetor ke rekening tabungan. Perubahan ini akan mencakup semua penyetoran yang telah dilakukan sebelumnya dan akan diterapkan pada semua penyetoran yang akan dilakukan sebelum 1 Maret 2021.

With potential new legislation changes regarding tax returns on the horizon, it has become even more important that you avoid common errors on your return which could lead to up to two years in jail.

- These errors include, but are not limited to, the following offences: Failure to notify the South African Revenue Service of a change in your registered details; not submitting your tax return or other required documents to SARS; ignoring requests for documents or information from SARS; and failure to pay taxes which are due.

- Tax compliance is of the utmost importance to avoid any risk on your behalf, so it is important to make sure you keep records of any income and expenses. This will help if you are audited or if you raise a dispute with SARS.
The Victorian cast iron fountain, a horse and dog watering trough with a lamp post – an historic landmark since 1891 – was restored to its former glory on 24 September 2020.

Originally known as the Moodie Fountain, it was named after George Moodie who donated the fountain to the Rondebosch community on 25 September 1891. It was declared a National Monument on 10 April 1964.

The fountain was cast by Walter Macfarlane & Co. at the Saracen Foundry in Glasgow, Scotland. It was made of cast iron and consisted of a circular drinking trough supported on horses’ legs, with a central post topped with a colourful hexagonal lantern. Four decorated brackets suspended cups for people to drink from the spouting water, while horses drank from the trough, and dogs from smaller basins at ground level.

The hexagonal lantern was one of South Africa’s first electric streetlights. The lamp was first turned on, on 25 April 1892 and was initially powered by Moodie’s private power plant until a municipal power plant on the Liesbeeck River took over.

The fountain was destroyed in a road accident in 2015 and the City of Cape Town recovered the remnants and held it in safe keeping. It was the City’s intention to repair and to restore the fountain to its former glory. However, the fountain was so badly damaged that it could not be repaired to its original state.

The new fountain was donated to the City by the Simon van der Stel Foundation and Heritage Castings. The foundation gave a monetary contribution whilst Max Teichmann donated his time and materials towards this labour of love. The fountain is as close to the original specifications as possible, but different in some small details. It is in its original colours and its details are as crisp as the day the original was bolted together when it arrived at the Cape Town docks from Scotland.

Many Rondebosch residents are excited to see this iconic landmark back to its former glory. The replication and accession process took longer than expected as there were legal requirements that the City had to adhere to.

An electricity connection to enable the fountain light to be switched on, will be done at a later stage.

Two similar fountains manufactured at Saracen Foundry with the same design exist in South Africa: one in the neighbouring suburb of Rosebank and one in Cradock in the Eastern Cape, now without the original hexagonal lantern. A cast iron fountain with a similar but simpler design stands in Jubilee Square, Simon’s Town.
They say all good things eventually come to an end

**Khaya Sontsele**, Associate Director and Trust Officer, pays tribute to a long-term partnership which has come to an end.

It is with sadness that we end our involvement with the NPO Community Development Resource Association, more commonly known as CDRA, as they cease to operate. On behalf of Personal Trust, I would like to extend our gratitude to CDRA for allowing us the opportunity to support them over the years. It has been an honour and privilege to be associated with such a distinguished organisation and its family. The organisation has done a tremendous amount of work in civil society over many years.

Please find below a note from former director of CDRA and long-standing client of Personal Trust, Di Oliver, describing the inspirational origins, purpose and journey of CDRA from its inception in 1987 to date. I trust you will enjoy the read.

**CDRA – A Fruitful Partnership with Personal Trust – by Di Oliver**

On 31st July 2020 one of Cape Town’s long-standing Not-for-Profit organizations, the CDRA – Community Development Resource Association – closed its doors for the last time. The decision to close was unanimous and the reason for doing so is celebrated. It had achieved an impact far beyond its own expectations.

It all began in the politically turbulent 1980s. A small band of pioneering social activists convened on the strength of a successful Organizational Development (OD) intervention in a small, church-based, rural community development organization not far from Worcester. The organization had wanted to assess its development needs to keep up with the growing demand for its social and community development work. It invited Hamo Hammond who was known in the field of OD in the corporate sector, to facilitate the assessment. The organization was so buoyed by the process through which it was taken and the results of the intervention, that it took decisive steps to ensure that OD practice become available to other non-governmental and not-for-profit organizations.

Thus it was that, in 1987, the CDRA was given life by the pioneers becoming directors of the board and registering it as a not-for-profit organization in terms of the Companies Act to work in the Western Cape.

It very soon became apparent that its services were needed more broadly than in the Western Cape. Its reputation as an essential organizational resource soon spread to the rest of the country and then to countries elsewhere in Africa, Europe, the Middle East, South America, Asia and beyond. One could say its methodology taught organizations throughout the world the value of action-reaction as central to the practice of facilitating development. The CDRA’s belief in the power of process became its hallmark and ‘from behind the scenes’ its influence on the practice of OD in an extensive range of NGOs, including the funding sector, became the cornerstone of ‘developmental practice’ in various sectors.

In its very early days, John le Roux agreed to attend meetings of CDRA’s Board of Directors as financial adviser. He was succeeded by Philip Kilroe who passed the baton to Khaya Sontsele in 2008. With Personal Trust’s support, Khaya was appointed as a director to CDRA’s Board of Directors in 2015 in which capacity he served till its closure. The CDRA acknowledges with gratitude and deeply values the Personal Trust team for assisting it through its years of expansion and, recently, its few years of contraction.

Personal Trust’s advice and guidance has always served the organization well on the strength of its skilful insights into the changing environment in which finances operate in our young democracy.

Personal Trust’s discerning advice has contributed to good stewardship of the financial assets of the CDRA. This has enabled the organization, at its closure, to pass on substantial assets to another not-for-profit organization, SCAT – the Social Change Assistance Trust.

CDRA has fledged a number of sought-after development practitioners who now work independently; it has run numerous successful healing processes in organizations here and abroad; it has hosted large gatherings of development practitioners from different parts of the world in shared learning experiences; it has offered numerous courses in the methodology of its practice; it has published several books and, not least, it has facilitated the embedding of developmental practice in the life and being of organizations in a diverse range of sectors. In the course of its 33 years of practice, it has facilitated tens of thousands of conversations between individuals and within groups. It has found that enabling honest and open interaction between people, sometimes of different political, religious, cultural, gender, and ethnic heritage, together with sensitive, careful listening to each other, this is key to addressing the issues that underlie tensions and breakdown in organizations. CDRA has built a dynamic, accessible website that will continue to be available for the foreseeable future and it has gifted its building in Woodstock to SCAT which works in rural development and funding. The environment in which we find ourselves today, with the current worldwide pandemic of Covid-19 bearing down on us, together with a world much-changed since 1987, leaves the future wide-open to discovering what practices will evolve to help humankind to work towards a preferred future.
Readers of our newsletter are reminded that any comments, opinions and recommendations relating to investment products are made in good faith and with full attention to accuracy. However, market conditions are subject to constant fluctuations locally and globally. We advise, at all times, that investments be made only after consultation with us, and after individual circumstances have been thoroughly considered.

Established in 1980. Active Founding Directors: JP le Roux, AD Calmeyer

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