FAREWELL TO OUR EDITOR

2021/2022 BUDGET SUMMARY AND HIGHLIGHTS

STAKEHOLDER CAPITALISM

ASSISTANCE PROVIDED TO OVERSEAS HEIRS

THE USE OF LIMITED INTERESTS IN ESTATE PLANNING: PART 2
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
Farewell to our Editor

“Don’t cry because it is over. Smile because it happened.”

Personal Trust’s long-standing Editor, David Anderson, has decided that the time has come to put down his pen and retire from his editing duties after 16 years at the helm. David’s vast general knowledge, his passion for history and his mastery of the English language have been an asset to the business and will be sorely missed by many at Personal Trust, but particularly by his deputy editors Lynne Wasmuth who he has worked with for 16 years and Belinda Danks for 15 of the 16 years.

David was always willing to take on an editing job no matter how difficult. Often the unsung hero, he spent many hours scouring articles, researching financial terms in an effort to simplify complex subject matter. In the days before Covid, he and Lynne would meet regularly, for a cup of tea with biscuits, and together they would chat and work on the layout and suggested design of each issue. It brought him great joy to produce error-free copy. Not forgetting David’s beloved wife Eve, who was also a dedicated ‘worker’. She was a constant support to him and assisted him tirelessly with typing and other computer work.

An extract from David’s retirement letter to us reads as follows:

The time has come,” the Walrus said, “to talk of many things.”

I am not sad about the situation as I just know that this is the best time. Philip Kilroe, thank you for introducing me to Personal Opinions sixteen years ago – it has been a wonderful experience. Lynne Wasmuth and Belinda Danks, thank you for so much fun, enjoyment of tricky moments and satisfaction when a good edition was produced.

Personal Opinions also enabled me to meet and create firm friends with so many Personal Trust staff and clients.

Philip Kilroe, Director and Trust Officer at Personal Trust has had an even longer relationship with David and his response sums it up so well:

It seems just the other day that I asked you if you would be interested in stepping into the Personal Opinions editor’s role. I was surprised when you told me that that was 16 years ago! Time has really flown.

It is amazing to think that your working career started at the age of 18 and is now ending at age 81. For those of us interested in numbers there is a completeness in that numerical string 18-81. You should be very proud of your achievements during those 63 years, almost all of which were given in the service of others. At Personal Trust we pride ourselves on existing in order to help and be of service to our clients. There can be no greater role model for us, in this quest, than you and what you have achieved during your working career.

I wish you a long and healthy retirement. It is comforting to know that this is not goodbye but simply the closing of one chapter whilst other chapters, those as friend and client, remain open and God-willing will remain so for many years to come.

Thank you for all you have done in promoting Personal Trust through the pages of many excellent editions of Personal Opinions over the last 16 years.

We wish David all the best with his retirement. We will miss him – his expertise but also his enthusiasm and his unwavering passion for Personal Trust. Thank you, David, for your tremendous contribution to Personal Opinions and the many other articles and documents that you have edited for us over the years.

AUTUMN by David Anderson

With Summer's final breath, the haunting flutes
Of Autumn’s soothing symphony are heard;
Dry leaves descend like parchment parachutes
In windless whispers, scarcely registered.
An ever-changing patchwork quilt is spread
Upon the forest floor in amber shades;
Grey squirrels forage in the leafy bed
Beneath the oaks that border woodland glades.
Thin shafts of evening sunlight steal their way
Through remnants of last summer's greenery;
Bare branches – elm and asp and alder – play
As one, and thus enhance the scenery.
A sense of harmony pervades the air,
Yet Winter’s cold increasingly draws near.

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MARCH 2021 PERSONAL OPINIONS 2
SUMMARY OF THE
2021/2022 BUDGET

Ronald Smith sums up the tax changes which will be implemented according to the Budget Speech.

I ended last year’s article with the words “It is said that a goal without a plan is just a wish – the Minister has set his goal and laid out his plan to achieve this – now we must hope it does not turn out to be only a wish”.

At the time of writing that, no-one could have envisaged the havoc a relatively unknown virus (at that time) would cause on economies of the world. The impact on the South African economy, already in a fragile state, was significant – forcing the closure of many businesses and employment being lost.

Achieving a revenue target of R1.4 trillion in unprecedented times was going to be challenging and, considering the impact of the Lockdown restrictions, it is not surprising that this target fell short by R213 billion. The only positive is that the shortfall was approximately R100 billion lower than had been forecast in the medium-term Budget address.

With such a substantial shortfall and increasing debt levels due to loans from numerous organisations, there were further appeals for the introduction of a wealth tax to increase tax collection. Statistics indicate a high level of emigration amongst South Africans, placing additional pressure on tax collections, and it is therefore pleasing that the Minister did not succumb to this proposal, especially since South Africa is already considered to be one of the most heavily taxed countries in the world.

For the most part, the tax proposals have remained constant, the only noteworthy changes being:

- An increase in the level of remuneration at which contributions to the Unemployment Insurance Fund is calculated
- A proposal to lower the company tax rate to 27% effective from years of assessment commencing after 01 April 2022 (effectively the 2023 tax year).

With all the negative news over the past year, there was little hope that this year’s Budget was going to provide any form of relief. Nevertheless, the Minister succeeded in increasing the disposable income of households. A concern expressed by many though, is the country’s increasing levels of debt and we can only hope that the Minister’s vision of “renewing the economy and restoring public finances” is achieved.
**TAX TABLES**

<table>
<thead>
<tr>
<th>Taxable Income (R)</th>
<th>Rates of Tax</th>
<th>Taxable Income (R)</th>
<th>Rates of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>R0 – R205,900</td>
<td>18% of each R1</td>
<td>R0 – R216,200</td>
<td>18% of each R1</td>
</tr>
<tr>
<td>R205,901 – R321,600</td>
<td>R37,062 + 26% of the amount above R205,900</td>
<td>R216,201 – R337,800</td>
<td>R38,916 + 26% of the amount above R216,200</td>
</tr>
<tr>
<td>R321,601 – R445,100</td>
<td>R67,144 + 31% of the amount above R321,600</td>
<td>R337,801 – R467,500</td>
<td>R70,532 + 31% of the amount above R337,800</td>
</tr>
<tr>
<td>R445,100 – R584,200</td>
<td>R105,429 + 36% of the amount above R445,100</td>
<td>R467,501 – R613,600</td>
<td>R110,739 + 36% of the amount above R467,500</td>
</tr>
<tr>
<td>R584,201 – R744,800</td>
<td>R155,505 + 39% of the amount above R584,200</td>
<td>R613,601 – R782,200</td>
<td>R163,335 + 39% of the amount above R613,600</td>
</tr>
<tr>
<td>R744,801 – R1,577,300</td>
<td>R218,139 + 41% of the amount above R744,800</td>
<td>R782,201 – R1,656,600</td>
<td>R229,089 + 41% of the amount above R782,200</td>
</tr>
<tr>
<td>R1,577,301 and above</td>
<td>R559,464 +45% of the amount above R1,577,300</td>
<td>R1,656,601 and above</td>
<td>R587,593 + 45% of the amount above R1,656,600</td>
</tr>
</tbody>
</table>

**REBATES**
- Primary rebate
- Secondary rebate (individuals over 65)
- Tertiary rebate (individuals over 75)

**TAX THRESHOLD**
- Below age of 65
- Over age of 65
- Over age of 75

**INTEREST EXEMPTION**
- Below age of 65
- Age of 65 and over

**DONATIONS TAX AND ESTATE DUTY**
- Below R30,000,000 – 20% (unchanged)
- Above R30,000,000 – 25% (unchanged)

**MEDICAL SCHEME CONTRIBUTIONS AND EXPENSES**
- Monthly monetary tax credit of:
  - Increased from R319 to R332 for the first two members
  - Increased from R215 to R224 for every additional member

**OTHER PERTINENT INFORMATION:**
- The annual allowance for investing in Tax Free Savings Accounts unchanged at R36,000 pa
- The overall lifetime limit for TFSAs unchanged at R500,000
- Value Added Tax rate unchanged
- Transfer duty thresholds unchanged
- Gain/loss annual exclusion unchanged at R40,000
- Exclusion on death is unchanged at R300,000
- Company tax rate – unchanged at 28%
- Fuel and road accident levy increased by 15c and 11c per litre respectively – effective 07 April 2021
- Exemption of foreign income threshold unchanged at R1,250,000.
Stakeholder Capitalism

Mark Huxter (Fund Manager) and Anda Tyali (Equity Analyst) discuss the future of businesses and industries and outline the Government’s shortcomings.

“Necessity is the mother of invention”, Plato

New lockdowns and, critically, the rollout of Covid-19 vaccines have and will affect those critical confidence levels and impact the economic numbers. The ultimate measure is that spending will only recover as fast as the rate at which people feel confident about becoming mobile again. Barring any unexpected catastrophes, individuals, businesses and society can start to look forward to shaping their futures rather than just grinding through the present and misguided solution of ‘hard lockdowns’ and ordering the population into unconstitutional submission.

Ultimately, given the accelerated change and disruption on existing business models and the power of Social Media in disseminating and influencing thoughts, corporate delivery has to be about building the trust and recognising that creating long-term shareholder value requires more than just focusing on shareholders; therefore, by embracing the concept of “social capital” this is in essence what businesses need to keep doing with all its stakeholders.

How fast and deep confidence will recover is an open question. But the effective use of technology during the pandemic, and the economic constraints that many companies will face for years after it, could augur the beginning of a long-term structural change in business models and portfolio construction as markets adapt and the hospitality and travel industries in particular deal with damaging structural changes.

Disruption, accelerated by the pandemic, has enabled a surge in entrepreneurs seeing opportunities and consequently unleashed a flood of new small businesses. In the third quarter of 2020 alone, there were more than 1.5 million new-business applications in the United States – almost double the figure for the same period in 2019. The European Union and South Africa has not seen anything like this response, perhaps because their recovery strategy tended to emphasize protecting jobs and not income, as in the United States?

As a result of this support, some companies that should have defaulted last year did not default; it is not surprising that there has been an increase in “zombie firms,” whose profits are insufficient to cover their interest expense and in this context, we therefore expect to see more defaults in 2021, especially in the energy sector and hospitality.

History shows that, after a recession for example, business travel takes longer than leisure travel to bounce back. Despite the new normal, leisure travel is driven by the very human desire to explore and that has not changed. Historically, one of the first things people do as they feel secure and grow prosperous is to embark on travel. There are no valid indicators despite the turmoil encountered during 2020 to believe that the rise in global prosperity will reverse itself or that human curiosity will or has diminished.

The stark reality is simply that there is no going back. Thus, expect good results from IT companies exposed to remote working, data centres and the 5G-Replacement cycle. The great acceleration in the use of technology, digitisation and new forms of working is going to be sustained and the trend is clear as many consumers are moving online and remain committed to online.

We see continuing cash displacement in favour of the pandemic-fuelled surge in global e-commerce. Software-led payments businesses are obvious beneficiaries of these trends. To reach consumers, companies must go there too as consumers are evolving rapidly in that space and are displaying a conspicuous lack of brand loyalty, as companies are discovering. Bottom-line: the consumer wants seamless access and immediate delivery or they migrate to a competitor?

People and businesses adapt quickly, as seen by Direct-to-Consumer selling which requires the development of new skills, capabilities and business and pricing models. US productivity in the third quarter of 2020 rose 4.6 percent, following a 10.6 percent increase in the second quarter which is the largest six-month improvement since 1965. In the past, it has taken a decade or longer for game-changing technologies to evolve from the ‘in thing’ to material productivity drivers.

The Covid-19 crisis has seen an acceleration in that transition in areas such as onshoring, AI (Artificial Intelligence) and digitisation by several years. Onshoring, coupled with AI and digitisation, will see cost differences among developed and many developing countries narrowing. In manufacturing, companies that adopt Industry 4.0 principles (meaning the application of data, analytics, human-machine interaction, advanced robotics and 3-D printing) can offset at least half of the labour-cost differential between say
China / Emerging Markets (EM) and Developed Markets (DM). The pandemic also revealed vulnerabilities in the long, complicated supply chains of many companies, as when a single country or even a single factory locked down, the lack of critical components shut down production across the entire process.

Before the Covid-19 crisis, the idea of remote working was in the air but not high on the agenda. The pandemic altered that, with tens of millions of people transitioning to working from home, in a wide range of industries. Corporate decisions now are front and centre as to the role of the office itself, which was the traditional centre for creating culture and a sense of belonging. This implies that C-suites will have to make tough decisions on everything from real estate to workspace design (space between desks; are staff facilities safe?) to training and professional development (remote mentorship?). Returning to the office will not be a matter of simply opening the door. Instead, it needs to be part of a systematic reconsideration of what exactly the office brings to the organisation and to client value-add.

Healthcare, given global demographics and in response to the crisis, could be the launching point for a massive acceleration in the pace of medical innovation, with biology meeting technology in unimaginined ways. Urgency surrounding Covid-19 has created massive momentum but the true happening, is how a wide and diverse range of capabilities among them bioengineering, genetic sequencing, computing, data analytics, automation, machine learning, and AI, have combined.

This has triggered a “Bio Revolution” in the ability to code messenger RNA to do our bidding which will transform medicine. As with the Covid vaccines, we can instruct mRNA to cause our cells to make antigens (molecules that stimulate our immune system) that could protect us against many viruses, bacteria or other pathogens that cause infectious disease. In addition, mRNA could in the future be used, as BioNTech and Moderna are pioneering, to fight cancer.

This has profound implications for portfolio construction given the implications for ‘longevity’ of mankind and the savings industry adjustment to meet this need, and as the economy settles into its new normal. Current research found that the top 20% of companies / disruptors that had improved their Z-Scores during the current recession had increased their earnings before interest, taxes, depreciation and amortisation by 5%. The others had lost 19%. The “Z-Score” measures the probability of corporate bankruptcy and the higher the score, the stronger the company’s financial position.

The disruption caused by the pandemic dictates that strong Corporations will get stronger and not rest on their laurels. As in previous downturns, they will seek out ways to strengthen ‘barriers to entry’ and sustainable growth, for example through Mergers and Acquisitions (M&A). That’s why one should anticipate substantial portfolio adjustment as companies with healthy balance sheets seek opportunities in a context of discounted assets and lower valuations.

To cope with the pandemic, we have seen material government stimulus programs, with forward thinking countries using their recovery plans to push through existing environmental policy priorities and the resulting growth opportunities that a green economy portends could be substantial. BlackRock, a global investment company, noted in its 2021 Global Outlook that, “contrary to past consensus,” it expects that the shift to sustainability will “help enhance returns” and that “the tectonic shift towards sustainable investing is accelerating.”

However, there are no free lunches and Government debt, given the scale of the fiscal response to the Covid-19 crisis, was unprecedented – and three times bigger than seen for the 2008-09 financial crisis. Despite the humanitarian and economic case for strong action to offset the unconstitutional ‘lockdowns’ being justifiable, in an era of abnormally low interest rates, the reckoning could be painful on mean reversion. In the G-20 alone, fiscal packages are estimated at more than $10 trillion. High levels of public debt carry their own costs, such as crowding out private debt and by implication private sector growth thereby limiting the resources available to governments as they service their debt. In conclusion, 2021 will be the year of transition. The fundamental economic outlook continues to improve with world trade volumes already exceeding pre-crisis levels. The global economy continues its strategic restructuring process. Earnings expectations continue to get revised upwards as analysts have assigned a 10% risk of recession in the US and globally over the next year. However, in the EM space, policy and sentiment factors may well indicate the high for the year may now be in place and in a reflationary environment, the reflation trade, according to research, implies equity returns of 4.6% and negative 0.1% for bonds globally.

The Covid-19 crisis has highlighted the inter-connectedness of business and society. The free market itself has, for decades, been a positive social force, fueling the economic growth that has brought dramatic advances in health, longevity and general prosperity around the world, however it may unfortunately not be enough. It also highlighted another key learning - that is to keep big Government’s ambitions and role in check! The recently published Edelman Trust Barometer finds that of all institutions, businesses are now the only ones found to be both ethical and competent by the broader public. Governments and the media score particularly poorly: they are deemed incompetent and unethical on balance.

This is concerning given the ANC Government’s visible short comings and is symptomatic of a deeper problem. We live in a country of impunity for maladministration, corruption and the inability to jettison ideas that are ‘passed their sell by date’ such as:

- The much-touted South African NHI, which contrasts the obvious benefits of telemedicine and AI when used appropriately in primary healthcare. While telemedicine requires both a care provider as well as an innovative insurance solution for reimbursing and incentivising it, it does not require an incompetent centralised State. Especially, when given one patient’s experience on admission to the Tembisa Provincial Tertiary Hospital. Sadly, the patient succumbed to Covid-19. In the six days he spent at Tembisa Provincial Tertiary Hospital he had, on two occasions, been left without food for 43 hours, 24 minutes and then for 57 hours, 30 minutes. That’s more than 100 hours of a 153-hour hospital stay.

- Secondly, the idea of centralised command to control the process, given the object failure when it comes to the State’s legislated role as the ‘sole’ procurement agents of vaccine doses and distribution. At the time of writing, the vaccination per 100 citizens is currently led by Israel, at 56.28% and their vaccination drive proves, given an extremely low rate of infection, it is yielding positive results. Early data from Israel, the country with the largest share of the population vaccinated in the world, suggests that vaccines are highly effective in protecting people from Covid-19. While SA, at the time of writing, is still at zero. This is a serious indictment on the ability of Government to manage, let alone comprehend, the seriousness and urgency surrounding a lack of vaccines which allows for further potential variants and retards ‘population immunity’ and therefore threatens economic recovery.

- Thirdly, in SA we have seen no enabling legislation for Green growth opportunities despite the fact they abound across massive sectors such as energy, mobility, and agriculture. Green-technology companies could play a similar role in the coming decades as Tech has done at the expense of value investing.

- And finally, long before the pandemic struck, Business Unity SA urged the government to address structural and institutional reforms, to rein in spending, to slow rampant debt escalation and to cut loose non-performing state-owned entities that have exacerbated an economic crisis. This lethargy has been further reinforced as the President gave the SA mining industry little to no succour in his opening address at Africa’s premier mining conference, despite ongoing calls from the country’s miners for urgent economic reform.
Assistance provided to overseas heirs

Nick de Villiers, Trust Officer at our Noordhoek branch, tells how we have assisted heirs who do not live in South Africa.

As you may be aware, Personal Trust has a large Estates Department, focussed on winding up the deceased estates of many of our clients who had nominated Personal Trust as an executor in their Will. What you may not be aware of is that, in winding up our clients’ estates, we have found that this increasingly entails dealing with heirs who live overseas. Even before the Covid-19-induced travel restrictions, many heirs were unable to travel to South Africa and spend a prolonged period dealing with the lengthy process of finalising the affairs of their deceased relatives. This meant that they often requested Personal Trust to assist in matters which they could not handle from afar.

We have collected death certificates and even ashes from funeral homes when no family members were able to do so. We have ensured that houses were properly secured and that someone was appointed to ensure the safety of the contents. We have also arranged for the sale of household contents, motor vehicles, as well as the house itself in the case where there are no other relatives.

Trust Officers also work with the overseas children of many clients, who need assistance to pay bills and manage their own affairs. Quite often, without our assistance, the only option would be to appoint a local attorney to handle their affairs. This can prove to be expensive.

Perhaps the most important task we have undertaken has been to keep in touch with the distant family to keep them informed of the progress of winding up the estate. Heirs will often request advice on how to invest the proceeds of their inheritance, or express an interest in taking over an asset, such as a share-portfolio, and request us to continue managing those assets. We are able to assist in investing the assets locally, as well as advise on the investment of funds that family wish to repatriate offshore.

The Personal Trust’s Isle of Man office, managed by Nicola Taal, offers a broad range of services, including assisting our clients living abroad with investments. PTI (Isle of Man) Limited was established to provide services to clients based outside South Africa (many of whom are family members of some of our much-valued South African clients) as well as to manage funds for clients who have funds offshore.

PTI (Isle of Man) Limited offers the following range of services:

**INVESTMENT SERVICES**

We are able to create individually tailored and managed investment portfolios that meet our clients’ needs through investment with top rated international funds managers. All advice is given via our South African-based Trust Officer liaising with Nicola Taal in the UK.

**PTI OFFSHORE FUNDS**

Investments are also possible into one of the PTI Offshore Funds. The PTI Global Select Managers Cautious Fund is a diversified international portfolio of funds, asset classes and currencies. Its objective is to achieve long-term capital growth with a moderate level of risk. The PTI Global Select Managers Opportunities Fund invests in a diversified range of asset classes but with a strong bias for global equities. It has an above-average risk profile.

**TRUSTEE SERVICES**

At PTI (Isle of Man) we offer the formation and administration of Trust’s in the Channel Islands.

**WILLS**

Utilising our in-house legal team, we are able to draft Wills covering world-wide assets.

**OFFSHORE FINANCIAL SERVICES**

We are able to service our clients’ offshore requirements including assistance with establishing bank accounts in the Channel Islands, ad hoc financial advice via our South African-based Trust Officers and assistance with the movement of funds between South Africa and overseas.

Nicola’s contact details are: **0044 7973 255 259** or **Nicola.Taal@PTI-IOM.com**
THE USE OF LIMITED INTERESTS IN ESTATE PLANNING: PART 2

Renette Hendriks, Personal Trust Director and head of our Fiduciary Department, explains how the value of a usufruct is calculated.

In the last edition of Personal Opinions, we touched on the various limited interests, the differences between them and the specific application of each of them. In this addition we will focus on the most commonly used limited interest, the usufruct.

A usufruct grants the holder the right to use an asset for the rest of his/her life (or a defined period) but does not vest ownership of the asset to him/her as such; the ownership is transferred to the so-called bare dominium holder. It is thus typically used to safeguard the rights of a surviving spouse while preserving the capital assets for future generations.

One aspect that is often overlooked when considering this option, is that a usufruct has a value that has to be calculated and may have estate duty consequences.

THE VALUATION OF A USUFRUCT AND BARE DOMINIUM FOR ESTATE PURPOSES

The manner in which a usufruct is dealt with in an estate is best illustrated by way of an example. Let us assume that John and Janet Soap were married out of community of property and that their primary residence was registered in John’s name at the time of his death. He predeceased Janet, leaving the fixed property (market value R100,000) to his son from a previous marriage, John Junior, subject to the usufruct in favour of Janet for her lifetime. The respective values of the usufruct and the bare dominium have to be reflected in the Liquidation and Distribution Account of John’s estate. Since the usufruct is deemed an asset that passes to a surviving spouse, the value thereof will be exempt; in this instance, from estate duty in terms of the provision of Section 4q of the Estate Duty Act.

For calculation purposes Janet’s age at her next birthday, 55 years, will be used. The usufruct will be calculated using Janet’s life expectancy as per the life expectancy tables published by Statistics South Africa from time to time, multiplied by the annual value of the property:

Upon Janet’s death, the value of the ceasing usufruct will in turn be calculated and reflected as an asset in her estate.

Let us now assume at Janet’s death that the market value of the property has increased to R400,000 and that John Junior is 29 years old (30 next birthday) at the time. The calculation of the ceasing usufruct to be included in Janet’s estate will be calculated using the following formula:

The market value of the property at Janet’s death x 12% x John Junior’s life expectancy factor:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual value</td>
<td>0.12 x R400,000 = R48,000</td>
</tr>
<tr>
<td>PV of R1 pa over John Junior’s life expectancy</td>
<td>8,22694</td>
</tr>
<tr>
<td>Value of usufruct</td>
<td>R48,000 x 8,22694 = R394,893</td>
</tr>
</tbody>
</table>

The Act further states that the usufruct included in Janet’s estate cannot be more than the present market value, less the original bare dominium when the usufruct was first created. Since John Junior already inherited the bare dominium at R7,677 and now effectively inherits an asset of R400,000 (the present market value) less R7,677 (the original bare dominium) = R392,323 is the maximum amount that can be included in Janet’s estate, because the current usufruct value (R394,893) is more than the second proviso.

In conclusion, although there may be many benefits in including a limited interest as part of your estate plan, it is important to seek professional advice on the subject to ensure that you are well aware of all the practical and possible tax implications thereof.
We love our chariots, our automobiles, our cars! The freedom of travel and the privilege to own and drive a car is deeply rooted in all of our cultures. The cost of motoring, however, has become or is becoming almost prohibitively expensive, with few safe, efficient and cost-effective alternatives.

I am sure we do not need to revisit the depreciating purchasing power of most currencies or how many McDonald’s burgers you can buy for a dollar (½ a small one). The cheapest new car today in South Africa (Car Magazine 2021) is a Suzuki Celerio (no, it is not a salad) for R149,000. The cost of Car Magazine this month is R49.90 Vat inclusive; in January 1981 it was 77 cents + 3 cents GST! This is a good example of inflation!

The total cost of motoring includes:
- Cost of buying your preferred character
- Financing the purchase
- Depreciation (how much you get back when you sell / trade in the car)
- Fuel, servicing, maintenance, licencing, insurance and time.

Time is one of the factors we usually do not consider until we spend it on the side of the road due to a breakdown, or the alternative arrangements we need to make for a service or repair. Excluding cost analysis or special statistics, I am sure we would agree that hassle-free motoring at a low cost and a reasonable trade-in value is what we all strive for?

How do we achieve our “sweet spot”?

FINANCING:
- There is always a cost to buying a vehicle – financing (interest charged) or paying cash (loss of capital growth or interest earned).
- Do not get caught with the idea of leasing a vehicle; this is what I refer to as “voodoo financing”! To illustrate I would like to use a recent advert for a premium vehicle:
  - **The Offer** is for a car with a list price of R634,488: a deposit of 10%, an interest rate of 9.75% and a residual / balloon payment (final value if you want to keep the car) of R 398,451 – at an “affordable” R9,000pm for 36 months – with some terms and conditions. Ultimately, since you pay a deposit of R64,000 and never pay the car off or own it at the end of the period, you are hiring this car for R390,000 for three years.
  - Alternatively, for the same deposit, payment period and interest rate, you should be shopping for a car for R340,000. After 36 months, even at 20% depreciation, you should get back R150,000 when you sell – this makes your next vehicle far more cost effective.

SOME OF MY (VERY SUBJECTIVE) TIPS:
- Start with your budget, either your monthly or capital outlay of a cash purchase budget (do not forget insurance, fuel and servicing) or
- Always budget for your transportation costs: whether owning a car outright or paying one off. You will have to pay some maintenance and save for replacement.
  - Try to finance over the shortest period possible for your budget – three to four years maximum.
  - Buy used: new car depreciation is unbelievably high.
  - Buy just before a “facelift” or shape change in model – depreciation is then at its highest point.
  - When you have decided on a make and model, see how many are on the road and what the older models are selling for (you need to sell it later). Will it depreciate more than other cars?
  - Check on servicing and maintenance and support of the dealership – do they have a good record?
  - Drive it as long as possible to get maximum value.
  - Do a proper test drive. Will you be happy with the car for a long period? (Nothing worse than having to drive something you hate).

AGENT-ONLY SERVICING / REPAIRS TO MAINTAIN MANUFACTURER WARRANTY:

On 10 December 2020, the competition commission released their final document for repair, servicing and maintenance of motor vehicles, a “guideline for the competition in SA automotive aftermarket”, to be implemented from 01 July 2021.

Quite a bit has been published since the release of this document. Some of the highlights for the consumer are:
- To maintain your warranty, you will not be forced to use the agents* to service your vehicle (which is great if you do not have a service plan included)
- Maintenance and service plans will have to be sold separately with transparency on what maintenance or service will include or exclude (R1,000 per wiper blade?)
- “Original” vs “non-original” parts: agents will have to permit the use of non-branded lower cost parts if inherently the same. The only restriction permitted will be related to security systems of the vehicle.

This is a big win for the SA consumer and small business, but I thought that the old saying of “buyer beware” is appropriate. Taking the last point from the guideline – Monitoring and Adherence stipulates that affected parties to this guideline shall be responsible to give effect to the provisions.

Buying a vehicle from any agent / supplier is like any other transaction (though the value is usually significantly higher) but remains on a good faith basis. Fighting a bigger institution for your consumer rights when you have a grievance can still be stressful, so make sure you deal with a reputable dealer.

In conclusion: test drive, do some research and buy a reputable brand from a trustworthy dealership.

Part Two to follow in the next edition – buying a car through finance versus saving up and paying cash for the purchase.

*An agent is the company that sells a particular brand of car (e.g. Barons who sell Volkswagen).
30 Seconds with... 
Keith Scott

In Bolivia on our South American trip.

How long have you been with Personal Trust and what made you apply to join the company?
I joined in August 2018, so I have been with the company for just over two years.

I previously worked for four years as a Financial Advisor with Liberty Life and was looking to make a change to a company that had a more holistic approach to financial advice and client service. I knew a couple of people at Personal Trust and got in touch with them to see if there was anything available at the time, and luckily there was!

What was your first impression of the company?
I found it to be a company that was easy to fit into. This is mainly due to the company culture. Over time, I have come to see that it is a company that is passionate about what it does and goes out of its way to look after both its clients and its staff.

What department do you work in and what is your role in Personal Trust?
I work as a Trust Officer in Philip Kilroe’s department. My day-to-day duties include meeting with clients, doing financial reviews and planning for clients. It has been a great experience so far and I have come to learn a lot from the experience of other members of our team.

Tell us about yourself
I was born and raised on a farm outside Tarkastad in the Eastern Cape. I was fortunate enough to be schooled at St. Andrews’s College and then to study financial planning and investments at Stellenbosch University, where I met my fiancé Maryke. Both of us love travelling and we were lucky enough to be able to spend four months in South America in 2017 which was a trip of a lifetime!

What are your interests – music, art, books, films, garden, sport?
Being a qualified Professional Hunter and Game Ranger, I really enjoy spending time outdoors. Every year we try to plan a couple of bush or camping trips.

I thoroughly enjoy sports and still play cricket for Elgin Cricket Club, as well as trying to fit in rounds of golf on weekends.

During time off, I’ll never say no to a braai with friends or just enjoying some quiet time reading or working in our garden.
Limit potential threats and manage your online world

Roger Lewis, a long-standing Personal Trust client, shares some of his personal simple steps for peace of mind.

Compile a written list of all the service providers you interact with online:

Keep this “black book” in a very safe place, not a document on your computer or mobile device that could be stolen or copied without your knowledge. List the following: The organisation, their contact numbers, fraud hot line numbers, web or email details.

For each of these services, record the steps you should follow to gain access to where you need to go. It might be a facility that you do not use often and might forget, so write some notes and instructions. When you set up a new facility record the details and add them to your black book.

Passwords:

Your passwords need to be secure, so do not use one password for all your interactions. If one gets compromised than all your accounts could be compromised. An example of a poor password is Rog12345. Rather do not use details that could be learned from your personal details or public documents, such as your name, passport or ID number, address, phone or mobile number. A good password should be made up of upper- and lower-case letters, numbers and special characters. Use at least eight to ten characters. A better password would be Rog39#Al. Changes your passwords at least every 6 months and never share your passwords with anyone.

For those more familiar and confident with the online world, the use of Password Managers could be considered. There are many Password Managers available such as LastPass or Bitwarden.com. Make sure your master password is a minimum of 12 characters long. Use characters, numbers and special symbols and keep your master password in a secure place.

Callers:

Fraudsters can be very convincing and catch you at times when your guard is down. If you do not know the caller, be very cautious – slow down, take a deep breath and be wise to what is potentially coming. Ask for their name, the company they represent and their contact details. If they do not offer this information then simply hang up. If, for example, it is supposedly your bank calling, then ask what their enquiry is about. A bank will never ask you for your logon or password/PIN details. If the caller does not want to share information before gaining answers to “security” questions then be even more alert.

If you are being called about a potential fraud on your account, then simply gain insight of the account, hang up and call your service provider using their fraud hot line number that you have recorded in your black book.

Learn how to use the facilities provided by your bank:

- SMS notifications of transactions on your accounts:
  - Be notified via your mobile of all banking transactions.
  - Set up two-step authentication for OTP (one time password). Have OTP’s sent to your mobile if your computer is the main tool for online transactions.

- Manage your daily transaction limits for ATM withdrawals. Set your limits appropriately e.g. a maximum of R1,000 – R2,000 per 24 hours. Then even if your card gets stolen along with your PIN, only a limited amount will be lost.

- How to transfer funds from one account to another i.e., from a deposit/saving to a current account.

- Paying your bills via EFT.

- How to manage your password.

- How to manage your PIN numbers.

Only keep sufficient funds to cover your monthly day-to-day expenses in your current account. Monies over and above can be held in a Personal Trust account and transferred to your preferred banking account as and when required.

Your mobile device:

This is a key part of your security. Do not allow others to interact with your device – this includes children or grandchildren, as spyware or malware could inadvertently be downloaded. Please also be aware that your phone runs an operating system just like your computer. There are anti-virus applications that can and should be installed on your phone to protect it.

Fraud:

There are various ways in which fraudsters may try to deceive you into giving them your personal and security details. Here are some of the common examples:

- Viruses that get installed on your computer while browsing the internet or downloading from unsecured websites. Once
installed, the malware monitors your online activities and reads/steals sensitive information such as passwords and credit card numbers etc.

- **Phishing emails**: A Phishing email is one that appears familiar to you and its content looks similar to legitimate emails you have received in the past, but in fact the mail has been specifically designed this way to fool you. Within the text of the mail will be instructions to select a link; the link is the dangerous part. Before proceeding with any instructions, examine the sender’s email address i.e. hover the cursor over the address. In most cases the email address will be different from the norm. If so, permanently delete it. Do not try and unsubscribe or reply to it, rather make contact with your service provider to clear up the issue. Phishing i.e. when you click on the link involves installing malware or spyware that then reads sensitive information including your interactions with facilities such as your banking application, copying the keystrokes entered and sharing these via the malware to the illegal party.

- **Money mule/Additional income email scam**: Money mules are unaware victims, invariably jobseekers and those seeking to make easy money online. They are lured by fraudsters posing as employees of companies with websites and offering high commission for a small job or a big salary for a part-time work-from-home job. Such fraudsters will either ask you for an upfront payment as an investment that will provide great returns or offer you a commission to make transactions using your account. Your banking details will be requested. Do not be fooled, they are the ones getting rich at your expense.

### Internet banking safety tips:

- **Always use genuine anti-virus software**
  Anti-virus helps in detecting and removing spyware that can steal your sensitive information. The top anti-virus providers are BitDefender, Kaspersky and Sophos. It is critical that you keep your anti-virus software updated and install the latest version every year. In addition, it is important to make sure you run the latest operating system like Windows 10, and always install the latest Windows updates. These updates are critical to keeping you safe online.

- **Avoid using public Wi-Fi or use VPN software**
  The biggest threat of an open Wi-Fi network is that the hacker can sit in between the end user and the hotspot and can trace all the data without any difficulty. Hackers see unsecured connections as opportunities to introduce malware into your device. If you are a regular public Wi-Fi user, consider setting up VPN software on your computer. It creates a secure tunnel between the computer and the internet and prevents hackers from intercepting the traffic. You pay a fee for this but if you do a lot of sensitive transactions via public Wi-Fi networks then you should consider a VPN as a must have. Only use an open Wi-Fi network for catching up with the news or doing web searches, but never download anything to your computer using an open Wi-Fi network and avoid doing any online money transactions, even just checking your bank balance.

- **It is safer to use your mobile device connected via your service provider, not Wi-Fi.**

- **Check for latest updates of your Smartphone’s operating system**
  Smartphone users should make sure their operating system has the latest security patches and updates. Do not remove the security controls from the phone, often called ‘jail breaking’ or ‘rooting’. Look to restrict access that apps ask for when being installed to only what the app really needs.

- **Change your password regularly and ensure it is a strong one**
  Choose strong and long passwords. For additional security for financial transactions through Internet banking, create and maintain different passwords for log-in and for transactions.

- **Subscribe to mobile notifications**
  These notifications will alert you quickly of any suspicious transaction. Whether the transaction exceeds the specified limit or is within it, you will receive an alert which will provide the remaining account balance. The bank will also alert you to unsuccessful login attempts to your internet-banking account.

- **Avoid signing-in to your internet-banking account via mailers**
  It is always safer to type the bank URL yourself than getting redirected to it via a promotional mail or any other third-party website. As mentioned earlier, a bank will never ask you for the login credentials to your account. If there is a fraudulent email which offers to redirect you to your bank’s website and you enter your personal details on the landing page after clicking it, there is a huge risk of your login credentials being stolen.

- **How can I tell if a web page is secured?**
  Usually, while browsing the internet, the URLs of the website begin with the letters “http”. However, over a secure connection the address displayed should begin with “https” (note the “s” at the end). So, while logging on, check for ‘https://’ in the URL, which assures you that all communications between your browser and the website are encrypted and ensure that it is your bank’s authentic website. Further, the lock icon before the ‘https://’ is an assurance of a secure connection.

- **Do not use public computers to log in to internet-banking**
  If you are using a public computer, the risk of compromising your login credentials is higher. However, if you have to login from such places, make sure you clear the cache and browsing history, and delete all the temporary files from the computer. Also, never allow the browser to remember your ID and password. Or just go incognito.

- **Check your account regularly**
  Most banks have a ‘last logged in’ or ‘login history’ tab on their web sites. If you notice irregularities change your password and get in touch with your bank immediately.

### Points to note using mobile banking and ATM cards:

- Only use the official app provided by the bank and downloaded only from official app stores such as Google Play Store or Apple App Store. Be careful of “aggregator” apps that claim to provide a consolidated account view across banks as these may contain some virus/malware.

- **Card skimming**: fraudsters install a device on the top of the card reader at ATMs that blend in with the ATM equipment and store the credit/debit card details. This information is retrieved by the fraudster by copying it onto another blank card’s magnetic strip and is then used to make purchases or withdraw cash in the name of the actual account holder. If the ATM does not look right – do not use it.

- Never lose sight of your card. Do not hand your card to someone to take away; they might be skimming your card while you are not looking.

- Use a credit card as opposed to a debit card as credit card facilities offer additional financial securities.

Disclaimer: Information provided here is the view of Roger Lewis and is intended to provide you with general information. All information provided is done without warranty, expressed or implied, to its accuracy or completeness. Personal Trust shall not be responsible and accepts no liability for any loss, liability, damage (whether direct or consequential) or expense that stems from the use of or reliance upon any information, links or service providers mentioned here. You acknowledge that the use of this information is entirely at your own risk. Please consult an IT professional for further advice or assistance.
Keith Scott, Trust Officer, explains changes to provident funds' withdrawal limits and discusses the different types of biases that affect investment decision-making.

CHANGES TO PROVIDENT FUNDS FROM MARCH 2021:
As of 01 March 2021, provident funds will be treated according to the same rules as other retirement funds. Previously, the entire capital amount in a provident fund could be withdrawn at retirement age. Going forward you will only be able to take 1/3rd of the capital amount as a lump sum and a compulsory annuity will have to be bought with the remaining 2/3rds, if the total value of the provident fund is above R247,500. Fortunately, any funds invested in a provident fund before 01 March 2021 will still be treated according to the previous rules.

BEHAVIORAL BIASES TO AVOID:
Investments are all too often affected by our human behavioral biases, which can be easy to avoid if we are aware of them. Here are two basic examples of behavioral biases that can significantly impact your investment returns.

• Chasing trends: This is when we like to buy into an investment because it has started performing really well or has been performing well for some time. Often when an investment seems to be trending, it is likely that it has already been for quite some time before we notice it. By the time we decide to buy it, it is overpriced and we end up losing money on it.

• Anchoring bias: This is when we rely too heavily on pre-existing information or the first information we come across when making a decision. This can greatly affect our final decision when we come to investing. It is really important to do further research or speak to your Trust Officer before making major investment decisions that could affect your portfolio.

DO YOU HAVE A BURNING QUESTION THAT YOU WANT ANSWERED?
If you are pondering a Finance or Trust related issue that you would like us to address, please send your question to lwasmuth@ptrust.co.za and we will endeavour to answer it in the next issue of Personal Opinions.
The Covid-19 lockdown has given many of us the time to read books again and we thought it would be relevant to review some of the good ones. If you would also like to share your own reviews with us, please send these to Lynne Wasmuth at lwasmuth@ptrust.co.za.

**THE CLOCKMAKER’S DAUGHTER BY KATE MORTON**

Be transported to Birchwood Manor on the Thames where the house is the centre of the unfolding story of great love and then sudden unbearable loss. Set in late 1862, gifted artist, Edward Radcliff and a group of his artistic friends, travelled to Birchwood Manor to be inspired but a tragic murder, the disappearance of his beloved Birdie and a family heirloom ends the idyllic interlude and changes Edward’s life forever.

In the present, the writer uses a young London archivist discovering a leather satchel from the keepsakes of the late James Stratton to start unravelling the mystery of Birchwood Manor. Through the multiple characters in the book, we discover the generations that resided in the house and eventually how they were all touched at some point by the house and its dark secret. The story is beautifully written in an easy-to-read style and will keep you in suspense until the last page.

If a story about murder, mystery, theft, secrets, lies, art, love and loss interests you, then this is a definite must read!

**REVIEWER: Elmari Vosloo (Trust Officer in Knysna)**

**LADY IN WAITING BY ANNE GLENCONNER**

This is the story of the remarkable life of Anne Glenconner, who has been close to the Royal Family since childhood. Anne grew up in Holkham Hall, one of the grandest estates in England bordering Sandringham, where she and Princesses Elizabeth and Margaret were frequent playmates.

From Maid of Honour at the Queen’s Coronation to Lady in Waiting to Princess Margaret, Lady Glenconner is a unique witness to royal history, as well as an extraordinary survivor of a generation of aristocratic women trapped without inheritance and burdened with social expectations. She married the charismatic but highly volatile Colin Tennant, Lord Glenconner, who became the owner of Mustique. Together they turned the Caribbean island into a paradise for the rich and famous, including Mick Jagger and David Bowie, and it became a favourite retreat for Princess Margaret.

But beneath the glitz and glamour of British aristocracy, there has also lurked tragedy. Lady Glenconner reveals the real events behind The Crown as well as her own life of drama, tragedy and courage, with the wonderful wit and resilience which define her.

**REVIEWER: Kristin van den Berg (Director and Trust Officer)**

**RED NOTICE BY BILL BROWDER**

‘I have to assume that there is a very real chance that Putin or members of his regime will have me killed some day. If I’m killed, you will know who did it. When my enemies read this book, they will know that you know.’

In November 2009, the young lawyer Sergei Magnitsky was beaten to death in a freezing cell in a Moscow prison by eight police officers. His crime? Testifying against Russian officials who were involved in a conspiracy to steal $230 million of taxes. Red Notice is a searing exposé of the whitewash of this imprisonment and murder. The killing hasn’t been investigated. It hasn’t been punished. Bill Browder is still campaigning for justice for his late friend and lawyer. This is his explosive journey from the heedly world of finance in New York and London in the 1990s, through battles with ruthless oligarchs in turbulent post-Soviet Union Moscow, to the shadowy heart of the Kremlin. With fraud, bribery, corruption and torture exposed at every turn, Red Notice is a shocking political roller-coaster.

**REVIEWER: Dave Edgar (Associate Director and Trust Officer)**