Perspective

Spring 2021

summa

"No winter lasts forever; no spring skips its turn." - *Hal Borland*

It's the last stretch and the finishing post for 2021 is around the bend.

As life begins to return to a degree of normalcy, the last quarter has been busy. Women's Day was celebrated at our premises with a wonderful wine-tasting of the wines of Iona. A little over a month later we hosted an event at which Phil Bradford of PortfolioMetrix provided a compelling presentation on reasons to invest locally, complemented by a tasting of the beers of Agar's Brewery.

During the last week of September, I was lucky enough to get a break and spent an adventurous week with a group of friends camping in the Kgalagadi Transfrontier Park.

The fortnight prior to my break was spent writing exams in my quest to acquire the prestigious Fiduciary Practitioner of South Africa® (FPSA®) designation.

National Wills Week, an initiative of the Law Society of South Africa, takes place in September each year and our headline story, "Where there's a Will……….", provides a broad overview of the role of a Will in the broader context of comprehensive estate planning.

Culture Club profiles Adv. Pierre Rabie, an energetic and inspiring character with a broad palette of interests and fascinating stories to tell.

In the markets, the end of the third quarter of 2021 saw global equities experience their first sell-off in about a year as fears emerged that China's heavily indebted property developer Evergrande Group might lead to the collapse of China's systemically important real-estate market, as well as major central banks starting to indicate tighter monetary policy than markets expected. Generally speaking, the quarter saw markets begin to worry more seriously about 'Stagflation', the worst of all worlds in the form of lower growth *(stagnation)* and rising prices *(inflation)*.

The average consumer in South Africa is feeling the pinch of a tough economy and may be looking for ways to reduce monthly living expenses. You are reminded that average weighted medical aid premium increases have been announced for 2022 and as we approach the end of November, time will start running out to determine and decide which medical scheme and plan will best suit your needs in 2022. Please contact us should you wish to review your current arrangement.

Take care and enjoy the read.

Where there's a Will…………

The COVID-19 pandemic, various climate disasters and social unrest have all heightened the awareness of personal mortality. However, very few people realise the financial implications of dying. Many do not have enough cash in their estates to pay for costs and settle debts, which only adds to the despair at an extremely difficult and emotional time.

What is an estate?

An estate is comprised of the assets owned, and liabilities (debts owed), by a person. When a person dies, the estate must be reported to the Master of the High Court and a specific legal process must be followed in order for the estate to be administered.

Often, although an estate is solvent (meaning that assets exceed liabilities), but there is insufficient cash to settle debts and administration expenses. This is referred to as a cash shortfall.

This is far from ideal as the executor may be forced to sell a valuable asset, such as a vehicle or even a family home, to generate a small amount of cash.

Estate planning, simply put, is the process of arranging, managing and securing your assets for enjoyment by you and your family both during your lifetime and after you die, ensuring your estate is transferred in accordance with your wishes, whenever death occurs.

Effective estate planning can ensure that estate duty, taxes and other costs associated with death are minimised as much as possible. Estate planning is also aimed at protecting the beneficiaries of your estate, particularly where there are special needs involved.

The estate planning process generally starts with the drafting of your Will, the importance of which cannot be overstated: in the absence of a Will:

- There is no choice as to how your assets are distributed
- There is a delay in the distribution of assets
- The value of your estate could diminish unnecessarily, as additional fees such as legal costs begin to eat away at it
- In the absence of a Will, there is no clear appointment of a guardian for minors, potentially leading to custody battles, a lack of legal guardians and the state determining where they are placed
- The release of funds may also be restricted, and heirs might not receive the assets they expect or which are due to them
- A minor's inheritance will be placed in the Master of the High Court's Guardian's Fund until they attain the age of 18

The **executor** in a deceased estate steps into the shoes of the deceased and must then follow a well-regulated process to finalise the financial affairs of the deceased and distribute his/her assets in accordance with the last valid Will or the rules of intestate succession (i.e., where there is no valid Will).

If you have any valuable assets, are a professional or business person it is worthwhile to nominate a professional. A wide variety of legal issues may impact on the process and the speed with which a deceased estate can be administered.

Buy and Sell Agreements & Succession Planning are an often-overlooked aspects of planning that can delay the winding up of an estate, sometimes by a few years.

WISE WORDS

"Death is not the end. There remains the litigation over the estate."

- Ambrose Bierce

There's often a mistaken notion that simply having insurance policies in place between parties is sufficient. Based on first-hand experience, this isn't the case: a valid Buy and Sell contract is vital to underpin any cover as insurance policies themselves do not constitute a binding contract to a sale of shares.

Without life insurance cover there could be several challenges to the surviving owners on the death of a co-owner. The executor of the deceased owner's estate may lack sufficient expertise and capacity to manage the business. Should the surviving owners not have the resources to purchase the deceased owner's shares, the executor may elect to sell the deceased's interest to the highest bidder, opening the shareholding of the enterprise up to external investors.

Digital assets? Upon your death, all your devices and anything on them, bank and cryptocurrency wallets, documents, photographs etc form part of your estate.

Those left behind will need access and the information on each device may/may not be distributed according to instructions in your will. As we spend more of our lives online, maintaining one's "digital legacy" is fast becoming fundamental to sensible estate planning.

A separate Will for foreign assets?

As more and more South Africans use their annual discretionary foreign investment allowances to invest offshore and to acquire assets in foreign countries, the question to be asked is whether one needs to have a separate Will for those assets.

The options for dealing with offshore and South African assets are:

- Draft one Will that applies to the worldwide estate, i.e. including South African and international assets;
- Draft separate Wills – one for each country where assets are owned; or
- Draft one Will dealing with assets in South Africa and a separate one for the remaining assets, irrespective of which part of the world they may be found.

In order to determine whether an offshore Will is required, the nature of the assets and the type of jurisdiction in which the assets may be owned should be considered.

In some countries, freedom of testation is not recognised. Known as forced heirship certain countries have inheritance laws that override the intentions of the deceased. These inheritance laws, which vary from country to country, are mostly prevalent in civil law jurisdictions, including Mauritius, Switzerland, Spain, France, Japan and Portugal, as well as countries operating under Shariah law.

By having a separate offshore Will, one also ensures that the foreign estate is administered at the same time as the South African estate, which results in limiting delays in the winding-up process. The nominated South African executor will then be able to obtain a grant of probate that authorises him or her to deal with the foreign estate.

There will be no need for the executor to obtain sealed Letters of Executorship from the Master of the High Court, as is generally required when there is only one Will dealing with the worldwide estate.

Dead or Alive, Tax prevails! If you are a permanent resident of South Africa, you will be liable for estate duty and capital gains tax on assets worldwide. The requirement to report foreign assets for estate duty purposes remains, even though an offshore Will may be in place. Foreign assets may also be subject to inheritance tax, based on the jurisdictions where the assets are located, known as *situs* tax.

If South Africa does not have a double taxation agreement with a country where the foreign assets are based, the estate may be liable for tax in both countries.

In the words of US author, Alan Lakein, "Planning is bringing the future into the present, so that you can do something about it ***now***".

Pierre Rabie

Vintage: 1978
Advocate & Cellar Master
Education: University of Stellenbosch,
University of the Free State

For as long as he can remember, Pierre Rabie has had an interest in wine and the wine-making process. He has fond memories of family visits to his grandparents' farm in the hinterland, where his first furtive attempt at wine-making at the tender age of nine (9) coincided with one of his earliest experiences of the framework of the law and its consequences. The remedy was swift and severe but mercifully it was his parents' framework.

Born in Bellville, Pierre's family moved to Somerset West and shortly thereafter to Bredasdorp, where he grew up and completed his schooling.

After completing his legal studies at Stellenbosch University, he moved to Bloemfontein, where he lectured and completed his Masters and Doctorate at the University of the Free State.

As someone who played the game into his late twenties, his allegiance to Western Province and Free State rugby is not surprising. The fifteen man format was best suited to his agility and speed as he found out when a slick side-step playing a game of touch rugby went wrong, putting an end to his illustrious career as a front row forward.

His interest in wine-making persisted throughout this period of his life and, other than the knowledge he offered and exchanged with his fellow colleagues and students, he covertly made use of the institutional "droogkamers"* to perfect his knowledge of fermentation and brewing.

Pierre was admitted as an Advocate of the High Court of South Africa in 2007 and obtained admission to the Cape Bar shortly thereafter.

Back in the Western Cape and with a professional income he had the means to pursue his passion under the name of The Giant Periwinkle.

Pierre came up with the name while diving off the Cape Agulhas coast near Suiderstrand. What he saw under water and the whimsical English for the alikreukel, a large edible sea snail, gave rise to The Giant Periwinkle name.

The Giant Periwinkle arose from small beginnings - in rented spaces and hand crafted labels to where it is today, still a fledgling winery but with its own cellar, vineyards and a brand new label. Situated at South Cape Vineyards, the home of the Giant Periwinkle is a small farm which still needs to grow into its name (previously Tolbos / Die Werf) near Baardskeerdersbos, a stone's throw from Elim in the Cape Agulhas wine district.

> ***"One has to be willing to work hard, always bearing tomorrow in mind. Most importantly, believe in and follow your dreams!!!!"***

In addition to his interest in wine, the diversity of the Great Outdoors provides Pierre with the platform to satisfy his appetite for adventure and gastronomy. Not only is he a chef who eats his own cooking, but he also relishes the opportunity to fish, hunt and dive for his favourite ingredients: seafood and venison.

Pierre's life philosophy and advice to his young children belies the charmed life he leads: one has to be willing to work hard, always bearing tomorrow in mind. Most importantly, believe in and follow your dreams!!!!

** Directly translated as drying room or as commonly referred to in Western Europe, airing cupboard*

Quinn's Commands

DEAR 18-YEAR-OLD: You may be better educated and more intelligent than me. You may have more potential. But for sure you don't have more experience. I have 60 years on you, so—as hard as it may be—take my advice:

1. There are no guarantees in life. You have to make of it what you will. Never give up.

2. You will have obstacles placed before you. You will be treated unfairly. You will have to deal with less-than-honorable individuals. You will be slighted and overlooked at times. Get over it and move on.

3. A college education gives you what you put into it. Obtaining a degree means nothing if you got that piece of paper simply by getting by.

4. Once you're hired for your first job, where you went to college is meaningless. It's up to you to prove your value to your first and subsequent employers.

5. Political rhetoric about inequality is irrelevant to you. There are as many opportunities today as there have ever been, perhaps more. If money is your goal, there's no reason you can't make it. But it will take drive, creativity, effort, dedication and perseverance. Look within, not without.

6, If you seek a career that isn't about money, but rather about things more important to you—service to others, the arts—that's fine. Just know there's a price to be paid. Don't envy others or expect more financial reward than your choices can deliver.

7. The system is always rigged by some people and for some people. No denying it, it's harder for some folks to get ahead. That's always been the case and always will be. Ignore it.

8. Eschew seeking what you feel you're entitled to, rather than what you earned. All you're entitled to is stated in the Declaration of Independence.

9, Take responsibility for your actions and choices. Keep a mirror handy.

10, Be prudent with money. Always save first before you spend a single cent. Live within or below your means. Never pay credit-card interest. Avoid the accumulation of unnecessary stuff.

11, Be aware. Pay attention to what's happening in the world so you're better prepared to separate fact from opinion.

12, Plan ahead. Think long term. The future is not as far away as you may think.

Source: Richard Quinn | Humble Dollar | 29 Aug 2021

Predictability

We'd like the systems we depend on to do what we expect and need them to do.

A useful component of that sort of system is that there's a bedrock set of expectations, principles and boundaries that exist before and after we encounter it. The drawbridge operates because of the rules of physics, not because an invisible elf decided to open it in this moment.

There are two kinds of situations, then. One in which we're dealing with a predictable system with expectations about how and why things happen, and the other in which explanations might be suggested after the fact, but they're justifications, not explanations or principles. In the irrational system, explanations are often made up after the fact and changed as soon as they're scrutinized.

Both kinds of systems make up our world, but the first kind, the civilized, effective, mature kind, is the type we can build our world around.

We can state the rules and play by them. We can outline a theory and prove it.

Principles truly matter in the moments when it's really difficult to stick with them.

Source: Seth Godin | Seth's Blog | 01 Oct 2021

Market Wrap | 2021 Q3

	WORLD	SOUTH AFRICA
EQUITIES	Developed market equities face headwinds of slowing growth, supply bottlenecks and fears of hawkish central bank policy—Chinese bourses fell by nearly a fifth on China's first pandemic-related GDP contraction and after swingeing regulatory interventions spooked investors.	The JSE eked out a gain, buoyed by banks, listed property and pharmaceutical stocks even as Naspers and Prosus fell on Tencent's sharp pullback—but resources fell again as key industrial and precious metals prices retraced.
BONDS	Developed market bond yields rose on inflation worries and expectations for rising rates—the imminent tapering of the Fed's stimulus programme and prospects of a 2022 US rate increase should put pressure on yields.	The ALBI ended flat, with bond yields latterly tracking global yields higher—weaker commodity prices and higher inflation are near-term headwinds for bonds.
CURRENCIES	US dollar resilience should persist in the short term given economic expectations and interest rate differentials—but higher inflation and the sheer size of the US debt burden suggest longer term dollar weakness.	The rand gave back 80 cents against the dollar late in the quarter—US dollar strength, emerging market jitters and commodity price weakness all contributed to its depreciation.
COMMODITIES	Industrial and precious metals prices came under pressure on US dollar strength and the opportunity costs of higher rates, while oil prices rose above $80/bbl on Chinese power constraints—but iron ore slumped on slowing Chinese growth and the possibly imminent default of China's largest property developer, Evergrande.	
ECONOMY	The pace of global growth is slowing despite ongoing stimulus—supply-chain bottlenecks and sporadic Delta variant flare ups should dampen near-term prospects despite greater social and travel freedoms.	GDP growth surprised, but manufacturing and construction contracted—Stats SA's inclusion of new areas of economic value add resulted in nominal GDP ballooning more than 10%.
MONETARY AND FISCAL POLICY	New US President Biden hammered through a massive $1.9 trillion pandemic relief bill and announced a $2.0 trillion infrastructure plan—global monetary policy remains very accommodative.	Tax revenues significantly outpaced earlier projections on elevated commodity prices and rebounding economic activity—the budget deficit should narrow significantly this fiscal year, but forecasts remain uncertain given poor economic prospects.

***Source: Foord Asset Management**: Investment Newsletter — Foreword | Issue 59 | 3rd Quarter 2021*

Asset Class/Currency	CCY/Price	Index as at 30 Sep 2021 (close 29 Sept 2021)	2021 Q2	1 Year	3 Years Annualised	5 Years Annualised
SA Cash						
STeFI Composite Index	ZAR	477,6	1,0%	3,8%	5,8%	6,4%
SA Bond						
BEASSA All Bond Index	ZAR	799,8	0,4%	12,5%	9,1%	8,5%
SA Property						
FTSE/JSE Listed Property Index	ZAR	1 554,0	5,9%	54,4%	-6,8%	-5,6%
SA Equity						
FTSE/JSE All Share Index	ZAR	10 401,6	-0,8%	23,2%	8,6%	7,8%
Global Bonds						
Bloomberg Barclays Global Agg Index	ZAR	152,9	4,4%	-10,6%	7,2%	3,8%
Global Property						
FTSE EPRA Nareit Developed Rental Index	ZAR	2 169,5	5,0%	18,2%	9,0%	6,5%
Global Equity						
MSCI AC World Index	ZAR	709,5	4,5%	15,9%	15,6%	15,9%
Exchange Rates			**2021/06/30**	**2021/03/31**	**2020/06/30**	**2018/06/30**
Rand / US$	ZAR	15,07	14,28	14,78	17,35	13,72
Rand / Euro	ZAR	17,45	16,92	17,33	19,49	16,03
Rand / GBP	ZAR	20,33	19,76	20,37	21,51	18,12
SA Inflation			**3 months**	**1 Year**	**3 Years (pa)**	**5 Years (pa)**
CPI (one month lag period)			1,74%	4,90%	4,10%	4,40%

Source: PortfolioMetrix

summa

Published by
Summa Financial Services (Pty) Ltd
FSP 7883

Suite 1, 2 Clamart Road, Richmond
Johannesburg
010 020 1350
info@summafs.co.za
www.summafs.co.za