Perspective

Spring 2022

"Spring is the time of plans and projects."- *Leo Tolstoy*

The Swiss Cheese Model was developed by a professor at Manchester University, James Reason. His 1991 book Human Error discussed the hypothesis that accidents do not originate from one or more independent events. Instead, he contends that failure results from a number of interrelated causes that are interdependent and cause accidental events (accidents) to happen. It implies that latent errors—failures that are inherent in a process, to a machine or system—are to blame for the majority of accidents. It is useful for identifying weaknesses and creating defences against them.

The worldwide uncertainty we are experiencing once again reminds us that there are lots of moving parts to our lives and when a number of unexpected events take place simultaneously uncertainty drives volatility. Inflation continues, along with fears of recession, to be the key concern and antagonist around the globe right now. At home, we have the SA Reserve Bank to thank for relatively well managed consumer price inflation (CPI). In the developed world, this is sadly not the case and a significant contributor to market volatility.

You are reminded every effective strategy must include risk management NOT "avoidance". Assess your circumstances regularly, adapt your provisions to any changes in your own circumstances and hold your course. While this might sound like a gloomy, pessimistic and rather dull approach, it is the result of hard-learned lessons and rational thinking. And, in the words of Morgan Housel, **"Pessimism always sounds smarter than optimism because optimism sounds like a sales pitch while pessimism sounds like someone trying to help you."**

For those of you who are interested, you can listen to an insight into markets in the last quarter here.

We're bidding farewell to Charlene who is moving to a strategic marketing position. We wish her success in her new appointment.

In this edition, we unpack the deceased estate administration process and highlight the importance of assimilating and maintaining the currency of the documents required for this process. This edition of Culture Club has a sporting flavour to it and features Ellis Park Stadium CEO, Pieter Burger.

For those of you who choose to vape, I thought that you may find it interesting that the Life Insurance industry still classify you as a Smoker.

As we approach the end of November, time will start running out for utilisation of your annual SARB Single Discretionary Allowance. If you would like to learn more about this or assess your options for taking advantage of this opportunity, please contact me.

Take care and enjoy the read!

The Deceased Estate Administration Process

Accumulating and maintaining assets during your life are components of successful financial planning, as is the process of managing the successful distribution of your Estate following your death. Given that death can occur at any time, at any age, and for any reason, age is not a determining factor in Estate Planning.

Making plans for the distribution of your estate is a gesture of generosity toward the people you leave behind, not a morbid preoccupation. In addition to being an emotional event, death is also a legal and financial one. Careful planning for the financial and legal repercussions of your passing will assist your loved ones in dealing with the emotional fallout.

The requirements for administration of a deceased estate are largely determined by the value of the estate:

- Currently, if the value of the estate exceeds R250,000, letters of executorship (LOE) must be issued by the Master of the High Court (Master) and the full process prescribed by the Administration of Estates Act must be followed.

- If the value of the estate is less than R250,000, the Master may instead of a LOE, issue letters of authority (LOA) in terms of section 18(3) of Administration of Estates Act meaning the full process prescribed by the Administration of Estates Act will not have to be followed.

- Members of the public may also approach the Magistrates offices for assistance. The Court however will only be able to act as a service point in the following instances, namely:

    - The deceased died intestate;
    - The value of the estate is not more than R125,000; and
    - The estate is not insolvent (liabilities exceed the assets), and all the beneficiaries are majors or minors are assisted by a legal guardian and the cash assets in the estate are worth R20 000 or less.

There are five main steps for executing on a deceased estate with a gross value of R250,000 or more is defined in the Administration of Estates Act, in terms of which executors must implement within the following framework:

Notice of estate and appointment of executor	6 to 10 weeks
Preparatory work for compilation of liquidation and distribution account	6 to 24 weeks
Investigating of liquidation and distribution account by the Master	4 to 8 weeks
Liquidation and distribution account for inspection	4 to 6 weeks
Finalisation of the estate (after inspection period and no objections lodged)	4 to 8 weeks
Total *(of an average estate)*	6 to 13 months

Source: The estate administration process

There are number of important documents that need to be readily available in the event of your death in order to fulfil this process:

- ✓ Your Last Will & Testament
- ✓ Certified copies of your ID document
- ✓ Your Marriage Certificate and Antenuptial Contract *(if applicable)*
- ✓ Divorce Order and Settlement Agreement/s
- ✓ Estate particulars of each pre-deceased spouse *(full name, date of death, place of death, Master of High Court office and the Estate Number)*
- ✓ Life and funeral insurance policy contracts
- ✓ Medical Aid details
- ✓ Short term insurance policy documents
- ✓ Retirement Annuity and pension plan benefit statements
- ✓ Shares and investment certificates
- ✓ Details of all bank accounts and credit cards ***(Passwords and PINs should be kept separate from cards and account details)*** Note that your bank accounts will be frozen when banks are notified of your death by the Executor of your Estate. This highlights the importance of having a life insurance policy, which pays out a lump sum amount directly to beneficiaries and not into the estate. Family members with access to bank accounts will also be able to make withdrawals before the accounts are frozen but must keep records of all amounts withdrawn.
- ✓ Recent Salary advice
- ✓ Details of SARS Income Tax registration
- ✓ List of liabilities
- ✓ Mortgage bond registration details/original title deeds
- ✓ Copies of rental/lease agreements
- ✓ Original motor vehicle registration papers
- ✓ Original fire-arm licenses
- ✓ Telephone/cell phone/internet accounts
- ✓ Municipal services accounts
- ✓ Name of auditor/bookkeeper/tax consultant
- ✓ Details of lump sum benefits received from retirement funds in the year preceding death

Fake news pervades our lives wherever one may live on the planet. In this regard, and for those of you who haven't experienced it, there are a couple of things to be aware of related to the process of estate administration, and specifically record keeping:

- SARS is building tax collection capacity, which extends to information sharing with the Department of Justice, more specifically the Deeds Office and the Master. If you have implemented a trust structure as part of your estate planning make sure the trust is a registered taxpayer and that your governance is up to date and complies with all the various acts and common law related to a legal entity of this nature.

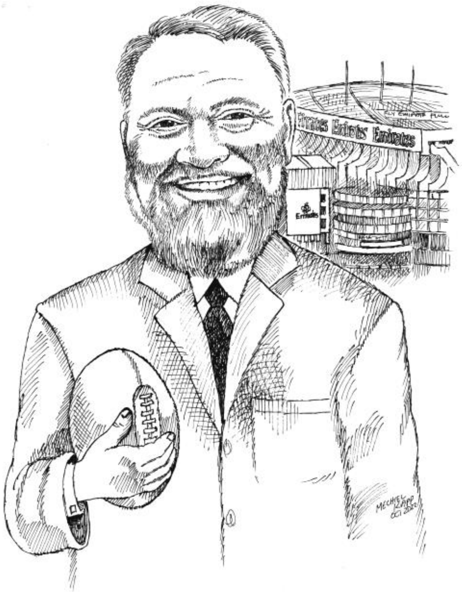
- The Department of Home Affairs is one department which hinders the efficient administration of deceased estates. In the interests of your beneficiaries and heirs make sure that your marital status is reflected correctly, as well as any other changes which you may have made to your identity.

Avoid unnecessary stress

Assimilating, filing original documents in a safe and secure place, saving copies to a digital repository and keeping these records current will go a long way to alleviating the stress involved in the process of deceased estate administration. Don't forget to share these locations with a trusted person. Don't delay, even if you are young and healthy. It always seems too early until it is too late.

At Summa Financial Services your legacy lives on, and we intend to relate your story for generations to come. If you require assistance with this process or a secure digital repository, please speak to us. Estate Planning and Administration is an area in which we specialise: filling the gaps in your estate management, planning for the unplanned, and everything in-between.

Culture Club



Pieter Burger
Age: 44
Managing Director, Ellis Park Stadium
Education: BCom (Recreation and Sports Management), MBL

The towns along the Free State and Lesotho border are consistently one of the coldest locations in Southern Africa during the winter months. One of Pieter Burger's earliest recollections is of his first school rugby game, played bare-foot, at 8h00 on a mid-winter Saturday morning in Ladybrand. "The pitch was covered in shards of frost", he quips. The images this conjures are familiar to many, who have experienced or been witness to such an event, and Pieter attributes a lot in the mental resilience of the South African psyche to a persistence against adversity.

The eldest of four, Pieter was born in Vanderbijlpark. His father was employed by the SA National Intelligence Agency at the time and shortly after he was born the family moved to Bloemfontein, where he spent his early years.

An avid sportsman, in addition to rugby he played cricket, underwater hockey and participated in Karate JKA for all of which he was awarded provincial colours. He finished school at Nelspruit Hoërskool in 1996.

During a stint in the SANDF, Pieter identified a degree in Recreation and Sports Management at the University of Pretoria as his next objective. His application was accepted and he moved to Pretoria. Playing rugby in a game for "Tukkies" he was the victim of a late and high tackle and suffered a serious neck injury. He recovered but was advised to stop playing. Notwithstanding his disappointment, sanity prevailed and retained his passion for the game in the role of a keen spectator.

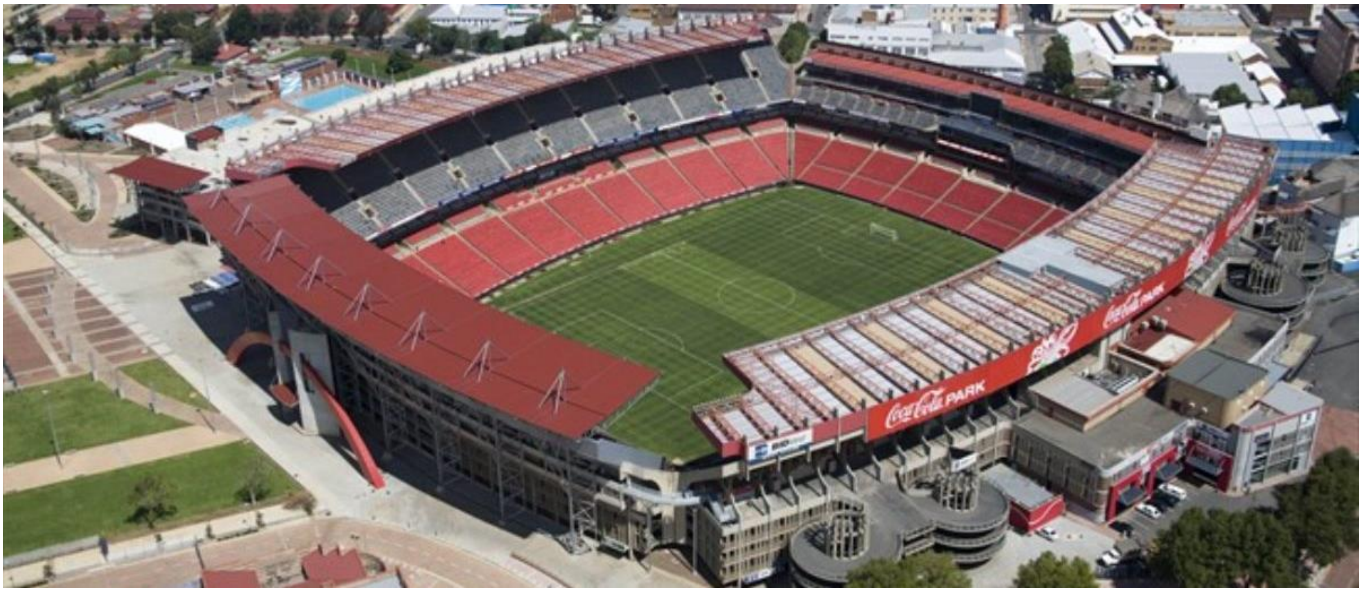
On completion of his studies, he took up various roles as deputy head master in the UK, a family business in Nelspruit, training manager in Pretoria and National Marketing and Sales manager of a transport operator, which was his reconnection to rugby. One of the company's client's was the Pumas and after serving on their council as an external director he was offered the role of CEO. He made a huge success of his appointment and this led to his current role at Ellis Park Emirates Airline Stadium.

"Believe in and back yourself !!!"

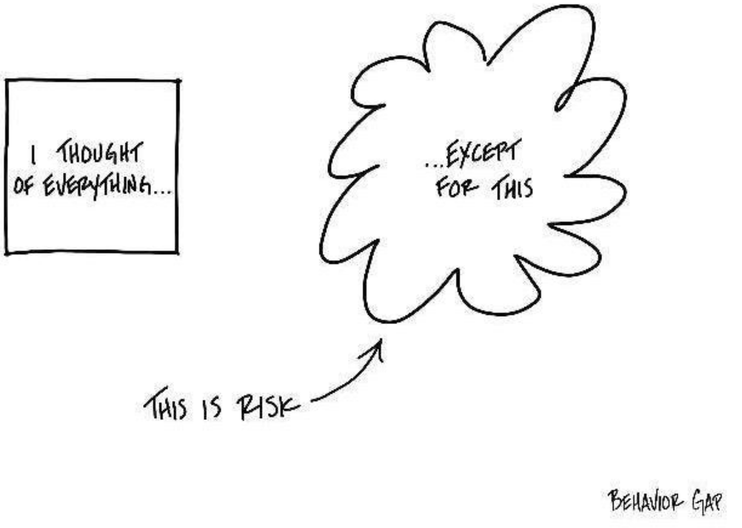
The stadium, it has been argued for too long, is located in an undesirable part of the city. In an editorial published in the Sowetan in February 2021, Pieter shared exciting plans for development of the wider precinct with the aim of making it 'the biggest inner city beautification projects in South Africa'.

Pieter is married to Annelize and has two daughters. Other than his passion for the game of rugby, his interests include fishing and hunting. He is convinced of the need for a healthy balance between his work and personal life and describes his perfect destination as "offline".

Pieter's mantra is "Deeds, not words" and his words of encouragement to his young self would be, "Believe in and back yourself!" Given his track record, it would appear that Pieter's apparent ability to endure and persist bode well for both the environment and the resident Lions at Ellis Park.



Risk is what's left over after you think you've thought of everything.



We are really good at managing risk by looking backward and preparing ourselves to handle a situation we've already seen… only better this time.
But we're not very good at preparing for something we can't even imagine.

That's a real bummer because "something we can't even imagine" is precisely what we need to be prepared for.

It's not the car you see coming that will kill you… it's the one you don't.

Bummer, right?

Let me be clear: The point of this is not to cover yourself in bubble wrap and lock yourself in the house. Nor is the point to create specific event-based insurance for all possible worst-case scenarios.

The point is simply to foster general resilience.

You know—like an emergency fund.

Because, guess what… emergencies will happen.

And when they do, general resilience provides a margin of safety.

That's what will protect you from the thing you never saw coming… not trying to predict the future. And certainly not bubble wrap.

Source: Carl Richards | Behavior Gap | 20 October 2022

The invisibility paradox

The optic nerve dominates.

It's piped directly into our brains and uses a lot of processing power to help us discern the world through vision.

As a result, it's louder than our other senses and often outshouts the rest of our brain. That's why it's easy to be fooled by a magician.

This focus on sight means that we often are at a loss on how to deal with things that are invisible.

It works in our favor with the placebo effect. We can see that we just swallowed a pill, or wore a brace, or bought an expensive bottle of wine. That input helps us heal or enjoy the moment, even if the organic invisible things behind the scenes don't quite match what we saw.

And it works against us when it's time for our community to process things that are invisible over time (like evolution or systems change) or invisible in the moment (like viruses and greenhouse gasses).

When there's a conflict between what we know and what we see, we often default to the wrong one.

Source: Seth Godin | Seth's Blog | 15 March 2022

Market Wrap | Q3

	WORLD	SOUTH AFRICA
EQUITIES	Developed market bourses were sharply lower as central banks executed synchronised monetary tightening as inflation soared — emerging markets underperformed as Chinese stocks fell on economic headwinds.	Rand weakness helped to buoy JSE Limited indices, which declined by low single-digit percentage points — helped by resources stocks that were market leaders, while financials and listed property lagged.
BONDS	Developed market bond yields continued to rise as financial conditions tightened — on higher inflation, rising short-term interest rates and central bank quantitative tightening.	Bond yields tracked global yields higher — but the All Bond Index provided some safety and eked out a positive return.
CURRENCIES	The US dollar rallied further on relative US economic strength and rising interest rate differentials — and buoyed by its safe-haven appeal during periods of heightened volatility.	The rand weakened sharply on the global risk off sentiment, surging US dollar and foreign net selling of South African financial assets — compounded by deteriorating terms of trade.
COMMODITIES	Industrial commodity prices fell sharply from their June all-time highs on falling economic growth expectations and fading base effects — energy prices are lower but should remain well bid for now, while rising real yields and dollar strength will pressure the gold price.	
ECONOMY	Global economic growth expectations continued to deteriorate, with a 2023 US recession becoming increasingly likely — while Europe confronts an energy crisis and China endures its COVID-zero policy and troubled property sector.	Quarter-on-quarter GDP growth turned negative as the base effects of the post-pandemic recovery faded — while Eskom unleashed the worst bout of loadshedding ever.
MONETARY AND FISCAL POLICY	The US Federal Reserve hiked rates by a third consecutive 75 basis point increase for a cumulative 3% since March — marking the fastest pace of tightening since the summer of 1980.	The SA Reserve Bank hawkishly followed the US Federal Reserve by raising rates 75 basis points twice in the quarter — to combat high inflation, which is at risk of staying higher for longer.

***Source: Foord Asset Management**: Investment Newsletter — Foreword | Issue 63 | 3rd Quarter 2022*

Asset Class/Currency	CCY/Price	Index at 30-Sep-2022 (Close 30-Sep-2022)	2022 Q3	1 Year	3 Years Annualised	5 Years Annualised
SA Cash						
STeFI Composite Index	ZAR	499.5	1.3%	4.6%	4.9%	5.8%
SA Bond						
BEASSA All Bond Index	ZAR	811.7	0.6%	1.5%	5.7%	7.1%
SA Property						
FTSE/JSE Listed Property Index	ZAR	1 418.1	-3.5%	-8.7%	-8.7%	-9.0%
SA Equity						
FTSE/JSE All Share Index	ZAR	10 770.7	-1.9%	3.5%	9.2%	6.5%
Global Bonds						
Bloomberg Barclays Global Agg Index	ZAR	145.3	2.1%	-4.9%	-0.2%	3.4%
Global Property						
FTSE EPRA Nareit Developed Rental Index	ZAR	1 667.2	-1.9%	-8.1%	-0.8%	5.2%
Global Equity						
MSCI AC World Index	ZAR	553.4	3.6%	-4.7%	10.5%	11.2%
Exchange Rates			**2021 Q4**	**1 Year**	**3 Years Annualised**	**5 Years Annualised**
Rand / US$	ZAR	18.09	-10.0%	-16.7%	-5.8%	-5.6%
Rand / Euro	ZAR	17.73	-3.8%	-1.6%	-2.4%	-2.0%
Rand / GBP	ZAR	20.20	-2.0%	0.6%	-2.7%	-2.1%
SA Inflation			**3 months**	**1 Year**	**3 Years (pa)**	**5 Years (pa)**
CPI (one month lag period)			1.80%	7.50%	5.13%	4.88%

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