FinPlanCo

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1 ENVIRONMENT UPDATE

The current financial environment is dynamic. We provide a short update relating to markets, regulations, and the financial planning environment.

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Emergency fund provision is a key part of financial planning but how much is right and how do you create one?

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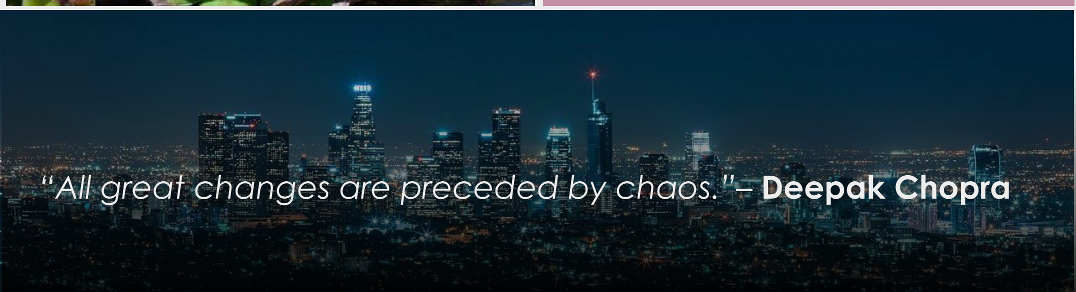
We discuss the usefulness of disability cover and how insurers generally evaluate claims in this regard.

4 FINANCIAL PLANS REQUIRE SACRIFICE

We consider which sacrifices are needed to help reach financial goals. Followed by our **FINANCIAL PLANNING FAQ.**



"All great changes are preceded by chaos." – **Deepak Chopra**

INTRODUCTION

The financial planning and regulatory environment are constantly changing. Updates can sometimes take years to complete but when they do kick-in, they can have significant bearing on one's financial plans.

The retirement fund regulatory environment has undergone several updates and changes over the last few years and in 2023 further amendments took place. Not to mention the proposed two-pot system on the way in 2024 (after a delay from March 2023).

For the year to date however, the most important changes are relevant to the transfer of retirement funds and in particular retirement annuities. Without going into the details, the budget speech proposed several changes to the legislation to harmonise the practical considerations with the legalities of transferring retirement funds both before and after retirement age.

Here follows a summary of two important changes that impact the retirement planning of our clients.

Continued on the next page…

FINANCIAL PLANNING ENVIRONMENT UPDATE

Wilhelm Tempelhoff and Carel Marx. In the dynamically changing financial planning and regulatory environments, clients still need to achieve their goals. Some changes can help, and others hinder.

In the past, if you had more than one retirement annuity with a certain product provider or retirement fund, you could not split them up by transferring one away to another provider. Practically some retirement annuity funds allowed this, but legislation did not formally provide for this. This changed however with the introduction of retirement annuity split transfers subject to certain size limitations.

From 1 March 2023, if you have more than one contract in a retirement annuity fund, you may transfer one or more of those contracts to another retirement annuity fund/provider, as long as the combined value of the transferred policy(ies) is over R371 250 and the combined value of the policies that will stay behind is also more than R371 250. This minimum amount does not however apply if you transfer all your retirement annuity policies/contracts.

Another positive change was the adjustment of the retirement fund lump sum tax tables; improving the retirement planning outcomes for clients. The retirement lump sum benefit table and the lump sum withdrawal benefit tables were both adjusted upwards by 10%. These tables were last amended in 2014.

Herewith the updated lump sum tax tables according to SARS's website:

<u>Lump Sum Retirement benefits tax table:</u>

2024 tax year (1 March 2023 – 29 February 2024) – See changes from last year:

Taxable income (R)	Rate of tax
1 – 550 000	0% of taxable income
550 001 – 770 000	18% of taxable income above 550 000
770 001 – 1 155 000	39 600 + 27% of taxable income above 770 000
1 155 001 and above	143 550 + 36% of taxable income above 1 155 000

2023 tax year (1 March 2022 – 28 February 2023) – No changes from last year:

Taxable income (R)	Rate of tax (R)
1 – 500 000	0% of taxable income
500 001 – 700 000	18% of taxable income above 500 000
700 001 – 1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000

<u>Lump sum withdrawal benefits tax table:</u>

2024 tax year (1 March 2023 – 29 February 2024) – See changes from last year:

Taxable income (R)	Rate of tax
1 – 27 500	0% of taxable income
27 501 – 726 000	18% of taxable income above 27 500
726 001 – 1 089 000	125 730 + 27% of taxable income above 726 000
1 089 001 and above	223 740 + 36% of taxable income above 1 089 000

2023 tax year (1 March 2022 – 28 February 2023) – No changes from last year:

Taxable income (R)	Rate of tax (R)
1 – 25 000	0%
25 001 – 660 000	18% of taxable income above 25 000
660 001 – 990 000	114 300 + 27% of taxable income above 660 000
990 001 and above	203 400 + 36% of taxable income above 990 000

It is perhaps useful to discuss the application of the Retirement lump sum tax table on the right in more detail.

Firstly, these tables do not reset, they are lifetime tables, and they consider the current retirement lump sum you are applying for and previous retirement lump sums (withdrawal or retirement) that you have received. The table is therefore cumulative for lump sums on or after certain dates. The lump sums listed below are also considered for this cumulative calculation:

a. Retirement fund lump sum <u>retirement</u> benefits which were received by or accrued to the taxpayer on or after 1 October 2007,
b. Retirement lump sum <u>withdrawal</u> benefits which were received by or accrued to the taxpayer on or after 1 March 2009, and
c. <u>Severance</u> benefits which were received by or accrued to the taxpayer on or after 1 March 2011.

Taxpayers can contact SARS or use the new online e-filing functionality to confirm their past lump sums received.

Just because the tax-free amounts on the tables increased, it does not necessarily mean that you will get the increased amount as a tax-free amount on your next retirement fund lump sum. Remember previous lump sums add up and the tax table is cumulative. The prevailing tax table is also used for the tax calculations and previous tables are ignored. So, for example, if all previous retirement lump sums that you have taken are greater or equal to R550 000, then further all lump sums will be taxable. If however you have taken less than R550 000 as your total lump sums before 1 March 2023, additional lump sums that bring the total up to R550 000 will be tax-free.

Let's illustrate by way of example: assume that Mrs X had no previous retirement lump sums from her retirement fund, and she would like to take a R600 000 lump sum withdrawal at retirement. In this case she will be able to use the full R550 000 tax-free amount if she retires after 1 March 2023. The tax on the lump sum would be R600 000 less R550 000 = R50 000 taxed at 18% = R9 000.00.

If, however Mrs X received her R600 000 lump sum before 1 March 2023, the tax would have been R600 000 less R500 000 = R100 000 taxed at 18% = R18 000.00 (using the table before 1 March 2023). Now she decides to take the further R50 000 as a lump sum from another small RA she is retiring from. The tax for this lump sum would be calculated as the R600 000 previously taken plus R50 000 current amount = R650 000 less the R550 000 tax free amount is R100 000 taxed at 18% = R18 000. Then one deducts the tax that would have been paid on the previous R600 000 lump sum but using the current tax table, so: R600 000 – R550 000 = R50 000 at 18% = R9 000.00. The resulting lump sum tax would be R18 000 less R9 000 = R9 000 tax on current R50 000 lump sum.

Clearly Mrs X did not get a benefit for the increased tax-free lump sum amount of R550 000.00. If you have any questions in this regard or regarding the calculation methodology, feel free to contact your financial planner for clarity.

Lastly, it is worth noting that once you submit your lump sum instruction to your retirement fund, it cannot be undone or changed. Tax directives in this regard are set in stone.

<u>We would also like to summarise some of the important "de minimus" amounts for retirement planning:</u>

R371 250 – transfers between retirement annuities; the transferred amount and remaining value must both exceed R371 250. Transfers are tax neutral.

R15 000 – paid-up withdrawal from a retirement annuity; if the member's total value of their paid-up retirement annuity is less than R15 000, it can be fully withdrawn prior to retirement age (55) as a lump sum (subject to relevant Lump Sum Tax Table).

R247 500 – commutation of retirement benefit; if your total retirement benefit of a retirement fund (all policies or contracts with one fund or provider) is less than R247 500, one can apply for a full retirement commutation (lump sum benefit - subject to Retirement Lump Sum Tax Table).

R125 000 – living annuity commutation; if your living annuity value drops below R125 000, you can apply for a 100% retirement lump sum pay-out (subject to Retirement Lump Sum Tax Table).

EMERGENCY FUNDS AND HOW TO BUILD THEM

Wilhelm Tempelhoff. As part of a financial plan we normally recommend that clients first set up an emergency fund. What is it and why is it important?

Life can be unpredictable, and unexpected events can happen at any time. From a sudden job loss to an unexpected medical emergency or car repair, these situations can be stressful and financially draining. That's why it's essential to have an emergency fund in place to provide a financial cushion when you need it most.

An emergency fund is a separate savings account or short term investment that is specifically designed to cover unexpected expenses or financial emergencies. It's a fund that you can dip into when you need to without disrupting your regular budget or long-term financial goals. An emergency fund is not the same as your regular savings account, and it should not be used for non-emergency expenses or discretionary spending.

There are several reasons why you need an emergency fund:

1. Unexpected Expenses - Emergencies can happen at any time, and you never know when you might need extra cash to cover an unexpected expense.
2. Job Loss - Losing your job can be a significant financial setback, and it may take some time to find another one. Having an emergency fund can help you cover your expenses during this period.
3. Medical Emergencies - Health issues can be expensive, even if you have a medical aid. An emergency fund can help you cover any out-of-pocket costs or gaps.
4. Peace of Mind - Knowing that you have an emergency fund in place can give you peace of mind and reduce stress during challenging times.

The amount you should save in your emergency fund depends on your individual circumstances, such as your monthly expenses, income, and job security. As a general rule of thumb, it's recommended to have at least three to six months' worth of living expenses saved in your emergency fund. This means if your monthly expenses are R20 000, you should have a minimum of R60 000 to R120 000 saved in your emergency fund.

Building an emergency fund may seem daunting, but it's achievable with a little discipline and planning. Here are some steps to get started:

Set a savings goal by determining how much you need to save based on your monthly expenses. This is normally 3 to 6 times your monthly budgeted expenses.

Create your budget and review your monthly expenses to identify areas where you can cut back on discretionary spending. Use the extra money to contribute to your emergency fund.

It is best to use automation and set up automatic transfers from your bank account to your emergency fund savings account to ensure you're consistently saving.

Use any windfalls you recieve such as a tax refund, bonus, or inheritance, to contribute a portion to your emergency fund.

Keep your emergency fund in a separate savings or short term orientated investment account to avoid confusion with your regular savings account.

In conclusion, creating an emergency fund is a critical aspect of financial planning. It provides a financial cushion during unexpected events and can give you peace of mind knowing that you're prepared. By following these steps, you can start building your emergency fund and achieve better financial security for the future.

Cash investments and the Tax consequences – a concept to bear in mind with Emergency savings provision.

We often find that clients tend to hold healthy cash balances in their notice accounts or savings accounts. These savings accounts are normally connected to their everyday transactional account, interest rates are atrractive with quick access and they are quick and easy to open. You also know exactly what you are in for, and people like certainty. One can also understand that there is some sense of safety or pride/satisfaction when opening your bank account and seeing a very healthy cash balance. It is however important to bear in mind the possible tax consequences of holding on to too much cash.

SARS allows an individual, below the age of 65, to earn tax free intrest of up to R23 800 per year (R34 500 for over 65s). This is interest from "all sources" meaning that you need to take all your interest into consideration. Let's assume that you only have this one account earning 7.5% per annum on a simple interest basis, you can hold approximately R317 000 in that account before exceeding the interest limit. If you are in the 41% tax bracket, and you receive R1 in additional interest over and above the R23 800, you will pay 41 cents to SARS. In this example it would mean that for every R1 invested in the savings account above the R317 000, your interest rate will drop from 7.5% to 4.4% after tax.

What is the alternative? SARS has spent many years closing the loopholes when it comes to conservative investments and the taxability of their income streams. Today's investment alternatives to holding short term cash include: using longer term cash deposits to improve after tax yeilds, or investing into low-risk income unit trust funds to diversify and improve flexibility. Endowment policies can also help limit the taxability of interest but with liquidity constraints. Other options are viable but they need to fit with your objectives, timeframe and risk profile.

COVERING YOUR ABILITY TO EARN AN INCOME

Carel Marx. How does disability cover work and is this a risk worth covering?

If you start your career at age 21, you have about 528 paychecks until retirement age 65. This income is singlehandedly the most important aspect of building financial independence. Most of us earn a salary and maybe a bonus, and some might even have multiple income streams. You cannot insure against losing your job (bar very short-term cover in this regard), but you can insure against unforeseen medical events or accidents preventing you from performing your duties either temporarily or permanently.

Let's start with a simple definition of disability according to the Oxford dictionary: *A physical or mental condition that limits a person's movements, senses or activities. [Alternatively], a disadvantage or handicap, especially one imposed or recognized by the law.* Generally, from an insurers perspective you can be classified as disabled if you cannot perform your designated occupation or when you cannot perform the simple activities of daily life. These definition sets are however not the same. You can be disabled by virtue of being unable to fully do your specific nominated work, or you can be generally disabled for daily life - performing normal routine daily activities. Daily activities could include be eating, going to the bathroom, dressing yourself or taking a bath. The selected definition therefore matters.

The second part of disability insurance is choosing a lump sum benefit or a monthly income benefit (income protection). Just to be clear, you don't have to choose one or the other, you can have both and often it is beneficial to do so.

Lump sum disability will pay a lump sum amount if your claim meets the particular insurers disability severities and criteria. The lump sum disability could be linked to your occupation, or it could be general/functional disability that is linked to a list of disabilities (loss of a dominant hand for example) or a functional test to determine whether one is disabled.

Income protection is linked to the performance of your occupation and will provide you with either temporary cover if you are able to recover or permanent cover if you cannot recover. Temporary cover can also roll over to permanent cover if it is clear that recovery is unlikely (the insurer normally reviews this periodically). This means that the temporary income protector will fund claims while the permanency of your disability/sickness is established. Temporary cover can last up to 24 months and permanent cover can last up to retirement age. If you are found to be permanently disabled, you will likely be eligible for a lump sum claim if you have this type of cover in place as well.

To illustrate this, we can run a few scenarios to illustrate:

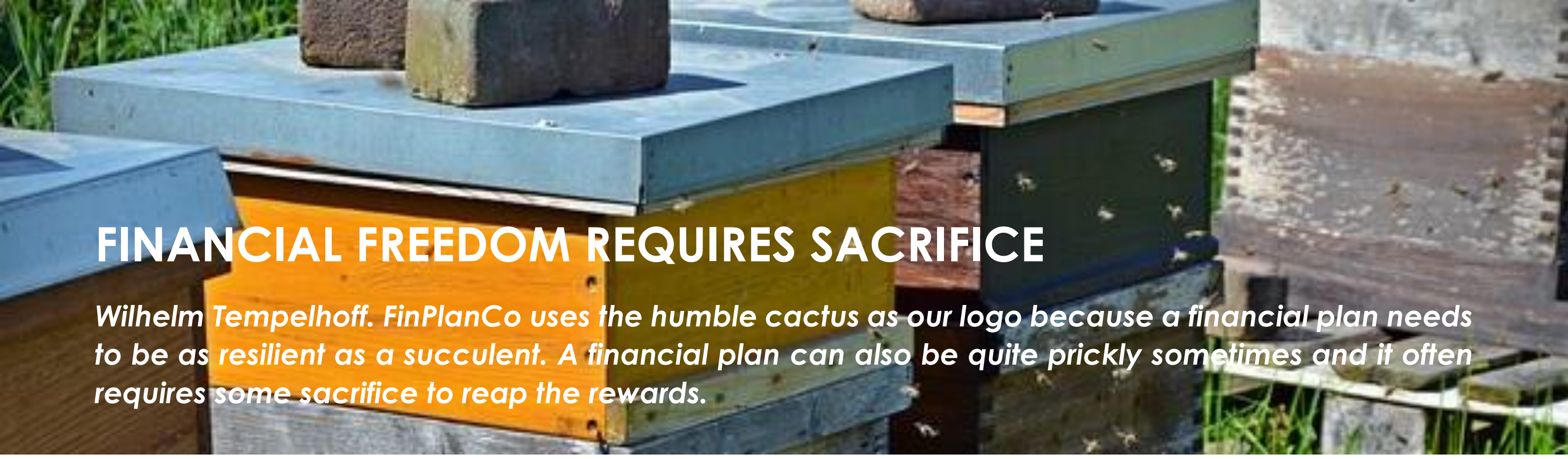
1) Mario is a Civil engineer who works for a large firm, he has disability cover with both income protection (temporary and permanent) with a 7-day waiting period, and lump sum disability cover with his occupational defined. Mario is in a car accident, how does his claim work?
    a. Mario cannot perform his occupational duties in the short term while he is treated in hospital and while he is recovering at home;

        i. Once the 7-day waiting period has passed, Mario will be able to claim his temporary income protector for the period that he is unable to perform his nominated occupation, backdated to day 1;
        ii. As soon as Mario can return to work, his claim ends;
    b. After a few weeks, the medical team decide that they need to amputate Marios leg & thigh;
        i. Mario can now no longer perform the duties of a Civil Engineer, because this includes walking and inspecting the job sites.
        ii. His income protection now moves over to permanent which pays him the covered income amount until he reaches retirement age.
        iii. Mario can also claim under his lump sum disability cover which will help settle debts, fund additional income once invested, or retrofit his life to his new reality.

2) Sam is a session musician and plays the guitar professionally, and he earns R20 000 a month. His occupational details are more difficult to define, and the insurer only offers him functional disability cover (linked to a test that covers the activities of his daily work). Sam cannot have income protection, but he can have lump sum disability cover. The same accident happens to Sam.
    a. Sam has no cover for the time he is in hospital or recovering at home;
    b. After the doctors amputate is leg & thigh, he would not qualify for the full disability lump sum as he isn't fully disabled according to the daily activities assessment. He is still able to feed himself, move around independently, play the guitar, etc. Sam may qualify for a partial lump sum depending on the insurer's definition set.
    c. If, however, Sam was paralysed in the accident from the neck down, he will not pass the daily activities test and thus receive his lump sum disability pay-out.

In conclusion, it is important to understand the criteria of your disability cover – definitions matter and effect your claims. One needs to consider whether income protection or lump sum disability cover is more appropriate (or both). If possible, nominate your occupation because it narrows down the definition for claims. Sadly, not all occupations are covered or accepted by insurers, but they offer alternatives that look at functional tests. Lump sum insurance is usually more cost effective than income protection.

Bear in mind that you can be "over-insured". If the insurer asks for proof of income and your income doesn't match your claim, they could pay less than the insured amount. Aggregation of benefits is also important as one person could have multiple insurance policies. Once disabled, it doesn't mean all the insurers will pay-out 100% as they will group all benefits to determine if you are "over-insured", thereafter proportioning the pay-outs to ensure a fair outcome. The bottom line is, don't take the gamble on your future income, secure it but make sure you do it in a considered way.



FINANCIAL FREEDOM REQUIRES SACRIFICE

Wilhelm Tempelhoff. FinPlanCo uses the humble cactus as our logo because a financial plan needs to be as resilient as a succulent. A financial plan can also be quite prickly sometimes and it often requires some sacrifice to reap the rewards.

Financial planning is a crucial aspect of our lives that enables us to achieve our goals, secure our future, and create a comfortable life for ourselves and our loved ones. However, achieving financial stability and success requires more than just creating a budget and setting financial goals. It involves making some sacrifices and being disciplined in our spending habits to achieve the desired results. We often see planners becoming disheartened by the progress of their financial plans; most often this is because they simple do not contribute enough towards their objectives or goals to see meaningful progress.

One of the primary sacrifices that financial planning requires is cutting back on unnecessary expenses. It means taking a hard look at our spending habits and identifying areas where we can reduce our costs. This could mean avoiding impulse buying, cutting back on dining out, reducing entertainment expenses, and limiting our vacation and travel plans. It may seem challenging at first but sacrificing a few luxuries now can have a significant impact on our long-term financial stability.

Consider the FIRE movement (Financial independence Retire Early) which has become part of the American financial planning arena after the book "*Your Money or your Life*" was published in 1992. The movement prioritises savings and investing of more than 50% of our income with the aim to retire well before we reach the normal retirement age, often as early as 40. Those who plan for FIRE:

- drastically reduce their expenses,
- increase their income where possible, and
- invest their savings in a diversified and advantageous way.

This lowers their overheads, keeps debt in check, aims to amass assets quickly and then retire.

The proponents of FIRE also work on two rules of thumb:

1. The rule of 25 – this rule states that you need 25 times your annual expenses saved up before you can retire.
2. The 4% rule – this rule states that you should not draw more than 4% of your investment value as income at the start of your retirement.

These are however rules of thumb, and one size does not fit all in this regard. More conservative investors need to save more because their long-term returns will likely be lower compared to more venturesome investors.

The reality is that FIRE comes at a cost that not everyone can afford. It requires us to cut our expenses to the bone, so we have more to invest to reach financial independence earlier. FIRE serves as an extreme example of the principals at play here. For most of us saving towards normal retirement age, a viable financial plan has less of an impact on our daily lives. The key is time and compounding - *little by little, a little becomes a lot*. Still this only works if we put enough in to reap the rewards of time. It is of no use to anyone that our savings will compound and reach the ideal level for retirement in 90 years' time.

<u>Okay, so sacrifice is needed, but what does that mean?</u>

It means tuning our standard of living to give ourselves room to achieve our financial goals.

Successful financial planning requires making some **lifestyle changes**. For instance, we may need to downsize our living arrangements or relocate to a less expensive area to reduce our housing expenses. Sacrifices don't have to be large or quite so painful. Little things can add up. If a streaming service allows a family to share a login, why not do so and share the cost? If a basket of groceries at Checkers is cheaper than our local grocer, why not change our shopping habits? Incremental changes help create room for our financial wellness to prosper.

Another sacrifice is in **delaying gratification**. In today's instant gratification culture, it can be tempting to indulge in buying the latest gadgets, clothes, or cars. However, instant gratification often comes at the expense of our long-term financial goals. Delaying gratification means foregoing immediate pleasures to achieve long-term financial success. This could mean choosing to invest instead of buying a new car or saving for a deposit on a house instead of going on a luxury vacation.

So, we receive a large car allowance, and it means we can afford a new 5 series BMW if we use the full allowance for the car finance. Why not consider the 3 series with some room left over to pay the petrol and insurance? Why not go for a more conservative Suzuki option and thereby having enough room to finance the car, pay it off quicker, fund the fuel and insurance and still have some money left to invest?

We must bear the realities of life in mind and also our need to live on a day-to-day basis. That means either a tempering of our objectives or greater sacrifice to reach them. The "fear of missing out" (FOMO) and the idea of "you only live once" (YOLO) have great bearing on our financial planning outcomes.

Some practical advice would be to <u>not let our lifestyles expand at the same pace as our income.</u> In other words, if we can afford a big house, perhaps consider buying a medium sized house and saving the rest. We have often heard the excuse that not living on the edge means "*you're taking up too much space*" but that adage does not hold true for our financial lives. Too often individuals end up stretching their budget too far and some external factor causes it to snap (a rising interest rate, a change in an exchange rate, a partial loss of income, etc.). A margin of safety is always a good idea and beyond that a margin for saving/investing.

Finally, financial planning requires the **prioritising of financial goals**. We need to decide what is essential and what is not and prioritise our spending accordingly. This means making tough choices and possibly cutting back on some activities or purchases that do not align with our financial goals. For example, if our goal is to pay off our debts, we may need to cut back on our entertainment expenses or take on a side hustle to increase our income.

Financial planning requires making sacrifices to achieve long-term financial success. It involves cutting back on unnecessary expenses, delaying gratification, making lifestyle changes, and prioritizing our financial goals. While these sacrifices may seem challenging at first, they can pay off significantly in the long run. By being disciplined and focused on our financial goals, we can create a comfortable and secure future for ourselves and our loved ones.

THE IMPORTANCE OF FINANCIAL LITERACY - HOW TO EDUCATE YOURSELF ABOUT PERSONAL FINANCE

Written by ChatGPT and curated by FinPlanCo
We asked the predictive text AI, ChatGPT, about financial literacy and how one can improve it…

Financial literacy refers to the knowledge and skills required to make informed decisions about managing money. It is an essential aspect of personal finance, as it helps individuals make sound financial decisions that can impact their lives positively. Unfortunately, many people lack financial literacy, leading to poor financial decisions, debt, and financial insecurity. In this article, we will discuss the importance of financial literacy and how to educate yourself about personal finance.

Why is Financial Literacy Important?

Better Decision-Making: Financial literacy empowers individuals to make informed financial decisions, such as budgeting, investing, and debt management. This, in turn, leads to better financial outcomes and improved financial security.

Improved Credit Score: A good credit score is essential for accessing credit, such as loans and credit cards. Financial literacy helps individuals understand how credit scores work and how to improve them.

Avoiding Debt: Debt is a significant issue for many individuals, and financial literacy can help people avoid taking on too much debt and manage it effectively.

Planning for the Future: Financial literacy also helps individuals plan for their future financial goals, such as retirement, saving for a house, or college education.

How to Educate Yourself About Personal Finance?

Read Books and Articles: There are many books and articles available on personal finance that cover various topics such as budgeting, saving, investing, and debt management. These resources can be an excellent starting point for those looking to improve their financial literacy.

Attend Workshops and Seminars: Many organizations offer workshops and seminars on personal finance, covering topics such as retirement planning, investment strategies, and debt management. Attending these events can provide valuable insights and knowledge.

Use Online Resources: The internet is a vast source of information on personal finance. Many websites offer free resources, such as budgeting tools, calculators, and articles on personal finance.

Seek Professional Advice: Financial advisors and planners can offer personalized advice and help individuals create a financial plan that suits their needs and goals.

Practice Good Financial Habits: Lastly, practice good financial habits, such as budgeting, saving, and investing. Practicing these habits consistently can help individuals improve their financial literacy and achieve financial security.

In conclusion, financial literacy is an essential aspect of personal finance. It helps individuals make informed financial decisions, avoid debt, and plan for their financial goals. By educating yourself about personal finance and practicing good financial habits, you can improve your financial literacy and achieve financial security for the future.

Where does Artificial Intelligence fit into Financial Planning?

The preceding article was fully written by ChatGPT, we had to change some sections to be more relevant or appropriate but 95% of the original article is intact. GPT is an acronym for Chat Generative Pre-Trained Transformer. These predictive text AIs comb the web and other sources for data to use when predicting the next appropriate word in sentence. These AIs understand the words and can interpret them to provide a sophisticated response to a prompt, question, or discussion.

Clearly Artificial Intelligence has arrived in the public domain, and it will start to impact the way we live our lives more directly. With every article touting it as the next big thing, it makes you wonder where the limits are and if we should be shifting towards using AI.

We see it as an incredibly powerful tool that can be employed to simplify our day to day lives. It can suggest the title of an appropriate financial planning article or draft an email to a product provider requesting a concession or explanation regarding a transaction. It cannot however replace interpretive experience and it should be used in a limited and measured way to help free up some time. Where humans are concerned there will always be need for perspective, nuance and insight. Therefore, while AI is an interesting tool that can be used to help create efficacy in certain areas, it should not be relied upon for important decision making or as a replacement for true human interaction. Would you consult with an AI doctor or an AI lawyer? Before you answer, realise that ChatGPT recently passed the Bar exam in the USA…

FIANCIAL FAQ

"When it comes to investing when things get tough, the tough sit on their hands."– ***Recent client comment.***

I feel I am paying too much tax. How can I lower my tax?

That is a loaded question but there are some core principals or plans that can help. If your question relates to improving your monthly income tax bill, then consider structuring your salary. This includes adding a travel allowance if you tend to travel a lot for business or asking your employer to take your retirement annuity or medical aid contributions into account for your payslip. Alternatively, if your overall annual tax bill is too high, try to make better use of the rebates, abatements and allowable deductions you could qualify for. An example would be to contribute towards a retirement annuity fund to obtain a deduction for the contributors against your taxable income.

If the problem stems from highly taxable investment returns, consider using appropriate investment structures to improve the taxability of your investment returns or moving up the risk curve where returns are more capital in nature leading to friendlier capital gains tax (compared to income tax).

How can I protect my assets against creditors?

This is a very lengthy topic and best answered by your financial planner and legal advisor in tandem. In general assets that are held in your own name are fair game for creditors. To protect assets from being attached by creditors, one moves the ownership to another person or entity with forethought. An example would be investing into an endowment policy, a retirement annuity or using a bona fide trust structure. These options move the asset into the hands of the life insurer, retirement fund, or trust respectively.

There are exceptions however, for example endowments are not immediately protected from creditors and they need to pass the three-year mark for this benefit to kick in. There are also considerations around the prescription rules and timeframe involved and one needs to consider what mechanism is used to change ownership of an asset. Merely donating an asset to someone else for example, does not protect it from creditors.

What are unclaimed benefits, and could I have any?

"Unclaimed benefits" refer to funds that have not been paid by a retirement fund to an employee or beneficiary within 24 months of the date the funds became payable. SA has roughly R80billion in unclaimed retirement fund benefits sitting on the books of asset managers and insures. Many benefits date back to before the digital age, so it is quite difficult to track down the rightful beneficiaries of the funds.

Companies often use tracing agents to try and find the ex-employee, beneficiary, or fund member. You can visit the unclaimed benefit section of the FSCA's website to do an online search or you could contact suspected retirement fund providers directly via their claims departments. Be wary of scams in this regard. Ask any tracing agents that may contact you for details before you provide any details to them and be critical of their call if the details don't ring a bell. You should also do your own research before trusting any cold calls.