QUARTER
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2013

QUARTERLY
JOURNAL OF
FINANCIAL
KNOWHOW

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informer ©

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this issue

So much for the Apocalypse!

The Mayan calendar may have ended but for those hoping to skip financial planning for 2013 and eternity the news is not good! Yes, we are all still here and perhaps more than ever in need of a fresh look at how we plan our financial future. Start 2013 with a new approach and a solid plan for your finances. The seven steps below are a great start!

Another New Year, another resolution! What should it be this time?

With financial planning in mind and as is customary at the start of the year, here are the 'Magnificent 7' resolutions to help you plan your financial life!

1. Make a plan. Not just any plan, take it one step further and make a financial life plan. A financial life plan will require a review of where you are and where you want to be. You will need to set a series of targets over the phases of your life. This can be complex or very simple and should be a base to work with as you progress through your life and career.

Most of us neglect the management of our money. We get it, we spend it, we save it and we invest it. What we don't do is plan. We don't sit down, decide realistically where we want (or need) to be financially and then work out how to get there. Another year passes by and the here we are amongst the ninety percent of people who haven't been able to meet our resolutions.

Sit down and work out where you are financially. How much do you spend? How much are your assets worth? How much do you save each month? Then review it; which of those bits do you want to change and which can you change?

2. Set goals. Look at the big picture and set clear and realistic targets. Short-term goals might include specific monthly debt-slashing or saving a certain amount extra every month. Don't cheat, Review your bank statements so you really know how much you spend and what you spend it on. An easy win could be to reconsider how you spend on your credit cards.

Longer-term goals might involve regularly overpaying your bond so you own your house by a certain date; or setting up and contributing to a retirement plan with a view to hitting an ambitious retirement income.

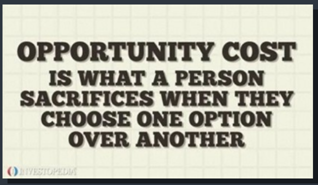
3. Be Specific. "Save more" is generally one of the top resolutions made. This will fall apart if you don't add a proper target to your resolution. "Save R1000 a month until I have three months' worth of income in my cash account" is better.

4. Review your plan. Look at where you are – with your partner – every six months; check your progress against your targets; and make new ones if you are ready to do so. Begin with the end in mind and you might get the end you want.

5. Get yourself protected. So often overlooked, protecting you, your family and your assets against unforeseen circumstances is essential, especially if you have a family dependent on you. Make sure you and your nearest and dearest are protected against illness, accident, death or mishap. The easiest and most common way to do this is through an insurance policy.

6. Think about estate planning. For a start, make a Will; a morbid topic, which is why many people put this off. However, it is best to be prepared and there is comfort in knowing that your family will not suffer the consequences of an intestate estate. Also ensure that your beneficiaries are up to date on your life policies and consider whether a trust would suit your estate planning.

7. Speak to me. As a professional planner I will work with you to develop a series of strategies helping you to achieve your short, medium and long term goals. Together we will look objectively at your finances and risk profile, planning with you instead of for you thus enabling you to manage your financial life and meet those New Year's resolutions.



The Best Money Secret Ever!

Understanding Opportunity Cost

Many times, the biggest obstacle to effective financial planning is the lack of understanding opportunity cost and the impact it has on personal finance. In order to take advantage of an opportunity, something else must always be given up. Opportunity cost is basically what you lose by choosing one opportunity and giving up the next best choice.

For a detailed insight into the law of opportunity costs read the full story in 2nd Quarter 2013 issue of The Financial Informer.

Free downloadable Android app ExpenZa is a great way of tracking your finances.

Savings success

If putting more money in the bank is a top priority for you in the new year, you may need help to overcome the odds. Once again, here are several tips to get started and make your saving goals a success this year.

According to a survey, 52 percent of survey respondents list "saving more" as their top financial resolution for 2013, up from 46 percent in 2012. But survey respondents admit that sticking to financial goals is harder than other popular resolutions like quitting smoking, exercising more, and finding a new job. Fewer than half of those surveyed managed to accomplish more than 80 percent of their financial goals for 2012.

Break your goal into easy steps

Breaking down goals into manageable bites makes big numbers less intimidating. Don't try to save R50 000 for the year. Instead, save R1000 a week. Yes, the goals are the same, but which sounds easier?

Make saving like paying a bill

Additions to your savings account should be like any other regular bill you pay. The only difference is the payee.

Include your savings in your budget, and set up an internet deposit into your savings account when you're sitting down to pay the bills. To make the process easier, set up automatic deposits into your savings account. Schedule transfers on your payday and move the money before you can spend it.

Start tracking expenses

Tracking your expenses isn't just important for budgeting, it's crucial to see where your money is going and how you can save.

For example, maybe you think you spend R400 a month eating out. Would it be a big surprise if you tracked your expenses and found you spend double that?

There's no way of knowing what you spend until you're tracking every cent. Use a free budgeting app like ExpenZa to automate the process.

Find the money

Creating a goal to save more is a start, but the real challenge is finding the money within your budget to make it happen.

After you track your expenses and know where your money's going, you're in position to spend less. One way to do that is simple – cut back on discretionary spending like eating out. But try to avoid a "Rand diet." Diets are about deprivation,

which is why they're so hard to stick to. When you're trying to squeeze extra money from your budget, first try to gain without pain by having the same quality of life for less. For example, if you eat out using a discount coupon, that's gain without pain. If you reduce your insurance bill by raising your excess, you still have insurance; you're just paying less for it.

Wherever you're spending money now, you can typically find ways to spend less. Look in the following areas and you could have hundreds/ thousands.

- Pay Less for Car Insurance
- Pay less for a new car - negotiate
- Save on Your Cell Phone Bill
- Do you really need the full TV package?

Don't discount the little stuff, either, since saving a buck or two can add up. Check out these every day savings:

- Find ways to save on food
- Reduce your petrol bill
- Save on entertainment
- Dress for less

Track your progress

Tracking your goals is important for two reasons: to check up on your progress and to stay focused.

Using an app like ExpenZa or financial software will put your goal in front of you every time you log on, as well as the progress you're making toward reaching it. Remember: Out of sight is out of mind. Keep your goal in sight, and remind yourself why it's important to achieve it.

Reward yourself

Saving money sometimes requires sacrifice, but don't forget to give yourself a break. Treat yourself to a R15 latte, or whatever you consider a guilty pleasure. You've earned it!

Trusty tax savings

Life assurance is a popular and valuable way to ensure that in the event of the death of a breadwinner, the surviving family have sufficient capital to settle debt and replace the deceased breadwinner's income.

A life assurance policy allows the policyholder to specify one or more beneficiaries, who will receive the policy proceeds on the death of the policyholder. It is not uncommon for a married policyholder to nominate his or her spouse as beneficiary. This is usually done with the intention that the surviving spouse will then invest the policy proceeds to generate sufficient income to meet the ongoing financial needs of the survivor and their children.

Normally the payment of the proceeds of a life policy is tax-free; the same will not necessarily apply to the subsequent income and capital gains earned on the investments made with the proceeds.

One of the drawbacks of having the surviving spouse receive and then invest the policy proceeds is that from then on any taxable income earned on the invested proceeds (e.g. interest or rentals) and any subsequent taxable capital gains made from the invested proceeds (e.g. selling of shares or unit trusts) by the surviving spouse are taxed in the survivor's hands. This will be the case even though the survivor is likely to be applying a large portion of the income earned on invested assets towards the accommodation, food, schooling and other needs of the couple's minor children. The payment by a taxpayer of his or her children's maintenance expenses is simply not tax deductible from the parent's income.

A more tax efficient option to consider is for the policyholder to leave some or all of the proceeds to a trust. Such a trust could be either a trust set up by the policyholder is his or her will (called a testamentary or Will trust) or a trust created in a trust deed during the lifetime of the policyholder (called an inter *vivos trust*).

Trust income is taxed on a "conduit principle" i.e. if taxable income earned by a trust is awarded by the trustees to a beneficiary, then it retains its identity (e.g. as interest or rentals) and if it is awarded in the same tax year then it is taxed in the hands of the beneficiary and not in the hands of the trust. For example, a trust beneficiary who receives interest from a trust will be liable to declare the interest earned but may claim the annual tax free exempt portion on interest available to all taxpayers.

A trust structure thus provides an opportunity for the tax burden on taxable income earned by the trust to be split amongst the surviving spouse and children. Bear in mind that as young children are unlikely to be earning any other income, at current 2012/13 tax thresholds each child could to awarded up to R63,556 in taxable income without being liable to pay any income tax.

By incorporating a trust into an estate plan, one may be able to leave behind a more tax efficient structure, resulting in a greater net income for loved ones. However, trust laws are complex and it is recommended that one seeks specialised financial and legal advice whenever a trust structure is considered in one's estate planning.

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The Mighty Greenback

The $ sign may be the most powerful symbol of our age. Despite the recent rise of a much younger cross-continental rival in the Euro, for now the U. S. dollar remains the world's dominant currency.

The U.S. dollar, the official unit of currency of the United States of America, is the most used currency in international transactions and it remains the world's foremost reserve currency i.e. a currency that is held in significant quantities by many governments and institutions as part of their foreign exchange reserves. But where did it come from, and where is it going?

The word "dollar" is an Anglicised form of the German word "thaler", the name given to silver coins minted in the 1500's in Joachimsthal in what is now the Czech Republic. Later on, the English version of thaler (dollar) was applied to the Spanish peso or eight-real piece (also known as "pieces of eight", fa-

(Continued on page 4)

Money Talk

The symbol **$**, usually written before a numerical amount is said to be the result of a late 18th-century evolution of the abbreviation "p^{s}" for the peso (known in English as a Spanish dollar). The p and the s eventually came to be written over each other giving rise to $. After independence, the U.S. chose this symbol to denote its new currency. The term "dollar" is used by numerous countries whose currencies do not share a common history with Spanish dollars. Many of these countries adopted the name “dollar” for their currencies after moving from a £-based to a decimalised monetary system. Examples of other dollar currencies include the Canadian dollar, Australian dollar, New Zealand dollar, Jamaican dollar, Namibian dollar and Zimbabwe dollar.

mously used in tales of pirates in the Caribbean).

Prior to gaining their independence, Britain’s North American colonies began to issue their own paper money to serve as a convenient medium of exchange and to pay debts. But when colonial governments issued too much money, inflation resulted. This depreciation of colonial currency was harmful to creditors in Britain when colonists paid their debts with money that had lost value. As a result Britain restricted the colonies’ rights to print paper money. These restrictions created tension between the colonies and Britain, and have been seen as a contributing factor to the American Revolution.

In 1775, when the colonists were preparing to go to war with Britain, the U.S. Continental Congress began issuing paper money known as Continental currency, or “Continentals”. As a result of the popularity of the Spanish dollar in the colonies, the rebel colonies chose to denominate their currency in dollars, rather than pounds. To finance the war with Britain, the various colonies printed vast numbers of Continental dollars, and the British also waged economic warfare by counterfeiting “Continentals” on a large scale. The value of Continental dollars depreciated so badly that they became almost worthless, giving rise to the phrase "not worth a continental".

After the U.S. won its independence from Britain, the term “dollar” was chosen for the monetary unit of the new nation. With the fate of the Continental dollars in mind, the U.S. Constitution made no provision for paper currency. Until the American Civil War in the mid-1800’s, the U.S. government did not issue paper money as we know it today. U.S. currency consisted of dollar coins and foreign coins, including the Spanish dollar and Mexican peso, both of which remained acceptable as legal tender until 1857.

Paper banknotes were introduced into the American financial system in 1861 to help finance the Civil War. Abraham Lincoln’s government brought these into circulation by using them to pay salaries of government workers and soldiers. Mindful of the British strategy of forging American banknotes during the War of Independence, and as photographic technology of the day could not reproduce colour, it was decided that the reverse of the new dollar bills would be printed in a color other than black. The colour green was selected and these bills became known as "greenbacks". This started a tradition of the U.S. printing the back of its money in green and the term “greenback” was applied to future issues of paper U.S. dollars.

There are some regulations to which the U.S. Treasury must adhere when designing dollar banknotes. The U.S. national motto "In God We Trust" must appear on every banknote and the portraits appearing on the banknotes can feature only deceased individuals. At some point, a committee decided to feature only portraits of U.S. Presidents but other statesmen have also appeared. Given the tendency for the faces of departed former leaders to appear on U.S. dollar banknotes, dollar notes have also become known as “dead presidents”; this even though two statesmen appearing on the current dollar bill series were never president: Alexander Hamilton, the first Secretary of the Treasury, appears on the $10 bill, and Benjamin Franklin, a signatory to the Declaration of Independence, appears on the $100 bill.

US dollars are currently printed in denominations of $1, $2, $5, $10, $20, $50, and $100. At one time, however, U.S. currency included five larger denominations. Notes in the denominations of $500, $1,000, $5,000, $10,000, and $100,000 were printed, although the last-mentioned denomination was never officially released for public use. The common use of notes above $100 by organized crime prompted President Richard Nixon to issue an executive order in 1969 stopping their use.

One of the unusual characteristics of U. S. dollar banknotes is that all denominations are the same size and are largely the same combination of black and green. In recent years, this resulted in a lawsuit being brought by the *American Council of the Blind* in terms of which the court ruled this practice denies the blind "meaningful access" to the U.S. currency system. The judge noted that the U.S.A. “was the only nation out of 180 issuing paper currency that printed bills that were identical in size and color in all their denominations”. As a result of the court ruling, it is planned that a raised tactile feature on each bill will be included in the next redesign.

For now, the U.S. dollar remains the world’s dominant currency. However, the Euro is becoming increasingly important; as from September 2012, the Euro surpassed the U.S. dollar as the currency having the highest combined value of banknotes and coins in circulation in the world. There have also recently been increasing calls to replace the U.S. dollar with a single international currency, to the extent that at a meeting of G8 leaders some years ago, former Russian President (now Prime Minister) Medvedev cheekily produced a sample coin of his proposed “united future world currency”.