FINANCIAL INFORMER

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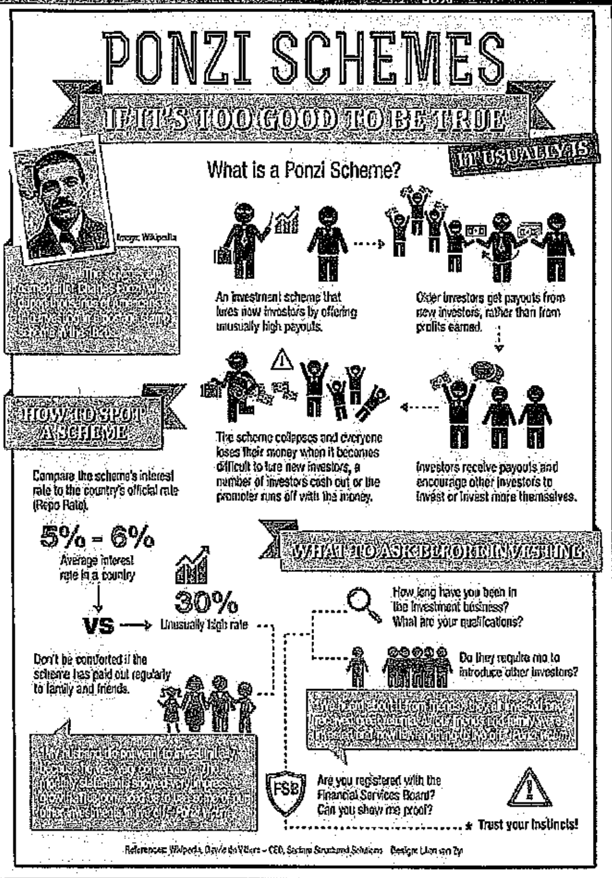
Medical schemes may not exceed the stipulated maximum penalties (as per the table), but they may, at their discretion, reduce it.

Another fact to be taken into consideration, is that membership of overseas medical schemes will not count as membership years in South Africa.

Late joiner penalties, if applicable, are charged for as long as you are a member of a medical scheme. Members are therefore encouraged to join a medial scheme early in life to avoid these penalties later in life.

Content provided by medical aid specialist Elmarie Jensen



How to spot a Ponzi

South African investors continue to fall victim to so-called Ponzi or pyramid schemes.
Lured by promises of massive interest or profit, they are soon fleeced of their entire "investment".

These are not investments but elaborate scams that enrich the founder while eroding investors' capital in order to pay out unsustainable returns. As soon as new investment dries up, the Ponzi scheme collapses, leaving most participants severely out of pocket.
The latest scheme to hit the headlines is the South African based Belvedere, which is alleged to have collected as much as R200 billion from investors.

Above is a graphic illustration to help and prevent investors falling prey to such schemes:

Scenario 1:

Peter is 46 and applies for medical aid membership. He only belonged to medical scheme for 4 years from the age 29 – 32 years.

Formula to calculate Peter's late joiner penalty:

46 – (35 + 0 [there were no years of membership after age 35]) = 11

Peter's number of years without medical aid cover after the age of 35 and his current age are 11 years. He therefor qualifies for a 25% late joiner penalty on his monthly contribution. If the monthly contribution of the option he wants to join is R1 000 per month, his premium will therefore be R1 000 plus an extra 25% = R1 250.

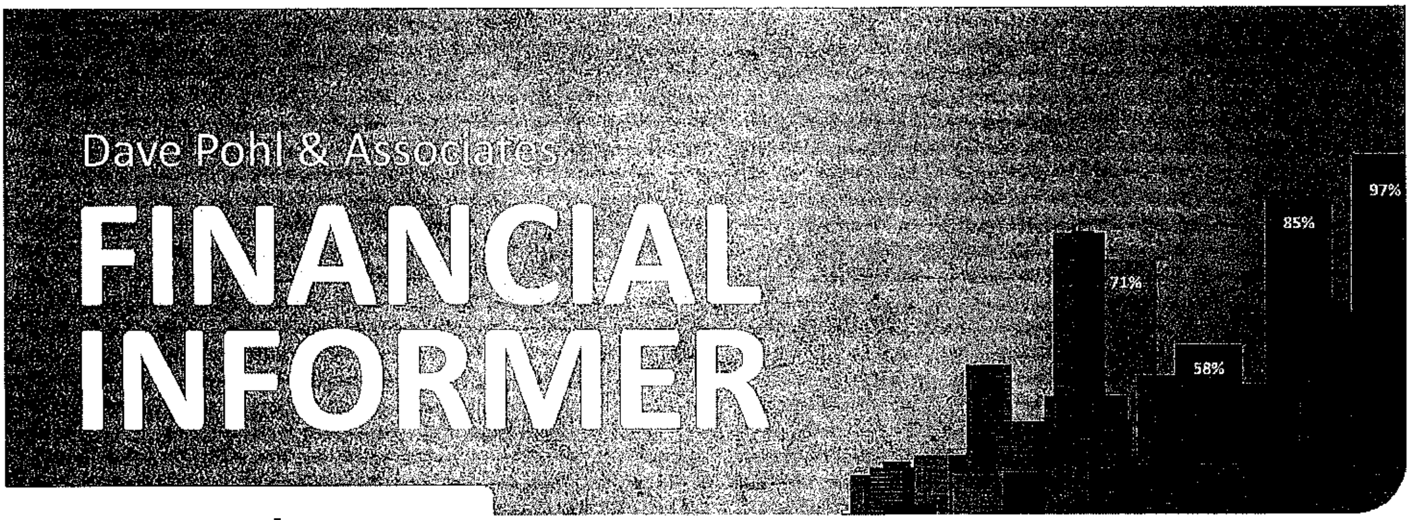
Scenario 2:

Mary is 63 and applies for medical aid membership. After the age of 35, she belonged to a medical scheme for 3 years for from the ages 36 – 38 years and again for 7 years from 42 – 48 years.

Formula to calculate Mary's late joiner penalty:

63 – (35 + 3 + 7) = 18

Mary's number of years without medical aid cover after the age of 35 and her current age are 18 years. She therefor qualifies for a 50% late joiner penalty on her monthly contribution. If the monthly contribution of the option she wants to join is R1 000 per month, her premium will therefore be R1 000 plus an extra 50% = R1 500.



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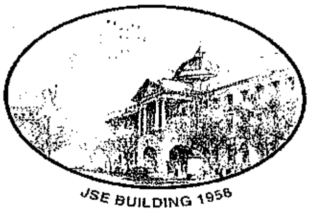

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Johnny come lately

According to the Medical Schemes Act, a medical scheme may not refuse your membership application if you are a South African citizen, but they may impose what is called a late joiner penalty.

The funding model for medical schemes is based on the principle of cross-subsidisation. Generally speaking, younger / healthier members contribute for a reasonable period whilst not claiming anything major. During this period, they subsidise the higher claims of generally older / more sickly members. Over a period of time, the younger members will get older and will in turn benefit from the younger / healthier members who contribute to the risk pool. Selective abuse of medical scheme funds where large claims may be made shortly after joining a scheme at an older age, would result in increased contributions for all members.

What is a "late joiner"?

Late joiner penalties may therefore be applied in order to protect medical schemes from this so-called anti-selection practice of joining a scheme at a later stage in life when you are more likely to need expensive cover.

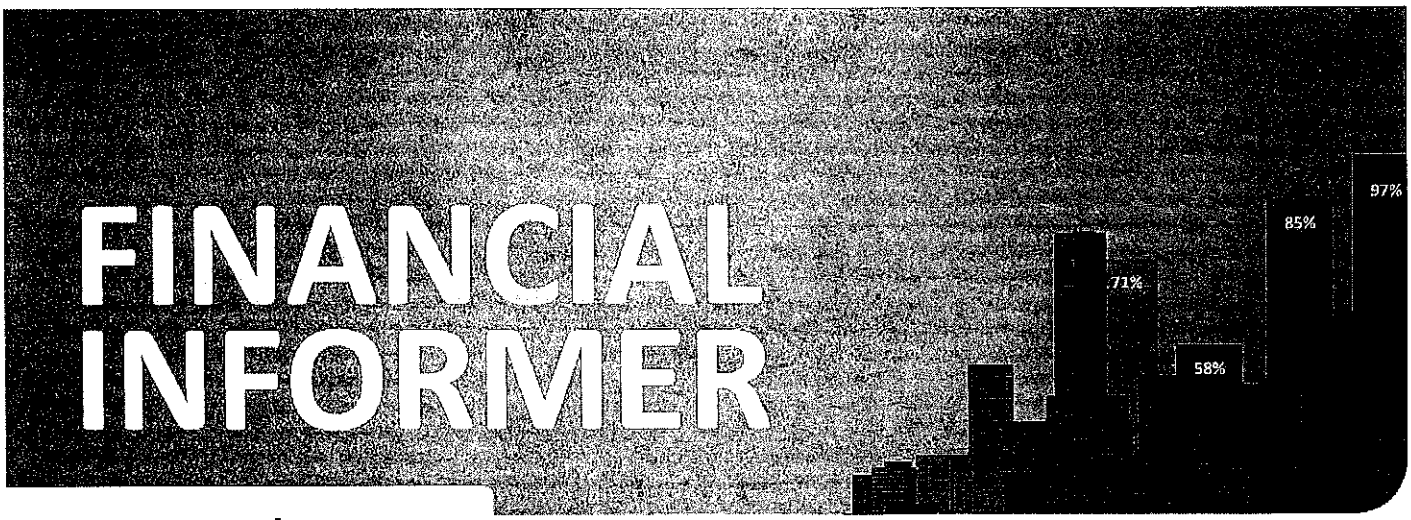
A "late joiner" refers to an applicant, or an adult dependant of an applicant who, at the date of application for membership or admission as a dependant, is 35 years of age or older and who was not a member of one or more medical schemes as from a date preceding 1 April 2001, without a break in coverage exceeding 3 consecutive months since 1 April 2001.

The penalties

Late joiner penalties depend on the number of years the applicant was a member of another medical scheme(s) after the age of 35, or the number of years he / she had no cover at all.

Late joiner premium penalties shall not exceed the following bands:

Penalty bands (No. of years of no cover after age 35)	Maximum penalty
1 – 4 years	0.05 x monthly contribution
5 – 14 years	0.25 x monthly contribution
15 – 24 years	0.50 x monthly contribution
25+ years	0.75 x monthly contribution



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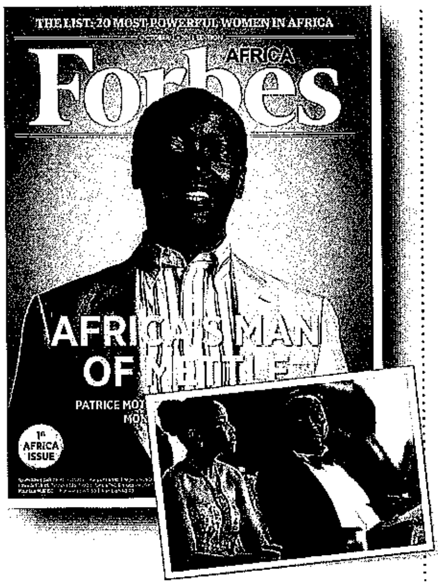


Powerhouse African Joint Wills

Dr. Precious Moloi-Motsepe & Patrice Motsepe

The Motsepes are South Africa's richest black family with a net worth estimated at over $2.5 billion by Forbes. Quite notably, they recently announced that they will follow the footsteps of Bill Gates and Warren Buffett and donate half of their wealth to philanthropy efforts.

Maria Ramos & Trevor Manuel

She led the turnaround of South Africa's rail transport industry during her tenure as Group Chief Executive of Transnet Limited; he spearheaded the country's Finance Ministry for over a decade. Separately, they are both highly respected in their individual politics and business sectors, together, Maria Ramos and Trevor Manuel can quite easily be called South Africa's Royal Finance Couple.

Two to Tango

The execution of a Will is one of the most important duties a person undertakes during their lifetime. For a married couple, a Will has such far reaching consequences for the survivor of them that the planning and execution of their Will is often a combined effort, and their instructions are recorded in a combined document which is commonly called a "joint" or "mutual" Will. This article examines how a joint Will works and dispels some myths about this type of Will.

What is a Joint Will?

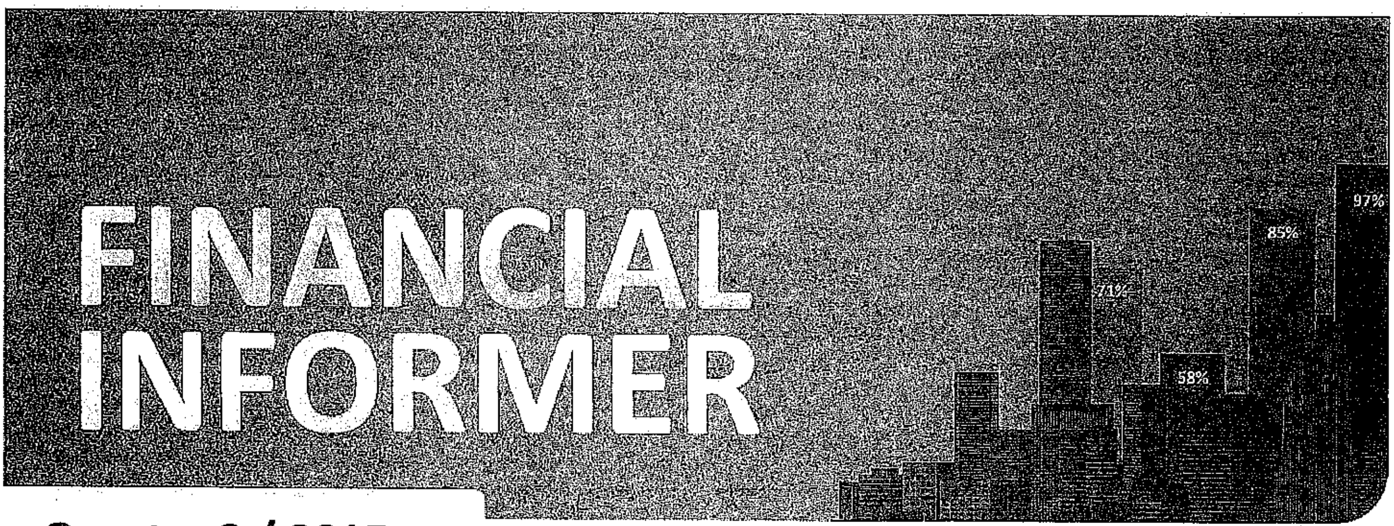
Essentially a joint Will is simply the instructions of two (or more) persons recorded for the sake of convenience in one combined document. It does not create a binding contract between the makers: either or both parties can separately cancel or amend his or her "part" of the Will, without the consent - or even the knowledge - of the other party. The normal rules relating to Wills apply: the Will must be signed by each party in the presence of two witnesses. The two Will makers need however not sign the document in each other's presence; so long as two witnesses witness and attest the signing of each of the two parties, the joint Will is valid.

Who can make a Joint Will?

Whilst joint Wills are commonly executed by married couples, any two or more people may make a joint Will, whether they are related or not. Thus three business partners, three siblings, parents and any number of their children, or even complete strangers could make a joint Will! So long as the formalities relating to the execution of a Will are complied with, such a Will would be valid.

Is a Joint Will binding on the survivor?

As a joint Will in itself not a binding agreement between the makers, the general rule is that the survivor can accept benefits given by the first-dying in the joint Will and then subsequently amend or cancel his or her "portion" of the joint Will, or make a new Will as he or she sees fit. The exception to this rule is if the parties intended in the joint Will to "mass" their estates (i.e. to irrevocably combine and dispose of their combined estate on an agreed basis), and the survivor accepted the benefits of such massing on the death of the first-dying. If this happens then the survivor is bound by the terms of the massing and the massed estate will devolve as determined in the original joint Will. But it is important to note that even if parties mass their estates in a Will, the survivor may on the death of the first-dying, repudiate the massing and in that way avoid being bound by the "agreed" terms of massing.



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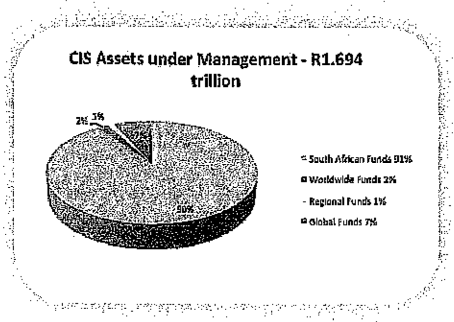
Pitfalls of a Joint Will

There are a few issues to watch out for when executing a joint Will. However, these pitfalls can be overcome and often the convenience of executing a Will together will outweigh the potential pitfalls.

The first potential pitfall arises from a common construction of a joint Will. The parties often declare that if one of them survives the other for a stated period of time e.g. 30 days, then the survivor will inherit the first-dying's estate, but if they die together then each of their estates will devolve on others, such as children. The problem is that unless worded carefully, if the survivor survives the first-dying by more than the stated number of days but then dies some time after that, one could find that the original joint Will makes no provision as to how the survivor's estate must devolve. This has the unintended consequence of leaving the survivor dying "intestate" i.e. as though he or she left no Will.

The other problem is a practical one: on the death of the first-dying the original joint Will is lodged with the office of the Master of the High Court having jurisdiction, who retains the document permanently. If when the survivor dies, it is found that a different Master's office has jurisdiction (e.g. the survivor had relocated to a different part of South Africa), then there will be delays in the filing of the estate of the survivor as a Master sealed copy of the original joint Will has to be obtained from the first Master's office before the winding-up of the survivor's estate can commence.

As with the making of any Will, makers of a joint Will are advised to obtain specialist advice when planning and executing their parting document.



Strength in Numbers

The collective investment scheme industry in South Africa has shown phenomenal growth over the last 50 years. Beginning with a single equity fund in June 1965 (The Sage Fund, with an asset value of R600,000), the industry has grown to 1,171 funds by the end of 2014, with a total asset value of R1.694 trillion - (ASISA 31/12/2014) . From a single equity fund, the unit trust industry has grown to include money market funds, bond funds, many specialist equity funds, international funds, funds of funds, and index funds.

The sums of money that are exchanged on the JSE make big "blue chip" shares and bonds too pricey for most people. With a CIS, the money from a group of investors is pooled or collected together to form a CIS portfolio. Collective investments thus provide a means for ordinary people to invest in the stock market and to beat inflation by getting good returns. In a way they can be described as a group of people investing for a common interest.

A collective investment scheme is a trust based scheme that comprises a pool of assets that is managed by an investment manager. Each investor has a proportionate stake in the CIS portfolio based on how much money he or she contributed. Collective Investment Schemes used to be known as unit trust due to their legal structure: the word "unit" referred to the portion or part of the CIS portfolio that is owned by the investor; the "trust" is the financial instrument that is created in order to manage the investment.

To protect investors the custody of the underlying investments must by law be separated from the management of the investments. There are a number of distinct parties involved in a collective investment scheme:

- The CIS Manager is the bridge between the various investors and the portfolio or asset manager. The Manager usually handles the administration, marketing and sales of collective investments.
- The Trustee or custodian acts as the caretaker of all cash and securities in a scheme, holding these on behalf of investors. Another of their functions is to ensure that the CIS is run in accordance with the deed of the scheme and the legal requirements. For this reason the trustee must be independent, and cannot be a subsidiary or holding company of the CIS manager
- The Portfolio or investment manager is responsible for investing the pool of investors' money. He or she will decide which securities to hold, when to buy or when to sell.

It is the legal structure of the CIS that gives the average South African investor a secure and affordable way to invest in some of the biggest companies in the country.