PRIVATE WEALTH
MANAGEMENT

PWM CONNECT 3rd Edition 2023

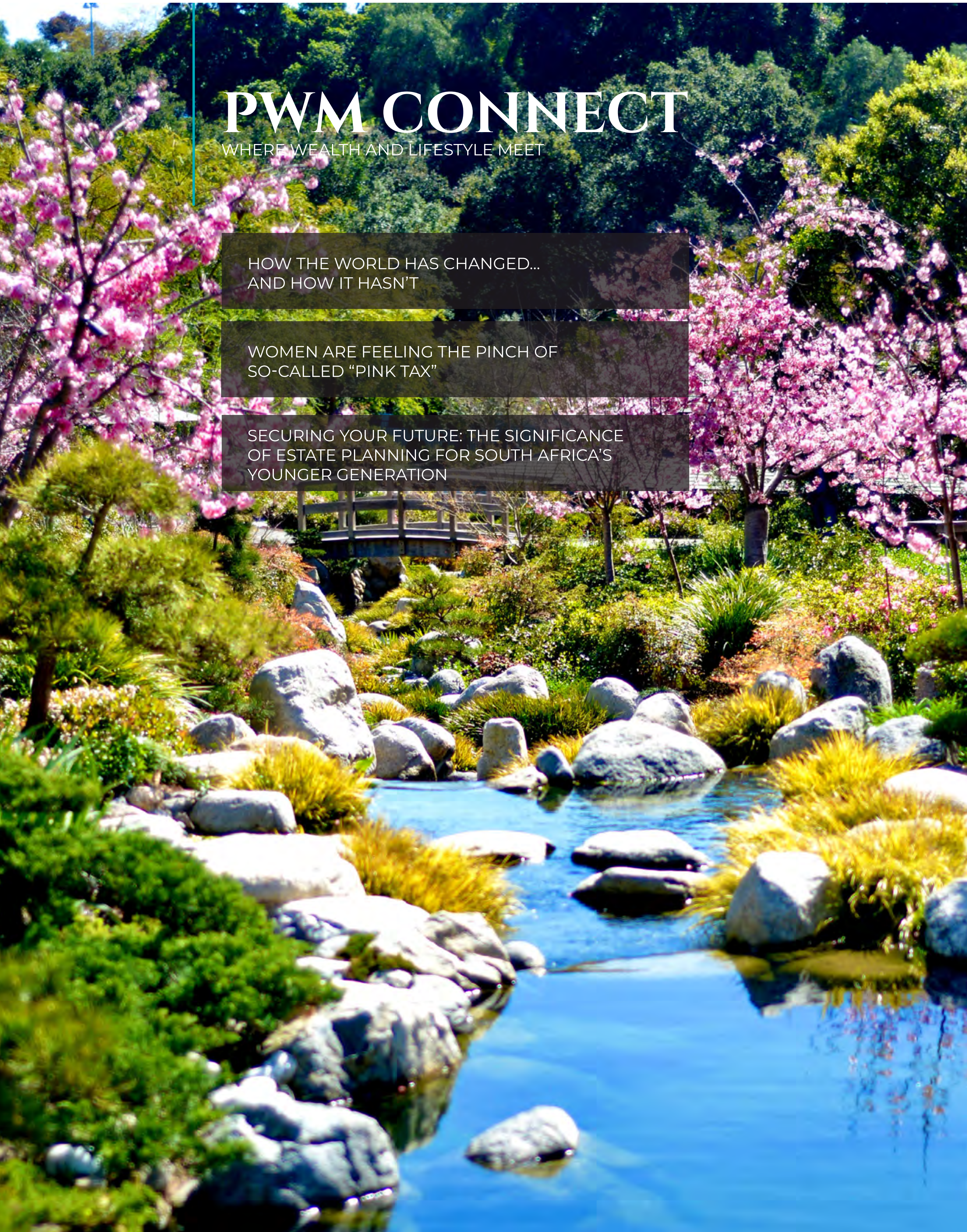
PWM CONNECT

WHERE WEALTH AND LIFESTYLE MEET

HOW THE WORLD HAS CHANGED...
AND HOW IT HASN'T

WOMEN ARE FEELING THE PINCH OF
SO-CALLED "PINK TAX"

SECURING YOUR FUTURE: THE SIGNIFICANCE
OF ESTATE PLANNING FOR SOUTH AFRICA'S
YOUNGER GENERATION



WHAT'S INSIDE

A WORD FROM PIETER

Welcome to the third edition of our PWM Connect newsletter for this year. In September, we usually have “Wills Week” where some financial institutions offer free will-drafting services to the public.

Death is not a topic everyone feels comfortable to discuss. However, it is a very important one when it comes to how your assets will be taken care of in the event of your untimely death. One of the questions you may ask yourself is: What will happen to the investments you have built up and contributed to over so many years? Have you thought about inter-generational wealth planning?

Intergenerational wealth planning can be described as leaving a financial legacy for the next generation. It is the continuation of wealth to the next generation within one family. Have you considered putting a plan in place to ensure that your local and offshore investments, shares, personal or business assets and property etc. are geared towards continuing to grow your financial legacy?

Having a family wealth plan in place holds several benefits – including tax efficiency within certain investment solutions when you pass on your wealth, giving your children a good head start and helping them to achieve their financial goals. Your family will be able to maintain the standard of living they are accustomed to and you will protect the wealth you managed to generate. You will also have some form of control over what happens to your investments and assets in the event of your death.

There is a large number of financial planning tools and options available to ensure that you have a proper plan in place. Our business has recently secured additional resources to effectively assist clients who are looking for familyoffice type solutions that include intergenerational wealth planning.

Have you spoken to your financial planner lately about the legacy you would like to leave behind for your children? Do speak to your financial planner, who will be able to assist you in creating a plan to leave a legacy for generations to come.

Enjoy the read.

Pieter

HOW THE WORLD HAS CHANGED... AND HOW IT HASN'T

By Izak Odendaal | Investment Strategist | Old Mutual Multi-Managers

When the Covid pandemic hit, it was clear that there would be deep and lasting changes economically, socially, culturally and politically in many countries. We just didn't know exactly when, where and how. Even now, almost four years later, it might still be too soon to tell.

Some disruptions were temporary. For a few weeks in March 2020, the world ran out of toilet paper. That wasn't a problem that lasted very long. Other shortages were more persistent, particularly after the Russian invasion of Ukraine complicated already-stretched global supply chains. But for the most part, these bottlenecks have cleared. A simple indicator is the cost of moving a container from Shanghai to Los Angeles, one of the world's busiest shipping lanes. It was around US$2 000 before Covid, but the price shot up to above $12 000 in 2021. It is now back to $2 500.

We can still list a number of important ways in which the world is different today, noting that in some cases, Covid just supercharged trends that were bubbling under the surface. The obvious example is the use of online meeting software like Zoom or Teams. The technology existed, but it took the pandemic for people to realise how useful it could be, especially for routine information-sharing sessions where face-to-face contact is not necessary. Think of the millions of hours of travel time saved across the world. However, the flipside is of course less income for airlines and hotels, and half-empty office buildings. That said, it is too early to tell if the shift to remote working has fully settled. Several large companies across the world are pushing to get employees back in the office more regularly, even as others are happy to remain fully remote. Whatever the new equilibrium, it will be different to the old nine to five, five days a week in office schedule.

HIGHER FOR LONGER

From a financial markets point of view, the biggest change has been interest rates. Before the pandemic hit, it was widely and reasonably assumed that global interest rates would remain low. But the combination of massive government spending, supply chain snarl-ups and wild commodity price moves caused inflation to rise to the highest levels seen in rich countries since the early 1980s. Interest rates followed suit.

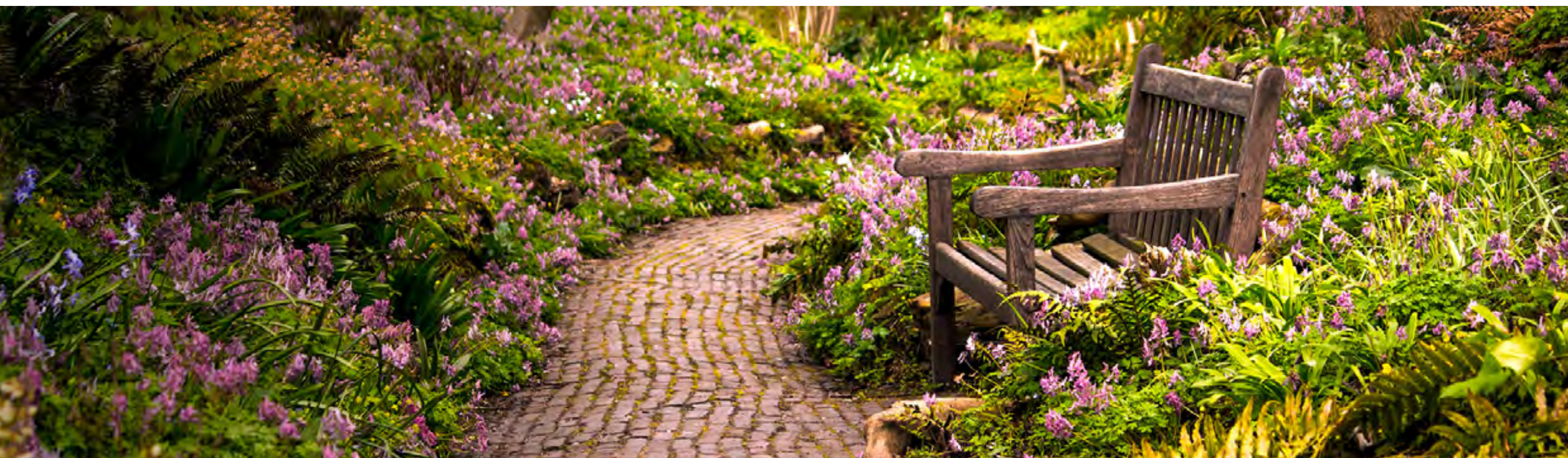
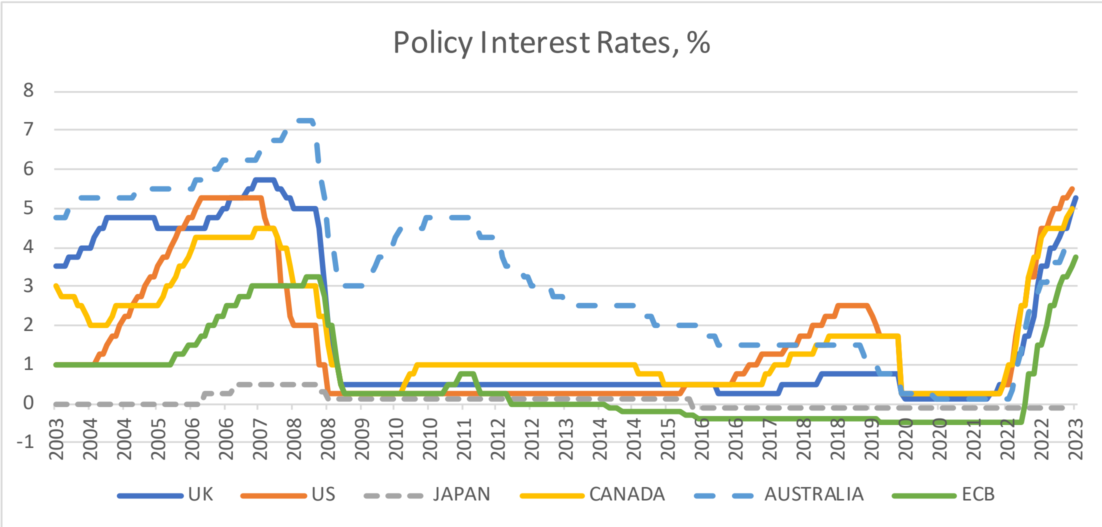


CHART 1: CENTRAL BANK POLICY RATES

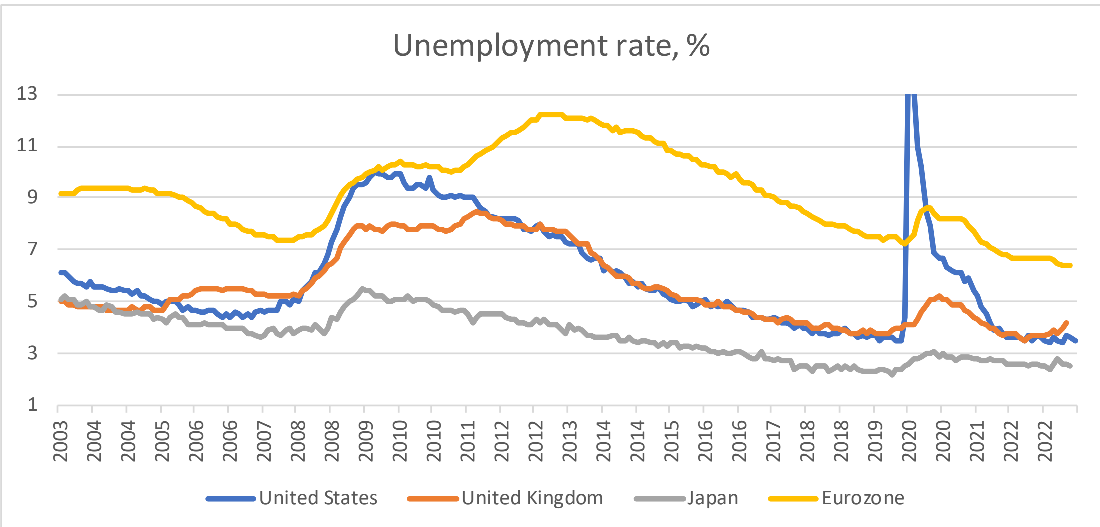


SOURCES: REFINITIV DATASTREAM/OLD MUTUAL MULTI-MANAGERS

And while the increase in global rates is probably largely over, there is no sign that central banks will be cutting rates anytime soon – even though inflation has declined meaningfully. Using the US as an example (since it is the most important economy in the world), inflation peaked at 9% in mid-2022 and is now down to 3%. However, the US Federal Reserve (Fed) has an inflation target of 2%, and it will want to have confidence that inflation is going to fall and stay down.

The Fed lacks this conviction because of very low unemployment. This is another Covid surprise. Across the rich world, there has been a post-pandemic shortage of workers, partly because of early retirement, partly because of immigration restrictions, and partly for health reasons.

CHART 2: UNEMPLOYMENT



SOURCES: REFINITIV DATASTREAM/OLD MUTUAL MULTI-MANAGERS

As long as labour markets remain tight, there is likely to be strong wage growth that will raise households' spending power. This in turn can put continued upward pressure on consumer prices. Central banks will not want to repeat the mistake of the 1970s and declare victory prematurely. Therefore, it looks like interest rates will remain higher for longer.

This is a major shift from the pre-pandemic era of low interest rates, and not necessarily one that businesses and financial markets have adjusted to.

CHINA LOOKING WOBBLY

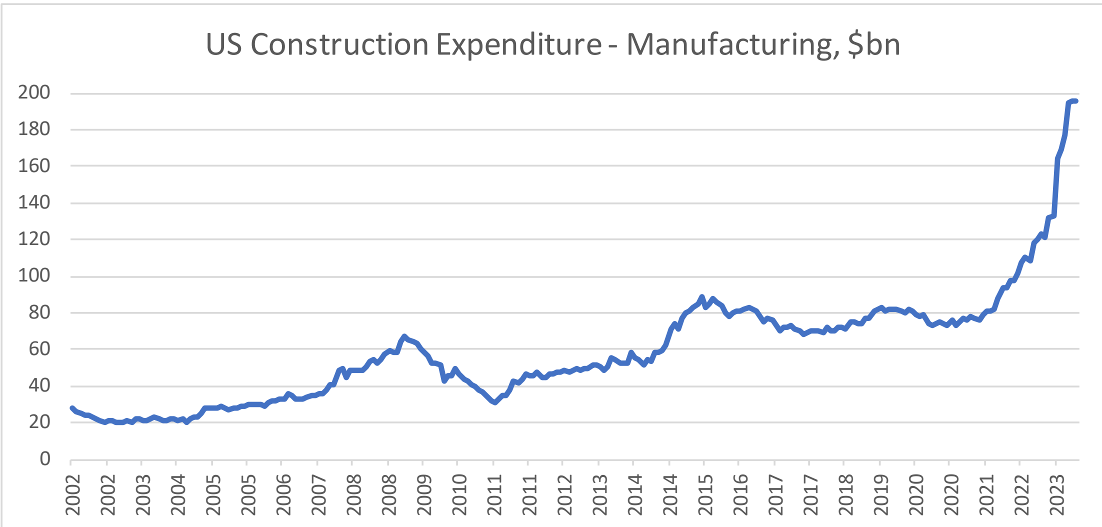
The economy that was the last to exit Covid lockdowns, China, is looking very wobbly. Instead of a post-lockdown boom in spending, confidence levels have slumped and economic indicators declined. Inflation, still elevated in the rest of the world, is veering into negative territory in China. This is indicative of very weak demand, as the underlying problems of too much debt, a bursting property bubble and declining population growth have come to the fore.

The People's Bank of China has therefore been cutting interest rates, in contrast to the Fed and other developed central banks who are still hiking. It is not clear whether this will be enough though. House prices have been falling across major Chinese cities, which is a big blow to consumer confidence in a country where homeownership levels are high, and property is the main form of wealth.

Of course, all of this happens against the backdrop of a deteriorating relationship between the US and China, the two biggest economies across the globe. This fracture has been years in the making, and some will point to examples from millennia ago showing that conflict between the established and rising superpowers is inevitable (the so-called "Thucydides Trap"). However, Covid convinced business leaders and policymakers of the importance of having resilient and reliable supply chains in contrast with cheap and efficient ones. "Reshoring", "friendshoring" and "nearshoring" are the buzzwords of the moment, reversing the "offshoring" trend of the previous three decades whereby firms moved production to where it was the cheapest, i.e. mostly to China.

Countries like Mexico, India and Vietnam are emerging as new favoured destinations, but so is the US itself. Spurred on by billions in Biden administration subsidies and tax breaks for batteries, green energy and semiconductors, factory construction has surged to record levels in the US. Expect to see other rich countries also spending more to support such activity.

CHART 3: US CONSTRUCTION EXPENDITURE



SOURCES: REFINITIV DATASTREAM/OLD MUTUAL MULTI-MANAGERS

South Africa is not immune to any of these trends. Higher global interest rates have already put pressure on the rand and forced local interest rates higher too. China's weakness is not good news for South Africa, given that it is such a big commodity importer. We have also seen how South Africa has struggled to navigate the growing East-West divide with its clumsy neutrality on the war in Ukraine. All this while the economy continues to recover from the shock of the pandemic. For instance, employment levels only regained the pre-Covid peak in the second quarter of 2023, though the biggest headwind these days is self-inflicted: load shedding.

THE LESSON

The lesson of the past four years is clearly that trying to predict the future is a mug's game. There are just too many moving parts, and too many things that can surprise you. It is important to understand what is going on around you, and where that might lead. But any investment strategy that is based on a single specific scenario playing out is risky. For instance, in March 2020, it would have been reasonable to predict that the world faced a massive financial crisis. It would also have been wrong. Markets recovered quickly and investors who maintained at least some equity exposure did well.

To use a very different example, Zoom's share price surged almost tenfold from US$68 to $537 when the pandemic hit. However, that dramatic increase priced in a future that was way too rosy for the company, one where all work was presumably done online and none in person, and all on Zoom, not any competitor platforms. Today, the share price is back around $71. Blindly extrapolating a recent trend can also be risky. Investment markets are still subject to gravity, even in this post-Covid world.

So, does this changed world require a different approach to investing? Certainly, all these disruptions have created tactical opportunities to increase or decrease exposure to asset classes or shares. But the basic principles of investing remain unchanged. It is still about valuation, patience and diversification.

WOMEN ARE FEELING THE PINCH OF SO-CALLED "PINK TAX"

By Andrew Whitewood | Managing Director | PWM Wealth Management

The world is feeling the pinch. With higher than normal inflation, especially in developed markets, and the rapid increase in interest rates, the traditional middle class is under enormous pressure.

Considering the above, I read a very interesting article about "Pink Tax". We have just celebrated the beautiful women of South Africa, so I thought it best to unpack this concept in a little more detail.

Pink tax refers to gender-based price disparities. In a government study in the United States, over 800 products from over 100 companies were analysed, and the results were rather astounding. Personal care products for women were on average 13% more expensive that those for men, with women's clothing items being nearly 8% more expensive versus men's. Across the pond, in the UK, it was noted that facial moisturisers for women were over 30% more expensive than those for men.

Closer to home, there are some really interesting or, should I say, alarming statistics:

- About 65% of females spend over R200 for a haircut compared to just 8% of males.
- Approximately 30% of women claim to spend over R1 500 per annum on medical screening where the statistic for men drops to only 16%.
- And so it could go on.

The point is, why is there this disparity between what women pay for items versus what their male counterparts pay? Is there an actual reason why a specific product for women is more expensive than a similar product for men? I would assume in certain instances the difference may be substantiated. Are individuals paying more for the name, brand, or the trust imbedded in the brand, etc.? The dynamics we experience on a daily basis are very interesting, but we as human beings can be too accepting of these.

Context is important, considering the sharp rise in interest rates and the cost of living. We as South Africans have felt the pinch before. So, this is where basic principles need to be applied – like budgeting, living within your means, shopping around for those specials, and thinking about deferring gratification rather than seeking instant gratification.

(There are multiple online sources on this subject.)

Disclaimer:
Please note that the information provided in this article was in line with the statistical data available on the date of producing the article.

SECURING YOUR FUTURE: THE SIGNIFICANCE OF ESTATE PLANNING FOR SOUTH AFRICA'S YOUNGER GENERATION

By Jurie de Kock | Financial Planner | PWM Cape Town

Being in my 30s I can talk from experience that estate planning is not a topic of conversation at any of the braais or social gatherings I attend.

Estate planning is an often-overlooked aspect of financial management, especially among the younger generation in South Africa. Many young individuals may think estate planning is only for the wealthy or older adults. Yet, having an estate plan in place is one of the most precious things you can do for your family, whether you are 18 or 80.

By engaging early in estate planning, young people can safeguard their assets, protect their loved ones and ensure their wishes are carried out in the event of the unforeseen happening. This article aims to shed light on the importance of estate planning for the younger generation in South Africa.

WHAT IS AN ESTATE PLAN?

Planning your estate refers to crafting the documents and processes to be followed upon your death to ensure your loved ones are taken care of. By doing estate planning you are therefore ensuring that your assets are distributed as per your wishes, whilst at the same time checking that there is enough liquidity available in your estate to give effect thereto.

IMPORTANT ELEMENTS OF A YOUNG ADULT'S ESTATE PLAN

- Last will: A standard will be the backbone of any estate plan, but it doesn't cater for all your needs, and all wills must go through the process of winding up an estate – the legal system for distributing the assets in an estate.
- Living will/Advanced healthcare directive: These documents can ensure that someone you know and trust will make medical decisions on your behalf you should you become unable to do so yourself.
- Living (inter vivos) trust: By transferring assets to an inter vivos trusts, assets are managed by trustees on behalf of beneficiaries (which could include the person that transferred such assets and other nominated beneficiaries, such as dependants). Such assets are thus effectively removed from the estate of the person that made the transfer, thus avoiding the lengthy process of winding up an estate on death. Proper advice should however be sought from a qualified financial planner to advise you on the tax consequences of transferring assets to an inter vivos trust.

- Life insurance: A simple life insurance plan (which is incredibly affordable for young people) can help pay off debts like car loans or private education loans and costs associated with the winding up of an estate, as well as making provision for the needs of dependants.
- The usernames and passwords of digital assets, such as cryptocurrency, should be kept safe, but your executor or another person that you trust should be informed where to access this information on death. In the absence of making these arrangements, it would be difficult, if not impossible, for your loved ones to access these accounts after your death. Just imagine owning bitcoin, passing away and nobody knows where the passwords are.

WHO SHOULD HAVE AN ESTATE PLAN?

Let me give you a clue. The wrong answer is, only people with lots of assets and investments. Although it is true that an estate plan should be in place for such individuals, it is often not the case.. Speak to your parents and grandparents about estate planning to ensure they have an estate plan in place.

THE RIGHT ANSWER:

If you have reached the legal drinking age, you should have an estate plan. In the eyes of the law, from age 18, you are considered an adult and your parents are not responsible for your financial decisions anymore. An estate plan is even of greater importance if you are married or in a relationship that is of a permanent nature, especially if you have minor children.

WHY SHOULD YOUNG SOUTH AFRICAN ADULTS HAVE ESTATE PLANS AND VALID WILLS?

- If you live with (or own a home with) a partner but aren't married, you can ensure that your assets go to them.
- You may have more assets than you realise (a car, cell phone, laptop, jewellery, family heirlooms etc.). Even a small estate will have costs associated with the winding up process after death. Where no will exists, your estate will be wound up in terms of the law of intestate succession, which may not be in line with your wishes. It also means that the Master of the High Court will have to nominate an executor. If a will is in place, you can nominate an executor of your own choice. Dying without a will means that your next of kin will have to deal with additional issues on top of dealing with the grief of losing someone so young. Having a proper estate plan in place will ensure that provision is made for costs associated with the winding up your estate, debt, tax liability and loss of financial support for dependants.
- If you have a child, you should start planning to ensure that they're financially secure, which includes nominating a guardian in the case of minors. If you don't express your wishes in your will and there is no surviving guardian, it will be up to the court to appoint a guardian – who might not have the same values or parenting style as your own. (You can make provision same for your pets too!)
- If you pass away without a valid will, regardless of your age, you are essentially subjecting your loved ones to prolonged and needless hours of frustration as they navigate the complexities of dealing with the Master of the High Court over several months or even years. Having a valid signed will in place can help alleviate these burdens and ensure a smoother process for your family and beneficiaries.
- If you have any kind of debt (credit card, store card, vehicle finance etc.) you should have a plan in place to prevent assets in your estate being sold or your loved ones ending up having to pay your debts.
- If you do have a significant amount of assets, setting them up as part of a living trust can save your family and heirs the hassle (and cost) of going through the estate administration process. The tax consequences of such a decision should however be carefully considered.

WHO WILL GUARD THE GUARDIANS?

The Guardian's Fund is responsible for receiving and managing inheritance money on behalf of individuals who are legally incapable of managing their own affairs, such as minor orphans, unborn heirs and missing persons. Recently, it was discovered that about R18 million had been misappropriated from the Fund, resulting in the suspension of four officials. Payments have subsequently been frozen with the effect that, by 26 June, more than 2 600 of the 5 035 beneficiaries who rely on the Fund were yet to be paid their money.

The Guardian Fund falls under the Master of the High Court and the Department of Justice and Constitutional Development, with all money being invested with the Public Investment Corporation. However, the above is not the first instance of misappropriation; it's the third case in as many years.

It is therefore advisable that individuals are advised to set up testamentary trusts in their wills. Testamentary trusts play a crucial role in safeguarding the financial security and well-being of beneficiaries, providing a framework for the management and distribution of assets upon the testator's passing.

In addition to setting up testamentary trusts, individuals should also designate guardians for their minor children in their wills and nominate the executor of their estate and trustees of the testamentary trust. The will should reflect how assets should be distributed to beneficiaries and at what age minor children (if any) should inherit the money and assets.

Creating a testamentary trust can be expensive, but some companies offer insurance products that can help cover legal costs.

IN CONCLUSION

Estate planning is a vital component of financial planning, for both South Africa's younger and older generation. By starting early, individuals can protect their assets, provide for their loved ones, and ensure their wishes are carried out both in life and after death. Estate planning need not be a daunting or costly exercise, and numerous resources are available to help young people take the first steps towards securing their future and that of their loved ones. Remember, it is never too early to start planning for the unknown, and a well-crafted estate plan can provide invaluable peace of mind and security for years to come.

Every individual's estate planning needs are different, and the processes and laws for estate planning vary by country, so it is important to consult a fiduciary specialist for advice regarding your specific situation. Take the first step towards gaining peace of mind. Contact us to help you set up your very own estate plan or adapting an existing one.

Disclaimer:
The name(s) and/or example(s) used in this article are for illustration purposes only. Each person's circumstances are unique and should be assessed on their own with the assistance of a financial planner before taking any financial steps.

BENEFICIAL OWNERS OF TRUSTS

By Mary-Jane Theron – Snr Tax Manager, KPMG; Nishtha Bhoola – Tax consultant, KPMG

The Financial Action Task Force (**FATF**) is a global inter-governmental body that promotes policies and sets international standards relating to the combating of money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction.

Following a peer review process, South Africa has been identified as a country with strategic deficiencies in countering these nefarious activities. As such, South Africa was placed under increased monitoring (i.e. put on the so-called "grey list") by FATF and is actively working with the FATF to address these strategic deficiencies within agreed timeframes. Failure to address these deficiencies adequately and timeously (i.e. by the end of January 2025 at the very latest) may result in significant reputational damage and financial ostracism (such as the withdrawal of banking and payments services necessary for trade, remittances and other cross-border transfers necessary for economic growth).

In order to be removed from the grey list, South Africa will need to, among others, demonstrate that competent authorities have timely access to accurate and up-to-date beneficial ownership information on legal persons and arrangements, and are applying sanctions for breaches or violations of beneficial ownership obligations by legal persons.

To this end, the Trust Property Control Act, No. 58 of 1988 (the **Act**) was amended with effect from 1 April 2023 by the General Laws (Anti Money-Laundering and Combating Terrorism Financing) Amendment Act, No. 22 of 2022 (the **Amendment Act**), in order to provide for, among others, the establishment and maintenance of registers of beneficial owners of trusts by trustees and the Master of the High Court (the **Master**) and the recording of the details of accountable institutions by trustees. These amendments are intended to ensure transparency with regard to ownership of trust property and to assist in the investigation of financial crimes.

The changes introduced by the Amendment Act include:

- new definition of the term "beneficial owner"; and
- regulations stipulating the information about the beneficial owners of the trust that a trustee must record, keep in a register, and upload to an electronic register at the Master's Office.

DEFINITION OF THE TERM "BENEFICIAL OWNER"

For purposes of the Act, the term "beneficial owner", in respect of the provisions of any trust instrument, is defined to mean:

- The natural person(s) who directly or indirectly ultimately owns/own the trust property;

- The natural person(s) who exercises/exercise effective control over the administration of the trust arrangements that are established pursuant to a trust instrument;
- The founder(s) of the trust where the founder(s) is/are a natural person(s), or all natural persons ultimately behind the founder(s) where the founder(s) is/are a legal person(s), partnership or trust;
- The trustee(s) of the trust where they are a natural person(s), or all natural persons ultimately behind the trustee(s) where the trustee(s) is/are a legal person(s), partnership or trust;
- The beneficiary(ies) of the trust where the beneficiary(ies) is/are a natural person(s), or all natural persons ultimately behind the beneficiary(ies) where the beneficiary(ies) is/are a legal person(s), partnership or trust.

This definition is very broad and essentially encompasses all natural persons who directly or indirectly ultimately own the relevant trust property, benefit from the trust property or exercise effective control of the administration of the trust. The determination as to who the "beneficial owners" of a trust are, needs to be made on a case-by-case basis.

OBLIGATION TO ESTABLISH AND MAINTAIN BENEFICIAL OWNERSHIP REGISTERS

In addition to establishing who the beneficial owners of a trust are, trustees are now also obliged to keep up-to-date records of the following information in respect of ***each*** beneficial owner:

a. full names

b. date of birth

c. nationality

d. an official identity document number or passport number, indicating the type of document and the country of issue

e. citizenship

f. residential address

g. if different from residential address, the beneficial owner's address for service of notices

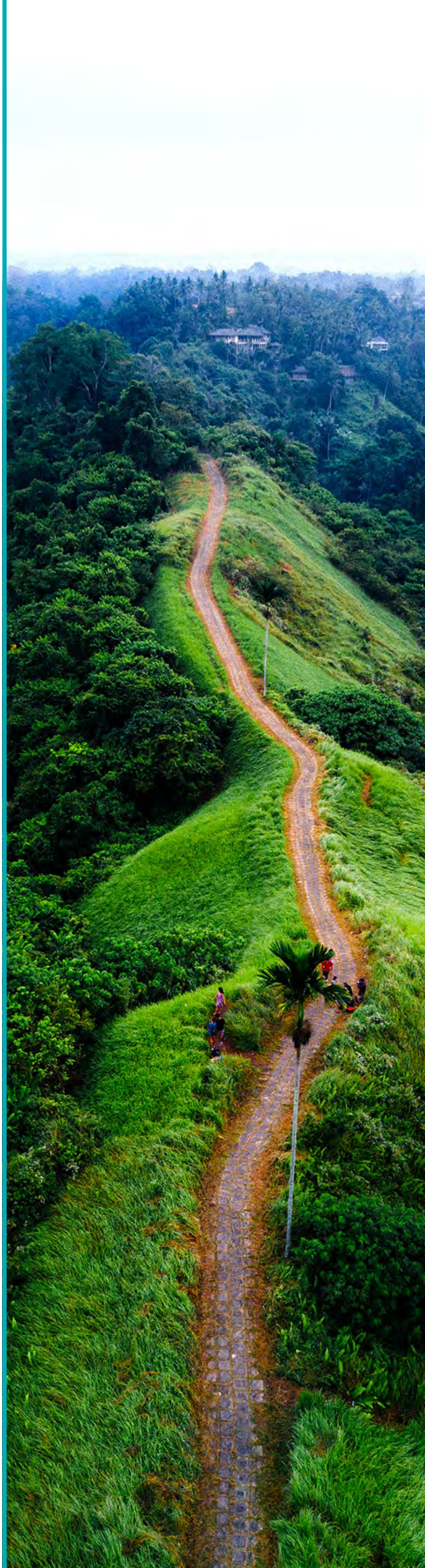
h. other means of contact

i. if the person is a registered taxpayer in the RSA, the person's tax number

j. the class or category of beneficial owner under which the person falls

k. the date on which the person became a beneficial owner of the trust; and

l. where applicable, the date on which the person ceased to be a beneficial owner of the trust.



These beneficial ownership registers must be electronically lodged by the trustees on a platform provided by the Master[1]. As a temporary measure, the Master's website currently provides for the upload of the registers on their portal through Google Forms. In this regard, concerns have been raised by various stakeholders about the protection of personal information, once lodged on the Master's platform. Further, although the regulations provide that any trustee who is unable to upload the registers electronically should visit any Master's Office for assistance, it is unclear how practical a solution this is, given the Master's current capacity constraints.

Furthermore, trustees are obliged to make the information contained in the beneficial ownership registers available to certain stipulated entities and authorities, including:

- the National Prosecuting Authority;
- the Independent Police Investigative Directorate;
- the State Security Agency;
- a Special Investigating Unit;
- the South African Revenue Service; and
- the Financial Intelligence Centre.

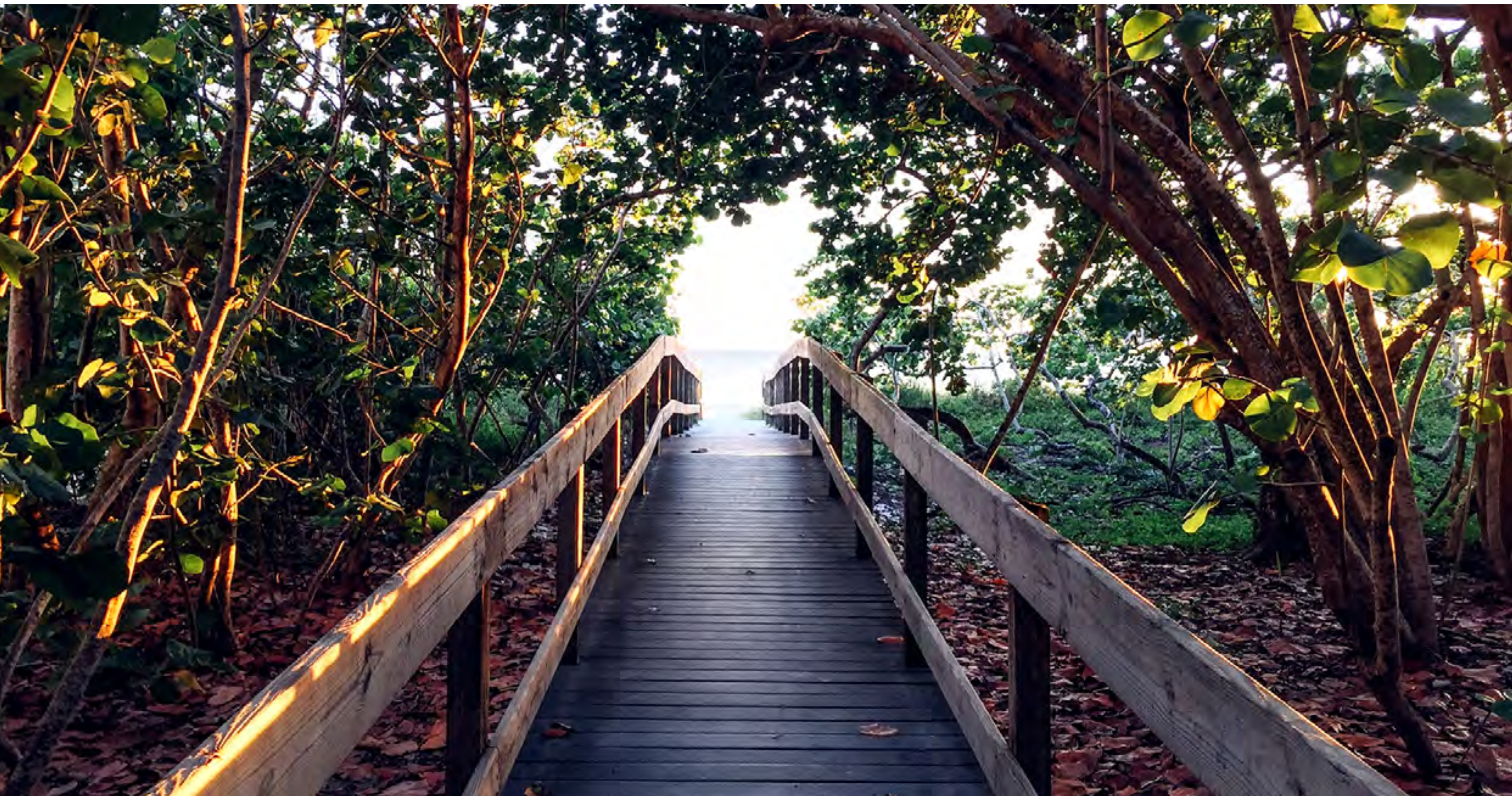
In addition, trustees are required to record the details, as prescribed, of all accountable institutions[2] which the trustees use as agents to perform their functions or from which trustees obtain services.

Trustees who fail to comply with the above may be liable to a fine of up to R10 million or imprisonment for a period of up to five years, or both.

As is evident from the above, the responsibilities of a trustee are very onerous and failure to adhere to the requirements may be met with severe punishment. Thus, accepting the appointment of a trustee under South African law is not for the faint-hearted!

Please contact your financial planner should you need more information.

[1] Masters Office Web Portal - Index (justice.gov.za)
[2] For the purposes of the Act, the term "accountable institution" has the same meaning as assigned to it in the Financial Intelligence Centre Act, No. 38 of 2001, which defines the term so as to include, among others: attorneys, a board of executors or a trust company, or any other person that invests, keeps in safe custody, controls or administers trust property within the meaning of the Trust Property Control Act, estate agents, banks, insurance brokers and investment brokers.



CAPITAL LEGACY
Wills & Estates Specialists

HOW TO CHOOSE AN EXECUTOR FOR THE WINDING UP OF YOUR ESTATE

By Riona Naiker | Estate Practitioner Manager | Capital Legacy

Choosing and nominating an executor for your estate in your last will and testament is an important decision, because that person will be responsible for carrying out the provisions of your will. This includes settling debts, paying taxes and distributing your assets to your beneficiaries. In order to identify a suitable executor of your will, it helps to keep the main duties of an executor in mind and to ensure that they tick all the boxes.

It is also important to note that, if the person you nominated is not a professional executor (i.e. an accountant, attorney or a trust company), they will not be allowed to act as such without the support of a professional executor.

THE MAIN DUTIES OF AN EXECUTOR OF A DECEASED ESTATE ARE:

- Taking control of, protecting and transferring the deceased's assets as per the last will and testament
- Taking care of all the legislative requirements
- Paying all debts and administration expenses from the estate
- Ensuring that the final income tax returns are lodged and that all taxes are paid
- Distributing the assets in the estate.

To ensure that these duties are executed efficiently, you should look for the attributes below in the person you nominate as executor.

TRUSTWORTHINESS

One of the most important qualities to look for in an executor is, of course, trustworthiness. This person will have access to your assets and will be responsible for making sure that your wishes are carried out. You should choose someone who is honest, dependable and known for their integrity. There have been cases where executors have defrauded beneficiaries of their inheritance, so electing someone with a proven track record is important.

AVAILABILITY

Your executor will need to be available to carry out the duties of the position, which may include communicating with lawyers, accountants and other professionals, as well as visiting the office of the Master of the High Court to communicate with the Master's staff if necessary. You should choose someone who has the time and availability to handle these responsibilities. Many people nominate a capable family member without considering the onerous time burden this places on them, often leaving them unable to effectively execute their duty.

FINANCIAL KNOWLEDGE

Your executor will, among other things, be responsible for managing your assets, paying off debts, lodging a full liquidation and distribution account with the Master, and ensuring that your beneficiaries receive their inheritance. It is important to choose someone who has financial knowledge and experience, or who is willing to work with professionals who can assist them in these areas.

COMMUNICATION SKILLS

Your executor will need to communicate with your beneficiaries to explain the terms of your will and answer any questions they may have. The executor may also need to communicate with creditors or other parties who have an interest in your estate. Choose someone who has strong communication skills and is able to explain complex legal and financial matters in a clear and concise manner.

FAMILY DYNAMICS

When choosing an executor, it is important to consider your family dynamics. If you have a large family with multiple beneficiaries, choosing a family member as your executor may lead to conflicts of interest or perceived favouritism. In some cases, the best option may be to choose a neutral third party, such as a lawyer, financial adviser or professional institution to serve as your executor.

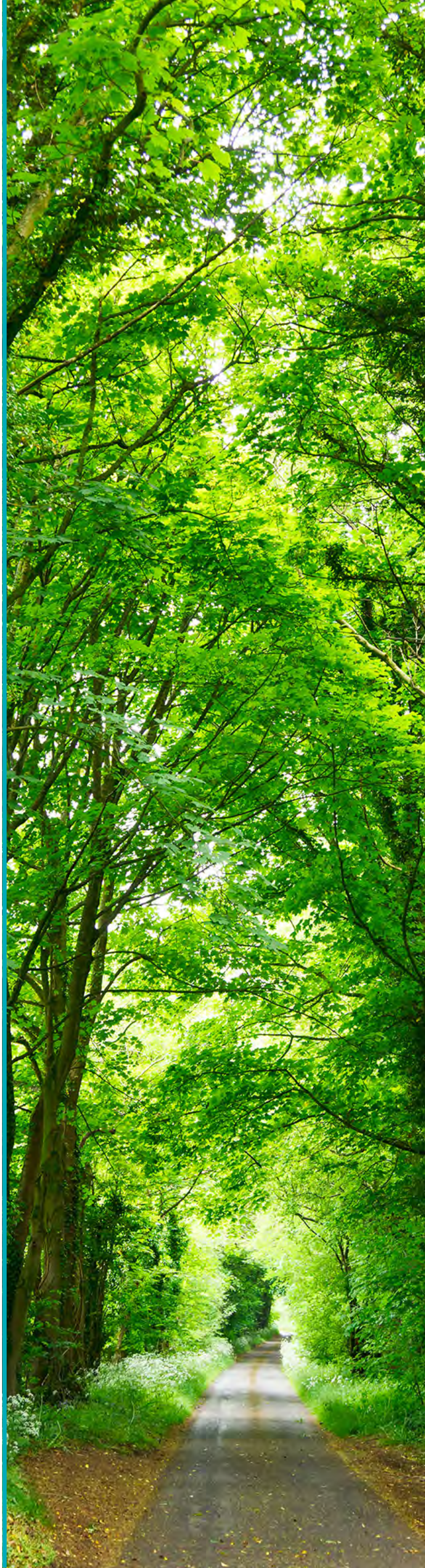
AGE AND HEALTH

Your executor should be someone who is likely to outlive you and who will be able to carry out the duties of the position. It is important to choose someone who is in good health and who is not likely to predecease you or become incapacitated.

CONCLUSION

An executor is the person or company you trust to execute your estate according to your wishes when you have passed away. An executor is usually nominated in a last will and testament.

Speak to your financial planner for more information.



CYBERSECURITY: DON'T BE CAUGHT UNAWARES

By Portia Nhlangulela | PWM Compliance Consultant

In today's fast-paced world where everyone is forced to adapt to frequent and alarming new technology such as deepfakes and ChatGPT, we are also forced to keep up with the sophisticated ways in which cyber criminals are attacking the devices we use in order to gain access to our hard-earned money. As a result of these challenges, cybersecurity has become a topical affair in all industries because of the detrimental effect of cybercrime – not only on businesses, but also on their clients. The consequences that arise from cybercrime are far-reaching and, if not addressed appropriately, have the potential to erode the trust built between businesses and clients.

In 2019, after buying a property through Pam Golding, Judith Harwarden received an email which appeared to be from a conveyancing secretary of Edward Nathan Sonnenbergs Inc (ENS) and included bank details to be used to pay the outstanding balance of R5.5 million towards the property sale. Unfortunately, the genuine email from the conveyancing secretary had actually been intercepted by a fraudster who altered the bank account details. Hawarden then, unknowingly, paid the funds into the fraudster's bank account as she had not noticed that the email address from which the details were received ended with ensafirca.com – not ensafrica.com[1]. This type of cybercrime is known as business email compromise (BEC)[2] and has become rife in the financial services industry because sending bank details is common practice between financial services providers (FSPs) and their clients.

In February of this year, a reputable internet service provider (ISP), RSAWEB, was a victim of a ransomware attack[3] by an unknown actor, requiring them to halt their services and go offline[4]. To date, it is not clear whether any client or employee data was accessed by the hacker, but the ISP reported the incident to the relevant authorities and worked with independent professional cybersecurity advisers in dealing with the malicious attack.

WHAT PWM IS DOING

- All emails sent to you from PWM's server are encrypted using Transport Layer Security (TLS), which is security protocol that prevents unauthorised interception or access while an email is in transmission. This means that a third party cannot access information in an email sent from PWM while the email is in transit. However, once an email reaches the recipient's mailbox, the protection standards which apply will depend on the protection measures that have been taken in relation to the recipient's device.
- All PWM staff have completed compulsory Privacy and Cybersecurity training.
- In line with section 11 of the General Code of Conduct for Authorised Financial Services Providers and Representatives, PWM has implemented procedures such as partially anonymising client data in email communications, to mitigate the risk of fraud and other threats which may affect clients.

WHAT YOU CAN DO TO PROTECT YOURSELF

Even with all the controls PWM has put in place to mitigate risks to clients, sending sensitive information via email will always be susceptible to the threat of cybercrimes such as BEC. Below are a few measures you can apply to protect yourself:

- Always double-check the sender's email address. As shown in the ENS case, spoofed email[5] addresses are usually very similar to a legitimate email address.
- Do not click on suspicious links.
- Install/enable protective software on your device – make use of firewall, antivirus and antispyware software. Always keep protective software updated.
- Avoid the use of unsecured wi-fi.
- Never open attachments which are in spam emails.
- If you are suspicious of a request, call the company directly to verify its legitimacy.
- Access all your documents, such as statements and tax certificates, online using a client portal, rather than getting them via email. A client portal allows you to securely access documents through a safe digital entry point. It allows continual access to your documents as they are saved in one location. In addition to being more secure, it has a greater size limit than email. Speak to your planner about accessing your documents via PWM's Client Portal.

[1] Hawarden v Edward Nathan Sonnenbergs Inc (13849/2020) [2023] ZAGPJHC 14 [Accessed 16 August 2023]. https://www.saflii.org/za/cases/ZAGPJHC/2023/14.pdf
[2] Business email compromise (BEC) defined [Accessed 16 August 2023]. https://www.microsoft.com/en-za/security/business/security-101/what-is-business-email-compromise-bec
[3] Ransomware defined [Accessed 16 August 2023]. https://www.microsoft.com/en-us/security/business/security-101/what-is-ransomware
[4] RSAWEB victim of cyberattack as wave of ransomware attempts hits SA in past week [Accessed 18 August 2023]. https://www.news24.com/fin24/companies/rsaweb-victim-of-cyberattack-as-wave-of-ransomware-attempts-hits-sa-in-past-week-20230206
[5] Email spoofing: what is it and how to stop it? [Accessed 18 August 2023]. https://cybernews.com/secure-email-providers/email-spoofing/

COMPANY NEWS

LOCAL EQUITIES

By Michelle Matthews | Portfolio Manager | Old Mutual Wealth Private Client Securities

Standard Bank

Standard Bank reported a strong set of results for the first half of 2023 with headline earnings up 35%. The African region was the star performer, with headline earnings growth in the banking division up 65% and achieving a return on equity of 28.4%. Overall, the group's return on equity (ROE) of 18.9% was up an impressive 320bps and is now comfortably within management's target range of 17% - 20%. The group's interim dividend of 1 308.4 cents per share is up 34% from the comparable period, driven by the increase in headline earnings.

Management cautioned that the outlook remains challenging, with higher interest rates now translating into increased credit impairment charges, decreased loan approval rates due to affordability constraints and declining credit appetite. Management therefore expects a moderation in both net interest income and non-interest revenue, and consequently, lower earnings growth in the second half of the year. Return on equity (ROE) is expected to remain within the target range for full year 2023.

mr price

SA apparel retailer Mr Price reported 2023 full-year results that, although below expectations, were still strong considering the challenging environment. Characterised by load shedding, high interest rates and increased inventory levels putting pressure on margins, the current environment is a very testing one for the management team. Management estimates that 318 000 trading hours – or R1 billion in sales – were lost over the period due to load shedding. To this end, the group's back-up power installation plans remain on track, with 70% of stores already being able to operate with back-up power. Persistently elevated food and public transport inflation, as well as higher interest rates, are placing significant pressure on Mr Price consumers, as reflected in the 30% rise in credit demand over the period.

Overall, revenue was supported by recent acquisitions – Studio88, Power Fashion and YuppieChef. Retail sales rose 18%, with the Apparel, Home, Financial Services and Telecoms segments all improving over the period. Operating costs excluding Studio88 grew 6.7%, slightly ahead of organic sales growth of 2.1%. As a result, the operating profit margin declined by 260 basis points. Group headline earnings per share fell 6%. The group is working on building its cash position after settling the R3.6 billion acquisition of Studio88. They ended the period with a cash balance of R1.4 billion and declared a dividend of R4.47 per share. Management maintains that the outlook remains tough, with consumers expected to remain under pressure for the remainder of this year.

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