

Celebrating Our 25 Year Anniversary

PWM CONNECT

WHERE WEALTH AND LIFESTYLE MEET

25-YEAR ANNIVERSARY MESSAGES

HARRIS VS TRUMP... HOW DOES IT ALL WORK?

THE IMPORTANCE OF HAVING A WILL

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A WORD FROM PIETER

Welcome to the third and special edition of our newsletter. We are excited to welcome both the arrival of spring and a great milestone for our business. This season is especially meaningful as we celebrate PWM's 25th anniversary.

On this special occasion, I want to extend my sincere appreciation to you as clients of PWM. Celebrating 25 years in business is not just a significant achievement for us, but it is symbolic of the trust and loyalty you have placed in us over the years.

Our commitment to providing you with exceptional financial planning, investment guidance and client service has been steadfast. We have striven to innovate, improve and exceed expectations and your support has been invaluable in helping us grow.

Reflecting on the past 25 years, we are proud of the relationships we have built and the milestones we have achieved together. It is your trust and confidence in us as your preferred financial planning partner that motivates us to continually strive for excellence.

As we continue our journey, we are excited about the future and the opportunities it holds. We remain dedicated to delivering the highest quality service and financial planning solutions to meet your needs. Our commitment to your success and to helping you achieve your financial goals is at the centre of everything we do.

As part of our celebrations, we've asked our previous business heads to share their memories and special messages with us. We've also invited some of our longest-standing Financial Planners to reflect on their journeys over the past years at PWM.

We look forward to many more years of collaboration and having a close relationship with you on your financial planning journey.

Kind regards

Pieter Bester
CEO



A MESSAGE FROM FARHAD

Happy 25th anniversary to Private Wealth Management (PWM)! As Chairman of PWM, I take pride in seeing how we have gone from strength to strength to become a leading force in the wealth management industry and of our legacy of giving wealth a purpose. This is a testament to how innovation, resilience, and dedicated clients can turn a vision into reality.

A quarter of a century ago, Old Mutual had the bold vision to establish an investment-focused financial planning business dedicated to protecting the accumulated assets of those in the high-income market segment. This led to the birth of PWM, now a registered financial advisory business operating under its own financial services provider license, managing over R35 billion in funds under advice. What an incredible journey!

As we celebrate 25 years of existence, we recognise that we would not have achieved this milestone without you, our clients, entrusting us with your goals and aspirations. Thank you for being an essential part of our success story and how the business evolved into what it is today, founded on deep relationships, trust and transparency. Here's to the next 25 years!

Farhad Sader
Managing Director Old Mutual Wealth
Chairman PWM Board





25 YEAR ANNIVERSARY

MEMORIES AND MESSAGES FROM OUR PAST LEADERS

JOHN WALLACE

PWM 25TH ANNIVERSARY

Congratulations, Private Wealth Management! Having played a part in developing the business, and as a long-standing client, it gives me a great sense of pride and satisfaction to see it achieve this significant milestone.

To fully appreciate PWM's journey, one needs to track back to the late 1990's when the financial services industry was scrambling to respond to the wave of changes affecting the industry, driven by globalisation, convergence, consumerism, regulation and competition. Consumers were clamouring for sound financial advice, more investment choice and a swing away from bundled life and investment offerings which offered little transparency regarding fees and other assumptions. For its part, Old Mutual was in the process of demutualising and with this came the need for all business units to demonstrate their ability to stand on their own feet without cross-subsidisation. With a huge tied sales force comprising over 5 000 intermediaries and a very costly branch infrastructure, there was a need to completely overhaul Old Mutual's tied agency distribution operation and replace this with smaller, customised businesses that were more responsive to the needs of customers in different market segments.

In 1998, McKinsey and Co were brought in as consultants to assist with the redesign projects. At the time, I headed up what was known as the Old Mutual Financial Advisory Service (OMFAS), which comprised 14 dedicated branches in the main metropolitan areas and smaller offices scattered throughout the rural towns and cities. Although intended to improve penetration of the upper market, OMFAS lacked the kind of value proposition that would differentiate it from the existing tied agency business and appeal to more affluent clients.

In crafting the design of the new high-income business, the project team was able to tap into McKinsey's extensive network to research business models and value propositions from around the world. Market research showed that high-income customers wanted objective advice from knowledgeable financial advisers who were not driven by incentivisation, and wider investment choice as part of a comprehensive service offering. The plan was therefore to develop an entirely new generation of salaried financial advisers with a graduate profile that would readily buy into the 6-step financial planning process that was customised for the business, rather than clinging on to old behaviours. The challenge, however, was that the economics of developing a new business proposition with no ready customer base to market it to were rather flimsy, as it would take years to build the necessary customer relationships and assets under management for the benefits to truly materialise.

Notwithstanding these challenges, Old Mutual's top leadership remained firmly convinced of the need for a dedicated business to serve the upper market and the go-ahead was eventually given to the project team to develop the business by first focusing on establishing the financial planning capability and to gradually ramp up the investment offering as progress allowed. All the key functional support areas of Old Mutual's Retail business (Finance, HR, IT, Marketing, Legal, Product, etc) were mobilised to support the project team and a central management team was assembled, with the effervescent Marius le Grange in charge of Operations. The management team was rapidly expanded to include branch managers for the four branches to be established in Johannesburg, Cape Town, Durban and Pretoria. Work then began in earnest to develop the products, processes, systems and infrastructure required for the business and to recruit suitably qualified

individuals to serve as financial planners, technical and other support staff. The name initially selected for the business was Mint (due to its associations with money, something fresh, and the colour green), but as that name had already been reserved, the name settled on was Private Wealth Management. By mid-1999, the business was in a position to be launched, with 42 aspirant financial advisers with the desired profile that had already been appointed by the various branches. It is very gratifying to see that several of them, including my financial planner, are still part of the business today.

Since its launch in 1999 Private Wealth Management has undergone numerous changes, but now has a much more settled look and is busy carving its own niche in the marketplace based on its brand of advice and investment management capabilities. Well done to all the people that have been part of its journey to date, and best wishes for its future success!

John Wallace

CRISPIN SONN

Dear Private Wealth Team

I am delighted to wish Private Wealth Management well celebrating its 25th anniversary. And I'm thrilled to have been part of its growth and maturity from inception, and to be a happy and proud client. When we were still considering the establishment of PWM 25 years ago, it was apparent that as much as clients trusted the Old Mutual brand, many clients' needs and demands were greater than what Old Mutual was able to offer at the time. Some clients required a more bespoke service and a broader offering in order to maximise their wealth and balance sheets.

Initially, there was concern as to whether the Old Mutual platform was able to provide this service. It is with great pride and excitement that I am able to experience this service and to witness what the team at PWM has been able to create. The financial services environment is constantly evolving with new wealth building and preservation tools becoming available to clients.

As a client, I want to have access to these tools but want to retain my reliance on the relationship of trust I have built with my adviser over three decades, and I want to retain the peace of mind knowing that the advice I received is backed by a large global financial services company.

Congratulations to PWM for achieving this in the past 25 years. I look forward to the next 25 years.

Crispin Sonn

GIM VICTOR

MY EXPERIENCE AT PRIVATE WEALTH MANAGEMENT

I fondly remember my time at PWM in its formative years. In the competitive landscape of the financial services industry, PWM stands out as a testament to resilience and innovation. Specialising in wealth planning, the business navigated its formative years with a steadfast commitment to excellence and client-focused service.

The formative years were marked by strategic growth, a deep understanding of market dynamics, and an unwavering dedication to helping clients achieve their financial goals. PWM's success has been its tailored approach to wealth management. Recognising that each client's financial journey is unique, the team provided personalised strategies that catered to individual needs and aspirations. This bespoke service model earned the trust and loyalty of a diverse client base, from young professionals to seasoned investors.

Moreover, PWM distinguished itself through a blend of traditional financial wisdom and modern technological integration. By leveraging cutting-edge tools and analytics, the business offered clients a comprehensive view of their financial health, enabling informed decision-making and long-term prosperity.

The formative years of PWM were also characterised by a strong focus on education and empowerment.

Through seminars, workshops and one-on-one consultations, the team equipped clients with knowledge and confidence to navigate the complexities of wealth management.

Looking back, the journey of PWM has been a powerful narrative of perseverance and adaptability. The business's ability to withstand early challenges and emerge stronger is a source of inspiration for the next 25 years. Today, PWM continues to build on this solid foundation, helping clients secure their financial futures and achieve their dreams, as I can testify too as a very happy client.

With fond memories

Gim Victor

RUDOLPH VAN ECK

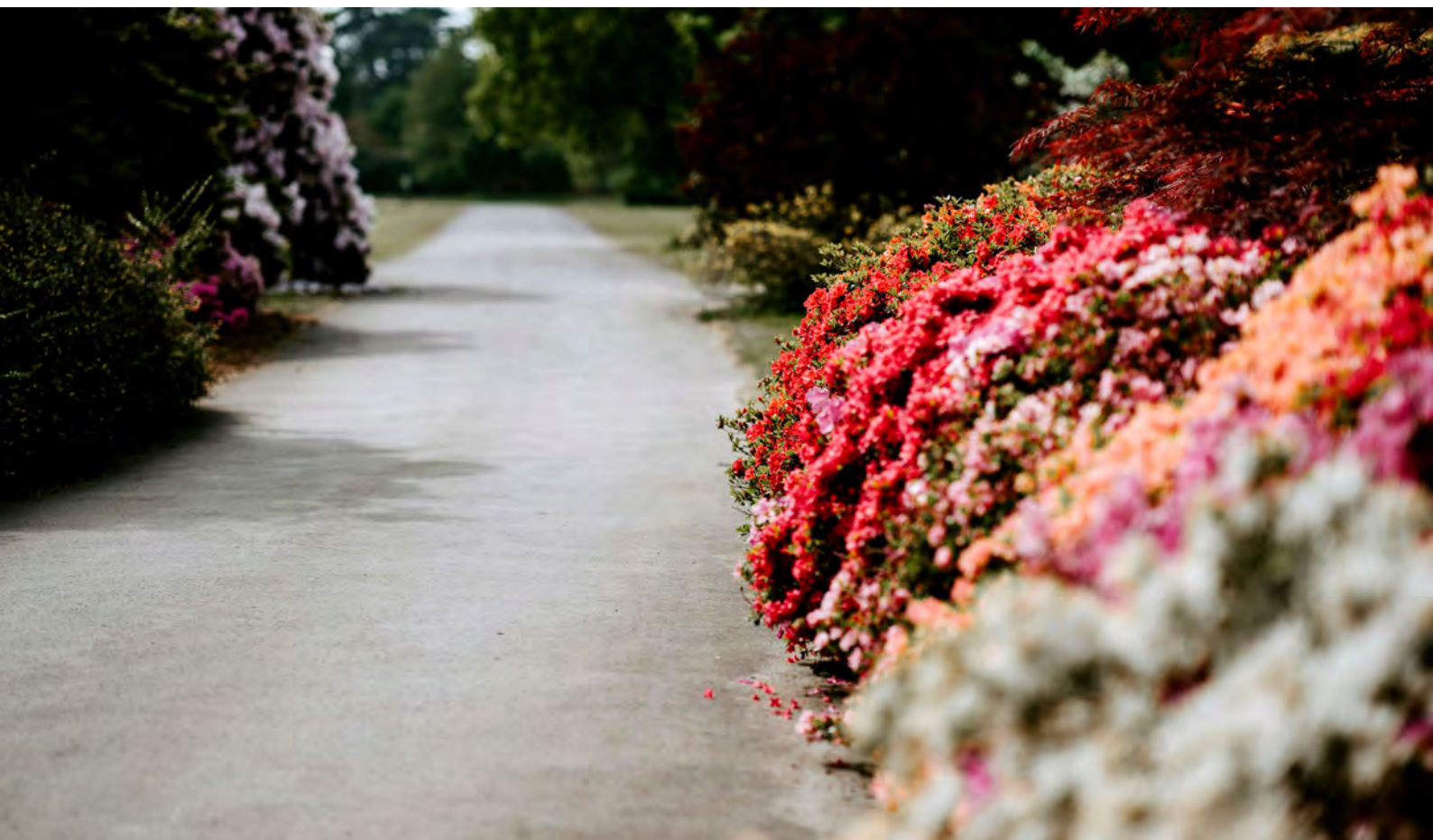
25-Year message

My involvement with PWM started as early as 2004, when I was asked to assume the role of “caretaker leader” of the Cape Town office. This soon became a permanent role, until the end of 2011. I left PWM for a short while but returned to PWM early in 2016 as Head of the business and later CEO until my retirement in July 2022.

What attracted me to PWM was the unique approach to offering financial advice, as well as the quality of people involved in the business. The advice proposition was very different from any other financial planning business at the time – a philosophy-based approach with the client at the centre of every decision. My predecessors did a great job in setting up the business. My role was to take that proposition and turn it into a future-fit proposition that met legislative and client expectations. The most challenging part of my journey at PWM was moving the business from a corporate environment into a future-fit Pty Ltd structure during the challenging Covid period.

I am extremely proud of what we achieved as a team and, on reflection, realise just how fortunate I was to be part of such a dynamic environment. I wish the current leadership and team every success for the future and know that PWM will continue to grow from strength to strength.

Rudolph van Eck



25 YEAR ANNIVERSARY



A LEGACY OF PLANNING: REFLECTIONS FROM OUR LONGEST- STANDING FINANCIAL PLANNERS



ELMARIE KITSHOFF | FINANCIAL PLANNER | PWM CAPE TOWN

I've been a financial planner at Private Wealth Management since May 2000. If I had to choose one word to describe my time here, it would be "inspire." This word holds immense power and significance for me. According to early English usage, "inspire" means "to influence, move, or guide". The Cambridge Dictionary defines it as "to make someone feel that they want to do something and can do it".

The meaning of "inspire" aligns perfectly with our mission at Private Wealth Management. Our work centres on helping clients connect with what truly matters to them. When you understand what is important to you, you can visualise your goals and dreams, which in turn motivates you to take action. My role as a planner has always been to influence and guide my clients through our planning process, empowering them to make the best financial decisions. This process leaves them feeling inspired, motivated and ready to move forward.

Research shows that only 30% of people feel inspired by the work they do. When my journey began here 24 years ago, I had no idea I would be part of that 30% – inspired every day, not just by the work I do, but also by my clients and their families.

Private Wealth Management has been instrumental in my journey, inspiring and motivating me while allowing me to enjoy my life. I am truly grateful to work for a company that aligns with my values and aspirations.



LOURENS COETZER | FINANCIAL PLANNER | PWM PRETORIA

I started working at Mint Private Financial Planning (now, of course, Private Wealth Management) on 1 July 2000. Looking back, I am reminded of a question I read long ago: "Down which funnel does time go?" Indeed...

I nearly missed my late interview appointment on a rainy, dark afternoon. Those were the days before Google Maps. After driving a few times around the block, I found the place and often wondered how my career would have panned out if I didn't manage to find the interview office.

I still remember the freshness of everything during those first two years. The familiar

sound when switching on the laptops in the morning when our training started, my first cell phone, the internet, which was still a new thing... We were very fortunate to have had a thorough training schedule for two years.

I didn't have a clue what the financial services industry entailed and everything I learned was new and interesting to me. I remember the apprehensiveness, and the many discussions among ourselves on whether we will "make" it.

My first "walk-in" client (the holy grail for a new financial planner!) drove past our offices that day, saw the Old Mutual sign and thought it would be an appropriate time to pay a visit. My financial relationship with him lasted for some 18 years until his death.

I am very fortunate to be a part of Private Wealth Management. It has offered me everything I was looking for in a career – flexible working hours to enable me to attend most of our children's school sports and other events, wonderful colleagues who became friends, the opportunity to determine my own income, meeting interesting clients (some of whom also became life-long friends), working with challenging analyses and a changing technology and legal environment, and – very important to me – the opportunity to hand over the practice to my son.

My advice to young planners starting in the financial services industry: work very hard, learn as much as you can, treat every client as you would have liked to be treated, and "byt vas". It gets easier over time! And enjoy every moment of it.

All the praise and honour go to our Heavenly Father. Without Him I would not have been where I am today.



FRANCOIS LE ROUX | FINANCIAL PLANNER | PWM PRETORIA

On 1 February 2001, I arrived at 721 Duncan (now Jan Shoba) Street in Pretoria, to report for duty at Mint Private Financial Planning. I was greeted by our colleague Tielman Roos, the Area Manager at the time. The first couple of months were spent on training. Having started my career in the legal profession, I went through a steep learning curve in the field of financial planning. At the time, the name of the company changed to PWM. And, in practice, "multi-tied" meant having PPS (risk), Liberty Life and the Old Mutual product set on board – that was it. We had an analysis tool called "Pathfinder" (a free-standing software installation) that often battled to "find" its own "path," so to speak. But we followed the internationally accepted FPI 6-step professional financial planning process – an early version of the lifestyle financial planning and fiercely advice-driven approach. It paid off – the market loved us for

advising, as opposed to being another sales force in the industry.

The Acsis Strategic Partnership was a watershed moment in our history, with a robust lifestyle financial planning approach, accompanying toolset, as well the SIS fund suite. It afforded us the opportunity to further differentiate ourselves and approach the affluent and high net worth (HNW) markets with greater confidence. During this time, I was honoured to make the top three planners in the FPI Planner of the Year contest twice. This has been a personal career highlight – and all credit to PWM for presenting a solid professional financial planning foundation.

The next great milestone for me was the launch of PWM (Pty) Ltd on 1 March 2020 – "free at last", objective and professional.

I am proud of what PWM as a business has achieved, and the massive strides we have made, from our humble beginnings to the phenomenal business that we are today. It is a privilege and an honour to be in and associated with such a prestigious brand. I wish our beloved business and its fine people the happiest 25th birthday. I have no doubt that the best lies ahead, and not behind us. May the business prosper and go from strength to strength in years to come.



STANLEY TORDIFFE | FINANCIAL PLANNER | PWM CAPE TOWN

I joined Private Wealth Management in June 2001.

Coming from an accounting background and having spent some time abroad, I saw that financial planners overseas were highly revered, yet in South Africa at that stage the general impression of the advice part of our industry was still somewhat frowned upon.

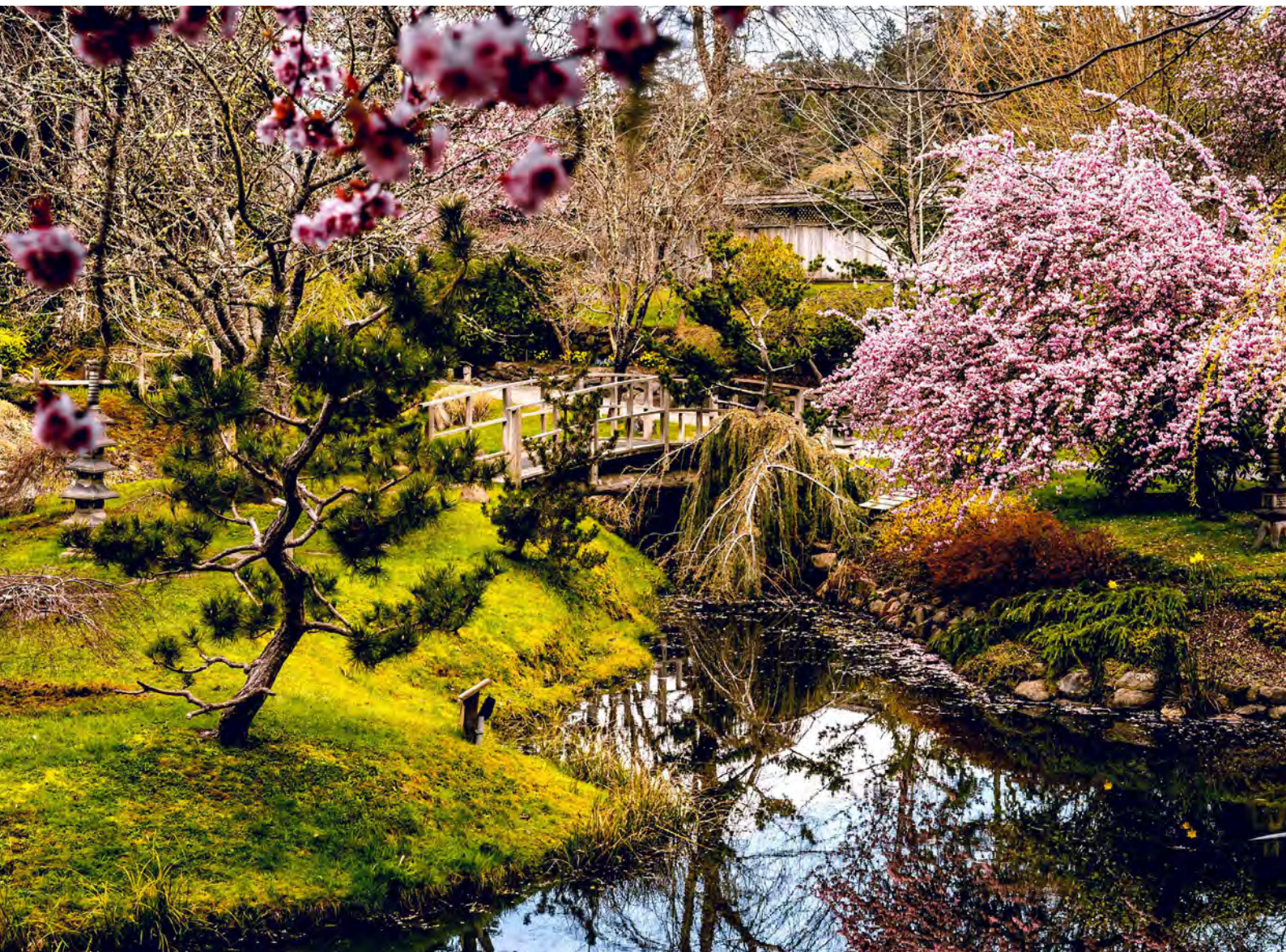
My strong commitment and the backing of South Africa's strongest financial institution to start a high-income, stand-alone advice business made for an exciting entry to this market. Our business unit was based on overseas trends and practices to lead the South African market to make financial planning the true profession it

is today.

One of the key highlights for me is the deep relationships that have formed with our knowledgeable, long-standing clients who have appreciated this. They have obtained a bespoke, customised advice solution specifically tailored for them.

In the final analysis, financial planning is not an end goal, yet it remains important, as it is a means or conduit to achieve and fulfil one's life ambitions.

It is more than simply managing money. To me, personally, it has indeed been exceptionally rewarding to support our clients to live their best life. It is certainly a most privileged vicarious position to be part of.



ECONOMIC AND MARKET OVERVIEW

A 25-YEAR ROLLERCOASTER RIDE

By Izak Odendaal | Chief Investment Strategist | Old Mutual Wealth

In honour of PWM achieving this tremendous milestone, I'd like to look back on 25 years of financial market history. The last quarter century has seen booms and busts, including a global financial crisis, a pandemic, wars, political turmoil and enormous technological change. It saw China rise to reshape the global economy, in the process going from a partner to a competitor to the West. South Africa also experienced some highs and many lows, but in the process, entrenched its democracy and won a few Rugby World Cups along the way.

The bottom line is that, despite all the change and all the uncertainty, patient investors with appropriately diversified portfolios have been rewarded over this period. Perhaps the biggest challenge has simply been to stick it out. This is where PWM advisers have added tremendous value, and will continue to do so in the next 25 years.



INFLATION

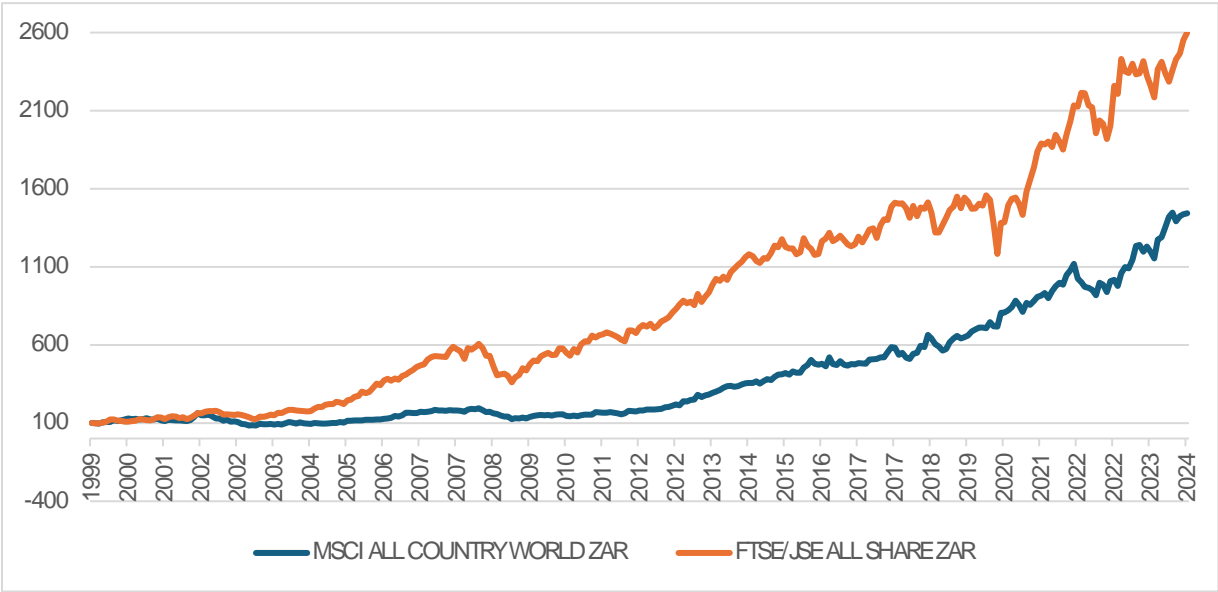
Let's start with inflation, the enemy we are all trying to beat. The SA consumer price index increased at an average annual rate of 5.5% over the last 25 years. Since an inflation target of 3% to 6% was adopted in 1999, this counts as a good outcome, especially because inflation averaged 13% over the prior 25 years. However, inflation continues to be cyclical, having hit a recent peak of 7.8% in July 2022, before drifting to around 5% today. Looking ahead, the SA Reserve Bank is likely to remain serious about achieving its inflation target. These days, it explicitly aims for the mid-point of the range, not the top. It is also engaged in talks with Government to lower the target over time. This means we needn't worry about the kind of runaway inflation that has plagued so many other developing countries. Remember, however, that even a low inflation rate will still eat away at your purchasing power as price increases compound. Even at a 3% annual inflation rate, prices will double every 25 years.

EQUITIES

Chart 1 shows that R100 invested in the local stock market in July 1999 would have grown to R2 600 today, while a similar investment tracking the global benchmark would have grown to R1 400. In both cases, dividends have been reinvested to benefit from compound growth. Local equities delivered average annual returns of 14% over the past 25 years, comfortably beating inflation. In rand terms, global equities also beat inflation by almost 6% on average every year. Importantly though, this included good years and some very bad years – notably 2008, when both indices lost more than 20% for the year (the peak-to-trough decline was even worse). In other words, to earn that handsome inflation-beating return from the equity market, you needed to ride the roller coaster for a long enough time. And just like a roller coaster, it is not a good idea to jump off midway!



CHART 1: SA VS GLOBAL EQUITIES OVER 25 YEARS IN RANDS



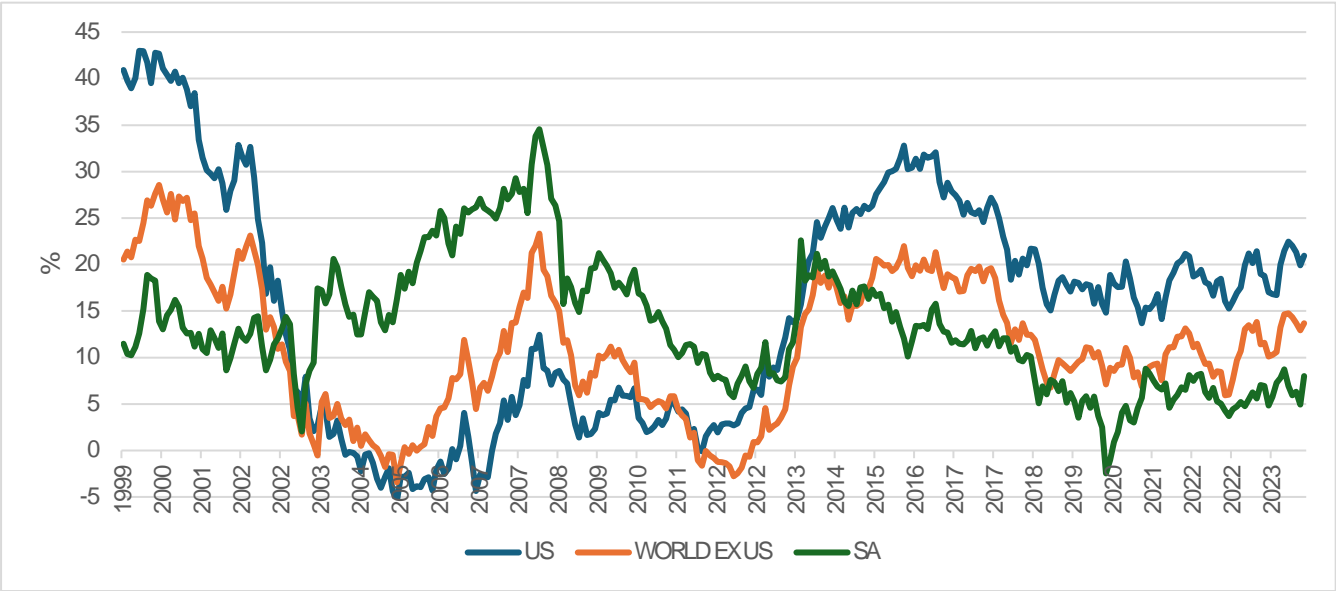
SOURCE: LSEG DATASTREAM

South African equities outperformed over the past quarter century, largely because global markets were very expensive in 1999 at the tail end of the dotcom boom, while the rand was cheap. With any investment, the starting point matters a lot.

There are echoes with the current moment. US technology shares are once again expensive, while the rand and SA equities look cheap. History never repeats itself exactly, but we ignore its rhymes at our perils. Offshore diversification remains important, but we need to do it sensibly.

Chart 2 looks at the same data from a different angle. Instead of showing the cumulative performance, it shows rolling 5-year returns. It also splits the global market into US and non-US components (all in rands). South Africa has underperformed global markets in recent years, but non-US global equities have similarly lagged the US. Again, the echo of the late 1990s is there. From lofty heights, US equities proceeded to plod along in the first few years of the new millennium, while South African equities handsomely outperformed as commodity prices boomed and the rand strengthened.

CHART 2: ROLLING 5-YEAR ANNUAL EQUITY RETURNS IN RANDS

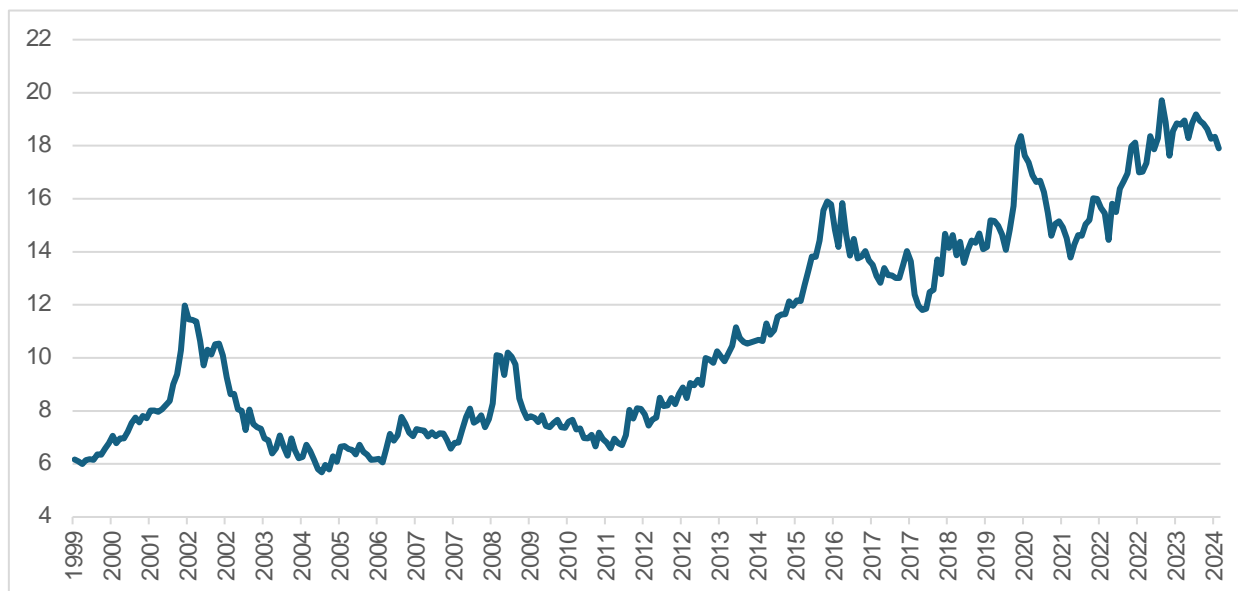


SOURCE: LSEG DATASTREAM

THE RAND

Speaking of the rand, it is hard to believe that it traded around R6 to the US dollar when PWM was founded, compared to around R18 today. This does amount to an average annual depreciation of 4.3%. As I wrote in last quarter's newsletter, this is not nearly as catastrophic an outcome as many make it out to be, certainly not compared to some of our emerging market peers.

CHART 3: RAND/US DOLLAR EXCHANGE RATE SINCE 1999



SOURCE: LSEG DATASTREAM

Moreover, there were periods of considerable rand strength (2001 to 2004, 2008 to 2011, 2016 to 2018, 2021), though these followed earlier sharp declines. In other words, the rand has been very volatile. This is unlikely to change, since it remains one of the most highly traded emerging market currencies. This volatility needs to be factored into portfolio construction. A lurch lower can dramatically boost the gains from offshore investments, but a sudden burst of strength can wipe out offshore returns.

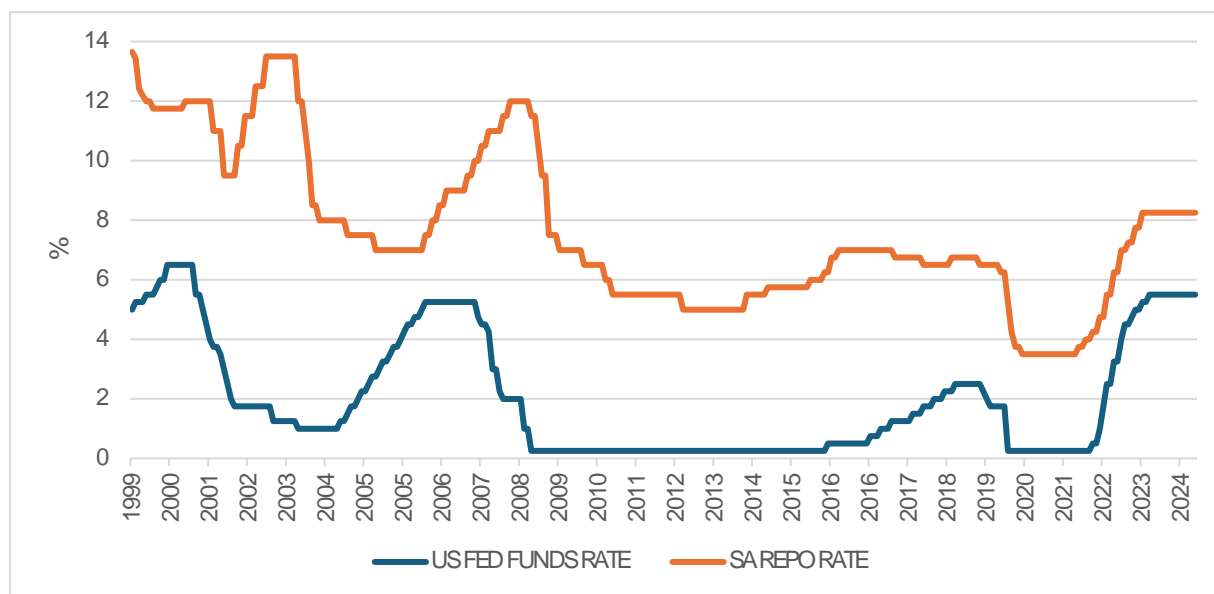
INTEREST RATES

South African interest rates were very high in 1999, shortly after the Asian Financial Crisis. Back then, the Reserve Bank still explicitly tried to protect the rand, and it hiked the prime rate up aggressively to 25.5% in a largely unsuccessful attempt to prevent the currency from collapsing. Today, the Reserve Bank targets inflation, not the exchange rate. As inflation has generally declined, so have interest rates. If inflation trends lower in the future, we should expect the repo rate to do the same. For now, it is relatively elevated. Since it is a reasonable proxy for money market returns, these are also quite good for now. Money market returns averaged around 7.5% per year over the past 25 years, about 2% ahead of inflation. Investors have generally benefited from decent real returns in the money market, but these returns have lagged the equity market by some distance. The trade-off between risk (volatility) and return remains a fundamental part of investing.

It is also worth briefly mentioning the behaviour of US interest rates, since the US rate represents the global risk-free rate off which most financial instruments price directly or indirectly. Following the Global Financial Crisis in 2008, US rates were stuck at near-zero levels for many years. It is only with the post-Covid surge in global inflation that US rates (and those of other Western countries) increased to levels that would have seemed normal prior to 2008. By the time you read this (late September), both the US Federal Reserve and the SA Reserve Bank would likely have started reducing interest rates. In both cases, the cuts over the next year or so are likely to be fairly modest.



CHART 4: SHORT-TERM INTEREST RATES SINCE 1999



SOURCE: LSEG DATASTREAM

Market-based interest rates have also declined over the past 25 years. A 10-year South African government bond yielded 14% in mid-1999. It declined to around 9.5% currently. Today, investors worry about elevated government debt levels after the mismanagement of the 2009-2018 era. However, government debt levels were also elevated in 1999, with a similar 20 cents out of every rand collected by the SA Revenue Service (SARS) going towards interest payments. A combination of government frugality and strong economic growth meant that debt levels declined over the next decade. It can happen again but won't be easy, and certainly won't happen overnight.

The All Bond Index (ALBI) returned 10.5% per year on average over the last quarter century. It is an impressive above-inflation return, but includes a few hairy moments, notably "Nenegate" in 2015 when it lost 11% in the space of three days, and again when Covid hit in March 2020 and the ALBI slumped 18%. The "Taper Tantrum" of 2013 happened over the course of three months, not three days, but saw a similarly severe outcome.

While Nenegate was a home-grown disaster, most instances of turmoil in South African financial markets originate internationally, whether the 1987 Wall Street Crash, the Asian Crisis of 1997/8, the Global Financial Crisis of 2008, Covid in 2020, or the oil price spikes following the Russian invasion of Ukraine in 2022. It is underappreciated by most domestic investors just how much global markets set the pace for what happens locally. We are a small boat floating on a big global ocean, and when things get stormy, we are thrown about. Similarly, when global conditions are smooth, it is usually plain sailing for local investors.

HERE'S TO THE NEXT 25 YEARS

In conclusion, much has happened over the past two and a half decades in local and global financial markets. The good has largely outweighed the bad, and long-term investors have been rewarded. The next 25 years will doubtless see big changes too, especially when it comes to technology and geopolitics. However, the key investment principles have not changed. The basics of investing will remain the same: be patient, be diversified, don't overpay, don't get carried away by the hype, don't panic when things wobble. And partner with the right people to help you navigate the ups and downs.



HARRIS VS TRUMP.. HOW DOES IT ALL WORK?

By Andrew Whitewood | Managing Director | PWM Wealth Management

The US election will be held on Tuesday, 5 November 2024, with the winner serving a four-year term starting January 2025. The lead-up to the US election has been very interesting taking into consideration Donald Trump's legal issues, Joe Biden stepping down and Robert F Kennedy Jr pulling out of the race and throwing his support behind the Republicans, which has not gone down well with his pro-Democrat family.

SIMPLY PUT, WHAT DO THE DEMOCRATS AND REPUBLICANS STAND FOR?

The Democrats: More socially and economically liberal. They have a civil rights, social safety and climate change focus. Among others, they are supportive of higher minimum wages, equal employment opportunities, social security, universal healthcare, public education, etc.

The Republicans: Focused on restoring the American dream. Their focus is on economic prosperity, liberty, preserving and restoring the American dream. Among others, they are supportive of lower taxes, gun rights, free trade, restrictions on labour unions, deregulation of corporations, etc.



SO, HOW WILL NOVEMBER 5TH WORK?

Firstly, the winner is not the person who obtains the most votes across the country.

Candidates compete across 50 states, and each state has a number of what are called electoral college votes based on state population. In total, there are 538 electoral college votes up for grabs and the winning candidate needs to win 270 or more to be announced the winner.

In 2016, Hillary Clinton won the election based on total votes but was still defeated as she didn't win enough electoral college votes.

NOVEMBER 5TH IS NOT JUST ABOUT THE NEXT US PRESIDENT

The focus in the media will naturally be on Harris vs Trump, but Americans will also be choosing new members of Congress on 5 November. Congress is made up of the House of Representatives and the Senate. In the House of Representatives, all 435 seats are up for election and in the Senate, 34 seats are being contested.

It has been an interesting year so far from a political point of view. The US election is once again an important event in your financial planning journey. From a political perspective, the US has many checks and balances, which generally means the president can't do anything too out of the ordinary. History shows that stocks move in the right direction under both Democratic and Republican leadership, and they actually perform slightly better on average under Democratic Party presidents.

Sources:

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<https://edition.cnn.com/2020/09/23/investing/stock-market-election-trump-biden/index.html>

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<https://www.businessinsider.com/democrat-vs-republican-stock-market-returns-2015-12>

ENSURING YOUR WEALTH TRANSFER PLAN REMAINS RELEVANT

Godwin Magosha | Fiduciary Specialist | Private Clients By Old Mutual Wealth

A strategy is essentially a plan designed to achieve a long-term goal, developed on certain assumptions. For example, if you are saving for an overseas trip, your plan might assume that the Rand/US dollar exchange rate will remain at R20. A shift to R18 could mean a cheaper trip, while a deterioration to R30 per dollar might force you to rethink your travel plans altogether.

Similarly, a wealth transfer plan is designed to ensure that your wealth is passed on to your heirs in the future. This plan is typically documented in a will and may include a living or testamentary trust. And just like any other plan, a wealth transfer plan is built on certain assumptions. For example, it might assume that SA estate duty and income tax laws will remain unchanged for the foreseeable future. Major changes in these laws could then undermine your plan and potentially divert a large portion of your wealth to taxes and duties. Furthermore, the plan assumes that your heirs will remain SA tax residents, making it highly sensitive to changes in local law.

When significant changes occur in SA tax law, it is crucial reassess your wealth transfer plan's effectiveness. This involves calculating all duties and taxes payable upon death, assuming the will remains unchanged. If the changes result in higher taxes, it may be necessary to amend your will to minimise the tax burden and maximise the wealth transferred to your heirs.

It is important to note that a wealth transfer plan is more than just a will. It requires careful thought and the expertise of a seasoned financial planner who will consider both your goals and the tax implications of your will's provisions. The planner will calculate the potential taxes due if you were to die today, allowing you to reflect on whether the net wealth that will be transferred aligns with your goals.

THE ROLE OF TRUSTS IN WEALTH PRESERVATION

A trust is commonly used in wealth preservation, where wealth is left for the benefit of identifiable beneficiaries. Historically, clients who formed trusts in their wills did not consider their beneficiaries' future residency plans, as tax laws treated resident and non-resident beneficiaries equally. However, recent changes in income tax law mean that capital gains and income distributed to non-resident beneficiaries are now taxed in the trust, with capital gains taxed at an effective tax rate of 36%, and other taxable income is taxed at a 45%. This is a significant shift, making it undesirable to maintain a trust if all beneficiaries are planning to emigrate.

Given these implications, it is essential to consider the possibility that your heirs may relocate abroad. This does not mean that a trust is no longer viable, but various options should be explored based on your circumstances. Below are some key considerations:

- **Regular Reviews:** Regularly review your will against changes in the law, personal circumstances and the future of your heirs or beneficiaries, with the help of a professional financial planner. Your planner will be able to advise if your will is still appropriate or if amendments are necessary due to legislative changes.



- **Living Trusts:** If you have set up a living trust to receive a bequest from your estate at death, review the trust deed with an expert to ensure that it allows for accelerated or partial termination of the trust, or a capital payment to an emigrating beneficiary.
- **Testamentary Trusts:** For testamentary trusts created in your will, consider amending the will to allow direct estate payments to emigrated heirs or capital payments by the trustees to emigrated beneficiaries.
- **Flexibility:** Ensure that your trust instrument or testament is flexible enough to adapt to legislative changes. Trustees should be able to manoeuvre and protect beneficiaries from unfavourable tax positions.
- **Sinking Funds:** If it is not possible to amend a trust deed or if the deed does not account for beneficiaries moving abroad, the trustees might consider investing through sinking funds so that the distributions do not attract South African tax for the beneficiaries. However, it is advised that a tax opinion is obtained on how the sinking fund proceeds will be taxed in the hands of the foreign beneficiary by the foreign tax authorities.

KEEPING IT RELEVANT

Regularly updating your will with the help of your financial planner is crucial to ensure that it remains aligned with current legislation and your wishes. In the past, a South African's will might have been optimised for local tax and estate duties. However, with increasing emigration, it's essential to consider your heirs' potential relocation plans and address this in your will to ensure an effective wealth transfer strategy.

Disclaimer:

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THE IMPORTANCE OF HAVING A WILL

By Rudolph Bosch | Financial Planner | PWM Pretoria

Think of your life as a long, complex novel you are writing for your descendants to read one day. With each day that passes new pages are added and each phase of your life forms a new chapter. The people in your life, those you love and care for, become characters in your novel. This book of your life is filled with the challenges, victories, relationships and values that have guided you. It truly encompasses the things in your life that are the most important to you.

Your testamentary will is like the final chapter of the story, tying together all the threads you have meticulously woven together throughout your life. It is not only a legal document – it is probably one of the most important documents you will ever have to create.

Now imagine that you are not able to complete the final chapter of your story. A stranger comes and completes the story with their own conclusion.

Not having a testamentary will is like allowing the state to take the place of that stranger and decide how your final chapter will be written. This stranger (the state) does not know the nuances of the relationships you have and might conclude your story in ways you did not intend to – because they don't have the full context of the plot you were trying to develop. Moreover, they might completely misinterpret the message of the story you were trying to convey.

Passing away without a will is referred to as dying intestate, in which case the statutory laws determine how to best distribute your assets. This means the assets might be distributed to people or family members you did not intend them to be distributed to. The final chapter of your story might also end with your children being assigned guardians that were not in line with your wishes.

A valid will has the following benefits to ensure your story has a meaningful ending:

- You can appoint your own executor who understands the intricacies of your story and wishes.
- Establishing a testamentary trust will allow your story to continue influencing lives even after the last page is turned. A trust will hold assets for the benefit of minors as well as persons who are incapable of managing their own affairs.
- Supporting charities that you value and align with the principles you live by.
- Preventing arguments and family disputes by making your wishes clear.
- From a tax perspective, you can make special bequests in order to reduce taxes potentially payable at death.
- A clear will can expedite the estate distribution and settlement process.

These are just a few of the many benefits of having a valid will.

In contrast to a testamentary will, another type of will that is often overlooked and takes effect while you are alive is a living will. It specifies wishes for end-of-life medical care if you become incapacitated and unable to communicate.



A living will is like writing the critical health chapters in advance, and it ensures your story plays out according to your wishes even when you can't turn the pages yourself.

Consider a situation where you find yourself in a critical condition, reliant on life support systems to keep you alive, and unable to communicate. Your loved ones surround your hospital bed in severe emotional and financial distress. Your medical aid and insurance have been exhausted since you have been in high care for months. Each passing day just brings increasing medical expenses that put pressure on your family's finances.

This situation creates an ethical dilemma for your family. They are reluctant to make the call to terminate the life support. However, they are unaware that, had you been able to express your wishes, you would have opted against life support if it meant it would save your family from more financial distress.

A living will allows you to:

- Clearly convey your healthcare preferences in advance, including your stance on life support.
- Reduce the emotional burden on your family by providing clear guidance for decision-making.
- Avoid expensive medical treatments you wouldn't have wanted anyway, thus reducing the financial burden on your family.

By establishing a living will, you proactively address these complex issues.

A well-thought-through will can make your loved ones feel cared for and loved even after your death. Make sure that your life story ends in the way you intend it to do, by having a will in place.

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THE WASHIE 100 MILER AND FINANCIAL PLANNING: A JOURNEY OF PERSEVERANCE AND STRATEGY

By Stanley Tordiffe | Financial Planner | PWM Cape Town

The Washie 100 Miler, running 161,4 km from Cathcart via Stutterheim to East London, is a brutal, surreal and emotional race – a true bucket list event. This year, I wasn't planning to run Washie, but after a solid performance at Comrades, my wife encouraged me to go for it. Despite having completed only a third of the necessary 2 000 km of training, she knew that my body and mind were ready. I started at 17h00 on Friday and finished just before the 19h00 cut-off on Saturday evening, marking my third Washie finish, and my first in eight years.

What makes Washie special is its history as the oldest 100 miler in the world on a point-to-point course, which doesn't offer a single flat section either. The race starts at a 1 200 metre altitude in Cathcart, climbs to 1500 m, and then descends to the coast. With only four water points, runners rely heavily on their mandatory seconding teams, who provide essential support throughout the race. This is a stark contrast to other well-known ultras, where supporters might only see their runners a few times.

The Washie is not just a race; it's an experience of extreme highs and lows. Overnight temperatures dropped below freezing, presenting new challenges. At the 70 km mark, amid the extreme cold and relentless hills, I seriously thought about quitting. But when the sun rose at the 100 km mark, I found my second wind and pushed on, feeling comfortable and warm for the first time. By the end, I was utterly exhausted but incredibly proud.

Reflecting on this experience, I couldn't help but see the parallels with financial planning. Both ultra-running and financial planning require a long-term commitment and a solid strategy. Like the Washie, financial planning is not a sprint but a marathon, demanding patience and perseverance.

Part of the immense privilege of being a financial planner at PWM the past 23 years, is being able to cross-pollinate the learnings between clients, other planners in our business, and top professional experts in our greater stakeholder group.

In the Washie, my best times came in the third segment, from the 80 km to the 120 km mark, after hours of struggle and persistence. Similarly, in financial planning, impatience at times can be extremely costly. Investments require time to grow, and rash decisions often lead to poor outcomes. Patience, as I was again reminded on this run, is often a key ingredient. And then to strategically apply the vast skill resources we have, to the individual client's circumstances.

Just as I relied on my experienced seconding team during the Washie, financial planning benefits from expert guidance. My team knew exactly what I needed at each stage of the race. My seconds haven't run a 100 miler, and probably never will either.



In the same way, Tiger Woods and Novak Djokovic are the best golf and tennis players respectively, and over lengthy periods, yet neither has coaches who play as well as they do. Yet, their coaches know how to best optimise their skill sets, where even the most minor changes can make major differences, often being the difference between winning or not.

Sometimes, I needed practical support like other clothes; at other times, I may have simply needed to be loved – and at other times, I needed to be told firmly to get my chin up.

At PWM, we act as your financial coaches. We've been through the journey and know what's needed to succeed. We're here to guide you, mentor you and support you, even when you may not even realise it. Whether you're running a 100 miler or planning your financial future, having a reliable plan and the right support makes all the difference.

In both ultra-running and financial planning, the journey is tough, but with the right mindset and team, the rewards are immense. At PWM, we're committed to being there for you every step of the way, ensuring that your financial journey is as successful and fulfilling.



COMPANY NEWS

By Michelle Matthews | Portfolio Manager | Old Mutual Wealth Private Clients

Congratulations to Private Wealth Management on your Silver Jubilee! As I reflected on the significance of a 25-year anniversary, I was reminded why silver symbolises this remarkable milestone. Silver represents the strong, unbreakable bond that is formed over time, and I believe this is especially fitting for this momentous occasion. Much like the bond between a couple, the lasting relationships between financial planners and their clients are forged with trust, dedication and shared journeys through life. The strength of your team and the enduring partnerships you've built with clients over the past 25 years are truly commendable. As we honour this milestone, we also look forward with great anticipation to celebrating your golden anniversary in the years to come.



Africa's largest financial services provider, Standard Bank, reported a resilient half-year performance amid a challenging credit market in South Africa. The group's headline earnings rose 17% in constant currency, driven by solid growth in Corporate and Investment Banking, Insurance and Asset Management as well as Personal and Private Banking. However, a stronger rand against other African currencies led to a more modest 4% growth in the group's reported headline earnings. Management highlighted the challenges faced in the local retail credit market as customers face considerable financial strain, particularly those with home loans. The group, however, maintains that credit losses have peaked and that forecasted interest rate cuts will bring welcomed relief to their clients. Standard Bank expects a 25bps interest rate cut in SA in September and November and a further 50bps reduction in the first half of 2025. For full-year 2024, management expect banking revenue to grow in the low single digits.

Looking ahead, management remain committed to their full-year 2025 targets, aiming for a return on equity of 17% - 20% (HY 2024: 18.5%) and a cost-to-income ratio of 50% (HY 2024: 49.7%). The group increased its dividend pay-out slightly to 56%, translating into an 8% increase in the interim dividend to R7.44 per share.



Zoetis delivered a strong second quarter result, with total revenue increasing by 11%. The US reported 12% growth, while international operations grew by 10%. Both companion animal and livestock sales grew 12% and 9%, respectively. Despite a 7% year-on-year decline in net income, when excluding US\$87m in divestiture and acquisition costs, operational net income increased by 18%. The business remains solid, supported by a durable global portfolio and a steady pipeline of new, innovative products. Companion animals benefited from strong demand for osteoarthritis and dermatology treatments. Livestock growth was supported by a softer prior year comparable in the US and hyperinflationary environments internationally. Notably, Librela (osteoarthritis pain medication for dogs) gained traction among vets, despite concerns around side effects and a continued trend of declining vet visits.

Zoetis received five treatment approvals in the quarter, predominantly geared towards fish and dogs, and invested further in Diagnostics, with the launch of a new analyser in H2. Looking ahead, the group raised its FY 2024 revenue guidance by US\$50m to US\$9.10 – US\$9.25bn and increased its diluted earnings per share guidance by US\$0.07 to US\$5.78 – US\$5.88. A new US\$6bn repurchase programme was also announced, demonstrating management's commitment to returning value to shareholders.

25 INCREDIBLE YEARS!

THANK YOU FOR BEING A PART OF OUR JOURNEY.

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