FOSTER WEALTH PARTNERSHIP WITH FUNDHOUSE

Given the vastly changing landscape in the investment world, we endeavoured to partner with an independent investment consultant, more commonly known as a DFM-discretionary fund manager or a RIC-retail investment consultant. In South Africa, we have a wide variety of options and selecting a consultancy is not an easy task. Our search ended and we decided on FundHouse as a steady partner; a few key reasons being independence and relationship.

Ian Jones (CEO) and Peter Foster (CIO), not our Peter Foster, have ample qualifications but, more importantly, share similar values to us as we believe in best practise and putting clients first. They have an incredible process of researching and analysing qualitative factors of funds and make themselves accessible to Foster Wealth on a regular basis. Fundhouse forms part of our Investment Committee. We meet with them on a regular basis as well as a quarterly basis for a detailed committee meeting.

Fundhouse undertakes in-depth, qualitative fund research for all funds considered for selection across our range of solutions. Their research capability has extensive experience within the asset management industry and is uniquely equipped to evaluate the quality and capability of local and offshore investment managers. Fundhouse is completely independent and rates funds on merit to be used across the range of solutions, where the fund has exhibited the following traits:

- Demonstrated a high-quality investment offering
- Fair value for money for the investor
- Consistency in how investments are managed
- Suitability for the particular strategy (cautious, balanced, growth etc.)

In order to properly and objectively assess each fund, Fundhouse follows a structured framework to evaluate funds, each evaluation taking a minimum of 50 hours upfront, with additional ongoing monitoring and annual reviews.

THOMAS FOSTER

Investment Team

Experience	Turnover
Breadth	Decision Making

Business & Shareholder

Product Mix & Fees	Incentives
Past Actions & Intentions	Structure & Pressures

Investment Approach

Edge	Process
Construction & Portfolio Weights	Capacity, Risk, Liquidty

Past Investment Actions

Major Calls	Conviction
Documentation & Meetings	Portfolio & Return Analytics

Investment Team

Investing is a human capital endeavour and requires a group of individuals to adequately cover the market. Accordingly, we emphasize teams that have been together for long periods and who, individually, have long-term experience within that asset class.

Investment Approach

We seek evidence for a deep understanding and love of financial markets. An investment belief system, grounded in the inefficiency of markets and a repeatable, demonstrable investment process over the long run are central to building confidence in future actions and outcomes.

Business and Shareholder

We seek to establish the intent behind the shareholder (of the investment manager), based on various assessments. It is important that the shareholder takes an equally long-term view. The business should also show investment focus and encourage long-term incentives.

Past Investment Actions

We seek a long track record we can analyze, largely to give us evidence that they do what they say, through easy and tough investment times. We seek evidence for conviction and that this has been the driver of past excess returns.

ASSET CLASS

REGION/SECTOR

EQUITIES	BONDS	LISTED PROPERTY	MULTI ASSET
Global	Global All	Global	Global Cautious
Europe & UK	Cash & Currency	Emerging	Global Balanced
US	Global Credit	South Africa	SA Balanced
Asia & Japan	Africa		
Emerging	Emerging		
Africa	South Africa		
South Africa			

INTRODUCING FOSTER PRIVATE CLIENTS

Having focused on investment portfolios for 29 years, Foster Wealth Management has now also launched Foster Private Clients.

We believe financial advice must be given independently and with an holistic view of our clients' financial situation. Far too often clients end up with products that they do not understand and policies they don't need.

We endeavour to untangle the complexities of financial planning and offer clients meaningful advice and transparent products. Our independence leaves us loyal only to our clients and enables us to ensure that they are paying for what they want and need. We take annual reviews seriously and want to build long term relationships. Keeping our clients informed and keeping their plans on track as their lives develop is important to us.

FPC is an independent financial planning business committed to guiding clients to achieving financial goals.

Contact chad@fosterprivateclients.co.za for more information and visit www.fosterprivateclients.co.za today.

CLIENT WELL WISHES ON PETER'S RETIREMENT ANNOUNCEMENT

"Congratulations and very best wishes for a long and happy retirement. I can only say that I have had nothing but amazing help and encouragement with those I have dealt with at Foster Wealth for which I have been very grateful. Having never given much thought to retirement in my younger years, I did not retire with a large bank balance but at least purchased my flat. It was through Safmarine where I had worked for 18 years that I was directed to Foster Wealth and I can only say thank goodness!"

– Pauline Brueton

"Congratulations in heading an organisation so successfully for so long and now being in a position to hand it over to capable hands, knowing your clients will be well looked after. In the few years I have known you, I have seen the genuine concern for your clients' welfare and it has been a privilege to have been associated with you, even if somewhat at arm's length. I hope to still be in contact in the foreseeable future and wish you good health and happiness."

– Peter Walsh

"I am sad that you are retiring, but pleased for you, so my prayer and wish for you is that you will have many days, weeks and months to fulfil all your plans. Thank you for your input in my and my family's life. I am sure your office will continue to look after us in the same way as when you were at the helm. EVERY GOOD WISH FOR THE YEARS AHEAD."

– Rose Marie Morris

1. INDIVIDUALS

The maximum marginal rate for natural persons is increased to 45% (previously 41%) and is reached when taxable income exceeds R1 500 000.

The minimum rate of tax remains at 18% on taxable income not exceeding R189 880.

The primary rebate for all natural persons has been increased to R13 635 (previously R13 500). The additional rebate for persons aged 65 years and older is increased to R7 479 (previously R7 407). Persons aged 75 and older are granted a further R2 493 (previously R2 466).

The tax free portion of interest income remains at R23 800 for taxpayers under 65 years of age, and R34 500 for persons aged 65 years and older. In addition the tax-free savings dispensation for other investments, including collective investment schemes, became operative 1 March 2015 and is R33 000 (previously R30 000) per tax year.

Local dividends tax is increased to a flat 20% rate (previously R15%), effective 22 February 2017.

Foreign dividends are also to be taxed at a flat rate of 20%, however, this may be reduced in terms of Double Tax Treaties.

An individual is exempt from the payment of provisional tax if the individual does not carry on any business and the individual's taxable income…

- will not exceed the tax threshold (see 4 below) for the tax year, or
- from interest, foreign dividends and rental will be R30 000 or less for the tax year.

2. INDIVIDUAL TAX THRESHOLDS

INCOME TAX:	**INDIVIDUAL AND SPECIAL TRUSTS:**
Taxable Income (R)	**Rates of tax**
0 - 189 880	18% of taxable income
189 881 - 296 540	R 34 178 + 26% of taxable income above R 189 880
296 541 - 410 460	R 61 910 + 31% of taxable income above R 296 540
410 461 - 555 600	R 97 225 + 36% of taxable income above R 410 460
555 601 - 708 310	R149 475 + 39% of taxable income above R 555 600
708 311 - 1 500 000	R209 032 + 41% of taxable income above R 708 310
1 500 001 and above	R533 625 + 45% of taxable income above R1 500 000

Liability for tax is as follows:

Under 65 years	R75 750	(previously R 75 000)
65 to 74 years	R117 300	(previously R116 150)
75 years and older	R131 150	(previously R129 850)

3. TRUSTS

The flat rate increases/d to 45% (previously 41%), although distributions in the same tax year are taxed instead in the beneficiaries hands.

4. ESTATE DUTY AND DONATIONS TAX

The rate of estate duty and donations tax remains at 20%. The estate duty abatement (exempt threshold) remains at R3,5 million per person and a surviving spouse may also benefit automatically from any unused deduction in the first dying spouse's estate, i.e., the abatement remains a combined maximum R7 million for the second dying spouse.

Estate pegging through the use of soft loans to trusts are under review. Proposals are that the asset growth in the trust be included in a deceased estate and that interest free loans to trusts be treated as donations.

The first R100 000 of amounts donated in each tax year by a natural person remains exempt from donations tax. Donations between spouses are fully exempt.

5. CAPITAL GAINS TAX (CGT)

- The annual capital gain exclusion for individuals increases remains at R40 000.
- The primary residence exclusion from capital gains tax remains at R2 million.
- The capital gain exclusion at death remains at R300 000.
- The effective rate of CGT is the range of 7.2% to 18% for individuals, 22,4% for companies and 36% for trusts, although correctly structured trusts can result in the individual rate being applicable.

6. RETIREMENT FUNDS (The tables remain as before)

Retirement Fund Lump Sum Withdrawal Benefits

Taxable Income	Rates of Tax
0 - 25 000	0% of taxable income
25 001 - 660 000	18% of taxable income above 25 000
660 001 - 990 000	114 300 + 27% of taxable income above 660 000
990 001 and above	203 400 + 36% of taxable income above 990 000

Retirement Fund Lump Sum Retirement Benefits or Severance benefits

Taxable Income	Rates of Tax
0 - 500 000	0% of taxable income
500 001 - 700 000	18% of taxable income above 500 000
700 001 - 1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000

Tax Harmonisation of Retirement Fund Contributions

As from 1 March 2016, all retirement funds (pension, provident and retirement annuity funds) are treated similarly for tax contribution purposes. The tax deduction formula of 27,5% per annum (with a cap of R350 000) of the greater of taxable income and remuneration applies to members of all retirement funds, including provident funds.

Annuitisation

Pension and Retirement Annuity (RA) Funds will still require a compulsory annuity purchase upon retirement with two-thirds of such fund benefits whereas Provident Fund benefits may be commuted in full, until 1 March 2018. The threshold below, which a full fund benefit from a Pension or RA is allowed to be commuted, is R247 500 effective 1 March 2016.

EMERGING MARKETS IN 2017:
EFFECTS OF NEW WASHINGTON ADMINISTRATION

There's quite possibly never been such a divide amongst people on their opinions of one man – Donald Trump. It's hard to be neutral. It's hard to believe that media is unbiased and it's hard to imagine Trump as an inspirational humanitarian.

However, already on the back of his election, the markets have taken a positive swing, believing that lower company tax and greater business stimulation will be good for America. And make no mistake – what's good for the US economy is generally good for everyone.

EMERGING MARKETS

Despite this initial reaction, there are concerns around the fact that an aggressive protectionist strategy may shut out or largely reduce trade with emerging markets. Currently predictions are difficult because the full outline of Trump's new policies have not as yet been clarified.

So early in 2017 what we have is speculation – but also some interesting factors showing that emerging markets have been showing greater optimism than ever before:

Up to the beginning of 2017, those emerging markets showing relative political stability and positive company earnings, have also delivered significantly stronger growth. The adoption of aggressively-driven protectionist policies on the part of the US would pose real risk to this improved status.

While improvements in the underlying growth of emerging markets are still evident, many stocks and currencies saw an immediate sell-off after the election of Donald Trump. Investors believed that Trump's policies to end trade deals and impose tariffs on China would negatively affect emerging markets.

But the balance hangs on his pro-investment agenda for the US which has raised expectations of higher interest rates and a stronger dollar, which in turns offsets the impact of losses for the emerging markets.

Donald Trump's electoral triumph has stoked expectations for fiscal stimulus that will propel US economic growth and hopefully spread this to the rest of the world. For emerging markets, though, his presidency may signal an end to the good years. For some, economic reality may soon hit home. For others, the future may actually look a bit brighter.

WEATHERING THE STORM

While all markets will be touched by the volatile changes in American policies, not all emerging markets are equally vulnerable. Those that can weather a protectionist storm together with higher interest rates, are those with current-account surpluses, including: Poland, the Philippines, South Korea, Malaysia, Taiwan and China. In addition, Argentina, Brazil, Serbia and Indonesia should be attractive bond markets for government debt, according to Morgan Stanley.

Brazil: Prospects for high yields, low growth and falling inflation should make rates attractive for investors.

Brazil presents good opportunity for both bonds and equities – but its large fiscal deficit is a negative factor.

Russia: Remains attractive for equities – and expectations that oil prices will stabilise through 2017, together with decreased inflation and perhaps a more friendly rhetoric from the US, should act as a boost to Russia's economic growth.

China: Chinese equities should be an attractive opportunity, mainly in technology and insurance stocks. There should be a recovery in earnings, valuations are attractive and liquidity should be buoyant.

Indonesia: Worth keeping an eye on. The reform agenda in Indonesia makes the country one of the strongest-performing emerging markets. (Credit Suisse)

THOSE IN JEOPARDY

Countries that are already economically vulnerable would suffer the most from a protectionist Trump presidency. Broadly-speaking, that means countries with large current-account or fiscal deficits, or those emerging economies with significant trade links with the US, such as: Mexico and Vietnam.

Depending to what extent restrictive trade policies are implemented, the direct impact would be felt via a decline in exports from emerging markets to the US. Under this kind of agenda, emerging markets' currencies would depreciate steadily over the next two years.

But the real Achilles heel will be the extent to which emerging markets have current-account deficits and are importing capital to fill gaps, and are being forced to take stringent measures as foreign investment flees. Faring the worst, would possibly include: Mexico, Argentina, South Africa, Egypt, Turkey and India.

Deficit countries have had currencies falling against the dollar for the past five or six years. Added to this, their inefficient economies, slow growth and often entrenched corruption, makes them suffer much higher inflation levels than the surplus economies – and this does not bode well in a new era of protectionist policies in America.

Some markets therefore, are a safer bet than others – but all markets need careful assessment. Those that can weather the storm would probably show worthwhile returns sooner than expected. Countries already proposing or implementing reforms, with the management skills to see them through, may actually see strong growth, even under the new US agenda.

Also good to remember that higher growth in America is good for the world, including emerging markets. If you fall on the side of the divide that sees you believing Trump means more inflation, lower taxes and greater economic growth for the US – and you believe oil prices will stay above $50 thanks to OPEC, which will lead to a commodity rebound – then emerging markets look better than they have in years.

NO GAME CHANGE WITH US

At Foster Wealth, through all of the uncertainty, we believe in remaining committed to our investment philosophy and remaining focused on what matters.

Find out more about us at: www.fosterwealth.co.za.

Some people are natural savers, some are forced into it, and some don't bother at all. But what we're all aware of – sometimes from a young age – is that saving for retirement is vital in the financial constraints of the modern world. As we age, it becomes even more relevant. Sometimes so much so, that fear of the future begins to rule every decision we make, the very way we live our lives.

Whether you're resentful of the amount of money you have to put away for retirement, or you worry constantly that it's not enough – there are ways to plan your savings so that you are able to both enjoy the here and now without the twin stalkers of guilt and anxiety. Yes, you must spend carefully and with consideration. And yes, you must be aware of present actions on the future. But one should not cancel out the other. There are ways to live well and retire well.

Once you settle into your career or steady working life, you will need to look at the distant prospect of retirement in 3 phases: planning funds for retirement; transitioning to retirement funding; living on retirement funding.

PLANNING FUNDS FOR RETIREMENT

Write a plan: As soon as you are regularly earning money, you need to plan retirement funding. Regardless of whether you have a pension scheme with your employer, you should set up your own income-generating plan either in a private pension plan or retirement annuity or endowment policies. It is important to discuss the options with a professional and to choose what will suit your current circumstances and goals. It is also important to do this as soon as possible because the sooner you get used to putting money away, the easier it becomes as life progresses and your earning potential increases.

Education: Knowledge is your most powerful ally in both choice and protection. Keep abreast of the stock markets. Investments are fluid and some are more volatile than others, but all are subject to market fluctuations. Adjust your assets to ensure they align with your current goals and tolerance for risk. Ensure you understand the value of your money long-term: your company pension plus your investments and how your portfolio is going to generate money. Are you going to collect interest? Get dividends? What will you need to maintain a good standard of living?

Make money hard to reach: When you're young, the temptation to raid the funds can be problematic. There will always be things you desire, places you want to go, and possibly new adventures to choose. If you bind your investments, with tight controls they so that they are difficult to interfere with, the better it will be for you in the long run. Nearly everything to do with wealth creation is based on time and patience.

After savings, enjoy your life: Once you have set up your plans and you are well into the swing of things, you can then plan how you want to use the rest of your monthly earnings. Another budget will be required – perhaps a bond or a car will have to be factored in right at the beginning and your initial working years may have to be more frugal than you'd like.

But remember to allow some space for life to be lived – a holiday once a year, possessions that may enrich your life, new studies to enhance career value. All of life's most pleasant things can find room in your budget beyond your focus on retirement. There are many ways to enjoy your life on a shoestring – and if each year you remain true to your goals, the going gets easier!

TRANSITIONING TO RETIREMENT

Meeting the challenges of retirement seamlessly and prosperously is everybody's dream. However, even at this stage, the planning has to continue:

Investments: Specifically, reduce your risk exposure when retirement nears by choosing more conservative investments.

Decisions: You will need to decide what will give you the best financial situation in order to enjoy your life – remaining in your home (hopefully bond-free at this stage) or moving into a secure smaller home. This is a crucial decision regarding the funding you may need as you age and also with regard to your enjoyment of your older years.

Engagement: Remaining involved in working activities can be an important aspect of retirement. Whether you continue with your career in a reduced capacity or take on part-time work, both these possibilities will provide an additional stream to your retirement funding, adding enrichment and financial benefits.

Longevity: You will now have to seriously reconsider new planning strategies to factor in the cost of living longer. You will need to consider healthcare costs, assisted living, frail care and the kind of funding and insurance you will need to see you comfortable and yet still able to maintain in your living standards. This is possibly the most critical time of your life; aging and illness may pull on your funds when you least need extra expenses. However, if you have planned well, committed regularly and continually throughout your life, this time should not hold too many difficulties for you.

LIVING ON RETIREMENT FUNDING

That budgeting stratagem should still be with you. Perhaps more acutely on a day-to-day basis but in a way that sets a course that includes security and lifestyle.

Get rid of debt: Ensure you are well rid of debt before retirement as this could be a millstone that holds you back from creating the balance you have strived for all your life.

Live by a 'paycheck': Work out the amount you need to live well and make sure you stay within this amount. This will allow you to sometimes draw extra for a holiday to see the grandchildren or visit a country on your bucket list.

Discounts: There are an enormous amount of discounts available to pensioners and older folk – don't forget to investigate these as much as possible – and make sure you get your well-deserved dues!

Use public transportation: Not always easy if you're not close to it – but ditching the car and taking a train or bus can save you not only in petrol but the considerable costs of maintaining a car.

Rent rooms: If your choice is to keep your house, it can be used to generate an extra stream of income for you, provided you have the kind of living arrangements that are suitable.

Stay healthy: Most important of all. Even if you have good insurance in place for this eventuality, the ideal is to keep any spending at bay for as long as possible. Keep fit, exercise, eat well. Activities such as hiking, cycling, jogging swimming – even just getting enough vitamin D – are all enjoyable and generally free!

FOSTER PRIVATE CLIENTS – LIVING WELL NOW AND IN THE FUTURE

Foster Private Clients, backed by the proud 28-year history of the Foster Group, believes in working for only the best results in all areas, from investments through to retirement planning, and including insurance matters. Creating a personal partnership with each client – and mindful of every individual's plans, dreams and goals – we are there to guide and advise you on each milestone of your financial journey, not only during your working years but well into retirement. For us it's about more than just generating income and retaining capital in investments, it's about the quality of your life each step of the way and your peace of mind. That's why we focus on building sound relationships based on professionalism, experience, and friendship.

Find out more about us at: www.fosterprivateclients.co.za