BECAUSE WE GET UP AND DO THE RIGHT THINGS RIGHT, DAY AFTER DAY, OUR CLIENTS SLEEP BETTER, NIGHT AFTER NIGHT.

Top quartile 10 year performance:

- Prudential Equity Fund
- Prudential Dividend Maximiser Fund
- Prudential Balanced Fund
- Prudential Inflation Plus Fund
- Prudential Global High Yield Bond FoF

Source: Morningstar

For more information contact our Client Services team on 0860 105 775, or visit: prudential.co.za

Source: Morningstar data for periods ending 31 July 2015 in the relevant ASISA categories. Prudential Portfolio Managers Unit Trusts Ltd (Registration number: 1999/0524/06) is an approved CISCA management company (#29). Assets are managed by Prudential Investment Managers (South Africa) (Pty) Ltd, which is an approved discretionary Financial Services Provider (#45199). Collective Investment Schemes (unit trusts) are generally medium to long-term investments. The value of participatory interest (units) may go down as well as up. Past performance is not necessarily a guide to the future and the manager provides no capital or return guarantees. Unit trust prices are calculated on a net asset value basis, which is the total book value of all assets in the portfolio divided by the number of units in issue. Fluctuations or movements in exchange rates may also be the cause of the value of underlying international investments going up or down. Unit trusts can engage in borrowing and scrip lending. Unit trusts are traded at ruling prices. Commissions and incentives may be paid and if so, would be included in the overall costs. Different classes of units apply to the Prudential Collective Investment Scheme Funds and are subject to different fees and charges. A detailed schedule of fees and charges and maximum commissions is available on request from the company. Forward pricing is used. All of the unit trusts may be capped at any time in order for them to be managed in accordance with their mandates. Performance figures are based on lump sum investments using NAV prices with gross income reinvested. General market performance data may have been provided for illustrative and explanatory purposes. This information is not intended to constitute the basis for any specific investment decision. Investors are advised to familiarise themselves with the unique risks pertaining to their investment choices and should seek the advice of a properly qualified financial consultant or adviser before investing.
Size is just as important as the mix

In the wake of Treating Customers Fairly (TCF) and Retail Distribution Review (RDR), and as we steadfastly continue to champion the cause of recognising financial planning as a distinct and respected profession, it is important that we are prepared to demonstrate to regulators, policymakers and the South African public that we have a sufficient number – and a diversified base – of CFP® professionals to meet the demands of our fellow South Africans.
Next year will mark the 35th anniversary of the creation of the Financial Planning Institute of Southern Africa (FPI), a landmark event in the movement to establish a new profession of financial planning.

With FPI’s mission being to advance and promote the pre-eminence and status of financial planning professionals, while at all times acting in the interests of the society whom the profession serves, our core work is focused on keeping the high standards of the CFP® certification, and indeed all of FPI’s certification programmes, strong and relevant.

The steady growth of the CFP® professional community over these years speaks to its growing prestige and relevance within the financial services industry. While we still have work to do, including establishing clearer career paths for young financial advisors, we are increasingly seeing individuals embrace the CFP® certification as a key component of their professional development.

The results from the 2014 Global Comparator Research: The value of CFP® certification study, show that more and more companies recognise that the CFP® certification can be a key differentiator in improving the quality of the advice value and satisfaction their clients receive. We are certainly seeing these companies making a deliberate effort to institutionalise CFP® certification.

Yet, we have not reached the critical mass needed to meet consumer demand for competent, holistic and ethical financial planning, or to further our shared goal of a recognised financial planning profession.

Financial planning and the establishment of FPI so many years ago, aims to help address the increasing complexity of the financial decisions faced by individual South Africans. Today, people’s financial lives are becoming even more complex, from managing cash flow to saving for retirement, to selecting healthcare and other insurance options, where individuals can make potentially life-altering decisions on a daily basis. Unfortunately, most do so without the benefit of a qualified financial advisor.

Growth and diversity

If we look at the age demographics of the South African public today, the increasing need for financial planning is perhaps among the baby boomers and millennials. Every day, thousands of baby boomers become eligible to retire and could well benefit from the services of a CFP® professional who can help them plan for a secure retirement, plan for the transfer of their wealth and manage their tax obligations.

On the other hand, hundreds of thousands of millennials can benefit from working with a CFP® professional who would help them build their nest egg, save for their children’s university and college fees (while paying off their own student loans) and address many other financial needs.

While demand for our services come from both ends of the generational spectrum, the supply of CFP® professionals – not only is it not enough – it also does not reflect the broader demographics of the South African public. Right now there are:

- More CFP® professionals over the age of 60 than under the age of 30, by a ratio of 2:1. The average age for current CFP® professionals is a respectable 46 years;
- Only 29 percent of all CFP® professionals are women; and
- Only 15 percent of CFP® professionals are non-white.

Clearly, we need to grow, and we need more diversity in our ranks.

Interestingly, these statistics, and even worse, are shared by other countries around the world. In recognition of this challenge, Financial Planning Standards Board’s (FPSB) community is starting to have a focused discussion on the issue of growth and diversity within the ranks of CFP® professionals globally.

Recently, I represented South Africa at FPSB’s Chief Executive Committee (CEC) in Hong Kong. The CEC, made up of the chief executives from the top seven affiliates of FPSB, has, as a purpose, to establish leadership, efficiency and accountability in the execution of collective focus issues within FPSB’s network.

This meeting was set to develop a framework for a global growth strategy to increase the number of CFP® professionals. This framework will now be presented to the general membership of FPSB, at a council meeting in Tokyo later in the year, for adoption and subsequent localisation to suit specific country realities.

In 2016, the Institute will intensify its ongoing focus on achieving growth in the number of young CFP® professionals, advocacy to gain legislative recognition of financial planning as a distinct profession and to increase public recognition of the value of working with CFP® professionals. We think that these goals go hand in hand.

We are certainly going to be more deliberate in our efforts to diversify our community of experts by pursuing policies that promote CFP® certification to more females and non-whites interested in our industry. This we must do as we strive to serve the public by continuing to build a strong, respected and diverse financial planning profession.

We look forward to the ongoing support of our members in this regard.

Godfrey Nti
Chief Executive Officer | Financial Planning Institute (FPI)
at the 2015 FPI Professionals Convention

In today’s dynamic environment, the need to remain informed and relevant cannot be overstated.

For our members, the FPI Professionals Convention remains a great opportunity to enhance their skills and to maintain their competitive edge by staying up to date with regulation, trends and best practice within the industry.

As one of the largest annual events on the South African financial planning calendar, this year’s event – sponsored by Discovery (platinum), Stonehouse Capital (breakaway sessions) and Old Mutual Wealth (convention bags), attracted over 1000 delegates, exhibitors and sponsors, including 30 local and international industry experts as guest speakers. The theme of the convention was ‘Embracing Change’, reflecting the significant regulatory changes anticipated for the financial services industry. The combination of topics and experts chosen took into consideration the need to not only inform, but also inspire.

Among the highlights were the discussions addressing issues facing everyday South Africans. With a mere 6 percent of retirees in South Africa financially independent at retirement, Paul Snyman, CFP® and Professor Nico Smith from the University of Johannesburg’s discussion on equity risk in retirement, and René Grobler from Investec Cash Investments’ presentation on South Africa’s savings culture emphasised the need for change in the economic climate.

By Jevin Tod, Marketing and Communications Manager, The Financial Planning Institute (FPI)
The prevalence of cybercrime made for an interesting discussion given that South Africa lost an estimated R5 billion in 2014 making it onto FBI’s top 10 cybercrime perpetrators list. With this in mind, Danny Myburgh from Cyanre focused on educating delegates on preventative measures to ensure financial planners and their clients do not fall prey to cybercrime.

However, emphasising the business benefits of being online, Dr Nikolaus Eberl ‘Dr Nik’ from the Networking Company discussed how LinkedIn can be used as a powerful lead generation tool, introducing delegates to networking opportunities at the click of a button.

With prominent regulatory changes on the financial services industry’s agenda, the discussions and workshops aimed at facilitating a greater understanding of regulation and how delegates could adapt/ comply, successfully. One such workshop examined the Financial Sector Regulation (FSR) Bill and the Retail Distribution Review (RDR) and Treating Customers Fairly (TCF) discussion papers. The workshop was facilitated by Leanne Jackson from the Financial Services Board (FSB), Katherine Gibson from National Treasury and David Kop, CFP®, from FPI, with views from Phil Billingham, CFP® from the United Kingdom.

Understanding that the transition in adopting regulatory changes comes with its own challenges, members were also able to engage in discussions on how to effectively overcome fee-based challenges and learn from FPI Approved Professional Practice™ firms. This session was presented by Craig Kiggen, CFP® from Consolidated, Ian Beere, CFP® from Netto Invest and Magnus Heystek from Brenthurst Wealth Management. The delegates were also taken through the FPI transition to fee-based practice toolbox, a new member benefit launched at the convention.

As much as tools are important, a CERTIFIED FINANCIAL PLANNER® professional’s depth of experience is the most valuable contributor to their level of competence and success.
Often, the best way to learn and develop your expertise is through the experience of others. It is this thinking that set the scene for discussions with Mark Alves, CFP® from the FAIS Ombud and Louis Van Vuren, CFP® from Finlac, who analysed cases of bad advice and explored what could have been done better.

To avoid such cases and better equip financial planners so their clients make informed decisions, Paul Resnik from FinaMetrics provided delegates with tangible ways in which to establish the optimal level of investment risk for each client, based on their individual goals. The same view was held in the talks by Dr Adrian Saville from GIBS on surviving and thriving in the wealth management industry and by Dr Mike Sweeting, also from the United Kingdom, on liquid assets as a new revenue source.

Given the amount of industry jargon that clients often have to wade through, Candice Burt from Simplified’s presentation on writing in plain language was aimed at helping financial planners help their clients better understand their financial plans. On the other hand, addressing the all-important subject of retirement was Jeannie de Villiers-Strijdom from Stellenbosch University who compared South Africa’s retirement annuity options while Andrew Bradley, CFP® from Old Mutual Wealth discussed the correlation between wealth and happiness.

Stirring some interesting debate was Dr Liezel Alsemgeest’s discussion on the research conducted by the Centre for Financial Planning Law on spouses’ views of gender roles in financial management in marriage, which found women to be on the proverbial ‘financial backfoot’. With Dr Clem Sunter’s presentation, which explored latest scenarios, flags and probabilities across both South Africa and the world, beyond 2015, he highlighted a potential further downgrade by the ratings agencies.

With a potential of members belonging to more than one professional body getting confused by each professional body’s own Continuous Professional Development (CPD) policy and different CPD learning requirements, the South African Qualifications Authority (SAQA), FPI and FSB embarked on a joint project to study the current CPD practices of SAQA recognised professional bodies. The study also aimed to find the best way to promote best practices, both locally and internationally. The key findings from the CPD Compared Research...
Save the date:
The 2016 FPI Professionals Convention will be held on 14-15 June at the Sandton Convention Centre.
In this issue Mandisa Magwaza and Wende Davids catch up with a few CFP® professionals who are recipients of FPI Annual Awards that were announced at the FPI Gala Dinner Awards Ceremony held on 24 June 2015 at the Sandton Convention Centre.

Mandisa Magwaza
Team Leader: Member Engagement and Retention, FPI

Wende Davids
Customer Experience Officer, FPI

Wouter Fourie, CFP®
Profiles

Marius Botha, CFP®

Eddie Theron, CFP®

Kobus Kleyn, CFP®
How do you feel about winning the award?

This has been a life changing experience. I want to encourage each and every CFP® professional to enter this competition. I have new respect for our industry and have made so many good friends on my journey.

The FPI Financial Planner of the Year Award is the ultimate accolade to reward the professionalism and ethics adhered to by a CFP® professional. I think the highlight of any CFP® professional’s career is to be awarded the title of being the FPI Financial Planner of the Year. It’s an awesome feeling and honour to win this award. Understanding the gravitas of this competition makes me even more proud to have won it.

Why did you decide to enter the competition this year?

The answer is simple – I entered the competition because I wanted to win it!

I am a professional financial planner. My personal planning includes setting personal goals and putting plans in place to achieve these goals. Considerable planning went into entering and taking part in the competition. It started back in May 2003, when I attended my first FPI Annual Convention. It was a ‘wow’ experience and I remember attending the Gala Dinner where Gerrit Viljoen, CFP®, received the FPI Financial Planner of the Year Award, with Anton Swanepoel, CFP®, as runner-up. I met Gerrit and Anton the following day. What impressed me was that they were the epitome of what this industry should be and aspire to; being the best you can be, being humble and giving back to the industry. My journey to becoming the new FPI and CFP® mark brand ambassador therefore actually began in 2003. Talk about a long walk 2003 to 2015; that’s 12 years ago!
What do you think the judges were looking for this year?

Excellence, passion for the industry and the X-factor! I don’t think that this is any different to the previous years’ competition and should remain relevant going forward. It also emphasises the brilliance and professionalism of our previous years’ winners.

If you look at your professional career, which moments stand out for you?

One Saturday morning in 2001, I had just finished my post graduate diploma in financial planning and was busy doing some DIY things around my home, while dreaming and planning my future. I realised that this was my life mission. I wanted to be a part of a new generation of professional financial planner professionals. This was a ‘wow’ moment in my life, and the spark that ignited the dream to be the best at what I can be.

The second stand out moment in my professional career was when I met my business partner Martin De Kock, CFP®. We shared a common dream of establishing a business that could provide a one-stop professional financial service. As a qualified professional accountant and chartered accountant, we already had successful accounting and auditing practices and the more we planned and dreamed about it, the clearer the picture became.

Our biggest challenge at that stage was office space. Neither of our offices at the time was big enough to accommodate the joint practice. We decided to purchase our own offices and on 1 April 2005 (this was not an April’s Fool Joke) the company “Associated Specialist Corporations” or ASCOR® was established and we moved into our new offices. Well at least I did – Martin decided to rather go on holiday to the USA leaving me to plan and execute the big trek – talk about trusting your new partner. I then also realised Martin had the potential to be a great financial planner – this was good foresight on our part! 2005 to 2015 – one decade! My, time flies when you’re having fun!

The third moment that stood out for me happened on the evening of 24 June 2015, when I was awarded the FPI Financial Planner of the Year title and became the new FPI and CFP® mark brand ambassador for 2015/2016.

Your acceptance speech was very moving. I saw many people taking out their tissues. Where does all that passion come from?

Without passion, life is nothing. I am passionate about professional financial planning, FPI, and about helping others who want to be professional financial planners (mentorship). I am also passionate about God, my wife, kids and my family.

Passion is the energy that keeps me going; that fills life with meaning, happiness and excitement. Passion is a powerful force that allows me to accomplish anything I set my mind to, and in experiencing work and life to the fullest extent possible. Ultimately, passion is the driving force behind success and happiness that allows people to live better lives. Passion generates energy. There is no passion to be found in playing small – in settling for a life that is less than the one you are capable of living. And with passion you’ll always find his friend, emotion.

I choose to be passionate and to dream BIG!

If you could give one piece of advice to anyone wanting to enter the competition, what would it be?

There are three types of people in the world; those who make things happen, those who watch things happen and those who wonder what happened. To be successful, you need to be a person who makes things happen.

Go for it – but be well prepared. Remember that you are competing against the best. This is a tough competition, and you will not succeed if you make a half-hearted attempt. You need to be super fit because your competition is superb.

Call in the help of other professionals. There are brilliant business coaches, books and programmes available and in the process you will lift your own service level and game. Be ready to take yourself and your business to the next level! Oh yes, and by the way, be ready to spend long hours on investing time in your personal development, your stuff, and your business, in getting ready to be the best of the best.

One serious or silly thing that people don’t know about you?

Silly, maybe, but let’s rather call it another passion. I love music, and not playing an instrument but mixing and collecting music. I was a DJ at school and paid my varsity tuition fees by being a DJ. I still love mixing music and with new technology find this even more interesting and relaxing. I love entertaining friends with a collection of my hand-picked music. I have experimented with different sound waves and can admit that I use it to help me concentrate while I am studying or even preparing a presentation for clients or seminars. Silly maybe but it works for me, and I love it.

On a more serious note; like many of you involved in this industry, I am concerned about the challenges facing our members, colleagues and our clients. I will use my position as chairperson of the FPI North Region, non-executive director of FPI and now the FPI Financial Planner of the Year 2015/16 to motivate and inspire fellow members to rise to the challenges and to learn from each other – to make a difference in this beautiful country and to leave a legacy of hope and prosperity for our children and future CFP® professionals.

I’d like to leave you with a quote from Marianne Williamson (also used by the late Nelson Mandela in his inauguration speech) – “Our deepest fear is not that we are inadequate. Our deepest fear is that we are powerful beyond measure. It is our light, not our darkness that most frightens us. We ask ourselves, who am I to be brilliant, gorgeous, talented, and fabulous? Actually, who are you not to be? You are a child of God. Your playing small does not serve the world.”

---

About Wouter Fourie, CFP®

Wouter is the chief executive officer of Ascor® Independent Wealth Managers. He is an advanced postgraduate qualified financial planner (Investments and estate planning), with more than 17 years’ experience in the field of comprehensive financial planning and wealth management.

Wouter is also a qualified professional accountant with postgraduate qualifications in advanced taxation. He serves on various FPI committees, as a member or chairperson, has recently been elected as an FPI board member and is actively involved in a number of financial literacy education programmes.
How do you feel about winning the award?

It came as a big surprise. I did not expect it. It is a great honour to be acknowledged by one’s peers and also the institute where I have been a member for such a long time. If I look at the names of those that have received it before me it makes me appreciate it even more.
What values do you incorporate in your personal and professional life?

I believe in the simple things. Be honest, be loyal and work hard, but most of all help others as much as you can. A gentleman from Durban once said to me that in his religion there is a saying that if you use your candle to light somebody else’s candle, your candle is still burning. It is so true.

If you look at your professional career, which moments stand out for you?

Receiving this award is one of the biggest highlights of my career. There were many other moments in my career that stood out for me, too many to mention, but most of them involved me being able to assist someone in some way, adding value to their lives.

In your opinion what are the most pressing challenges faced by professionals in the industry?

The most pressing challenges faced by professionals in the industry is to keep up with the avalanche of changing legislation. It is getting to the point that one is forced to specialise as it is impossible to keep up with all the amendments. Fortunately, the Financial Planning Institute is of great assistance to its members in this regard.

As someone who contributes significantly to the education and skills development of young professionals in the industry, what advice can you give seasoned professionals who want to make a difference in the lives of those just starting out in the industry?

My advice to seasoned professionals would be for them to avail themselves fully to guiding those just starting out in the industry. I have received phone calls and e-mails from many young students on completion of the Postgraduate Diploma in Financial Planning, asking me what they can do to get employment in the industry.

I want to encourage everyone to take on interns, this is a great way for them to gain the experience needed to become CFP® professionals. Another challenge students face is a barrier caused by their age; they find that some clients choose to not accept their advice because of it and this is where seasoned professionals need to assist in mentoring them to present their advice in an assertive way especially when dealing with clients older than they are.

Encourage them to acquire the CFP® designation, to never stop learning even through self-study and to attend as many courses and seminars as they can.

One serious or silly thing that people don’t know about you?

I love reading non-fiction. I have sold out to electronic readers though. I read mainly history, biographies, sport and 1960s music. And then, there is cricket. I first attended a test match in Port Elizabeth in 1962. Since then I have attended close to all the test matches that were played in Port Elizabeth, and after moving to Cape Town in 1983, in Cape Town. Two season tickets for Newlands Cricket Grounds are in my safe and the dates for the matches that I want to attend go into my diary before I start filling my diary with business appointments.

About Marius Botha, CFP®

Marius started his career in the financial services industry as an estate administrator and will draftsman with a trust company 28 years ago. Six years later he joined a large life assurer as a legal adviser and later became manager of the legal training department.


Marius is also a panel member on Financial Planning Standards Board’s (FPSB) Working Group tasked to develop a global framework, written protocols, guidance documents and templates to help educators train the next generation of financial planners and certifying bodies to assess potential financial planners’ competency to deliver viable financial plans to clients.
You have a deep sense of vocation and passion for what you do, what decisions in life led you to this point?

I have been practicing financial planning for almost 15 years now. Initially, I qualified as an engineer and worked my way up the corporate ladder, changing job functions every two to three years eventually being at divisional managing director level with blue chip companies.

The success that I attained was not as fulfilling as I had hoped. I felt that something was missing. I believe true fulfillment is hardly ever possible.
without the sense of purpose and passion in life. I wanted to transcend into something more than ensuring the wealth of shareholders.

After intense research on the industry, I was convinced that the financial planning profession would be a perfect fit for me, and I found in Liberty Group a franchise opportunity that would allow me to enter the industry and in Kainos Financial Services a partner to grow my business.

Looking back I think it was a courageous decision to resign from a high-level position that had many perks and a stable income to starting a business which had no guarantee of an income.

I strongly believe that once you do what you love with passion and purpose that success and wealth will follow; I have never looked back. My own wealth creation is so much more rewarding now, I have learnt that sustainable wealth is only possible within the financial services industry if you create wealth for your clients and make their family dreams come true. My slogan reads as follows: My goal is very simple, to help you and your family reach yours!

**Why is volunteerism important to you?**

I believe in the aspirations of all the professional and member bodies I belong to, and I make my membership work for me and them by being an unofficial ambassador for them. I take advantage of what they have to offer. The networking opportunities also add to the important sense of belonging and sharing. My affiliation with them is not only from a career advancement point of view but in wanting to assist in the mission of converting our industry to a respected profession. This is not only their responsibility, but they also need the support and commitment of members and my fellow financial professionals to partake in pro-bono initiatives.

**Which recent client compliment stands out for you?**

Compliments give me goosebumps because I know that I have impacted people in a positive way and appreciate the effort they go through to drop me an e-mail, text, phone call or post on LinkedIn. Susan de Goede and Shaniece de Vries, my support team, contribute to this outcome through great service levels and my continuity partner Grant Tucker and upcoming Kalpesh Morar allows me to ensure succession planning and happiness to my clients. The badge of honour I received from Liberty Group recently for always honouring all claims re-affirmed that I am serving my clients and profession with dedication to detail.

Which brings me to my most recent appreciation that came from the “Jones” (name not used for confidentiality) family who has been with me for over 13 years. Mr Jones recently passed away from cancer. This was a very difficult time for his family. He had three children who were all minors.

During his illness and before he passed away Liberty Group paid out close to R13 million in claims which included critical illness, disability and terminal illness benefits, etc. This helped the family cope with the loss of the 45-year-old father and breadwinner.

The family was so thankful for my help during the tough 18 months and extended their words of gratitude. Words fail to express the emotions one feels when you are able to look into the eyes of your client before he passes away and assure him that he doesn’t need to worry, his family will be taken care of.

**Tell us about a recent work project where you adopted a fresh approach to doing your job?**

I would not say recent but ongoing is converting my practice into an office-based practice. Prior to having an office-based practice I held most client meetings at restaurants, client offices, and homes, and ran my practice from my boot with only 5 percent of clients coming to my actual office. This has been a most difficult and time-consuming project which also required a change in mindset from both me, my support staff and clients/prospects.

I have learnt the importance of creating a pleasant environment that the client looks forward to visiting and the importance of creating a long-term value proposition for my clients. When your clients come from afar (up to 150km) to visit you for a Financial Needs Analysis you should make sure they have an experience worth their while and there is nothing like running a professional practice with professionalism at all times.

**In the next five years do you expect an increase in the number of people seeking advice from financial advisors?**

Unfortunately, the history of our industry has been tainted by scrupulous cowboys, and it will take many trusted advisors to change the perceptions and to evolve our industry to a profession. So yes, I believe Treating Customers Fairly (TCF) and Retail Distribution Review (RDR) will better our profession and hold both the consumer and advisors’ interest at heart as without both surviving RDR there is simply no winner or sustainability. Once we have achieved a happy medium I have no doubt more people will want advice and also be willing to pay for it as they are more than willing to pay medical professionals for advice and services. It is in our own hands to make it happen with the support of our affiliations.

**Please share something personal about yourself**

I love to travel with my amazing and very supportive wife Christa and, when allowed, with my children. We have been together for 19 years and have never slept away from each in principle as it allows us to spend time together and I just plan accordingly. We have at least four overseas trips a year and four local holidays, and lots of long weekends to ensure balance of family life. Also finally thank you to my clients for supporting me and the FPI for recognising me with the Inaugural It Starts with Me Award which I received in June 2015 which I treasure.

---

**About Kobus Kleyn, CFP®**

Kobus, Director at Kainos Financial Services, obtained his Postgraduate Degree in Business Administration and Management at Unisa in 1997 and Financial Planning Services at the University of Free State in 2013.

He is the current chairperson of the FPI Risk Competency Committee, Financial Intermediaries Association’s (FIA) RDR Status of the Intermediary Workgroup and Million Dollar Round Table (MDRT) South Africa. Kobus is also a member of the South African Institute of Tax Professionals (SAIT), FIA and Fiduciary Institute of South Africa (FISA).
Eddie Theron, CFP®

Head of Proposition Management at Old Mutual Wealth

2015 Top Student in the CFP® Professional Competency Exam Award

How do you feel about winning the award?

Really honoured! To have been recognised at the same event where the FPI Financial Planner of the Year was announced truly was a great privilege. Big thanks to FPI for the award and for hosting a quality Gala Dinner.
What were the challenges you faced while preparing for the FPI Professional Competency Examination (PCE) and how did you overcome it?

One of the biggest challenges with studying part-time is always trying to fit in studying and a full-time job. I am responsible for the development and management of our investment proposition at Old Mutual Wealth, so I definitely needed to find a few extra pounds of flesh to give towards studying. Our firstborn also turned two around the time of the exam and our second was on his way, so this added to the challenge in a big way.

Overcoming it? I mostly tried to fit in the studies in the wee hours before work, so a big alarm clock and strong coffee in the morning were my tools for conquering. My wife definitely deserves more of the award than I do; she was incredibly supportive during the nights and weekends, when mornings-only were not enough.

Why was it important for you to pursue the CFP® designation?

I respect and value the contribution that FPI has made and is making towards professionalising the financial planning industry. Part of the reason why I wanted to get involved in the industry in the first place, was that I could not listen to one more story of someone’s quality of life being jeopardised due to poor financial choices that were made – whether it be on their own part or due to poor advice.

A person carrying a CFP® designation, to me, represents a person that can be trusted to have received the necessary training to be able to give good quality financial advice. It was important to attain this designation in order for my contribution to the industry to be seen in this same light – irrespective of my exact role in the financial advice process.

The value of a well-known, internationally recognised designation also can’t be underestimated, and once again I must commend FPI for the way in which they continue to build on the established brand of the CFP® mark.

Looking at your academic career, what would you say was your favourite subject or module?

In preparing for the FPI PCE, I completed a Postgraduate Degree in Financial Planning through the University of the Free State. Most of my professional background and area of specialisation during my actuarial studies was investments, so naturally I really enjoyed the Investment Planning module.

The module on the Financial Planning Environment was surprisingly interesting given the amount of legislation there was to read through! In the end I actually really enjoyed this – it really grounds one’s experience once you understand the source of the rules and regulations of our industry.

But taking all of this into account, I would still say that my favourite module was the case study – which is also the format that the FPI PCE exam takes on. It gets back to my earlier point about being able to help a real-life person (or, in this case, a made-up person if you don’t use your imagination) to make a good financial decision that will ultimately impact on his or her quality of life. The case study brings all the modules together and allows you to imagine yourself sitting across from the person and adding value to their lives.

If you could give one piece of advice to anyone wanting to write the exam, what would it be?

The Postgraduate Diploma provides a great framework that will help you get through the material in a structured manner – be diligent and stick to the timelines. The webinar that FPI presents a few weeks before the PCE exam is very useful – make sure you attend it. There is no substitute for practicing exam questions under the pressure of exam timelines. Get your theory out the way early and start practicing as soon as possible. That’s more than one, sorry. And I have not even mentioned strong coffee.

One serious or silly thing that people don’t know about you?

In my dreams I lead a band that opens for U2 at Slane Castle. The real-life version of this is occasionally leading praise and worship at our local church.

About Eddie Theron, CFP®

Eddie is a qualified actuary (FASSA) and graduated from the University of Stellenbosch in 2000. He started his career abroad specialising in asset-liability modelling for life insurers in Europe, the U.S. and Australia, before returning to Cape Town and joining Old Mutual in 2005. Since then he has gained extensive experience in the investment industry in both the retail and employee benefit arenas. First as product management and marketing actuary for Old Mutual Corporate’s range of guaranteed investments, and most recently as head of proposition management for Old Mutual Wealth. He recently completed his Postgraduate Diploma in Financial Planning at the University of the Free State.
All our FPI Approved Professional Practice™ firms have one thing in common; which is the express aim to provide professional financial planning to consumers. Their objective ties in well with FPI’s vision of Professional Financial Planning for All. This vision is made possible when the industry promotes and highlights the importance of professional financial planning, by promoting the CFP® mark among their consumers.

The aim of an FPI Approved Professional Practice™ is to provide professional financial planning for their clients and to assist them in meeting those financial goals. This falls in line with the values FPI has put in place to always:

- put our clients first,
- lead with integrity,
- be fair,
- be objective,
- show professionalism,
- demonstrate competence,
- and portray confidentiality and diligence.

In this edition of The Financial Planner another two of the FPI Approved Professional Practice™ firms highlight why professional financial
A holistic retirement for their clients

Chartered Wealth Solutions is committed to helping their clients retire with the freedom to achieve their yet unfulfilled dreams and goals, on their own terms and in their own time. This is Chartered Wealth Solutions’ definition of a successful retirement.

Part of its strategy in helping clients retire successfully is to guide their clients through a process of discovery so that they can map out the life they want to live in retirement. Only then are the financial planners able to structure a truly meaningful financial plan; one completely unique to their clients’ lives, one based on their dreams and retirement goals... a retirement plan where money and meaning meet!

With this commitment as the company’s mission, the practice’s directors ensure that their financial planners are knowledgeable, experienced and professional, and provide advice of the highest standard. Sixteen of Chartered Wealth Solutions’ financial planners hold the recognised CFP® designation. A CERTIFIED FINANCIAL PLANNER® professional must meet certain education, examination, experience and ethics requirements, as set by FPI.

In line with their independence and objective advice, Chartered is a fee-based financial practice; the practice’s financial planners do not earn commission, and their clients pay a fee for their financial plans as well as their life planning process.

Professionalism

As an FPI Approved Professional Practice™, Chartered adheres to FPI’s Code of Ethics and Responsibility and its policies and procedures are consistent with this code. Furthermore, the practice undergoes three-yearly reviews to confirm adherence to the accreditation criteria.

While few clients are aware of the detailed process to maintain the status as an FPI Approved Professional Practice™, this acknowledgement from the Institute allows them to know they are dealing with a truly professional practice, and they can trust the advice they receive. All the requirements are in place to ensure that the clients’ interests are always placed first. In fact, in service to their clients, Chartered has created its own Retire Successfully website, which provides information and inspiration to live a meaningful retirement.

The practice supports the efforts of FPI to uphold the standards of the industry, and has participated in the FPI Financial Planner of the Year competition, and has two past winners and two past finalists among its financial planners.

Mentoring the next generation of financial planners

As an FPI Approved Professional Practice™, Chartered Wealth Solutions undertakes to mentor its young financial professionals. The aim is for these new financial planners to demonstrate their knowledge, skills and abilities, as well as to understand and embrace the principles laid out in the FPI Code of Ethics and Professional Responsibility. This mentorship programme is also designed to engender in the new generation of financial planners a passion for the industry and for putting clients first.

Chartered has development plans in place for young financial planners working to obtain their CFP® designation. As a professional practice, the company provides them the opportunity to gain knowledge and experience in the financial planning environment. This mentorship happens organically as the financial planning teams work together, with a senior financial planner guiding and leading the junior members of the team.

In addition, they continually develop themselves as financial planners. This development takes the form of education sessions on legislative updates, providers and investment strategies.

Another mentorship forum established in 2013, by Kim Potgieter, CFP® professional and director at Chartered, is the Women in Finance Network – a forum for women in the financial services industry to support and mentor each other, in the belief that sharing lessons will help them create successful careers. The presentations allow experienced women financial planners to demonstrate that financial planning is an ideal career for women... and they are good at it!

About Chartered Wealth Solutions

Chartered Wealth Solutions is an independent financial planning company specialising in retirement. It is recognised by the Financial Planning Institute (FPI), as an FPI Approved Professional Practice™. This accreditation means that they offer services and advice of the highest standard to their clients. For more information visit www.charteredwealth.co.za or www.retiresuccessfully.co.za.
Exceptional care for clients

The financial services industry in South Africa is one of the most efficient and admired sectors of the economy and as a result, one of the most competitive. Clients and consumers are bombarded with marketing messages about investment products, transactional accounts, savings options and tax issues, to name but a few.

In a complex investment and financial planning environment and given the level of messaging to clients and consumers, many find it difficult to choose an appropriate service or even company best suited to their needs.

This is one of the key drivers for the programmes of the Financial Planning Institute (FPI) to promote the highest level of standards through its CERTIFIED FINANCIAL PLANNER® certification for individuals and the FPI Approved Professional Practice™ brand for companies.

Brenthurst Wealth Management, which operates four offices in three South African cities, was one of the first private client wealth management companies in South Africa to receive the FPI Approved Professional Practice™ accreditation.

Mentorship and certification

“The financial services industry and investment offerings to clients changed dramatically in the last ten years. Many of the changes have improved the service levels offered to clients, and we support the amendments made to promote ethical behaviour in the industry,” says Brian Butchart, CFP®, Managing Director of Brenthurst.

“We are proud of the fact that we surpass the minimum requirement to become an FPI Approved Professional Practice™. FPI stipulates that 50 percent of all financial planners in a company must have the CFP® designation. At Brenthurst, 71 percent of our financial planners have completed the course and practical work to obtain the qualification and the rest are currently in the process of completing the demanding schedule to achieve the CFP® credential.

We have a mentorship programme in place to guide and support the junior financial planners as this will further develop our company in years ahead. Furthermore, it is required that at least two key individuals must be CFP® professionals. Brenthurst’s two key individuals have the internationally recognised CFP® designation,” Butchart says.

Professional financial planning

Serving their clients with the best possible advice and adhering to the highest standards of service are the cornerstones of Brenthurst’s approach. They are proud to have been one of the first companies to receive the FPI accreditation for what they consider as good business practice. It provides clients with a sense of security and sets high standards for their team. This also means that they adhere to the principles as set out by the Institute – putting clients first, acting with integrity, offering objective advice and delivering our service fairly and professionally.

Butchart added that financial planning is not a once-off event as clients’ circumstances change over time, which will impact their financial affairs. They manage relationships with clients on an ongoing basis to make sure that their investments and all their offerings to them remain relevant. “Having a full team of CERTIFIED FINANCIAL PLANNER® professionals is of great value for this, as it is a requirement that financial planners remain updated with any regulatory changes in the industry to maintain the status,” he said.

About Brenthurst Wealth Management

Brenthurst Wealth was established by Magnus Heystek in 2004 and currently manages about R3.5 billion on behalf of its clients. It operates offices in Johannesburg, Pretoria and two in Cape Town. The company offers a full range of solutions for clients which includes financial planning, investments, tax planning and fiduciary services.

Brenthurst is completely independent and can, therefore, offer clients access to a wide range of investment options and platforms, locally and internationally. The company makes use of associates for other services, for instance, short-term and long-term insurance, to assist clients with aspects of their financial affairs which cannot be managed by Brenthurst.

www.brenthurstwealth.co.za
Do you want to be a customer

OR

A member who shares in the profits?*

As a graduate professional, you have two choices. You could join a listed financial services company and access typical products and services. Or you could join PPS. You could enjoy unique financial solutions specifically created for professional people. And because PPS belongs to our professional members, they share 100% of all our profits via annual allocations to their PPS Profit-Share Accounts* - at no extra cost and regardless of whether or not they claim.

FIND OUT IF YOU QUALIFY TO #JOINOURTABLE AT PPS.CO.ZA

PPS is an authorised Financial Services Provider. *Members with qualifying products share 100% of the profits of PPS.
Momentum minds the income protection gap

“A lot of people only think about disability as a severe and permanent event that results in an inability to function normally. Although disability can manifest in this manner, there is also a temporary state of disability that is often ignored”, according to Neill Müller, Head: Retail Life Insurance Product Development.

“An example of this could include mountain biking which has grown to become a very popular sport for South Africans yet the risk of suffering a serious injury is quite high. Injuries like these are normally temporary with a shorter recovery period but could result in time away from work which leads to a loss of income and an inability to save for a rainy day.”

He adds that “If one considers that the age group of 40 to 50 is regarded as the most productive years of a person’s working life, an event as described above that leads to disability, either permanently or temporary, could be a game changer for a person and his or her family’s life, going forward.

Momentum Myriad has always been the leader in the individual income disability market. This is because we understand that your clients have different needs hence we embrace a ‘building block’ approach as opposed to a ‘one size fits all’ risk solution. Our existing income protection solutions incorporate the best of sickness and loss of income benefits as well as additional claim categories, such as functional impairment, critical illness and hospitalisation and fractures, ensuring the most robust claim definitions in the market.

These benefits include:
- Income Protector Benefit
- Temporary Income Protector Benefit
- Business Overhead Protector Benefit
- Business Protector Benefit for self-employed professionals
- Functional Protector Benefit
- Longevity Protector™ - Income Protector Benefit

The recent changes in tax paved the way for this feature which allows clients who are permanently disabled to commute their monthly income disability pay-out to an annual lump sum payment. The newly launched Annual Income Commutation Option provides your clients with the option, from the second claim anniversary onwards, to annually commute 25, 50, 75 or 100 per cent of their monthly income protection payments, to a lump sum.

The aim of the new income protection benefits is to complement the existing solutions from being the most comprehensive in the market to offering your clients the most complete ‘needs-based’ range of income protection benefits in the market. The newly launched benefits and features include:
- Income Enhancer Benefit
- Complete Family Protector Benefit
- Complete Functional Protector Benefit
- Annual Income Commutation Option
- Business Protector (Self Employed)
- Group Income Top-up Benefit
- Temporary Group Income Top-up Benefit
- Longevity Protector™- Group Income Top-up Benefit

...
Income Enhancer Benefit

This benefit provides your clients with 50 per cent more cover for the first few months following a serious claim event. There are normally more unplanned expenses during this period. This could include anything from appointing an au pair to help out around the house in the event that a client’s injury requires some rehabilitation, to funding any medical expenses or lifestyle adjustments that have to be made.

Available to both new and existing clients, this ancillary benefit can be linked to a number of current income protection benefits.

Complete Family Protector Benefit

This new benefit acknowledges that additional expenses are often incurred when a family member passes away, is diagnosed with a critical illness or hospitalised. After such an event a breadwinner is very often required to take time off from work to support his or her family, which might lead to loss of income.

This benefit provides a lump sum pay-out equal to three monthly claim amount payments under the income protection benefit to which it is linked; in the event that any member of an insured life’s family passes away or is diagnosed with a critical illness. In case of hospitalisation, this benefit provides a pay-out equal to 50 per cent of the monthly claim amount under the income protection benefit to which it is linked. Also, in the event of the insured life passing away, the benefit provides a pay-out that equals three months’ income.

The Complete Family Protector Benefit is available to new and existing clients on a number of current income protection benefits and can be added as an ancillary benefit.

Complete Functional Protector Benefit

This benefit is an enhancement to our existing Functional Protector Benefit which is still available to new business submissions. The Functional Protector Benefit provides for a monthly benefit pay-out in the event of the insured life becoming permanently impaired.

These benefits are not designed to replace an individual’s income, but rather to cover additional ongoing expenses as a result of a permanent impairment. Costs associated with living with an impairment can include hiring a nurse or covering the cost of frail care.

Whereas the existing Functional Protector Benefit only covers severe impairment events at a 100 per cent pay-out level, the Complete Functional Protector Benefit covers a wider range of impairment events and provides for tiered pay-outs ranging from 25 to 100 per cent.

What makes this benefit unique is that cover is provided for ‘whole of life’ and once an insured life qualifies for a pay-out, the monthly payments are made for the rest of his or her life. In addition, clients with lump sum or income disability benefits are able to convert their cover to a Functional Protector Benefit and hereby whole of life cover is provided.

Annual Income Commutation Option

The recent changes in tax paved the way for this feature which allows clients who are permanently disabled to commute their monthly income disability pay-out to an annual lump sum payment.

With this new feature, Momentum Myriad acknowledges that there is always a cash flow need associated with expenses as a result of a disability and this benefit aims to address that need. The

Annual Income Commutation Option provides your clients with the opportunity to make provision for more pay-out flexibility.

Clients have the option, from the second claim anniversary onwards, to annually commute 25, 50, 75 or 100 per cent of their monthly income protection payments, to a lump sum.

Business Protector Benefit for self-employed individuals

We enhanced our current Business Protector which was only available to professionals to include a 12 month pay-out option. We then renamed this benefit the Business Protector [Professional]. At the same time we created the Business Protector [Self Employed] which provides income protection and business overhead protection, rolled into one, to any self-employed individual.

This benefit is unique and is a simple and efficient way of protecting your business in the event of a disability. Clients can cover up to 100 per cent of their business’ gross profit (i.e. turnover less cost of sales), ensuring that they are able to cover their business expenses and their own salary in the event of a disability.

Group Income Top-up Benefit

Salaried employees, who are covered under group income protection arrangements, are often not able to enjoy the comprehensive cover available under individually purchased arrangements. For example, if the selected pensionable salary, on which group income cover is often calculated, does not equal a client’s total cost to company, the client will not be fully covered in the event of a disability. Secondly, if the group income cover has a three month or longer waiting period, there could be a “gap” in cover if a client runs out of sick leave before the waiting period is reached.

Our Group Income Top-up Benefit is tailor made to addresses this pressing need for employed individuals and provides for an income pay-out during the group income waiting period. In addition, this benefit ensures that clients receive a benefit based on their cost to company salary regardless of what their group arrangement covers. This is achieved by topping up the group income pay-out.

Longevity Protector – Group Income Top-up Benefit

Our unique longevity protectors already protect clients against the risk of outliving their capital. To ensure that we offer employed individuals the same level of protection, we enhanced our existing Longevity Protector – Income Protector Benefit. As a result it includes a new option that will provide employed individuals access to the same level of cover against longevity even though their primary income protection is based on their group income disability.

Conclusion

Müller highlights that “With income protection as only one of the dimensions of financial wellness, staying on course to make your clients’ dreams a reality demands lot of planning and discipline. The new and existing income protection solutions assist your clients to see the bigger picture of how best to reach their planned state of financial wellness. We are confident that our complete income protection solutions will set the bar even higher in the industry by offering your clients the very best choices when it comes to protecting their income.”

Terms and conditions apply. Momentum, a division of MMI Group Limited, an authorised financial services and credit provider. Reg. No. 1904/002186/06.
Embracing change

Our industry is in a metamorphic revolutionary time where change is inevitable, and the fair treatment of customers is the gale force wind behind the Twin Peaks hurricane. Therefore, sit up straight and embrace change as a matter of course.

The sub-ordinate legislation relevant to the fit and proper requirements was reviewed by the FSB and is currently being prepared for public consultation – this is evident not only from the FSB FAIS Newsletter (Volume 17) but also from panel discussions held at the 2015 FPI Professionals Convention on 24 - 25 June 2015.

Senior officials from the Financial Services Board (FSB), such as Leanne Jackson and Caroline da Silva, formed part of the panellists discussing hot topics such as Retail Distribution Review (RDR), transition to fee base and Continuing Professional Development (CPD).

CPD panel discussion at the FPI Convention

One of the panel discussions as mentioned above focused on CPD and the implementation of a framework for CPD within the financial services industry by FSB. This framework will not only focus on CPD, but also possibly the competency requirement that forms part of the total fit and proper requirements as contained in Section 6A (2) (b) of the Financial Advisory and Intermediary Services Act 37 of 2002 (the FAIS Act) and described in more detail in sub-ordinate legislation such as FSB Board Notices. The competency requirement consists of three subdivisions which are:
- Qualifications
- Experience and
- Examinations (regulatory examinations)

The whole competency model framework is therefore under review. Caroline da Silva also mentioned that CPD may or may not apply to all categories of financial services providers (FSPs) and representatives. She said that the regulator is looking at a ‘bucket’ system in which different types of FSPs and representatives will be placed making it clear which CPD and competency requirements they need to comply with. It was highlighted that the panel discussion was a consultation with industry and not the announcement of definite changes – there is still a working group as mentioned in the named newsletter above deliberating and discussing possible models going forward.

Different CPD policies and procedures with different professional bodies

During the panel discussion it was also highlighted that there is a vast difference in the manner in which different professional bodies refer to and record CPD hours and/or CPD points. Is it CPD hours or CPD points; is the CPD obtained verifiable or unverifiable; formal
or informal learning to mention only a few inconsistencies in the manner in which different professional bodies refer to CPD. With one professional body for instance it was established that one CPD point is equal to 400 hours; which translates to half a month (including weekends) of continuing professional development which includes community work.

There is a further difference between the manner in which statutory professional bodies (such as the Independent Regulatory Body for Auditors (IRBA)) and voluntary professional bodies (such as the FPI) treat CPD. An interesting point to note is that all statutory professional bodies are regulators, but that not all regulators are professional bodies. There is, therefore, a definite overlap and similarities in the manner a professional body and a regulator operates when it comes to specifically CPD and the verification and certification of members.

The certification of new members by a professional body includes the verification or certification of the applicants’ qualifications obtained, experience obtained (per licencing category) and exam written (regulatory exams).

Different regulators and CPD practices
The initial survey conducted by SAQA-FPI also noted that there are three different types of regulators when it comes to CPD:
• Those who have CPD practices in place (obviously all the statutory professional bodies such as IRBA mentioned above);
• Those who do not have any CPD practices in place such as the National Nuclear Regulator (NNR) (don’t press that red button!) and
• Regulators that are in the process of putting CPD practices in place, such as the FSB.

It is worth mentioning that those regulators with CPD practices in place regulate a profession and its professionals while regulators who do not have CPD practices in place, tend to regulate industries and are not a SAQA recognised professional body as all such approved bodies MUST have CPD practices in place in accordance to legislation governing SAQA recognised professional bodies.

What defines a profession or a professional

• A basis in systematic theory – a distinct way of viewing phenomena surrounding the knowledge base of the profession.

Specialised competencies and practitioners who are effective in practicing the professional role.
• Dedication to raise the standards of the profession’s education and practice (through career pathways for instance).
• Availability of professional education as a life-long process and mechanisms to advance the education of professionals established by the profession (CPD).
• The presence within the profession of individuals with varied identities and values forming groupings and coalitions that coalesce into unified segments – known as specialties with specific missions.
• A code of ethics to regulate the relationships between professionals and clients.
• Self-regulation that protects practitioners and supports disciplinary criteria and actions to censure, suspend, or remove code violators (as it evident from the Supreme Court of Appeal: Coetzee case).
• A professional culture sustained by formal professional associations, such that the membership may develop a biased perspective through their profession’s lenses.

In closing
One of the desired outcomes of the RDR document is to enhance standards of professionalism in financial advice and intermediary services to build consumer confidence and trust. It is clear from the above that one of the characteristics of a professional or profession is to participate in CPD activities for the benefit of the public at large and as a natural consequence, enhance the standards of professionalism.


To read the full SAQA-FPI CPD Compared Research presented at the FPI Professionals Convention, visit www.fpi.co.za or e-mail certification@fpi.co.za.
Discussions of sequence or series risk regularly appear in the specialist financial media, and are increasingly appearing in the general press. In simple terms, fear of sequence risk drives investors to take equity and growth asset exposures out of their retirement portfolios.

More specifically, sequence risk is the fear that a series of bad returns in the early stages of retirement drawdown will significantly diminish capital values such that the portfolio is incapable of recovery, can’t support future drawdowns and will not meet its investor’s longer term needs.

However analysis of South African historical data suggests that sequence risk for retirees may not be the danger claimed. If this is true, then many of the standard approaches to investment within retirement plans are flawed. Specifically, this includes many notions of decreasing growth asset exposure with age.

History actually shows that there are good arguments for increasing growth asset exposure around retirement. This is consistent with the data from three other countries: Australia, the UK, and the US.

South African Withdrawal History Shows Counter Intuitive Outcomes

The common view is that retirees need a lower exposure to growth assets in retirement than in their accumulation period. On face value, this would seem to be sensible. While the returns are lower, so too should be volatility.

In our example (Table 1) for 40 percent growth portfolio (rebalanced once year on accumulation indexes commencing in 1986)
we drawdown R3 000 p.a., R5 000 p.a. and R7 000 p.a., adjusted for inflation each year from a R100 000 portfolio. There is no allowance for fees, taxes or other frictions which can amount to 200 bps (2.0 percent) or more each year. The real balances after ten years are shown in the main body of table 1.

Best and the Worst balances are exactly as labeled. They are the extreme outcomes. The Good means a result that was higher than 95 percent of the results and, similarly, the term Poor means a result that was higher than only 5 percent of the results. The Average is the average return.

The account balances alone don’t provide any easy insight into the future so we looked to reinterpret the data consistent with the number of future years the real income might continue to be withdrawn at the end of the tenth year.

We can divide the closing ‘real’ balances for future annual payments by R3 000, R5 000 and R7 000 and see the future year payments.

We now have a framework for comparing retirement benefits based on future payments (Table 2).

• After 10 years our R3 000 p.a. withdrawing investor had on average 52.1 more years’ payments. In the Poor case (5 percent) she had 38.7 more years. And the very Worst 34.9 more years.

| Table 1 |
|------------------|------------------|------------------|
| Historical |
| After 10 Years |
| Real End Value as a Multiple of the Real Annual Drawdown |
|            | 5%               | 7%               |
| Best       | 216 726          | 179 326          | 141 925       |
| Good       | 197 056          | 164 120          | 131 736       |
| Average    | 156 166          | 127 142          | 98 118        |
| Poor       | 115 995          | 88 133           | 61 016        |
| Worst      | 104 721          | 78 304           | 50 086        |

| Table 2 |
|------------------|------------------|------------------|
| Withdrawal rate |
| Real End Value as a Multiple of the Real Annual Drawdown |
|            | 3%               | 5%               | 7%               |
| Best       | 72.2             | 35.9             | 20.3             |
| Good       | 65.7             | 32.8             | 18.8             |
| Average    | 52.1             | 25.4             | 14.0             |
| Poor       | 38.7             | 17.6             | 8.7              |
| Worst      | 34.9             | 15.7             | 7.2              |

| Table 3 |
|------------------|------------------|------------------|
| Withdrawal rate |
| After 10 Years |
| Real End Value as a Multiple of the Real Annual Drawdown |
|            | 3%               | 5%               | 7%               |
| Best       | 80.1             | 42.0             | 25.8             |
| Good       | 76.4             | 38.3             | 22.7             |
| Average    | 57.1             | 28.1             | 15.7             |
| Poor       | 40.8             | 18.5             | 9.1              |
| Worst      | 35.8             | 15.4             | 6.6              |

- After 10 years, our R7 000 pa withdrawing investor had on average 14.0 more years’ payments. In the poor case (5 percent) she had 8.7 years. And the very Worst 7.2 more years.

How does this compare to the client who took on the additional 40 percent risky asset exposure and ran with an 80 percent Growth asset portfolio? (Table 3)

- Best, Good and Average returns are generally consistent with what most would expect. The additional growth asset exposure delivers better returns.

- The Poor and Worst returns are another matter. They are counter intuitive. Investors didn’t necessarily have a lower return for lower growth asset exposure.

- Investors were not significantly worse off for taking the 40 percent higher exposure to growth assets.

What’s driving the result? Simply it’s reversion. After every drop in each portfolio there’s a recovery. The portfolio with the higher growth asset exposure participates more fully in recoveries. There was no financial reason to reason to reduce growth asset exposures.
The poor state of savings in South Africa

At a national level, domestic savings is made up of savings at three tiers namely government, the private sector (corporate SA) and individuals. Currently, government is a net spender, detracting from the net domestic savings rate and widening the current account deficit. Households or individuals are also ‘dis-savers’ at a net level, leaving the private sector as the only sector making a meaningful contribution to domestic savings.

Over the last few decades we have seen a sharp decline in domestic savings from over 20 percent as a percentage of Gross Domestic Profit (GDP) between 1960 and the 1980s, dipping to the late teens in the 1990s and dropping to as low as 13.2 percent in 2012. Against our international peers, measured on average between 1975 and 2012, SA’s savings rate is close to the bottom of the pile (with China at 42 percent, Russia 28 percent, India 25 percent, South

By René Grobler, Head of Investec Cash Investments provided, at the 2015 FPI Professional Convention, a brief overview of SA’s savings culture and the factors impacting South African’s ability to save.
We have relied increasingly on foreign flows to fund capital formation. Greater domestic savings would mean less reliance on foreign inflows, provide consumption stability and sustainable growth of the economy. The ‘virtuous cycle’ of economic development can also be seen in another way: savings funds investment, investment fuels growth and growth in turn leads to a higher savings rate. Research shows that countries with > 6 percent GDP all achieved savings rates of > 20 percent.

The current outlook for SA’s economic growth for the short term is pretty bleak (between 1 percent - 2 percent), which doesn’t bode well for savers’ ability to save. At a household level, savings reduces vulnerability to economic shocks, provides for a comfortable retirement and smoothes consumption over a lifetime. One of the most frequent responses regarding savings from South Africans is “We cannot afford to save!” which is indeed true for some as research shows that there are a number of factors impacting personal savings.

The ability to save is impacted by country demographics, levels of income, income stability and employment levels. None of these looks particularly positive for South Africa. Current unemployment rates are up to 26 percent this quarter, which is exceptionally high compared to our international counterparts. This impacts income levels and income stability. Our country demographics also don’t play into our favour as we have a very high age dependency ratio (over 50 percent) meaning we have a small middle-aged population caring for the elderly and the youth, also known as the ‘sandwich generation’.

Our household debt levels are historically high at 78 percent of disposable income, making individuals vulnerable to interest rate hikes – a more than likely event in the coming months. Impairment records for active credit consumers is around 45 percent, which is higher now than in 2009 at the time of the last recession. Furthermore, education and financial literacy also play an important role in the population’s ability to save with the complexity of financial products contributing to the savings dilemma.

Factors impacting the individual’s willingness to save are more complex. Theoretically, in times of uncertainty, people tend to save more to ensure a buffer for ‘a rainy day’. On the flip side, the relative ease of access to credit in SA, creates a disincentive to save. Accessibility to retirement funds when changing jobs has also been a deterrent, with many South Africans ‘cashing in’ on their retirement savings and finding themselves in a predicament at retirement. Recent strides by National Treasury to incentivise savings in the form of tax-free savings accounts could nudge households in the right direction but do not provide a ‘silver bullet’ solution to our poor savings’ culture.

Trust also plays an important role. Following the 2008 banking crisis, individuals are more cautious about where they invest, often mistrusting financial institutions and the advice they receive and then procrastinating or not saving at all. The myriad choices, complexity of products and lack of transparency around the savings alternatives and fees also adds to the confusion of which products to choose.

The FSB Financial Literacy Report of 2011 shows that most South Africans use basic products such as bank accounts but only 39 percent are aware of more sophisticated alternatives such as unit trusts. This indicates a huge need for consumer education. In addition, research from OMSI shows that 80 percent of South Africans in the report would actually like to learn more about how to save. In short, South Africa’s savings culture is in desperate need of revival.
Speaking to David Kop, CFP®, FPI Head: Advocacy and Consumer Affairs, after his presentation at the convention, he pointed out that a mindset change is one of the key elements in ensuring the industry embraces this approach.

He further indicated that the transition is not just about how clients will be charged, but rather how clients will be serviced. The reality is that you cannot just change your charging method and expect this to be accepted by clients. You will have to change the way that you engage with them.

“The important question to answer is why you are undertaking this transition. It should not be something that is done because the proposals contained in the Retail Distribution Review (RDR) will force it upon your business, but rather something that has been internalised by you and your staff,” said Kop.

The toolkit has been designed to address a few questions which will need to be considered by professional financial planners who embark on this process. Questions such as:

The Institute, in June this year at the FPI Professionals Convention, launched a Transitioning to a Fee-Based Financial Planning Practice Toolkit (Phase one – Planning) which was prepared through research done by FPI.
Speaking to David Kop, CFP®, FPI Head: Advocacy and Consumer Affairs

• What does my ideal client profile look like?
• How can I provide services that meet my client’s needs?
• In what way am I different?
• How will my clients view the change in my charging methodology?
• How can I best leverage my qualifications and CFP® designation?
• What type of support structures do I need?
• What systems and strategic alliances will I have to support my business?

Fee-charging methods and best practice

“Implementing a fee-based practice is not a one size fits all, and may not even be the solution for all clients. Many clients may prefer to stay on a commission structure as this will enable them to at least have access to financial advice when they can’t pay a fee,” said Kop.

Kop also mentioned that best practice would imply that a practice should not stick to only one fee method but employ a variety of fee methods, including commission depending on the needs of the client.

In the guide, four fee charging methods (listed below) are explained in more detail, including the advantages and disadvantages for each method. The guide provides the following methods:

• Percentage of Assets under Management (AUM) – The financial planner may charge a percentage of assets as an initial fee, and then an ongoing fee expressed as a percentage of AUM;
• A fee for service – The financial planner would list the services they provide and these services would be performed at a fixed fee for that service;
• A retainer – The client signs a debit order and a (normally) monthly retainer is charged; and
• An hourly rate – The financial planner would prepare a quote before preparing any advice and bill the client for the hours.

Advantages of transitioning

A few South African fee-based businesses highlighted the following key advantages of transitioning:

• You are paid for advice not the selling of products;
• Revenue does increase, though may take some time to do so;
• An annuitised income stream provides for less fluctuations in income, and provides a business that can easily be valued for resale purposes;
• You are able to position yourself as a professional within the industry and among clients;
• Providing more streamlined business processes allows you time to service existing clients; and
• Client loyalty increases.

“We consider this toolkit to be of high quality and a complete guide to assist members with transitioning to a fee-based financial planning business. It can be applied in a tied and independent advisory space equally,” concluded Kop.

How to access the guide

The full guide and additional templates are available on the professional section of the FPI website (www.fpi.co.za/professional), under the Practice Management section of the Resource Centre tab. The additional templates to be used with the guide are:

1. Segmentation tool spreadsheet; a tool for taking data from your CRM program and analysing it.
2. Cost to serve calculator; to determine a fee for the service.
3. Stakeholder identification (worksheet one).
4. Skills assessment (worksheet two) which provides a framework for this analysis.
5. SWOT analysis (worksheet three) that provides a framework and some guidance questions to be considered.
6. Process flow (worksheet four) template for documenting your processes. It has been populated with the processes for taking on a new client.
7. Value proposition (worksheet five), which includes a sample survey that can be used with existing clients.

Your feedback

FPI is committed to updating the toolkit on a regular basis to ensure that it continues to reflect best practice and will be guided by member’s practical experience in implementing the toolkit.

Please send all comments to technical@fpi.co.za, which will be used in assessing the toolkit’s ability to be implemented.

Speaking to David Kop, CFP®, FPI Head: Advocacy and Consumer Affairs
Although society strives for the equality of women and men, research conducted by the University of Free State (UFS) Centre for Financial Planning Law, as part of a Master study by Chrizzaan Grobbelaar, reveals that women are still financially disempowered – especially in marriage.

The Financial Planner caught up with lecturer at the Centre, Dr Liezel Alsemgeest, CFP, who presented the Spouses view of gender roles: Financial management in marriage’s findings at the 2015 FPI Professionals Convention.

Sharing the insights, Alsemgeest said, “The notion of financial discussions being taboo in many societies, has contributed to many women not trusting their ability to take control. This was clearly identified in the research.

Women ranked themselves lower in their knowledge on finances, as well as their ability to manage and take control of their finances. The lack of confidence is worrying given that women outlive their husbands.

“Even though women are given more opportunities, and are earning more, they still feel intimidated, conservative and less prepared in managing finances. This highlights the strong need for women to be attuned to, and involved in ensuring the financial wellness of themselves, and their family.”

The research, which was conducted amongst couples who have been married for less than 10 years, explored the origins of ‘financial apathy’. Traditionally, men have been the breadwinners and have control of the household finances. They have, therefore, grown up with the confidence that they are equipped to manage this responsibility. Women on the other hand, have been the nurturers, taking care of the family and the non-financial responsibilities of the household.

Commenting on the inception of the study, Alsemgeest said, “The research was conceptualised out of curiosity as to how married couples handle financial management. We did keep in mind the distinct financial experiences each partner had accumulated from childhood onwards. In addition, two thirds of marriages in South Africa end in divorce with finance cited among the key reasons.”

The research found that although managing the family’s finances is a joint responsibility, the financial behaviour of men is perceived to be more positive by both men and women.

For CFP professionals who advise married couples, Alsemgeest suggests that they dispel the notion of financial discussions as being taboo. “Communication is key, especially in finance. Financial planners advising couples, should encourage both parties to communicate openly to find a solution that works well for them. Remember the financial habits the couple uphold will impact on the financial lessons their children will learn. If a couple consistently argues about finances or refuse to communicate about the family’s finances, children will mimic these actions going forward.”

Marriage is inextricably linked with trust, which is the biggest risk factor for financial security. In addition, women see the delegation of financial responsibility as sharing household duties. However, empowering women to stay financially independent and aware will ensure equal empowerment of both partners in the marriage.
NEW!
BCOM WITH MAJOR IN SHORT-TERM INSURANCE

The only degree with a major tailored for the short-term insurance industry in South Africa. Apply today to kick-start your journey to success.

KEY BENEFITS:
- Learn the key principles, rules, and theories that underpin the short-term insurance industry
- Gain knowledge on a wide range of products available in the short-term insurance industry
- Understand how to deal with claims and underwriting procedures

Email us: study@milpark.ac.za | Call us: 086 999 0001 | Visit: www.milpark.ac.za

Milpark Education (Pty) Ltd is registered with the Department of Higher Education and Training (DHEIT) as a Private Higher Education Institution (No 2007/HE/07/003).
Segment to differentiate

IT HAS BEEN SAID THAT TO FINISH FIRST, FIRST YOU HAVE TO FINISH

To win in the investment game you must first survive. We used to think we managed money or investments. Managing risk is what we actually do. As we have come to realise the importance of risk, we spend more time managing it.

At Foord Asset Management we believe in investing for the long term. Our 30-year track record is proof that managing investment risk and compounding superior returns are key to the creation of exceptional wealth.

021 532 6988 | info@foord.co.za | www.foord.co.za

Foord Asset Management (Pty) Ltd is an authorised Financial Services Provider
Client segmentation is the practice of dividing a client base into groups of individuals who are similar in specific ways. The fact is a financial advisor has different clients with different needs. Segmentation categories will depend on what you want to achieve with the results. Ultimately, segmentation leads to differentiation of your client base and enables you to tailor your service to each client’s needs.

As an important point of departure, we need to ask: Are we fair to our clients if we differentiate how we treat them? Does Treating Customers Fairly (TCF) support this?

Absolutely. Differentiation makes business sense, but it also makes sense for your clients as it allows a financial advisor to give their client the specialised attention they need. You must, however, make sure that you implement segmentation appropriately and consistently.

Why segment and differentiate?

Segmentation is a valuable tool to determine the worth of each client and align your time and efforts to support client relations. This is particularly important in a fee-based environment.

It is also important to constantly evaluate the needs of your clients and determine which marketing actions will apply to a specific grouping. In this way, you’ll be able to remain relevant to your clients and establish which clients have similar profiles and might be interested in the same types of communications or client events.

How does an advisor typically segment?

The method you use will depend on what you want to achieve. You need to take a look at the income potential of each client, in other words, their assets under management and their premium contributions.

Each client’s personal profile, including age, gender, profession, income and family ties can also make segmentation easier and more effective. Knowing a bit about each client will give you the scope to understand what each person needs and what their particular interests are so as to provide them with tailored communication that is relevant and that they will care about.

Segmentation also offers a prime opportunity to cross-sell. If a client does not have an RA, consult them about their retirement savings. You may find areas of their financial plan that still need attention.

How does an advisor differentiate?

The main determinants to differentiate are time and effort. Your service level agreement (SLA) should be a good source of information. Consider the frequency you have agreed on to carry out a review of your clients’ portfolios; annual, bi-annual or quarterly?

What is the review method? Do you meet in person or will a telephone call or personalised e-mail suffice? When do you communicate via newsletters or on matters of interest and how frequently do you touch base to check that no changes have occurred that would affect their financial plan?

It is also important to consider the process of handling administration and specifically claims. While client interactions and events are an important tool to remain relevant and useful to your clients, it should be taken into account when differentiating them into categories.

Implementation

Once you’ve determined the categories into which each of your clients fit, you need to decide what level of service, as well as the frequency of that service, each category demands.

A secure database that is simple enough to be user-friendly but detailed enough to provide you with all the information you need will greatly relieve your administrative burden. Some sort of system of reminders for reviews and communication will also ease daily operations and proactive management of the relationship, in accordance with your SLA, will ultimately leave your client feeling valued and well serviced.
Beneficiary funds

what planners should know

Beneficiary funds were introduced in January 2009, yet many pension fund trustees and financial advisors remain unaware or confused about their use and advantages.

A beneficiary fund is defined as a pension fund organisation in the Pension Funds Act No. 24 of 1956 of South Africa. They were designed to accept and administer lump sum death benefits allocated in their discretion by pension fund trustees to the minor dependents of deceased pension fund members, as set out in section 37C of the Act.

Minor children stand a better chance of completing their education if their assets are managed in the beneficiary fund vehicle which is protected and governed under the Pension Funds Act and overseen by a board of trustees.

Employment related unapproved benefits

Since 28 February 2014, with further changes to the Act, beneficiary funds can now receive additional employment benefits, unapproved benefits in addition to approved benefits, as long as they are employment-related.

Many companies have a group life policy, accident cover or other risk benefit cover with a service provider that is separate from the company’s retirement fund. These are called unapproved benefits whereas the fund credit from the retirement fund is called an approved benefit. Planners need to know that in the event of the death of an employee, the benefit accruing from an employer-sponsored group life policy can also be paid to a beneficiary fund.

What are the advantages?

Advantages of beneficiary funds are that they are cost effective and tax effective, and offer institutional investment returns.

Beneficiary funds are taxed in the same manner as pension funds in South Africa. Furthermore, any payment out of a beneficiary fund, whether capital or income, is tax-free. In Budget 2014, the tax-free threshold for pre-retirement lump-sum benefits (including death benefits) was increased from R315 000 to R500 000. This was good news in particular for the families of blue-collar workers as raising the tax-free limit has ensured a relatively larger payout to dependants on their death.

Although some beneficiary fund accounts run into millions of rands, the average size is around R 100 000, which, if carefully managed, can provide a monthly income and finance a child’s entire education through to tertiary level (see the example below). When the member turns 18, the account is terminated and the funds paid out unless the member requests they remain in the beneficiary fund. Note that at the consent/request of the member (the child who has just turned 18) the fund can retain the assets for continued growth until the member instructs the funds to be released.

A practical example

The graph illustrates an example of a member, aged five years at inception, with an original capital investment of R100 000. The funds are invested according to the board-approved asset allocation model.

As an advisor, you should let your client know about beneficiary funds. The HR departments of employer companies and fund trustees alike need to know about their advantages; they should also educate fund members who should be given the option of including them on their nomination form for trustees to consider their use in the event of their death.

Keith Dorman, an independent financial advisor with Dorman & Associates, says that advisors can play a key role in educating clients and trustees about beneficiary funds. “All planners have clients with employee benefits. If the client dies, how are you as an advisor going to ensure the family’s best interests are taken care of? A beneficiary fund for the kids’ education may take welcome pressure off the surviving spouse.

“It is important to note that beneficiary funds are not just for the lower income employee. Higher earners could also appreciate the tax advantages afforded by a beneficiary fund.
FPI members enjoy preferential rates on Astute's services.

It's up to you to take full advantage of this benefit.

Don't delay

Call them today

As a key partner, we rely on their expertise and outstanding service to add value to our members.

Email: support@astutefse.com
Tel: 0861 astute (0861 278 883)
Website: www.astutefse.com
Continuous Professional Development

Events Calendar 2015

Face-to-face events

<table>
<thead>
<tr>
<th>Month</th>
<th>Event</th>
<th>Region</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>Annual Refresher Workshop</td>
<td>KwaZulu-Natal, East London, Port Elizabeth</td>
<td>28 October, 29 October, 30 October</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pretoria, Johannesburg (west), Johannesburg (north), Polokwane, Free State, George, Western Cape, Western Cape</td>
<td>2 November, 3 November, 4 November, 5 November, 11 November, 17 November, 18 November, 19 November</td>
</tr>
</tbody>
</table>

Webinars

<table>
<thead>
<tr>
<th>Month</th>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>22 October</td>
<td>Ethics (1)</td>
</tr>
<tr>
<td>November</td>
<td>19 November</td>
<td>Ethics (2)</td>
</tr>
</tbody>
</table>

Online courses

<table>
<thead>
<tr>
<th>Month</th>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>To be confirmed</td>
<td>Integrated Financial Planning (The Financial Plan)</td>
</tr>
</tbody>
</table>

* Dates are subject to change depending on speaker and venue availability.

To find out more about the 2015 events, contact the events team on (011) 470-6000 or email events@fpi.co.za.
As part of FPI’s vision of Professional financial planning for all, the Institute recently established a strategic partnership with Netherlands-based Federatie Financieel Planners (FFP), an organisation that shares the same vision.

This partnership with FFP further entrenches the Institute’s commitment to continually raise the standards of the financial planning industry for the benefit of South Africans, and enhance the competency of members. This partnership will mean collaboration on key learning and development initiatives; the sharing of international best practices for the benefit of FPI’s members; and the sharing and analysis of industry data.

The financial stability of people is a concern shared across the globe; according to a recent McKinsey Global Institute report, household debt around the world is reaching new peaks. As a result, competent financial planners have a vital role to play in helping people better manage their finances thus alleviating their personal debt burden, as well as that of the economy.

Commenting on the economic benefits of a financially stable population, the two organisations highlight financial planning as the cornerstone to people’s financial wellness and the country’s growth. As such, the growing recognition of financial planning bodies and the role of CERTIFIED FINANCIAL PLANNER® professionals/CFP® professionals is a great achievement.

“We have several partnership agreements both locally and internationally which focus on developing world-class standards for the financial planning profession as well as grooming financial planning professionals. We certainly welcome this exciting opportunity to collaborate and share best practice with FFP. Each partnership strengthens our position and service offering to our members. In addition, our CFP® professional’s expertise, ethics and level of competency means that clients receive comprehensive and robust financial planning services that help them achieve their financial goals,” said Godfrey Nti, Chief Executive Officer at FPI.

Bert Sonneveld, Managing Director at FFP Netherlands, said; “This agreement is reflective of the growing, global importance of financial planning. Together, we aim to continue raising the recognition of financial planning, both in South Africa and the Netherlands. This partnership will also assist our efforts to further entrench the invaluable role of CFP® professionals in helping people achieve financial stability. We look forward to nurturing our partnership with FPI and exchanging views as well as best practices, to improve financial planning in both South Africa and the Netherlands.”

About FFP

The Federatie Financieel Planners (FFP) is the professional organisation of certified financial planners in the Netherlands. Members of FFP have distinguished themselves as competent and experienced financial planners. FFP has approximately 4 000 members. Consumers can recognise them by the FFP-mark. For more, visit www.ffp.nl.
To understand the behaviours that motivate consumers to seek, and the barriers that prevent consumers from seeking, the advice of a financial planner, we will be participating in a landmark global study by Financial Planning Standards Board (FPSB).

FPSB, the pre-eminent international financial planning standards authority and owner of the international CERTIFIED FINANCIAL PLANNER® certification programme outside the United States, will partner with GfK, a global research firm with extensive experience in the financial services sector, to conduct the research. The study, with 19 FPSB member organisations participating, is the first global research project of its kind and will involve nearly 20 000 consumers.

According to Godfrey Nti, FPI CEO, the Institute expects consumer attitudes toward money and financial planning may vary according to their geographic, socioeconomic, educational and cultural experience. He added that conducting this research will help the Institute better understand consumer motivations around financial well-being and communicate with South African consumers about financial planning. The results will also help FPI evaluate its consumer initiatives against global benchmarks.

FPSB Member Organisations, found in 26 countries and territories globally, support raising consumer awareness of financial planning and CFP® certification, and are committed to the research as part of a global strategy to empower consumers to take control of their lives through personal financial planning. The global study will target a sample of 1 000 investors in each participating territory. FPSB expects to conduct the research in Q3 and announce the results later this year.

Noel Maye, FPSB CEO, expressed the importance, and is pleased to have FPI participate in this important research initiative, and FPSB looks forward to identifying and comparing consumer attitudes towards financial planning around the world. Maye also mentioned that this research is vital in launching globally-aligned promotional campaigns to educate consumers and connecting them with competent, ethical financial planners who are committed to placing clients’ interests first.
Estate Planning & Fiduciary Services Guide 2015

There are a number of works on the different aspects of estate planning and fiduciary services, but none that combine all the components in one accessible and concise format.

The work is divided into 6 key areas, each compiled by an expert in the field:

**Fundamentals:** Discusses role players, ethics and regulatory compliance with key legislation in fiduciary services.

**Tax:** Covers income tax, CGT, estate duty and includes the latest tax rates and 2015 Budget Speech proposals.

**Estates:** Covers the objectives and techniques of estate planning and discusses changes to retirement fund lump sum benefits.

**Trusts:** Includes extensive commentary and case law relating to Trusts and their administration.

**Wills:** Covers the objectives and legal requirements of wills as well as the drafting of wills.

**Administration:** Covers the administration of deceased estates and the tariffs and fees involved.

Endorsed by the Fiduciary Institute of Southern Africa (FISA), this publication is a must-have for industry experts.

Available in print or eBook format

**Price:** R798.00 incl. vat and excl. delivery


This work sets out to familiarize readers with the law on estate duty and the capital gains tax implications of death with a host of practical ideas illustrative examples.

To place your order email orders@lexisnexis.co.za
call 031 268 3214 or visit www.lexisnexis.co.za
The exam was approved at the FPI board meeting held in November 2014
After discussions with members, education partners, students, Financial Planning Standards Board (FPSB) and various other role players in
the financial services industry, the CFP® Professional Competency Challenge Exam was approved at the FPI board meeting
on 28 November 2014.

Requirements to gain access to the CFP® Professional Competency Challenge Exam
The challenge exam is offered to individuals who hold certain advanced degrees or professional credentials, but have not completed one of
the FPI approved qualifications.

FPSB as the licencing authority for the CFP® designation, approved that FPI may accept specific professional credentials as
fulfilling the education requirement for CFP® certification. Furthermore, FPI may extend the availability of the Challenge Exam to
individuals that are performing in senior positions in the industry, but that does not necessarily hold the prescribed qualification
of study. FPI has the right to determine the types of qualifications it will accept for challenge status. FPI will be required to verify
the qualifications and credentials of candidates for the challenge status with appropriate oversight bodies.

(Adapted from: FPSB Certification Standard)

The following designations will be considered when allowing for Challenge Status exams with a minimum of 10 years’ client facing financial
planning experience as a pre-requisite:

<table>
<thead>
<tr>
<th>Designation</th>
<th>Awarded by / registered with</th>
<th>Underlying qualification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Master Tax Practitioner</td>
<td>South African Institute of Tax Practitioners (SAITP)</td>
<td>Postgraduate Diploma in Tax Law, M Com (Tax), LLM (Tax)</td>
</tr>
<tr>
<td>CA(SA)</td>
<td>South African Institute of Chartered Accountants (SAICA)</td>
<td>B Com Hons (Acc)</td>
</tr>
<tr>
<td>Registered Auditor</td>
<td>Independent Regulatory Board for Auditors</td>
<td>Postgraduate degree / diploma accredited by SAICA</td>
</tr>
<tr>
<td>Admitted Attorney with relevant qualification</td>
<td>Law Society South Africa or General Council of the Bar of SA</td>
<td>Postgraduate degree equivalent to NQF Level 8</td>
</tr>
<tr>
<td>CFA Charter holder</td>
<td>Chartered Financial Analyst Society</td>
<td>CFA Level 3</td>
</tr>
</tbody>
</table>

Apart from awarding access to the challenge exam to any of the above designation holders, the following qualifications will also allow access
to the challenge exam:

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor of Laws</td>
<td>10 years client facing financial planning related experience</td>
</tr>
<tr>
<td>(Only if registered on NQF Level 8 with 480 credits)</td>
<td></td>
</tr>
<tr>
<td>Postgraduate diplomas in:</td>
<td>10 years client facing financial planning related experience</td>
</tr>
<tr>
<td>• Finance banking and investment management</td>
<td></td>
</tr>
<tr>
<td>• Financial management</td>
<td></td>
</tr>
<tr>
<td>• Investment banking/planning</td>
<td></td>
</tr>
<tr>
<td>• Insurance Law</td>
<td></td>
</tr>
<tr>
<td>• Taxation</td>
<td></td>
</tr>
<tr>
<td>• Tax strategy and management</td>
<td></td>
</tr>
</tbody>
</table>
### Qualification Experience

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>B Com Honours in the following specialisation areas:</td>
<td>10 years client facing financial planning related experience</td>
</tr>
<tr>
<td>- Accounting or Financial Accounting</td>
<td></td>
</tr>
<tr>
<td>- Actuary / Actuarial sciences</td>
<td></td>
</tr>
<tr>
<td>- Auditing</td>
<td></td>
</tr>
<tr>
<td>- Banking</td>
<td></td>
</tr>
<tr>
<td>- Economics</td>
<td></td>
</tr>
<tr>
<td>- Finance or Financial Management</td>
<td></td>
</tr>
<tr>
<td>- Financial analysis and portfolio management</td>
<td></td>
</tr>
<tr>
<td>- Financial taxation or Taxation</td>
<td></td>
</tr>
<tr>
<td>- General</td>
<td></td>
</tr>
<tr>
<td>- International trade and finance</td>
<td></td>
</tr>
<tr>
<td>- Investment Management</td>
<td></td>
</tr>
<tr>
<td>- Monetary and Financial Economics</td>
<td></td>
</tr>
<tr>
<td>Masters degrees in business and or finance related areas</td>
<td>10 years client facing financial planning related experience</td>
</tr>
<tr>
<td>Doctorate degrees in business and or finance related areas</td>
<td>10 years client facing financial planning related experience</td>
</tr>
</tbody>
</table>

While individuals may be highly qualified in a specialised area of financial practice, it does not necessarily guarantee their success on the CFP® Professional Competency Examination. FPI could encourage candidates seeking to sit for the CFP® Professional Competency Examination via challenge status to consider completing an examination review course or reviewing the currency and completeness of their education against the FPI’s Financial Planning Topic List. Challenge status candidates may benefit from retaking courses or taking additional courses to improve currency and mastery of specific topic areas.

The challenge exam will be exactly the same exam that the current candidates write as the Professional Competency Exam. Challenge status exams are limited to two lifetime opportunities. If the candidate is not successful in passing the exam, it will become a requirement that the person must enrol at an FPI Approved Educational Provider to complete the Postgraduate Diploma in Financial Planning or the B Com Honours in Financial Planning.

### How to apply to write the exam

In order for any candidate to be considered for the CFP® Professional Competency Challenge Status Examination, they are required to submit:

- A motivational letter;
- Certified copy of their identity document; and
- Certified copies of the qualifications which allow them access to the exam.

### Contact us

If you have any questions, please feel free to contact our membership department:

Office: (011) 470-6000 or 086 1000 384 (FPI)

Email: membership@fpi.co.za
Why become an **FPI Approved Professional Practice™**

Being an FPI Approved Professional Practice™ makes you stand out amongst your peers and sends a clear message to your clients that your practice adheres to the highest levels of standards and ethics. It also validates that your practice is following the six-step financial process and that you place the needs and objectives of your clients at the heart of your business.

### 10 reasons to become an FPI Approved Professional Practice™

1. By displaying the FPI Approved Professional Practice™ brand, your business will be recognised as a professional financial planning practice offering financial services of the highest standard.

2. You’ll get higher community recognition among your peers and consumers by actively promoting and using FPI Approved Professional Practice™ branding in your business.

3. You will have increased exposure through advertising and article opportunities on various FPI platforms, many times at no cost to your practice.

4. Your practice will be listed on the FPI website as an FPI Approved Professional Practice™, giving you more than R50 000 worth of free advertising.

5. You will benefit from participating in FPI consumer awareness campaigns that will create a demand for your practice and the professionals employed by you.

6. You will become an employer of choice; your commitment to the highest standards will help you attract the industry’s top talent. You can advertise for potential employees through FPI on various platforms, at a reduced rate.

7. You and your staff can network in professional forums, creating the opportunity to showcase your practice to other like-minded professionals.

8. By upholding the rigorous standards of this brand, you will play a pivotal role in transforming the standards of financial planning in South Africa.

9. Your practice will be an FPI Mentorship Centre by mentoring new financial planning employers and students. Your practice will receive free mentorship training to enable you to incorporate the FPI Mentorship programme into your supervision practices.

10. By partnering with us through co-branding initiatives, we will promote your business to your clients, confirming your professional practice status and approval.

---

If you would like to apply to be an FPI Approved Professional Practice™, please contact:

- Patrick De Nation on (011) 470 – 6101 or patrick@fpi.co.za
- Justin Lippiatt on (011) 470 – 6076 or justin@fpi.co.za
Become an **FPI Approved Professional Practice™**

and stand out as a role model for financial planning in your community.

As an FPI Approved Professional Practice™, your business would be distinguished as a professional financial planning practice offering financial services of the highest standard.

If your core business is financial planning, and you have a minimum of four full time financial planners or advisors, then send an e-mail to membership@fpi.co.za and use ‘Professional Practice‘ in the subject line.

Contact us on 086 1000 FPI (374) or visit www.fpi.co.za
Is it not time to open up health financing in South Africa?

Part 2
In PART 1 we covered the background to the Medical Schemes Act and the challenge that more than 80 percent of South Africa’s population continue to be excluded from access to affordable cover for healthcare needs.

In PART 2 we discuss the progress made towards enabling a low-cost medical aid option and explore community-based health insurance as an alternative that could empower communities to create their own solutions for obtaining affordable healthcare services.

**Low-income medical scheme**

It became clear quite early on that the majority of South Africans could not afford even the lowest contribution rates of medical schemes (Doherty and McLeod, 2003; McLeod and Ramjee, 2007).

In April 2005 a consultative investigation was launched to examine low income medical schemes (LIMS) within the context of the Social Health Insurance (SHI) policy framework being pursued by the Department of Health (DOH) and the Ministerial Task Team (MTT). A key objective of this policy is to extend risk pooling through health insurance, over time, to all those who can afford to participate in such arrangements. This ‘target population’ was identified as households with gross income of between R2 000 and R6 000 per month and 92.7 percent of the sample population (20 055 804 individuals) were found to have no medical scheme cover and lack of formal employment was the most commonly cited barrier to scheme membership (Broomberg, 2007).

This finding supports the view that the South African medical scheme environment is largely designed as an employment benefit for those in formal employment – reflecting the inequity present in the income and labour markets in larger South African society (Anja Smith and Ronelle Burger, undated) where more than 15 percent of the adult population are estimated to be economically active in the informal sector (Stats SA, 2013) and not in formal employment.

The LIMS report recognised the benefits to be gained from expanded access to private health insurance and provided clear recommendations for modifications to the Act that would enable the establishment of a new class of medical scheme (“LIMS schemes”). Unfortunately nothing was implemented and by 2015 further consultations are still being conducted by the CMS in this regard (CMS Circular 9 of 2015) and these consultations continue to focus primarily only on those that are in formal employment.

It is even more unfortunate that the current regulatory regime not only fails to provide for a viable low-cost medical scheme option to be developed but also actively prevents affected communities from organising their own solutions.

At least the most recent undertaking by the CMS to release, before the end of 2015, a set of guidelines to allow qualifying medical schemes exemptions from certain provisions of the Act to enable them to offer low-cost benefit options is to be welcomed as a step in the right direction.

**Community-based health insurance**

Community-based health insurance (CBHI) is a common denominator for voluntary health insurance schemes organised at the community level. CBHI schemes rely on the principle of solidarity (Bennett, Gamble Kelley, and Silvers, 2004) and commonly include community-based social dynamics and risk pooling of schemes that are organised by and for individuals who share common characteristics (geographical, occupational, ethnic, religious, gender etc.) (Soors et al, 2010).

CBHI empowers communities to meet their health financing needs through pooling of resources to pay for health care as a group. Schemes employ a variety of financial structures, including prepaid insurance with premiums ranging from a once per-annum payment during harvest season to a monthly or quarterly fee. CBHI schemes can act as a resource to pay for services through a community fund or can be facility-based (Yann et al., 2005).

CBHI also improves resource mobilisation for healthcare and health service utilisation as well as providing financial protection for members by reducing their out-of-pocket expenditure (Spaan et al., 2012).

The Kisiizi Health Insurance Scheme (KCHIS) is a good example of what can be achieved through CBHI. This was the first micro health insurance scheme in Uganda, started by Kisiizi Hospital in 1996 with support from the UK government’s Department for International Development (DFID) in cooperation with the Ugandan Ministry of Health. The health insurance package offered for under USD10 per person per year covers outpatient and inpatient services but excludes medication for chronic illnesses such as HIV/AIDS, hypertension and diabetes. The scheme has also undertaken the provision of subsidised treated mosquito nets to its members. KCHIS is currently (2014) serving 35 000 beneficiaries.
Other examples of CBHI schemes in Uganda that have proven to be sustainable are the Ishaka Hospital Health Insurance Scheme which covers a population of approximately 314,692 people and the Kitovu Community Health Insurance Scheme.

CBHI can also be an institutional stepping stone to national health insurance and many of the countries that have moved closest to universal coverage (UHC) started with smaller voluntary health insurance schemes that gradually consolidated into compulsory social insurance (World Health Report 2013).

Rwanda and Ghana have shown that it is possible to roll out community-based health insurance schemes on a massive scale and still achieve major results (Kurfi, 2014).

Ghana’s National Health Insurance Scheme, in particular, has captured the global health community’s attention as one of the most ambitious plans for universal health coverage in Africa. Ghana holds a wealth of lessons in ways to use CBHI to create national health insurance with private and public sector participation (USAID, 2013). Thailand is another example of UHC built on successful CBHI.

Since numerous impediments to universal financial protection for healthcare shocks in South Africa must be acknowledged, there is a need for more comprehensive, people inclusive and community-driven financing methods to achieving UHC (Kurfi, 2014) – hence the need for CBHI, at least as part of the toolbox.

This position is in line with the African National Congress’ National Health Plan, which states that: “The challenge facing South Africans is to design a comprehensive programme to redress social and economic injustices, to eradicate poverty, reduce waste, increase efficiency and to promote greater control by communities and individuals over all aspects of their lives” (A National Health Plan for South Africa, 1994).

Conclusion

The majority of ordinary South Africans continue to be excluded from access to affordable protection from the risk of financial shocks that are caused by ill-health. In spite of the Constitutional imperative that all South Africans should have access to healthcare, the Act and its application has failed to achieve any significant improvement in the level of participation in prepaid medical schemes. At the same time, it actively prohibits communities from being able to implement their own funding solutions and/or healthcare service delivery arrangements in order to limit the consequences of healthcare shocks. This contributes to the ongoing high level of out-of-pocket payments incurred by ordinary South Africans that keeps them in poverty.

Evidence from around the world has shown that when low-income communities are allowed to make their own arrangements, with or without institutional assistance, they are quite capable to develop sustainable mechanisms that can protect them from the financial risk of ill-health.

In the light of the above it therefore seems fair to ask whether it has not become time to unshackle communities from the prohibitions of the Act so that they can develop their own solutions for financing healthcare, at least until such time as the political and structural difficulties inherent in creating an inclusive and integrated system of health financing and service delivery can be achieved in South Africa.

4. In Thailand, CBHI schemes are the foundation of its new universal health coverage scheme. CBHI schemes began to emerge in the late 1970s, alongside government schemes for the formal for other government programmes. By 2001, there were four different schemes, all operating with different financial arrangements and benefit packages. Approximately 30 percent of the population (18 million people) was still uninsured, mostly informal workers. The Ministry of Public Health combined the beneficiaries and brought them under the umbrella of the new Universal Coverage Scheme. This scheme was mandatory, offered a full subsidy and allowed Thailand to quickly scale up coverage so that it virtually covered the entire population.
Taking the mystery out of

**Prescribed Minimum Benefits**

By Gail Gibson, CFP®, Financial Services and Compliance Specialist, and FPI Health Competency Committee Member

Why PMBs matter to you?

Prescribed Minimum Benefits (PMBs) are one of the main areas for the medical scheme, medical scheme advisor and member to end up in an unpleasant situation. Medical scheme conflicts cause a number of unhappy consumers to remove business from brokerages and insurance houses annually.

As a financial advisor, you should not give medical advice to your clients, but you do need to know what should be covered by the medical scheme.

Underwriting and PMBs

The highest rate of expense with any disease or disorder is normally at the investigation stage followed by the subsequent stabilisation of the PMB condition. Measures are in place to protect schemes from opportunistic behaviour such as a member joining the scheme only to treat such a health occurrence.

Schemes may protect themselves from covering a PMB for a new member by
PMBs can be roughly divided into 15 different categories

<table>
<thead>
<tr>
<th>PMB category</th>
<th>Common examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brain and nervous system</td>
<td>Stroke, brain tumour, epilepsy, fractures of the skull, Guillain–Barre, meningitis, encephalitis, and paralysis</td>
</tr>
<tr>
<td>Eye</td>
<td>Glaucoma, treatable cancer of the eye and retinal detachment</td>
</tr>
<tr>
<td>Ear, nose, mouth and throat</td>
<td>Cancer of oral cavity, pharynx, nose, ear, and larynx. Most obstructions of the upper airway are covered</td>
</tr>
<tr>
<td>Respiratory system</td>
<td>Pneumonia, acute asthma and other respiratory distress syndromes</td>
</tr>
<tr>
<td>Heart and vasculature (blood vessels)</td>
<td>Heart attacks, acute rheumatic fever, hypertension.</td>
</tr>
<tr>
<td>Gastro-intestinal system</td>
<td>Appendicitis, acute diverticulitis of the colon, uncomplicated hernias under the age of 18</td>
</tr>
<tr>
<td>Liver, pancreas and spleen</td>
<td>Gallstones with cholecystitis. Necrosis or cancer of the liver, and acute pancreatitis</td>
</tr>
<tr>
<td>Musculoskeletal system (muscles and bones); Trauma NOS</td>
<td>Treatable cancer of the bones, chronic osteomyelitis, fracture of the hip, open fractures and crush injuries</td>
</tr>
<tr>
<td>Skin and breast</td>
<td>Treatable breast and skin cancer</td>
</tr>
<tr>
<td>Endocrine, metabolic and nutritional</td>
<td>Disorders of the parathyroid gland and acute thyroiditis</td>
</tr>
<tr>
<td>Urinary and male genital system</td>
<td>End-stage kidney disease, treatable cancers, obscess on the prostate, ruptured bladder</td>
</tr>
<tr>
<td>Female reproductive system</td>
<td>Ectopic pregnancy, cancer of the cervix, ovaries and uterus</td>
</tr>
<tr>
<td>Pregnancy and childbirth</td>
<td>Antenatal and obstetric care requiring hospitalisation, including delivery</td>
</tr>
<tr>
<td>Haematological, infectious and miscellaneous systemic conditions</td>
<td>Syphilis, leukaemia’s, malaria, HIV/AIDS and TB</td>
</tr>
<tr>
<td>Mental illness</td>
<td>Acute stress disorder, anorexia’s, bipolar and treatable dementias</td>
</tr>
<tr>
<td>Chronic conditions</td>
<td>Dysrhythmias, Asthma, Epilepsy, Bipolar Mood Disorder, Glaucoma, Branchiactasia, Hemophilia, Cardiac failure, Hyperlipidemia Cardiomyopathy, Hypertension, Chronic Obstructive Pulmonary Disorder, Hypothyroidism, Chronic Renal Disease, Multiple sclerosis, Coronary Artery Disease, Parkinson’s Disease, Crohn’s Disease, Rheumatoid arthritis, Diabetes Insipidus, Schizophrenia, Diabetes Mellitus types 1 &amp; 2, Systemic Lupus Erythematous, Dysrhythmias, Ulcerative Colitis</td>
</tr>
</tbody>
</table>
How can this work for the financial advisor?

The astute financial advisor can view ongoing medical scheme education in PMBs as a marketing and relationship building tool which would add value to your clients and your practice.

For example, the financial advisor could have an article encouraging the use of ‘Designated Service Providers’ (DSP) contracted in to render PMB services by explaining that this usage will not prematurely exhaust day-to-day savings on their websites.

When clients receive good healthcare on an ongoing basis their general wellness improves, resulting in fewer serious conditions that has shown to improve health and longevity – this correlates to a long-term beneficial client relationship.

What is an emergency?

Emergency treatments are defined as a sudden and, at the time, unexpected onset of a health condition that requires immediate medical or surgical treatment. The failure to provide such treatment would result in serious impairment to bodily functions or serious dysfunction of a bodily organ or would place a person’s life in jeopardy.

If doctors suspect that the patient suffers from a condition that is covered by PMBs, the medical scheme has to approve treatment. Schemes may request that the diagnosis be confirmed with supporting evidence within a reasonable period of time.

Legislation and future developments

The following issues are presently in discussion:

• The legislation is not well written, giving rise to much confusion in this area.
• Some industry experts believe the PMBs cover the wrong benefits.
• There is concern that the process of discrimination on the basis of diagnosis is unconstitutional.
• ICD 10 codes are not considered to be accurate enough to determine if a treatment should be a PMB classification and medical providers use them to guarantee payment from the schemes increasing the downside risk which schemes face from members.
• Lower income medical schemes benefits are being specified in terms of services rather than with diseases in the PMB package.

Regulation 8(1) states the scheme payment must make full provision for the treatment of a PMB and the requirement for that payment is from risk benefits only, not from the member’s day-to-day account. This regulation exposes the scheme to risk where the service provider will charge excessively for PMB services or up-code.

The scheme appointment of designated service providers (DSPs) and managed care protocols, is to mitigate the risk of this ‘blank’ cheque practise by some healthcare providers. Financial advisors should ensure that their clients understand the scheme can charge member co-payments if they do not comply with such provisions when it comes to the supply of chronic medication and choice of provider.

References:
https://www.medicalschemes.com/medical_schemes_pmb/objectives.htm
Over 60 professional women braved the chilly Gauteng winter weather to attend the most recent Women in Finance Network event early in June. The focus of the evening was on meeting women in financial services and finding ways to support each other and share experiences.

Started in October 2013, the Women in Finance Network is a celebration and sharing of women in financial services in South Africa. In an industry that has seen fewer female players, CERTIFIED FINANCIAL PLANNER® professional and life planner, Kim Potgieter, wanted to create a platform where women could gather, exchange expertise and mentor each other. Though the initial focus of the group was on financial planners, it has evolved to include the broader financial services industry.

The Gauteng event, held at The Corner Café in Craighall, was a gathering of the wider network, and took a speed-dating and round table format with each attendee networking at various tables throughout the evening.

Women supporting each other transforms an industry

Put a bunch of women in financial services in one room, and what do you get? A lot of noise!

... and also a lot of fun, wisdom and caring!
evening. The tables were hosted by well-known financial services leaders including Caroline da Silva and Leanne Jackson of the Financial Services Board (FSB), Sherma Malan, CFP® of the Financial Planning Institute (FPI), and women leaders from various companies. The inspiring and practical discussions were interrupted only for savouring the delicious meal.

Introducing the event and the hosts, Kim said that when she entered the industry, and when she attends industry events she sees more men than women. But women are great financial planners, have tremendous value to add to financial services, and, as many guests commented – women clients are extremely efficient at managing money.

Networking has always been seen as an area where women excel, and Caroline da Silva shared that women are excellent at building external networks while men are better at internal networks. “This Network is crucial,” she commented.

Sherma Malan, CFP® said building relationships and supporting each other was important, and the Women in Finance Network is an “awesome network” and a place where women can share information.

“Networks are very important,” said Simone Arnold of Investec. “Women are often uncomfortable sharing their successes – we need to be proud of these and blow our own trumpets.”

Host, Nina Lowes shared her thoughts: “Women have drawn on networks for support since time immemorial. Grannies, mothers, aunts, sisters, friends, co-workers, co-owners, we draw on each other’s experiences and use them to form our own attitudes and driving forces in the world.”

Out of these groups have grown movements and legislation for women’s rights such as the National Union of Women’s Suffrage founded by Millicent Fawcett in 1897 right down to our own Women Empowerment and Gender Equality Bill of November 2013.

We live in 2015 and on 29 May this year history was made in Nigeria with the banning of female genital mutilation. Something so basic to women’s human rights was only banned the other day. Think about it.

The women in this room may operate in a different place, and a different space but the change in Nigeria came from women pushing for transformation from both within and outside.

“Why do we need a women’s network in the financial services industry? For the same reason, for women to support and mentor other women and share their experiences so as to continue to overcome not only hurdles to entry but hurdles to staying power. It is a microcosm of the larger picture of transformation.”

For more details on the Women in Finance Network events, contact Holly at holly@wfn.co.za or contact her on 011 502 2800. Join the Women in Finance discussion on Facebook (womeninfinance. WIF) and/or twitter (@WIFNetwork).
The event presented the Institute, delegates and special guests with the opportunity to be part of Momentum’s key offerings launch. In celebration of this milestone, Momentum gave insight on topics tailored to financial planning professionals of all levels that could assist them in enhancing their business practices.

Momentum took a strategic business decision to enhance their client value proposition, by not only embracing change but to be at the forefront of it. They have adopted the attitude of accountability and strategically reflect on the holistic financial wellness of their clients and the journey they embark on to get there.

To help clients improve their ‘financial finesse’, they aim to provide them with tools that can help them keep track of their finances. In a country that has an unhealthy appetite for debt and an overreliance on credit, Momentum hopes that their financial wellness tools will allow South African consumers to understand where they are on the financial wellness scale and also to be in a better position to make informed financial decisions.

More importantly, consumers who make use of the online financial tools are encouraged to seek the services of a financial advisor. To enable Momentum to serve customers efficiently, the company believes that the growth of financial advisors will be critical to realise such strategic objectives.

In life, your health is your ultimate wealth. The organisation pledged that it will continuously encourage clients to live healthy lives in order to aid longevity; therefore Momentum’s health offering, Multiply, has added new and exciting partners to enhance their product.

The closing presentation was delivered by the keynote speaker, Wessel Oosthuizen, CFP®, who shared some of his learnings by providing solid advice on how financial advisors can embrace the Retail Distribution Review (RDR) and also tapping into international trends as well as providing context from a local point of view.

In addition, Oosthuizen touched on the importance of practicing financial planning motivated by a passion for life and the financial planning profession. He added that “professionals should not be distracted by ‘noise’ and fear in anticipating pending regulation”. He also shared some insights of how to improve your client value proposition so that clients are not just people you take on board, but whom you build a long-lasting relationship with.

Since the financial services industry is a people’s business, networking forms a critical part of a well-rounded event. Delegates got an opportunity to engage with speakers and also connect with like-minded professionals.

In closing, delegates who attended the event, which earned FPI members four Continuous Professional Development (CPD) points, felt that it was a ‘must attend’ learning opportunity!
Commitment to quality across Africa

A positive effect of an increasingly globalised context is that people can travel, work and study anywhere in the world.

Internationalisation of education means cross-border mobility of learners and study programmes. Within this constant movement between countries, fair recognition of foreign qualifications is critical to making sure that knowledge, skills and competencies benefit the economy of the receiving country.

An important international conference of states took place in Addis Ababa, Ethiopia in December 2014 to adopt the revised text of a 1981 convention that had been largely unsuccessful in advancing mobility across the continent. This revised convention on the recognition of studies, certificates, diplomas, degrees and other academic qualifications in higher education in African States was adopted, in principle, by 41 – and signed by 17 countries including the Holy See. A South African (SA) delegation led by the Deputy Minister of Higher Education and Training, Mduduzi Manana, including two SAQA staff members participated in the conference.

Significance of the convention

The convention provides an enabling mechanism for fair recognition of foreign qualifications and is aligned with other regional conventions of the United Nations Educational, Scientific and Cultural Organization (UNESCO). If applied successfully, it means:

• Stronger international co-operation;
• More effective use of human resources in Africa;
• Strengthened exchange and mobility of students, teachers, researchers and joint programmes;
• An improvement in collection and exchange of qualification information; and
• More importantly an alignment of quality assurance and accreditation at national, regional and continental levels.

For those who meet the qualification requirements, the convention applies to all forms of higher education in public or private recognised higher education institutions. UNESCO believes that this Revised Convention will be implemented successfully.

Commitment to quality across Africa

In the main, signatories agree that recognition should take into account quality assurance and accreditation of institutions offering qualifications. This task reinforces a commitment to eliminate all forms of fraudulent practices regarding higher education qualifications. Where quality is assured, and the qualification has been verified as authentic, parties commit to recognise studies unless a substantial difference can be shown. A further undertaking is to promote lifelong learning by facilitating the recognition of partial studies and prior learning and experience.

The convention protects learners by entitling them to recognition decisions within a reasonable time limit in line with procedures that are transparent, coherent and reliable. Fair and timely recognition of qualifications imply a commitment by a participating country to provide clear and adequate information on its education system, its counter-fraud measures and its quality assurance mechanisms and accreditation of programmes.

Undoubtedly this revised convention on the recognition of studies, certificates, diplomas, degrees and other academic qualifications in higher education in African States, once approved and implemented, will mean a significant advancement in the quality of the approach to recognition of qualifications across the African continent.
1. Could you first introduce FFP and yourself to our readers?

The Federatie Financieel Planners (FFP) is the professional organisation of certified financial planners in the Netherlands. FFP members have distinguished themselves as competent and experienced financial planners. FFP has approximately 4,000 members. Consumers can recognise them by the FFP-mark.

2. What is the position of financial planners in Netherlands?

Competent financial planners have a vital role in helping people manage their finances better.
3. What can you say about the awareness that Dutch people have of financial planning?

At the moment, we are working hard to make Dutch people more aware of the benefits of financial planning. We are also looking forward to the results of the international consumer survey that is running at the moment.

4. What is the target group of financial planners in Netherlands? Do they mostly work for individuals, companies, or other?

The majority of Dutch financial planners’ customers are regarded as wealthy individuals, entrepreneurs, reconstituted families. You could describe all of the target groups as ‘people in complex financial situations’.

5. How do you collaborate with the government and politics?

We have one lobbyist in our organisation. Accomplishing things in Den Haag, the political heart in the Netherlands, takes time and effort. However, we have noticed that politicians do listen to our wishes and see FFP as a reliable partner in financial planning.

6. What is your main purpose and focus at the moment?

Our main focus is educating consumers about financial planning. We find it important for everyone to be in a position to make the right financial decisions.

7. What keeps you awake at night? Professionally that is.

My concern is the low levels of awareness Dutch people have on their personal finances. A fifth of the Dutch population has no own capital or have a lot of debt. My parents taught me to first earn some money, before buying what I wanted to have. Of course a loan is necessary sometimes, for instance when buying a house. It seems that the basic idea of earning money before buying something is less common in the Netherlands nowadays. The Dutch government also considers it important that citizens should have their finances in order, and they do a lot to make that happen. However, since there is not much awareness amongst Dutch people, FFP sees it as a great challenge to raise this.

8. What are you most proud of?

I am most proud of the increased percentage of female certified financial planners in the Netherlands. In 2015, 45 percent of the financial planners who passed the FFP exam were women. This was 16 percent more than in 2014. In total, we now have almost 1,200 female certified financial planners. I believe that the diversity amongst financial planners is in the interest of consumers. Besides that, it is also important to have more equality in the society. Earlier we saw the growth of female CEO’s at banks and other big financial organisations. There are also more women starting their own businesses in the Netherlands.


Our goal is to raise awareness of financial planning in the Netherlands, in both the long term and short term. We are partenrs in a consumer campaign called Hoe Oud Word Jij (www.hoeoudwordjij.nl), where people have to answer questions about their daily life. The test will predict the age one will reach. After that, the test will show what one should consider in life financially, such as the costs of having children, setting up an own company, buying a house, etc. The idea is that people will think about their finances for now and later. It’s likely that it will take a while to have people consider their finances over the long term. After all, financial planning is about one’s current situation and its effect on the future.

10. Can you describe your international ambitions?

FFP collaborates more and more with other financial planning associations worldwide, so that we can raise the quality of financial planning. The partnership with FPI is one example of that. The agreement reflects the growing, global importance of financial planning. Together, we aim to continue raising the recognition of financial planning, both in South Africa and the Netherlands. This partnership also assists our efforts to further entrench the invaluable role of CFP® professionals in helping people achieve financial stability.

11. What are, in your opinion, the differences and similarities of financial planners in SA and in the Netherlands?

The economic differences in South Africa might be slightly bigger than in the Netherlands. However, I believe that South African as well as Dutch financial planners have the same intention of helping people with their financial situation and making life financially stable. We should share best practices with FPI and collaborate to learn from each other.

12. What is your impression of FPI and the work that the Institute does? What have you heard or seen from FPI that you can use in your work?

I am impressed with how the South-African government sees FPI as a true authority on financial planning. We are not yet that far with getting recognition from the Dutch government. However, we are working on it, and we are following the developments in South Africa with great interest.

13. What can we learn from you?

In April 2015, we launched a new website for FFP (www.ffp.nl). Actually, we have launched almost 4,000 webpages for every single member of FFP. Every member has a personal FFP-page, automatically filled with the latest news and information about the life events, related to financial planning. In addition, members can write blog posts to profile themselves towards consumers and potential customers. Their page also contains contact information and a picture. With this online exposure we help the certified financial planners market themselves, which they appreciate.

14. What message do you have for our readers?

Financial planning provides consumers with insight. A financial plan gives peace of mind. As managing director of FFP I would like to advise all South-African financial planners to learn from each other. Connect with people abroad, share best practices. The goal should be to decrease the distance between consumers and financial planners. We can learn from each other.
Passive investing for retirement funds is anything but passive

Before all the index-trackers complain about the word ‘passive’, it is used here as a catch-all phrase for investment management that is not ‘active’ meaning managers who use fundamental analysis to pick stocks and drive asset allocation. The jury has been and always will be out on whether active is better than passive.

Both ends of the activity spectrum can find research which supports their own methodology, some of which is frequently erroneous either in the research itself or its applicability to the South African retirement fund space. Each camp is relatively more vocal when the current performance suits their argument. But the question really is ‘How passive is passive?’ when it comes to South African retirement fund investment management?

1. Index management is anything but passive.

Trying to emulate an index is actually quite a feat. Index managers cannot literally buy the index they are aiming to track and make daily adjustments to make sure they mirror the index. Some shares are illiquid, and trading is expensive. So, most index managers use quantitative methods to track the index as closely as possible and have rebalancing rules to minimise the cost of trading otherwise they would be trading every day as their portfolio moved out of kilter with the index.

At any given point, there can be distinct differences between the actual portfolio and the index it is tracking.
2. Passive asset allocation is anything but passive

This is the first huge element of passive retirement fund management that is not passive. Given that Regulation 28 places restrictions on how retirement funds can be invested, all asset managers have to make an active decision about the underlying asset allocation of the fund, even passive ones. If the portfolio is styled as ‘aggressive’ or ‘high equity’, how aggressive should it be or how high should the equity exposure be even in a passive environment? Should the equity exposure be aimed at the maximum 75 percent allowed or something lower determined by empirical research? Still an active decision. Some passive managers use an industry average derived from a survey – an active decision – but that requires regular adjustments as the surveys are obviously published in arrears.

3. Index choice is anything but passive

But it is in the choice of index the manager uses to gain the required asset class exposure that substantial active decisions are taken in the pursuit of passive management. If one takes SA equity exposure as an example, the ‘passive’ manager could use any one of the JSE All Share Index, the Top40 Index, the Shareholder Weighted Index (SWIX), the RAFI Index, the Divi+ Index or even the Equally Weighted Top 40 Index to mention a few. Any of these indices could be appropriate depending on what the ‘passive’ manager is trying to achieve with the equity exposure.

A quick look at the performances over the last 12 months will show the huge differences produced in passive investing. Note that a different period used in the above Table 1 would yield quite different results favouring different indices. The really notable difference above is the one between the All Share and the SWIX. South African asset managers argue about the appropriateness of these respective benchmarks for their equity exposure. Not surprisingly, some of the All Share exponents are suggesting a change of benchmark to SWIX!

If any of the above indices can be used for passive investing, it is clear that both active and passive managers can use the stats to suit their own arguments. It is important then for investors to understand what the differences are between the various indices.

<table>
<thead>
<tr>
<th>Index</th>
<th>JSE All Share</th>
<th>JSE Top 40</th>
<th>SWIX</th>
<th>RAFI</th>
<th>Divi+</th>
<th>Equally Weighted Top 40</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total 12 month return to 30 April 2015</td>
<td>14.8%</td>
<td>13.3%</td>
<td>20.3%</td>
<td>8.9%</td>
<td>12.0%</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

Source: JSE
a) JSE All Share – this index aims to replicate the performance of 99 percent of the full market capital of the JSE. There is no adjustment for investability weightings.

b) JSE Top40 – this index consists of the largest 40 companies on the JSE by full market capitalisation. The challenge for investors in this index is the movement in and out of the index of the marginal shares in positions 35 – 45.

c) SWIX – the Shareholder Weighted Index weights the component shares by the free float percentage of the shares in issue available on the JSE. It has the effect of down weighting the shares which are also listed and held abroad on other stock exchanges. Specifically the mining shares, amongst others, are typically down weighted.

All of the above indices use a measurement of market capitalisation to weight the shares in the index. Some managers suggest that such weighting is flawed and that one should use statistics other than market cap to determine the weightings. The following are all such indices.

d) RAFI All Share – Research Affiliates Fundamental Index (RAFI) uses a number of statistics such as sales, cashflow, dividends and book value to weight the shares in the index. The index will typically have a value tilt and a tilt away from large caps.

e) Divi+ - this index selects the top 30 stocks by their one-year forecast dividend yield.

f) Equally Weighted Top 40 – this index weights the largest 40 shares equally (2.5 percent each).

Investors who believe that the first three are more intuitively appropriate should consider the nature of their underlying investments in terms of where the big exposures are. The top five shares in each of the indices are in Table 2 below.

The market cap weighted indices result in one’s share exposure reflecting the market (passive?) but there are some big exposures to individual shares which some might argue are actually large absolute exposures.

So, ‘passive’ investment management for retirement funds is anything but passive! Whether it’s bottom-up or top-down, the most important decisions in investment management, particularly asset allocation, remain critically active decisions.

Table 2

<table>
<thead>
<tr>
<th>JSE All Share</th>
<th>Exp. %</th>
<th>JSE Top 40</th>
<th>Exp. %</th>
<th>SWIX</th>
<th>Exp. %</th>
<th>RAFI</th>
<th>Exp. %</th>
<th>Divi+</th>
<th>Exp. %</th>
<th>Equally Weighted Top 40</th>
<th>Exp. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Naspers</td>
<td>9.3</td>
<td>Naspers</td>
<td>11.2</td>
<td>Naspers</td>
<td>12.2</td>
<td>BHP Billiton</td>
<td>12.4</td>
<td>Vodacom</td>
<td>4.9</td>
<td>AngloGold</td>
<td>3.1</td>
</tr>
<tr>
<td>SAB Miller</td>
<td>8.6</td>
<td>SAB Miller</td>
<td>10.3</td>
<td>MTN</td>
<td>7.6</td>
<td>Anglos</td>
<td>8.6</td>
<td>Sasol</td>
<td>4.6</td>
<td>Sasol</td>
<td>2.9</td>
</tr>
<tr>
<td>BHP Billiton</td>
<td>8.4</td>
<td>BHP Billiton</td>
<td>10.0</td>
<td>Sasol</td>
<td>4.8</td>
<td>MTN</td>
<td>7.4</td>
<td>Assore</td>
<td>4.5</td>
<td>Steinhoff</td>
<td>2.8</td>
</tr>
<tr>
<td>Richmont</td>
<td>7.4</td>
<td>Richmont</td>
<td>8.8</td>
<td>Standard Bank</td>
<td>3.8</td>
<td>Sasol</td>
<td>6.2</td>
<td>BHP Billiton</td>
<td>4.2</td>
<td>Vodacom</td>
<td>2.7</td>
</tr>
<tr>
<td>MTN</td>
<td>5.8</td>
<td>MTN</td>
<td>6.9</td>
<td>BAT</td>
<td>3.6</td>
<td>Old Mutual</td>
<td>5.0</td>
<td>MTN</td>
<td>4.1</td>
<td>Standard Bank</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Source: JSE
By Richard Rattue, Managing Director, Compli-Serve SA

In the old, commission-based world, advisors would simply receive whatever commission was payable by the product provider, irrespective of whether it was sufficient to be profitable. However, in the new, fee-based world, instead of selling products, advisors are selling their own expertise, advice, and intellectual capital. How to cost that accurately can be challenging.

The first step in calculating what you should charge is to work out what it costs to deliver your service. You need to identify how much revenue (before tax) you need to generate to make a profit, taking into account your cost of sales (advisors), and other business expenses (overheads). Keep your revenue model simple, if you can. A good rule of thumb is to say that a third of your revenue covers overheads, a third covers advisors and a third is profit. The business really needs to be making a 20 percent profit as a minimum.

Next comes a decision about the method of charging. Will it be based on an hourly rate, a percentage of assets under management, on a retainer, or a combination of models? The charging model that best suits an advisor firm will depend on the firm’s value proposition. This involves assessing the firm’s area of expertise and the services its clients most value. Propositions can range from ‘holistic’ to ‘generalist’ to ‘specialist’ and the nature of the clients will also be important in the choice of preferred remuneration model(s).

Returning to the calculation of fees, you then need to calculate the total number of hours you can charge for. If there are eight hours in a day, it might be accurate to say that of these only seven are directly chargeable as the other hour is for administration and marketing tasks. By dividing your gross target revenue figure by your total number of chargeable hours, you arrive at a benchmark hourly rate. This can then be adjusted up or down depending on the service being paid for, and who in the firm is carrying out that service. Even if a staff member has no direct contact with a client, his or her services still need to be costed.

For example:

Say your target is to generate approximately R2 million in revenue in the next financial year, and your staff consists of three people: a financial planner, a para-planner and an administrator. You have worked out that your total chargeable hours are 3 500 a year between the three of you.

R2 million = R572/hour

<table>
<thead>
<tr>
<th>Employee</th>
<th>Total hours available</th>
<th>Hourly rate</th>
<th>Total revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Planner</td>
<td>800</td>
<td>R1000</td>
<td>R800 000</td>
</tr>
<tr>
<td>Para-planner</td>
<td>1200</td>
<td>R800</td>
<td>R960 000</td>
</tr>
<tr>
<td>Administrator</td>
<td>1500</td>
<td>R300</td>
<td>R450 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3 500</strong></td>
<td><strong>R2 200 000.00</strong></td>
<td><strong>R2 200 000.00</strong></td>
</tr>
</tbody>
</table>

By dividing your revenue by your total chargeable hours, you arrive at a benchmark fee of R572 per hour. You can then scale this hourly fee upwards or downwards depending on which member of staff is doing the work. (See table below)

At this point, you will be able to judge whether your hourly fee for each staff member looks reasonable or not, providing you have done some research into what your competitors are charging. If your rates appear too high, you will have to adjust either your revenue target, profit target or your available chargeable hours. Alternatively, you will have to improve your value proposition to enable you to justify charging more.

If you don’t feel you have the skill and/or the time to accurately work out your revenue and profit targets in order to accurately cost your business, a good idea is to engage the services of a practice manager or business transition consultant.
Careful conduct as Twin Peaks appear on horizon

We take a look at the progress of the Financial Sector Regulation Bill of Twin Peaks and how well it is being received in the marketplace.
In the financial services sector we’re currently sitting with 17 pieces of legislation that are being enacted against us or for us depending on how you look at it, and the red tape is becoming an increasing burden,” said Ronald King, CFP®, Financial Planning Institute’s (FPI) board member and head: technical support services at PSF Wealth, at the FPI and South African Institute of Tax Practitioners (SAIT) 2015 Budget Breakfast, with particular reference to Twin Peaks.

Despite receiving some criticism, “Twin Peaks clearly draws a distinction between the regulation of the system and the enforcement of proper market conduct.

The environment prior to the initiation of a Twin Peaks system allowed and encouraged abuse of the system as a whole by not placing all financial activities under one regulatory body,” says Southern Charter compliance officer, Michael Smythe. “If the Financial Advisory and Intermediary Services (FAIS) division did not regulate you as financial service providers you were able to circumvent oversight by operating under entities flying under the radar; for example the Fidentia scandal and other pyramid schemes,” he says.

“Without rules of the road, there would be chaos. Masthead fully supports the need for rules and regulation in financial services; regulation that is appropriate, cost-effective and easy to implement. Twin Peaks is designed to streamline the regulatory environment, and, therefore, we support that as an objective,” says Ian Middleton, managing director of Masthead.

FPI strongly believes that effective regulation of financial services and products could best be achieved through a collaborative effort between government, FSB and professional bodies. We thus particularly welcome the specific proposals that contemplate the co-regulatory role for professional bodies in the regulatory framework going forward. Effective regulation of financial services and products could best be achieved through a collaborative effort among governments, regulators and professional bodies.

Governments and FSB would set the regulatory expectations of practice, market integrity and consumer protection in South Africa, and enforce criminal or civil sanctions. And professional bodies (such as FPI) would determine what constitutes professional norms (including the definition of the professional practice of financial planning), conduct expectations and certification requirements that foster consumer and regulator confidence in professional financial advisors such as CERTIFIED FINANCIAL PLANNER® professionals.

However, financial planning institutions are concerned with how effective implementation will be. “If ‘drivers’ don’t adhere to the rules of the road, more ‘traffic rules’ aren’t necessarily the solution. So, regulation on its own is not enough. For regulation to work it needs to be backed up by effective policing and appropriate sanctions because this will promote adherence,” adds Middleton.

“It is incumbent and required of the system that it is correctly and fairly enforced, and ultimately that will be the true test of the application of the Twin Peaks Model,” agrees Smythe.

The Financial Services Board (FSB), which will become the Financial Sector Conduct Authority (FSCA) under Twin Peaks, assures the public that effective enforcement is an inherent part of the Twin Peaks system.

“Customers should have trust and confidence that the firms they deal with are committed to treating them fairly rather than paying mere lip-service to customer-centricity. A dedicated financial services market conduct regulator will focus on partnering with industry to bring about this cultural change and test whether firms are delivering on these fair outcomes,” says Jonathan Dixon, deputy executive officer for insurance at FSB. “Where business models systematically fail to deliver on fair outcomes, the FSCA will look at structural interventions to support better value for customers. The current Retail Distribution Review (RDR) is a prominent example of this new approach,” he adds.

Another criticism of the Twin Peaks model is that more legislation comes with incumbent levies and additional taxes. “What we also need to realise is that, for example, if we look at the Financial Sector Regulation Bill that creates Twin Peaks, each regulatory body is going to charge levies which are not included in our taxes. The number of levies which are becoming obligatory for each and every one of us is really high and is an additional tax that most of us are paying for huge parts of regulation that are probably our own fault but also sometimes not required,” King added to his opening statement.

However, this does not negate the need for better regulation and KPMG suggests a balance between ‘cost and benefit’.

65
“Regulations need to be comprehensive and rigorous enough to ensure that the financial sector does not once again blemish its reputation. It is important to find a balance between those regulations necessary to make a safer financial system and ultimately an improved economy,” says Gareth Bird, associate director of financial services, in KPMG’s Twin Peak’s article.

Dixon at FSB provides an account of the purpose, approach and structure of the new FSCA to guide financial planners and improve their understanding of how the reformed system will be put into practice.

**New mandate for FSB to operate as FSCA**

“The supervisory approach of the FSCA will be forward-looking, pre-emptive and proactive, as well as being focused on the delivery of fair customer outcomes rather than a purely compliance-based approach. Market conduct regulation and supervision will shift from an approach based on industry silos to one that is applied consistently across industries following an activity-based approach,” he says.

**Reorganised structure for financial market regulation**

“The structure of the FSCA will be reorganised to support this activity-based approach, with centralised licensing, supervision and enforcement capacity. The key focus will be on ensuring that firms can demonstrate consistent delivery of the six Treating Customer Fairly (TCF) outcomes,” he says.

**The timeline for the establishment of the FSCA**

“The timeline has yet to be finalised. The second draft of the Financial Sector Regulation Bill, the first in a series of bills towards the implementation of the Twin Peaks model, was published by the National Treasury in December 2014, with a closing date for comments by 2 March 2015. It is anticipated that the revised Bill will be tabled in Parliament, [with a] possible effective date of early 2016,” concludes Dixon.

Market application of the Twin Peaks system

The FSB (FSCA) reminds financial planners what Twin Peaks’ core focus is: “A regulatory focus on customer outcomes [which] is expected to result in product offerings and competitive strategies that are more focused on customer needs and building sustainable customer relationships,” concludes Dixon.

While some prominent financial institutions are currently still working towards implementing the processes to conform to TCF, other institutions have already formulated a TCF Manual for best practice.

“Almost all of the processes were already in place here; the history of Southern Charter as a financial services provider confirms that our clients and their best interests have always been at the centre of absolutely everything we do and as such we have always made it an imperative that our clients are treated fairly according to their individual circumstances at all times”, says Smythe.

**A level playing field**

Many in the financial industry will still bemoan stricter legislation, but it won’t only be customers who reap the benefits if implemented effectively. “One of the advantages for financial planners or financial advisors is that all financial institutions will have to abide by market conduct requirements which will even the playing fields. This should support the role of an advisor,” concludes Nicky Nairn, head of compliance at Masthead.

FPI agrees with the risk that information asymmetry poses to fair customer outcomes. Where they differ is that the asymmetry of information is always between the financial advisor or financial planner and the consumer.

FPI and its members take the public benefit role of a profession very seriously. In 2014 it reached approximately 9 000 customers in the low and mid-market with their FPI MYMONEY123™ financial literacy programme. The programme consists of a financial literacy workshop that covers the financial management part of financial planning (budgeting, debt management and savings) and is presented pro bono by FPI’s CFP® professional members.
Stand out. Be extraordinary

www.fpi.co.za

Are you CERTIFIED for success?

Let’s guide you to the highest level of your financial planning career with the professional standard – a CERTIFIED FINANCIAL PLANNER® designation.

Obtaining the CFP® designation instantly sets you apart from your peers and lets the public know that you maintain the highest ethical standards and are more competent. - you are professional.

Get CERTIFIED for success. For further information on becoming a CFP® professional, visit www.fpi.co.za or call 086 1000 FPI (374).

CFP Certification  Global excellence in financial planning®

CFP, CERTIFIED FINANCIAL PLANNER® and are trademarks owned outside the U.S. by Financial Planning Standards Board Ltd. The FPI is the marks licensing authority for the CFP marks in South Africa through agreement with FPSB.

The global symbol of excellence in financial planning
A famous quote by Heraclitus is “The only thing that is constant is change”. Indeed, change is a constant which affects all areas of life. In the last 10 years, one of the biggest changes we have witnessed is the growth of social media, driven by digital device sales which have grown exponentially, making the devices more affordable. Social media can be a very powerful tool, if used properly, and a very dangerous weapon if abused.
The main driver of social media is a message. If a message is good, people will read it, share it and, in some instances, act on it. A good social media strategy can create a following of hundreds – and potential new clients and business in just a short period of time.

Social media starting point

If you are a CFP® professional considering a social media strategy, it is worth noting that in South Africa (SA), it takes a lot longer to acquire clients as many SA users are still ‘exploring social media’ as a reliable source of advice and guidance. Other more developed markets have users that use the Internet and social media as a place for advice and often transact on such platforms. It is, therefore, important to have a passion for writing or sharing advice as in many instances, the fruits of your labour may take some time. However, when the results start to show, they are very rewarding.

The blog

The simplest form of social media presence is what is known as a ‘blog’. It is a discussion or informational site published on the World Wide Web and consisting of discrete entries (“posts”) typically displayed in reverse chronological order (the most recent post appears first). Until 2009, blogs were usually the work of a single individual, occasionally of a small group, and often covered a single subject. More recently ‘multi-author blogs’ (MABs) have developed, with posts written by large numbers of authors and professionally edited. MABs from newspapers, other media outlets, universities, think tanks, advocacy groups and similar institutions account for an increasing quantity of blog traffic. The rise of Twitter and other ‘microblogging’ systems helps integrate MABs and single-author blogs into societal news streams. Blog can also be used as a verb, meaning author blogs into societal news streams.

Social media strategies

Financial advisor Eric Roberge of Beyond Your Hammock shares his different strategies for each social media platform. He posts links to his blog posts, his and other media articles, business activities and thought-provoking quotes. “The key is to balance self-promotion, education and sharing other people’s stuff,” he said.

- **Facebook personal account**: “I’m educating my network, not targeting any specific group. I share my personal philosophies, my authentic beliefs and feelings.”
- **Facebook business page**: This is used as a public hub for Roberge’s thoughts, writings and activities.
- **Twitter**: “Here, I’m talking to my industry.” Roberge said. About half his follows are other advisors, and he makes a point of following and communicating with journalists.
- **LinkedIn**: Roberge uses this site for networking with several targeted groups: parent/teacher associations, estate-planning attorneys and advisors who refer lower-asset clients to him.

Published material

Once you have sufficient original content on your blog, often you will start to be invited to contribute to other publications or websites. Original content needs to either be thought-provoking or encouraging debate, purely educational on product, or self-promotional. In all three cases, it is not wise to simply promote a product or solution provider as you lose authenticity and the trust of readers if material reads like a sales brochure. By writing with an open, honest and authentic tone, readers can endear themselves to the writer and trust the material.

When one has sufficient blog content or published material, one can also consider a personal website. An example is my personal website www.askmrg.co.za. A website does not need to have absolutely every item published, but rather a sample of material. You can link all other published material and quotes to a Twitter or Facebook account.

Social media compliance tips

- There are a number of compliance considerations to be taken into account before going on social media. If you are employed by a company or firm, you may need to consider the firm’s rules on social media. Many companies prefer to control information through authorised spokespeople. Many companies even advise restraint from using even Facebook.

  - It is important to know the Financial Services Board (FSB) or Financial Planning Institute’s (FPI) rules on the use of social media, trademarks and designations. Use of social media must comply with various provisions of FSB and the FPI Code of Ethics and Professional Responsibility, including, but not limited to, the antifraud provisions, compliance provisions, and recordkeeping provisions. Translation: Don’t do anything on social media that you wouldn’t do outside of social media.

  - Where possible, personal blogs and activity must be kept far apart from professional work.

  - Where commentary has an advice element, a disclaimer that nothing you say should be taken as investment advice is important.

Social media personality

Indeed, not all financial planning professionals have the desire or passion to use social media. Social media is very much personality driven, but for the few professionals who are passionate about communicating to the masses, social media can be enjoyable and rewarding. However, it remains important for financial planning professionals to try and have a presence online so that their professional credentials can be picked up on Google search. Over 80 percent of clients now do a name search on Google search engine before doing business.
The South African financial planning profession is going through interesting times with its ever-changing legislation and fee structures; a more sophisticated consumer; the increasing influence of the Internet and the commoditisation of financial products. Today’s clients now want a true financial planning service, which can be defined as a systematic client-centric process of structuring and arranging their financial resources to meet their life goals.

In order to meet this expectation, financial advisors need to build a framework and infrastructure that will support the ongoing delivery of their service proposition, develop client experiences that are meaningful and form relationships that last.

This much anticipated book by the well-renowned and respected authors of the best-selling Business management for financial planners: A guide to creating a sustainable service-based financial planning business demonstrates how, by understanding their client and using financial advice and planning as real products, financial planners and advisors can build a best-in-class service-based business that delivers on their client’s goals and dreams.

In his forward to the work, CEO of the Financial Planning Institute (FPI), Godfrey Nti, praises the authors for writing this important and accessible book, as well as for their many past contributions to helping financial planners grow. Written in a clear and accessible style, the book provides financial advisors and planners with the guidance and tools they need to re-invent their business for long-term success.

About the authors:

Lee Rossini, CFP®, Soc Sci, LLB, LLM, Diploma in Business Management (Damelin), Diploma in Compliance Management (RAU) – Lee was a wills specialist and legal advisor at Old Mutual for five years, providing legal advice pertaining to financial planning issues, as well as the training of intermediaries and brokers.

She currently writes widely in the fields of financial planning, compliance and business management in the financial planning sector. She is a co-author of The South African financial planning handbook and The fundamentals of financial planning, a book designed to assist financial planners to study for their regulatory examinations.

Johann Maree, CFP®, BA, LLB, Diploma in Compliance Management (UCT) – Johann has over 20 years’ experience in working with financial advisors. During this time, he has acquired extensive strategic, operational and distribution experience together with strong consulting experience.

His key areas of expertise include strategic planning and implementation, business development, distribution development, practice management, account management, training, coaching, mentoring, compliance implementation and advice remediation. His background includes building, developing and selling financial services businesses. Johann is regarded as an innovator and industry thought leader.

Publication details:

Format: Soft cover
ISBN: 978 1 48510 821 4
Extent: 310 pages
Published date: June 2015
Recommended Retail Price: R470 incl. VAT
Availability: The book is available from Juta Law (e-mail orders@juta.co.za, or enquire online via www.jutalaw.co.za) and from most booksellers.
Manual on Retirement Funds and other Employee Benefits turns 21

Now in its 21st edition, the Manual on Retirement Funds and other Employee Benefits is a well-known reference in the employee benefits industry. Written by 18 recognised experts in the industry, it provides the most comprehensive and authoritative commentary in this field.

Unlock the benefits:
- Written by recognised experts in the field.
- Updated annually in line with changes to tax, pensions and labour-related legislation.
- Discusses the implications of proposed amendments.
- Contains extensive commentary on the most pertinent Acts and is fully cross-referenced to the relevant sections.
- Provides commentary on relevant case law.
- Includes a complete index for easy navigation.

Price: R1026 (incl VAT, excl delivery)

Order your copy today!
Call: 031-268 3521 | Email: orders@lexisnexis.co.za
Visit: www.lexisnexis.co.za/catalogue
OLD MUTUAL HAS A BUSINESS OPPORTUNITY FOR YOU...

Are you in the financial services industry with an entrepreneurial spirit, financial planning experience, big dreams and a hunger for success? OR do you perhaps know any like-minded people?

Old Mutual’s Agency Franchise Division has been helping entrepreneurs run successful franchises in the financial services industry for more than nine years.

Opening an Agency Franchise with Old Mutual means being in business for yourself and not by yourself.

You will get:
- A market related management fee
- Monthly and quarterly performance bonuses
- A recognition programme
- The advisers you will oversee can earn 100% of the primary commission

To qualify for this great opportunity, you need:
- Appropriate experience in financial services industry (life insurance)
- Sales management experience
- Strong recruitment skills
- To be fit and proper as defined in the Financial Advisory and Intermediary Services Act

Make today the day you start turning your business dreams into a reality – with Old Mutual Agency Franchise Distribution right by your side, every step of the way.

For more information on joining Old Mutual Agency Franchise:
Email: afd@oldmutual.com  I  Web: www.oldmutual.co.za/agencyfranchise

Let OLD MUTUAL help you realise YOUR DREAMS of running a successful business in the financial services industry, TODAY.

Old Mutual is a Licensed Financial Services Provider.