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A tribute to my mother and sisters' financial journeys

Albert Coetsee, Head of the Global Investment Platform, honours his mother and sisters while imparting impactful strategies for boosting tax efficiency, safeguarding legacies, and placing enduring financial security at the forefront.

During this month of celebration and acknowledgement, as we honour women's grit, perseverance, and accomplishments, I reflect on the invaluable lessons we've gathered from various sources. This includes the [Ninety One Women and Investing hub](#) packed with insightful articles, podcasts, and videos shared by colleagues and clients. As we delve into the realm of women and investing, I am compelled to share some thoughts and advice specifically aimed at my beloved mother and three sisters. This contribution is dedicated to them, weaving their stories into examples that resonate with many others.

I often look back at the journey my mother courageously undertook, transitioning to become a successful estate agent later in life. Her astute financial decisions led to a significant accumulation of discretionary funds. She wisely invested these funds across various avenues, mindful of the need for liquidity as a single mother. Yet, in hindsight, I wonder whether a different investment approach might have served her better – a strategy that balanced prudence with long-term financial gains.

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Perhaps, considering a divergent strategy – allocating a portion of her funds for short-term needs while channeling the majority into a retirement annuity – would have yielded manifold benefits. Envision the advantages:

- 1 A substantial annual tax break during her peak earning years, nurturing her retirement nest egg.
- 2 Tax-free growth within her retirement annuity, evolving into a living annuity where tax-free growth persists.
- 3 A safeguard against Estate Duty, as her living annuity would remain exempt, securing her legacy for her children.
- 4 She could have averted these concerns by sidestepping the trajectory of her current discretionary investments, susceptible to tax implications due to recent interest rate hikes.
- 5 Transitioning into a retirement annuity and later into a living annuity would have mitigated Executor's fees and capital gains taxes, ensuring a seamless transfer of wealth to her chosen beneficiaries.

My remarkable 80-year old mother enjoys excellent health and maintains her sharp mental acuity, even controlling all of us from her picturesque home in Montagu. Nonetheless, the time has come for me to contemplate acquiring her power of attorney (POA). This will allow me to handle her affairs should the need arise.

Regrettably, this might only serve as a temporary solution, given that a POA loses its validity in South Africa when the individual it pertains to becomes mentally incapacitated or unable to act independently (such as in cases of dementia and alzheimer's). Unlike other countries like the UK, Canada, the US, and Australia, South African legislation does not acknowledge the concept of an "enduring power of attorney." Consequently, should the situation progress to that point, a curator or administrator appointment might be necessary.

I'm reminded of a poignant tale involving a friend's niece, who confronted the complexities of an outdated will when her husband tragically passed away. His will still referred to his ex-spouse, despite their divorce years earlier. This underscores the importance of updating and safeguarding legal documentation.

Shifting the focus to my sisters, each a beacon of resilience and determination, I offer the following counsel:

Prioritise liquidity for short-term needs while structuring long-term investments for optimal tax efficiency. A comprehensive medical aid plan encompassing disability and critical illness coverage is an essential safeguard against life's uncertainties. This is particularly important for self-employed individuals, ensuring financial security during trying times.

A heartening lesson emerges from the corporate realm. Many companies extend provident fund benefits to spouses under Section 37C of the Pension Funds Act, providing a measure of financial stability upon the husband's untimely passing. Nonetheless, a cautionary tale emerges from a delayed payout due to bureaucratic obstacles (waiting for the police report to confirm the cause of death, as indicated by the unnatural causes listed on the death certificate). Contemplating alternatives to provide alternative liquidity on death, apart from mainstream investments, is prudent.

I cannot emphasise the importance of beneficiary nominations enough. The intricate journey of assets from the deceased to beneficiaries can be fraught with delays and complexities. By taking the proactive step of naming primary and alternative beneficiaries on the different Ninety One application forms (thus preventing the need for transactions via the deceased's will and avoiding involvement from both the Master's Office and the Executor), we expedite this process and ensure our loved ones are spared unnecessary hardship.

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Divorce, a challenging chapter for many, demands meticulous planning. Clear and precise language in divorce orders pertaining to retirement funds is paramount, ensuring the accurate intended outcomes. For instance, the divorce order referring to retirement funds must include the following wording:

- 1 The term “pension interest” must be used in the divorce order, not “benefit” or “pension fund” or “retirement fund.”
- 2 The identification of the relevant retirement fund must be clear from the divorce order’s wording, avoiding vagueness.
- 3 Lastly, the divorce order must direct the retirement fund by name to make the payment (and not the member).

As we conclude, let us embrace the wisdom of cultivating a life file, a repository of crucial documents and decisions that safeguard our legacy and ease the burden on our loved ones during trying times.

In the spirit of this empowering journey, let us remember:

Women, like the intricate threads of a tapestry, weave resilience, wisdom, and strength into the fabric of humanity. As we navigate the complex financial landscape, may our choices echo the indomitable spirit of women, shaping legacies that will withstand the test of time.

Empowered women empower the world, stitching the tapestry of progress with threads of resilience and grace

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