

■ Happy 2009!

PSG Konsult wishes all its valued and loyal clients a prosperous new year! We trust that you will enjoy our first newsletter of 2009 and find the articles informative.

■ PSG on the air

PSG Konsult regularly contributes to radio programmes. Listen to our experts on:

Ekonomiese Verslag (RSG)
Monday to Friday (6:20)

Ons en die Ekonomie (RSG)
Every second Tuesday (11:10 – 12:00):

RSG Landbou (RSG)
Tuesdays (12:38)

■ Important contact details

Should you experience any problems with your short-term or long-term insurance, or your broker or financial advisor, please contact one of the respective Ombudsman Offices:

- **Long-term insurance**

Share call: 0860 66 2837

Tel: 021 657 5000

E-mail: info@ombud.co.za

- **Short-term insurance**

Share call: 0860 726 890

Tel: 011 726 8900

E-mail: info@osti.co.za

- **FAIS**

The FAIS Ombud investigates clients' complaints about their brokers.

Share call: 0860 324 766

Tel: 012 470 9080

E-mail: info@faisombud.co.za

Living together and your insurance

Unmarried couples living together is no longer the exception. The current economic climate could even force families and friends to move in together. What happens in this case with your short-term insurance?

When it comes to personal insurance people who live together have to make sure that their combined assets are adequately covered.

REMEMBER!

- In whose name has the policy been issued? When people live together the policy has to be issued in both parties' name, or the interest of the other party must at least be stated in the policy.
- Consider the matter of under-insurance. When you add your life partner's contents to your household the value increases: it could even be double the value. The sums insured on the policy have to be adjusted, otherwise the under-insurance clause could decrease the pay-outs in the event of a claim.
- Also consider "insurable interest". It might have implications during the claims process, even if the cover had been adequate.
- Take note of any possible increase in the risk should new items be added to yours, for example expensive jewelry, firearms, etc.

{Lastly, remember to inform your broker of the above!}



Business insurance: What is new?

The world of business changes constantly, and this is now more true than ever considering the times we live in. What type of insurance should one now consider for one's business?

- **Legal expense insurance:** The public are increasingly aware of their rights and are becoming more litigious. If you cannot afford the services of an attorney consider legal expense insurance.
- **Public liability cover:** More and more rules and regulations are introduced. Your business could go under if you do not cover it against liability.
- **Cover against people who do not pay rent.** You invested your money in property but your tenants do not pay rent. Cover yourself and your income against this risk.

Money doesn't have to be **the root of all evil**

In many instances money is the primary reason why marriages and relationships collapse. Here are a few tips on how you and your spouse can work as a team to create more wealth and live together in financial harmony.

How you grow up, your education and your personal experiences influence your attitude towards saving and spending money. To prevent your relationship from ending in the divorce court try to apply the following:

1. Understand each other's money personality. Are you a saver or a spender?
2. Discuss your long-term goals and priorities. What place does retirement, owning a house, financial security, children and travel take up in your respective list of priorities?
3. Decide together how you are going to spend your income, do groceries, pay accounts and make the budget balance.
4. Do the budget together. Two essential parts of the budget are savings and pocket money. Savings must be a fixed expense and the first "account" you pay monthly. Pocket money comes after savings and other financial obligations, but is still a very important part of your budget. This is an amount of money that you and your spouse can spend separately without having to account for that.
5. Do not bear grudges against your partner. If one spends too much money, does not spend money wisely, or does not spend enough, do not make a big scene. Talk about it and try to avoid such problems in future.



Do not let money come between you and your partner. Rather use it as a tool to build a better future together.

Form a money character at a young age

The earlier you teach your children about money the better for their future. If you motivate and empower them to become savers and investors they will save more of the money they earn and do more with the money they spend.

Try the following:

- Give your child pocket money and help him or her to do a simple budget.
- Open a savings account and encourage your child to save some money monthly.
- Explain to them how easy it is to get into debt and that it is better to save for something that you really want.
- When your child gets older link pocket money to household chores and other achievements in order for them to learn that hard work is rewarded.
- When your child is mature enough show them your own budget. That will help them to have a realistic view and to know what to expect when they leave home.

KNOW YOUR RIGHTS!

The terms and conditions of medical schemes are cause for a headache for most people. Below we discuss a few basic rights to which all members of a medical aid are entitled to.

1. Minimum benefits

In terms of the Medical Schemes Act, medical schemes have to cover the costs related to the diagnosis, treatment and care of:

- any emergency medical condition;
- a limited set of about 270 medical conditions; and
- 25 chronic conditions.

This is known as Prescribed Minimum Benefits (PMBs) and you are entitled to these benefits regardless of the medical scheme option you have selected.

2. Exclusions are excluded

Medical schemes often have a list of conditions - such as cosmetic surgery - for which they will not pay, or circumstances - such as examinations for insurance purposes - under which a member has no cover. These exclusions, however, do not apply to PMB conditions. If you contract septicaemia after cosmetic surgery, for example, your scheme has to provide health care cover for septicaemia because it is a PMB. PMBs are about the diagnosis; it does not matter how you got the condition.

3. Severe illnesses

A severe illness is regarded as a life-threatening or debilitating disease.

4. Chronic conditions

A chronic condition is regarded as a life-threatening disease that requires medication on an ongoing basis to sustain life. These include diabetes, hypertension, cholesterol, asthma, HIV and Aids. There are 27 conditions on the government's list of basic requirements that all schemes have to cover without limits.

Hospital cover: Will it suit your lifestyle?

A medical scheme can be one of those necessary evils that you cannot really live without these days. But you are young and healthy and consider taking out a hospital plan only.



When it comes to the push and you have to cut your expenses you have the hospital plan option offered by medical schemes to choose from. Because it is better to have some cover than nothing at all. If you are thinking of buying such a plan instead of a full medical aid, take the following into account:

- Your medical needs in relation to your medical history and lifestyle.
- Your future needs: are you going to start a family soon, take part in dangerous adventure sports, or is there

hereditary diseases that could affect you on your family?

- Can you save a few hundred rand per month to cover day tot day doctor's and dentist's appointments, or to provide for over-the-counter medicine?
- Will the hospital cover be adequate should you be treated for example, cancer?
- List all the medical expenses that you might need cover for, like a back operation or a Caesarean section, or treatment for a chronic condition such as diabetes.
- Does the plan or scheme you want to take out have a list of designated service providers? Medical schemes negotiate with specific hospital groups to reduce costs, but this also limits your choice. These designated service providers could be state hospitals - something you have to be aware of before you sign on the dotted line.

Remember, should you join a full medical scheme later on, it could cost you more due to your age and you have suddenly developed a chronic illness.

{ Talk to your financial advisor about the best medical scheme to suit your needs and your pocket. }

WANT TO GET SOMETHING OFF YOUR CHEST?

The Medical Schemes Council was established to keep an eye on medical schemes in South Africa. It's role is to protect the rights of consumers and to ensure that they are treated fairly.

If you have a problem with your medical scheme contact the Medical Schemes Council on:

Tel: 012 431 0500/0861 123 267

E-mail: support@medicalschemes.com

PSG Konsult/Louis Marais & Associates
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Lynnwood Glenn, Pretoria

Retirement fund: Take it or leave it?



According to research, the average person will change jobs seven times in his or her lifetime. What does one do with one's pension or provident fund? PSG Konsult gives advice:

When one changes jobs one is tempted to have your retirement fund paid out in cash.

You might think it is better to get rid of debt, but debt has a way of coming back, especially if you do not change your spending patterns. Over and above that, you may also incur serious taxes and a possible penalty when you withdraw your savings. Before you make a drastic decision consider the following:

- If you withdraw your retirement savings as cash you will receive the first R1 800 tax-free and the rest is taxed at the highest average rate of tax of this or the previous tax year. This means you could lose as much as one-third of your retirement savings to tax.
- Even if you reinvest your money in a tax-incentivised retirement vehicle, such as a preservation fund or retirement annuity fund, this will come at additional costs. These costs can be as high as 6% of your retirement savings.

Transfer of funds

When joining a new company you will probably be required to become a member of your new employer's retirement fund. Consider rolling your savings in its retirement plan. In most cases, you can move pre-tax contributions and earnings from your existing retirement plan into your new plan.

Most companies use the cost-to-company system to structure salary packages. Employees contribute a minimum of 5% to the provident or pension fund and may voluntarily increase this up to 7.5%.

{ If you need advice on how to invest your retirement money wisely please contact us. }

■ Statistics

Research shows the following:

31% of people who reach retirement age will have to continue working.

47% are dependent on their family.

16% are dependent on a government pension.

Only **6%** are financially independent.

What is the difference between a pension fund and a provident fund?

The major difference between a pension fund and a provident fund is the way in which they are taxed.

Contributions of employers towards provident funds can be deducted from tax, while the contributions of members cannot be deducted. To counter this, the contributions of employers are in many cases larger than those of members.

Members' contributions to pension funds can be deducted from tax up to certain limits, as well as those of employers.

The other difference is the way in which the benefits of the respective funds are paid out. All the money in a provident fund is available in cash at retirement. In contrast, the money in a pension fund is limited to a maximum of one third in cash. A monthly pension has to be bought with the remaining two thirds.