

Majestic Financial Services Quarterly Newsletter

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# MAJESTIC FINANCIAL SERVICES

## 3rd Quarter Newsletter 2016

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### *Providing Peace of Mind*

#### *Meet the team*

**Malcolm Taylor (AIISA, AFP)** - Managing Member  
and Short Term Broker

**Belinda Smith (LIISA)** - Short Term Broker

**William Mufeba** - Short Term Claims Administrator

**Tephany Exton** - Short Term Administrator

**Dave Brewer (BCompt, SAIPA, CFP®)** - Financial  
Planning, Corporate Benefits and Investments

**Vanessa Kruger** - Long Term, Investments Manager  
and Paraplanner

**Jessica van Tonder** - Long Term and Investments  
Admin Assistant

**Samantha McKay (BComm Hons (Tax))** - Tax  
Consulting and Accounting

**Jenna Rowlands** - Medical Aid and Corporate  
Benefits Administrator

[Subscribe](#)[Past Issues](#)*Majestorial - Letter from the Editor**Announcements - Acquisition of Classic & Sports Car Insurance Brokers**Sam's Tax Talk - "SARS Verification of Personal Details"**Long Term News - "Are you a saver or a borrower".**Short Term News - "The Le Nina Effect on short term insurance".**Majestic Services*

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## Majestorial

**Welcome to the third edition of 2016.**

*We endeavour to provide each of our clients with sound tactics to ensure that they are better equipped in dealing with any financial occurrence. Majestic's broad spectrum of expertise and specialized representatives offer this with every opportunity presented to us. We hope to spark a few questions with our newsletter to enable us to provide you with the knowledge you need to succeed and reach your financial goals.*

*With this in mind, Sam discusses the verification requirements and processes which SARS have implemented to combat fraud.*

*Your financial habits affect the financial well-being of the country. Distinguish whether you contribute in a positive manner and how to improve your financial habits.*

*The Le Nino effect on short term insurance –Implementation of self-risk management will become even more pertinent to avoid financial loss.*

*"We would like to thank you for your continued support, and "assure you of our best attentions at all times!"*

*Take a look at the Majestic Services section and let us know if there is an area where you would like to consolidate your portfolio.*

*We are here to provide you with peace of mind.*

**Tephany Exton - Editor**



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## Announcements

*It gives Majestic Financial Services great pleasure to announce the acquisition of Classic & Sport's Car Insurance Brokers. The acquisition took effect on 1 October 2016. Should you wish to insure your old classic or sports car with us, please don't hesitate to contact us.*

## Sam's Tax Talk

*The 2016 tax season opened on 01 July 2016; filing of tax returns has commenced. The deadline for non-provisional tax payers is 25 November 2016; the deadline for provisional tax payers is 31 January 2017. Once you have all your documents ready, please send them to your tax practitioner.*

*With tax season in full swing there are a few issues we would like to bring to your attention when filing your 2016 tax return.*

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verification process, please make sure you take the following documentation with you:

- o ID Book/Passport and certified copy thereof;
- o Original proof of address not older than three months
- o Original proof of bank account not older than three months

If you are unsure of what documents to use for proof of address and bank account, please give your tax practitioner a call to confirm.

- SARS has been particularly thorough so far this season and are verifying or auditing most taxpayers. We advise that you be fully prepared for an audit/verification if SARS so requires. Please make sure that you have proof of every deduction/expense that you are claiming for. If you claim an expense and it's either fictitious or an estimate, SARS will disallow the expense and you could be charged a penalty. If they discover that this happened in the current year, they may well go back to the previous five years and verify those years too. With SARS, it's always better to be safe than sorry!

If you have any questions regarding or require assistance with your tax return, please call Samantha McKay on 011 504 1200 or email her at [samantham@majestic.co.za](mailto:samantham@majestic.co.za).




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## Short Term News: The La Nina Effect on Insurance

### Definition.

**La Niña** is the positive phase of the **El Niño** Southern Oscillation and is associated with cooler than average sea surface temperatures in the central and eastern tropical Pacific Ocean.

Hollard Insurance Ltd has conducted extensive research into weather patterns and has warned of the probability of extreme wet-weather conditions and even floods, which scientists expect to accompany La Niña. Whilst this article is primarily aimed at commercial and industrial clients, there are, nevertheless, practical suggestions that apply to offices and private residences as well.

Says Hollard's Justin Naylor:

"Because there is some disagreement regarding specifics, Hollard's risk improvement team, headed by Marcel Wood, has been intensely researching the risks South Africans are likely to face with the arrival of La Niña. The general agreement is that it will be impacting us with heavy rain falls and the high risk of flooding from this December to February 2017".

"Hollard is appealing to brokers to priorities communicating urgently to their clients the need for immediate proactive risk management steps to protect their facilities against extremely high rainfalls. If December remains accurate as the date of impact of La Niña's extreme weather, it is important that risk management steps, compiled by the Risk Improvement Team, be finished in November ahead of time to give protective walling and barriers time to settle."

Naylor explains that despite isolated disagreements about specifics, the wetter weather expectations of the majority of climate experts are backed up by Hollard's claims experience from past La Niña events.

"We can expect La Niña to bring an increase in extreme rainfall events with a very high risk of flooding. We can also expect these floods will be severe enough to cause infrastructure damage, carry off anything unanchored and

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### Causes of flooding

It is important to understand the various specific causes of flooding, which may have skipped notice. Flooding can follow as storm-water runoff accumulates in normally dry areas, or areas hit by severe drought, which are unprepared for high volumes of water. Also, excessive rain can cause flash flooding and bodies of water can overflow their normal boundaries. These include rivers, streams, oceans, bays, lakes, canals and dams – and being near to one of these is a cause for concern.

### Priority risk

Naylor says that while we can take a moment to celebrate the fact that rainfall, extreme or not, will ease the effects of drought, excessive rain and flood-related risk management is vital. Hollard's Risk Improvement Team has put together a list of protective steps we should all be taking before La Nina drops extreme wet weather on us:

- You should check if your premises are in an area with a high risk of flooding. Is it close to a body of water which could overflow? Has the area experienced flooding in the past? If so, extra precautions are essential. It might be necessary to call for a professional assessment to identify the risk prevention measures needed.
- Clean and clear all gutters, drain pipes, drain entrances and all water-related apparatus that allows water to drain away.
- Protect the inlet to all drains and storm-water drainage against debris blockage. Fit metal grates, curbs, and/or have sandbags ready at all vulnerable positions.
- Build a low protective wall (the experts call bunding) to stop water flowing and collecting around sensitive apparatus like electrical equipment, furnaces, boilers, computers, generators and electronic switchgear.
- Store stock, spares or items, susceptible to water damage, on pallets to raise them off ground level and above a potential flood level. Also, where possible, relocate sensitive equipment to higher ground or, internally, higher levels above the floor.
- Any water intrusion points in the floors and walls of premises should be sealed with water resistant material.
- **Anchorage:** Provide properly designed anchorage to everything that may float or move laterally when impacted by fast flowing water. Create effective resistance to the forces of buoyancy, moving water, as well as individual wave impact. Structures of concern include: storage tanks, silos, bins, sealed conduits and pipes. In addition to protecting the structures themselves, proper anchorage prevents them from becoming floating debris that could cause damage to surrounding buildings and equipment.
- **Covers:** Install watertight covers over cable trenches to prevent them from being filled with silt and debris carried by flood waters.
- **Sensors:** Install water sensors and relay devices that will automatically send an alarm to a location humanly monitored 24/7; or, the alarm could shut off non-essential electrical devices before flood damage. Ensure these devices are tested before this November and later as recommended by the manufacturer.
- **Automatic sprinkler valves:** Fire is a risk. Flood water often carries heavy debris, capable of rupturing ignitable liquid tanks and damaging liquid and flammable gas piping. Electrical short circuits and other ignition sources are usually present to start a fire. The problem is, once a fire starts, flooding may prevent the local fire service from reaching the fire. The automatic sprinkler and fire pumps may also be damaged. Therefore, always locate automatic sprinkler valves and pumps outside the flood-prone areas.



## Long Term News:

### PERSONAL INVESTING



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## Are you a saver or a borrower?

It is difficult to be a fence sitter when it comes to investing and wealth creation. Either you are a saver, and are providing for your needs, both present and future, from the sweat of your current labour, or you are a borrower, borrowing from your future to fund your current lifestyle.

Sadly, most of us are borrowers, allowing our current lives to overshadow our future needs. This has an impact not only on our individual long-term financial security, but also on the economic well-being of our country.

South Africa has one of the worst gross savings rates in the world at 15% of GDP, according to the Reserve Bank. We do not save enough as a nation and, as a result, we have to look towards foreign investors to provide us with the much-needed capital to build our productive capacity and fund national infrastructure requirements. We all worry about the future of our country and what this means for ourselves and our children, but saving more as a nation, and increasing our national productive capacity, starts with us saving more as individuals. This is necessary for higher economic growth rates, job creation and higher tax collection needed to fund various important poverty reduction initiatives.

When we save for our own future, we make a difference to the future of the country. But to save more, we need to spend less.

## How to get started

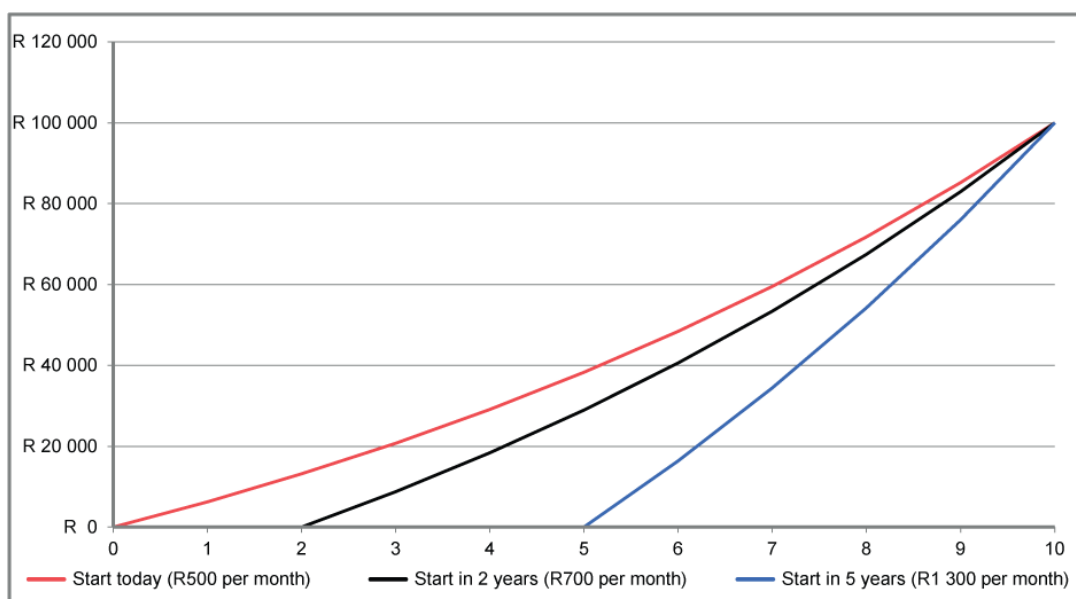
Saving has nothing to do with how much you earn, but everything to do with the percentage of your monthly income you spend. Whether you earn R4 000 or R40 000 a month, the only way to save is to spend less than that amount.

A trap many of us fall into is believing that investing is only for very wealthy people. We tend to put off investing for a time when we will 'have enough money'. Taking steps to develop a savings habit or a lifestyle of saving and living within your means, is more important than the amount you can start with. It is about getting started rather than how much one starts with. Procrastination only makes us poorer.

Once you get into the habit of spending less than you earn, you can look to save an increasing portion of your earnings over time. If you get a salary increase or bonus, rather than using the whole additional income to upgrade your standard of living, break the cycle of spending more and invest the difference. If you commit to investing via a monthly debit order, consider agreeing to an annual percentage increase up front – this will help you to slowly increase your contribution without having to think about it.

While it is never too late to save, it's invaluable to start early, as illustrated in [Graph 1](#). The graph shows that if your goal is to save R100 000 by a specified date 10 years away, you could achieve this objective by investing R500 a month (assuming a 10% return) if you start today. Delaying saving for 24 months will increase the amount you need to save per month by almost 40% (or R200 per month). As you can see the blue line on the graph is significantly steeper than the red line: with less time on your hands, the cost of a delayed start naturally becomes even more pronounced. Waiting five years means you will need to save around R1300 per month, more than double the amount than if you started immediately, to achieve your goal in time.

### Graph 1 | The price of procrastination



Source: Allan Gray Research

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## accumulation to a lifestyle of saving

- *Start as soon as you can: the sooner you start the sooner you can benefit from the wonders of compound interest – earning interest today on the interest you earned yesterday.*
- *Avoid taking on debt and the tyranny of compound interest in reverse.*
- *Pay yourself first: save before you spend. Instead of thinking of your savings as what you can afford after expenses, think about your expenses as what you can afford after saving.*
- *Do 'the debit card test': If you can't pay for it using your debit card and have to use credit then you probably can't afford that item and should consider not purchasing it.*
- *Commit to an annual percentage increase in your contributions to avoid having to negotiate annually with yourself.*

*The most successful investors are usually either well informed or well advised. Before you start investing it's important to take a good look at your personal circumstances. Get a clear picture of your finances, tax situation, and your goals and time-frames for achieving them. If you are not sure where and how to start consider using the services of a well-qualified and reputable independent financial adviser to help you put a plan in place and to choose the right investments to suit your specific goals and circumstances.*

*Adopting a lifestyle of saving and investing will not only improve your own personal finances but also, as a collective, those of the country as well.*

*Source: <https://www.allangray.co.za/latest-insights/personal-investing/are-you-a-saver-or-a-borrower/>*

## Majestic Services:

### Short Term Insurance

- *Personal Lines*
- *Commercial Lines insurance, including*
- *Marine, Aviation,*
- *Contractors All Risks and*
- *Plant All Risks, Group Personal Accident,*
- *Liability Insurances, including Professional Indemnity, Directors and Officers Liability, Medical Malpractice, Employment Practice, Commercial Crime, Cyber Risk and General Liability insurance.*

### Financial Planning

- *Death, Disability, Income Protection and Dread Disease Benefits*
- *Retirement Planning and Estate Planning*
- *Key Man Insurance, Buy & Sell Insurance,*
- *Contingent Liability*
- *Financial Needs Analysis*

### Healthcare & Corporate Benefits

- *Individual & Group Medical Aids*
- *Group & Individual Gap Cover*
- *Company Group Schemes - Pension & Provident funds.*

### Tax and Accounting Services

- *Individual Tax Returns*
- *Payroll*
- *Bookkeeping Services*

*The solutions offered at Majestic falls in line with our philosophy to serve you and your company's needs as a turnkey brokerage with an emphasis on customer service and trusted product suppliers.*

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***cannot accept any responsibility thereof.***

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