DTB WEALTH

NEWSLETTER Q2 2024

What is the money for?

Start with the end in mind.

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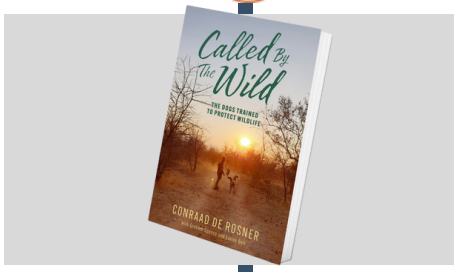
PUBLICATION OVERVIEW

Navigating Political And Market Shifts

That wasn't so bad after all...



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FROM DAVID'S DESK

David Terbrugge: DTB Wealth Director

From Uncertainty to Resilience: Navigating Political and Market Shifts

That wasn't so bad after all??? The most anticipated elections since the dawn of democracy have come and gone. The ramifications of Jacob Zuma getting the old band back together (Messrs Van Rooyen, Hlope, Mngxitama, et al.) has created reverberations that have reset the political landscape in South Africa, potentially for decades to come.

Only the most astute political analysts and commentators predicted the extent to which the MK Party would eat into the ANC voter base. The sheer number of voters who marked their X next to the MK logo caught markets, and judging by his post-election mutterings, even Jacob Zuma by surprise. The resultant Government of National Unity (GNU) has ended the era of one-party dominance and has hopefully laid the groundwork for a period of recovery for the country, although the size of the task ahead cannot be underestimated. To borrow from the famous Winston Churchill quote, after staring into the abyss, South Africans can be trusted, much like "the Americans to do the right thing after they have exhausted all the other possibilities.".

Predictably, the market response to the election results was volatile and uncertain until the bones of the GNU began to take shape. Eventually, markets rallied, bonds strengthened, and the mighty ZAR even briefly dipped below R18/$. The outcome was that, after being written off as an investment destination by many, South Africa was one of the top-performing investment destinations for Q2 with a 12,4% return in USD.

Globally, markets continued to grind higher, with the MSCI World Index now up 12% YTD. Big Tech, driven by the Magnificent 7, powered the market, and for a brief moment, market darling NVIDIA surpassed Microsoft as the most valuable company in the world. Remarkably, NVIDIA has delivered a quarter of global equity market returns for the year until the end of June.

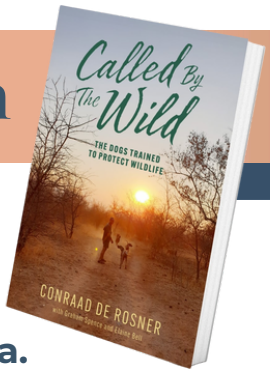
This is the year of the elections, with much of the democratic world going to the polls. After India, UK and South Africa, the Big Daddy of democratic elections, the United States, takes place in November. Expect the usual twists, turns and market volatility in the lead-up to the event, but one thing we have learned from elections in recent years is to expect the unexpected.

On a lighter note, a commencement speech at Dartmouth College given recently by one of my all-time sporting heroes, Roger Federer, has been doing the rounds on social media and struck a chord with me (my tears are still not dry from his loss to Novak Djokovic in the 2019 Wimbledon final!).

In it, he speaks of the fact that even though he was one of the greatest players the game of tennis has ever seen, he won only 54% of the points he ever played in his whole career. It was his ability to overcome the disappointment and setbacks of the 46% of points he lost that, over time, created a legend.

For us at DTB Wealth, the parallels with achieving your financial goals are obvious. The plan does not have to be perfect, but stacking the odds in your favour, by sticking to a rigorous financial plan, lowering costs, and by observing the correct behaviour over a long period of time leads to a great outcome. If you've got 20 minutes to spare, click on the link and enjoy.

A Journey into Wildlife Conservation



Reg Thomson:
DTB Wealth Chairman

A few years ago I attended the Warren Buffett annual conference in Omaha, Nebraska.

In those days, we had the privilege of meeting Buffett, and as he shook my hand, he spoke highly about South Africa and his sons involvement in the national parks of Zimbabwe.

Sitting next to Buffett everyday was Charlie Munger, a man already in his 80s who made great contributions to the discussions underhand. One of his key stories was about the fact that, throughout his life, he enjoyed reading. He said, “I’m convinced that my children thought that the pair of shoes on the chair above them, reading the book, were their parents.“

How absolutely true! Since I am now dealing with more free time on my hands, I have come to realize that reading is a powerful way of continuing to give your brain a workout. Reading regularly improves mental capabilities such as attention span, cognition, and memory. In the longer term, this slows down the degenerative processes of Alzheimer’s and dementia. Whether one is reading novels, biographies, history books, or travel writing, a gripping narrative pulls one into the book.

I have just read a compelling book that I highly recommend. “Called by the Wild“ by Conraad De Rosner. Published earlier this year, one is introduced to the thrilling story of a conservationist who pioneered the use of dogs in combating poachers to protect wildlife in South Africa's game reserves. Barely out of his teens, one of Conraad's first brushes with the reality of life on the frontlines of conservation was when he shot the leader of a poaching gang during an ambush. Much of his work involving dogs is a continuous struggle against industrial-scale poachers who strangle game in snares, an even greater threat to wildlife than rhino horn poachers, as overburdened courts seem interested only in endangered species.

Conraad also works to catch poachers of critically endangered pangolins, the most trafficked animal in the world. He is also involved in training and transporting dogs to India to guard wildlife and track rogue tigers who have attacked villagers.

The final acknowledgement in the book is to his canine companion, Zingela. The words of tribute are powerful yet simple. “Zingela was one of my closest companions in life. I hope our paths cross again one day. Thank you for showing me the way.” Conraads life, constantly at risk from poachers, wildlife, and even fellow poachers, has been saved on numerous occasions by his devoted canine companions. Zingela saved him from certain death at the hands of two fellow rangers and alerted him to a concealed wounded buffalo about to charge. When Zingela was tragically killed and hit by a car while Conraad was away, the only meagre consolation was that Conraad kept Landa, one of the puppies sired by Zingela. Landa followed in his father’s footsteps as the leader of the canine anti-poaching team that is still operating today.

If you love Africa and want to feel the courage, adventure, and romance of living here, read this book. It’s a masterpiece.

Crafting A Financial Legacy.

DTB WEALTH

FROM ERNA'S DESK

Erna van Loggerenberg:
DTB Wealth Director

Mid-Year Tax Season and Client Support: Reach Out to DTB Wealth for Assistance

Since the year is halfway over, July is when SARS opens for tax submissions. Please contact us via phone or email if you need tax certifications.

Quick and effective completion of client instructions is something that we at DTB Wealth take great pride in. Therefore, we would like to ask that you use our Whatsapp line, 072 758 2914, or call the office at 011 033 3400 in the event that you need a withdrawal, statement, or anything similar. Leigh Ann, Ylene, and I are always available to assist and handle your requirements as needed.

We kindly suggest that you refrain from addressing these kinds of inquiries directly to the advisers. Every day they attend meetings; occasionally they go to visit you, our esteemed clients, or they are not in the office.

These are the faces behind the calls, in case you haven't had the wonderful pleasure to meet the amazing administrative ladies in person at the office.

Ylene Wolvaardt

Leigh-Ann Ritson

Erna

UPDATE FROM ADAM

Adam Bacher:
DTB Wealth Director

Squeezing the juice out of retirement

Over the last two years, one of the most satisfying aspects of our business in which I have personally participated has been retirement coaching for couples in the process of planning their retirement or for those who have recently retired and want to know if they are doing it correctly.

When it comes to retirement, it's easy to dream about the perks: sleeping in, travelling, reading a good book, playing golf—name your fantasy. Even if your retirement is fully funded, the reality can be far less fulfilling if you don't plan ahead.

Repeated studies have shown that people who do not have a rewarding retirement can suffer both physically and psychologically during retirement. Lack of mental stimulation is a primary reason. People are often forced into retirement before they are ready. Others think they are ready, yet are not prepared for the day-to-day realities of a new lifestyle. Because many people view retirement as purely an economic cliff from which they will jump once they're in their 60s, they have done little—if any—work on all the life issues accompanying such a transition.

These "pesky" life issues are where we really do our work with our clients in these retirement coaching sessions. We know from our vast experience helping our clients retire that the financial piece was not the only one we needed to help our clients work on. The vast majority of our clients that we have engaged with in these structured sessions have all felt that it has helped with visioning and planning for this phase, which could last up to a third of their lives.

I'm constantly looking for great content on this topic, and a client I've been working with on their retirement transition recently shared a Ted Talk delivered by Dr. Riley Moynes. I enjoyed the talk so much, I just thought I had to share it.

UPDATE FROM ADAM

Squeezing the juice out of retirement

Dr. Moynes is an experienced financial advisor in the US. He is also a best-selling author and public speaker. He is now retired from main stream investment work but continues to speak and write to the 10,000 North Americans retiring every day. This is no doubt a huge audience to connect with. He has based his current research on extensive interviews as well as his own personal journey.

Dr. Riley Moynes' topic for this Ted Talk was "How to squeeze juice out of retirement." In his presentation, he defines the four phases of retirement as follows:

Phase 1: Vacation phase

This is the phase where all the retirement marketing is aimed at. Just think of the advertisements you see at the airport. The advertisements usually set the scene that you must sacrifice now in your working life so that you can enjoy non-stop leisure activities during your retirement. In this phase, one can enjoy four rounds of golf a week, beach walks, non-stop travel, and spending time with friends and family. It sounds great, doesn't it?

Unfortunately, this reality doesn't last that long for recent retirees. Sometimes, after 6 to 12 months, a law called the diminishing law on leisure kicks in. When all you have to do is play, after a period of time, that play is no longer as fun as it used to be. Boredom sets in, and one starts to miss the balance you might have had during your working life. Balancing play and work. The one made you really appreciate the other. People start to ask themselves, "Is that all there is to retirement?"

When these thoughts and feelings start to bubble up, you have already moved into phase 2.

UPDATE FROM ADAM

Squeezing the juice out of retirement

Phase 2: Feel loss and feel lost

Phase two is when we lose the Big Five. All significant losses:

- Loss of routine (and structure in our day);
- Loss of identity (we go from who's who to who's he/she?);
- Loss of relationships (those relationships we had established through our work);
- Loss of purpose (what's getting me up in the morning?); and
- Loss of power

Most people never saw these losses coming, and now that they arrive all at once, it's traumatic.

These five losses often also lead to the three Ds:

- Divorce (grey divorce: divorce after age 55 is the biggest growing divorce statistic in the US);
- Depression and
- Decline (emotional and physical health decline).

The result of all of this is that retirees feel like they have been hit by a bus.

Before retirees can experience and enjoy Phases 3 and 4, they have to deal with Phase 2 and feel fear, anxiety, and depression. As Dr. Moynes says, whether you saw this coming or not, that's just the way it is, so buckle up!!

Before you start panicking, there are two more phases to come, and at some point during phase 2, most people say to themselves, "Hey, I can't go on like this; I don't want to spend the rest of my life (perhaps 30 years) feeling like this."

When people start to think like this, they have turned a corner towards phase 3.

Phase 3: Trial and error

If, in phase 3, we start to ask ourselves, How can I make my life meaningful again? How can I contribute?

From our retirement coaching programme, this trial and error is quite common. Research says that it usually takes people 2-4 attempts in this phase to find meaningful balance.

Dr. Moynes hilariously describes one of his attempts when he got onto the condo board where he stayed. This didn't take when they got yelled at by the residents for planting daffodils instead of daisies.

Some of those attempts might fail or leave you unfulfilled, but it's important to keep going during this phase. If you don't, there is a good chance of slipping back into phase 2.

UPDATE FROM ADAM

Squeezing the juice out of retirement

Dr. Moynes says not everyone breaks through to phase 4, but he says those that he knows that have broken through are some of the happiest people he has ever met.

Phase 4: Re-invent and rewire

Some tough questions must be answered during this phase:

- What is my purpose?
- What is my mission?
- How can I squeeze all the juice out of retirement?

In the book The New Retirementality, the author talks about 5 things people should be looking to do to have a great retirement:

1. Pursue what is meaningful to you in your life.

2. Continue to challenge your mind, your body, and your spirit. We never want to come to a place of complete complacency where we're not challenging ourselves physically, intellectually and spiritually.

3. Round out and find some balance in your pursuits. Find a balance between vacation and vocation

4. Four, and this is a practical measure, we want to delay our distributions as long as we can. This can be a staggered approach. You're going to get more years of compounding by doing this. Most
Compounding has happened in the last few years, so if you can delay taking too high a distribution,
then you're in good shape.

5. The final challenge I give people is to watch your **attitude** instrument. Stay focused on your horizons, keep trying new adventures, keep learning, and keep setting new goals.

Dr. Moynes probably agrees with these, but he adds that being able to squeeze all the juice out of this stage of life is achieved by almost always involving **service to others**. This can take on many forms, and he gives some wonderful and humorous examples.

So, as we say in our retirement coaching course, retirement is not an end; it's an encore. An encore means you still have music left in you.

If you would like to find out more about our retirement coaching proposition, please just get in touch with me.

LIVING ANNUITY VS RETIREMENT ANNUITY

WHEN DO I USE THIS PRODUCT?

LIVING ANNUITY
Post-Retirement Product

RETIREMENT ANNUITY
Pre-Retirement Product

Living Annuity

An investor must take an income from this product ranging between **2,5%** & **17,5%** of the capital value.

A **LIVING ANNUITY** can only be purchased with funds from a preservation, provident, pension, or retirement annuity fund. If you are thus invested in a registered retirement fund, the option of buying a living annuity is available to you.

You can invest in a retirement annuity at any time, but access to your funds is limited to:

when you reach age 55
when you become ill health/disability
when you emigrate

HOW WILL THE TAX WORK?

DID YOU KNOW?

Your contributions towards your retirement annuity are tax deductible. Note however tax deductions are limited to 27,5% up to a maximum of R 350 000 pa

INTERESTING FACT

Living Annuity

No capital gains, interest, or dividend tax payable within the product. Therefore, growth within the product is not taxed.

Income earned from this investment is taxed according to an investors marginal tax rate

Retirement Annuity

No capital gains, interest, or dividend tax payable within the product. Therefore, growth within the product is not taxed.

When accessing the capital upon death, retirement, disability, or emigration, tax may apply on your cash portion.

Can I nominate a beneficiary?

While both products allow for a beneficiary nomination, there are some differences in the administration process

Living Annuities don't follow the same admin intensive process and the allocation of benefits can often happen much quicker.

Retirement annuities are managed by a board of trustees

At death the trustees need to allocate retirement funds in terms of section 37C of the Pension Funds Act.

The Act requires the trustees to conduct an enquiry into the member's circle of dependents before deciding how the benefit will be allocated.

100% Living Annuities offer 100% flexibility in terms of the underlying unit trusts a client can select.

75% Retirement Annuities only allow clients to invest a maximum of 75% in growth assets. (REGULATION 28 RULE)

	Use for saving for retirement	Use in retirement to earn an income	Can nominate beneficiary	Regulation 28	Earn an income
Retirement Annuities	✓	✗	✓	✓	✗
Living Annuities	✗	✓	✓	✗	✓

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Market Update From Amity Investment Solutions

MARKET SMARTS - MONTHLY COMMENTARY

It's the dawn of the GNU and Goldilocks is back!

The narrative around the US economy has shifted dramatically, moving from discussions of a 'hard landing' to speculation about a'soft landing,' and now possibly suggesting no landing at all. The sheer size of the US economy appears to make it too big to fail. Additionally, there are indications that a Goldilocks scenario has returned. A Goldilocks economy is characterised by robust stock performance, driven by company growth and positive earnings expansion. The recent US data does show robust growth, a strong labour market, and inflation, which seems to be moderating.

Amidst the stronger US economy and the stronger US market, the SA equity and bond markets reacted extremely positively to the election results and the new GNU government. So much so that the SA equity market managed to outperform the DM and EM equity markets. The All-Share index delivered a solid 4,08% return for the month of June.

While many South African consumers remain under financial pressure, it does seem that SA inflation is likely to resume its downward trend, paving the way for the SARB to potentially consider an interest rate cut later this year. Within the inflation numbers, we see vehicle, personal care, clothing and textiles, water and other services, and restaurant and hotel inflation either flat or increasing by less than previous months. Alcoholic beverages, tobacco, and transport prices continued to rise.

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