INVESTMENT REPORT

OCTOBER 2018 • ISSUE 295

BRENTHURST
THE HOME OF WEALTH

SECURED INVESTMENT
CAPITAL SECURITY MEETS HIGH GROWTH

Over the past few weeks we have seen an increase in media campaigns for the best rate of return within fixed banking investment products. Sadly the advertising companies know that adverts are cyclcal and investors tend to forget.

In June 2016 Martin Hesse, Senior sub editor at Personal Finance exposed a bank on their alleged misleading fixed interest rate of 13%. And in October 2018 Patrick Cairns at Moneyweb exposed another bank on their alleged misleading fixed interest rate of 13%.

The questions any potential investor should ask: **What are the fees** and **what are the hidden cost** regarding the investment? The investor should then compare all notes with Moonstone's weekly Investment Indicators and this will give them a framework to compare all products. Sadly the majority of investors do not have the time nor the correct tools to understand and dissect the investment world – this is the same scenario where you Google your symptoms without asking a qualified doctor if it's the flu or Appendicitis. And that is the reason why an Independent Financial Advisor is needed to help the client invest their hard earned savings correctly.

Fedgroup's *Secured Investment* in Participation Bonds has been in the market since 1991 where it combines consistent returns with capital security. The *Secured Investment* is an FSCA-registered collective investment in participation bonds. The low risk associated with investing in a participation bond is further minimised through strict regulation by the Collective Investment Schemes Control Act.

IN THIS ISSUE

GET 10,05% P.A. INCOME FOR 5 YEARS OR RE-INVEST THE INCOME FOR 13% P.A. EFFECTIVE RATE AFTER 5 YEARS.

- DEADLINE -
26 OCTOBER 2018

FOR MORE INFO CONTACT US
www.brenthurstwealth.co.za

JHB (HQ)	+27 (0) 11 799 8100
JHB (SANDTON)	+27 (0) 10 035 1391
PTA	+27 (0) 12 347 8240
NEWLANDS	+27 (0) 21 418 1236
BELLVILLE	+27 (0) 21 914 9646
STELLENBOSCH	+27 (0) 21 882 8706

GROWTH OPTION

Earn a higher rate by reinvesting all your interest each month for maximum capital growth. At the end of the term, you can choose to withdraw your investment or reinvest with us.

INCOME OPTION

We pay you the monthly interest on your investment to create an additional income stream. You earn a lucrative return on your investment, while your capital is secure for the full term. This option also gives you the freedom to draw only a portion of your interest, combining the benefits of a monthly income with investment for growth.

WHAT ARE PARTICIPATION BONDS?

A participation bond is an investment that combines consistent returns with capital security. The structure that supports this *Secured Investments* is a highly regulated collective investment scheme. It is therefore subject to the same regulations of the Financial Sector Conduct Authority (previously named the Financial Services Board) as unit trusts, making them a low-risk investments.

WHAT ARE THE TERMS AND CONDITIONS?

Minimum lump sum investment – R 5 000
Fixed Term – 5 years
Risk profile – Low
Total Expense Ratio (TER) – 0.00%
Transaction Costs (TC) – 0.00%
Annual service fee – 0.00%

1. **Select the Growth or Income option.**

2. **Sign the complete application form and send it back to us.**

3. **Deposit your investment into Fedgroup's bank account and send us the proof of payment.**

WHO SHOULD INVEST IN *SECURED INVESTMENTS*?

Secured Investments have a combination of consistent returns and capital security. This is popular with South Africans who are looking for a lump sum investment opportunity as well as earning a fixed income for five years. This diverse investment base includes individuals, companies, pension funds, fund managers, trusts, charities, and schools.

IS A TAX NUMBER COMPULSORY TO INVEST IN *SECURED INVESTMENT*?

Yes, a tax number is required as per SARS legislation in order to place a new investment or to reinvest an existing investment. This is due to a *Secured Investment* being a taxpayer based deposit.

HOW SECURE IS MY INVESTMENT?

The investment is secured against the bonds issued. There is also additional security in place to ensure that investors are always paid, such as individual surety and assets held in cash. Since the first sale of a *Secured Investment* in 1990, investors have always received their monthly income while their capital remained entirely secured.

HOW WILL I BE TAXED?

As this is interest income, tax on interest income will apply. If your interest income from all interest-bearing investments is more than the annual threshold, tax on interest will apply. This tax rate is determined by the individual income tax status. Annual IT3b forms will be issued for submission to SARS. Tax exemptions for the first R 23 800 p.a. of all interest income earned (R 34 500 if aged 65 or older) will be exempt from income tax, 1 March 2018 to 28 February 2019.

WHEN WILL I RECEIVE MY FIRST INTEREST PAYMENT?

All interest is paid out monthly and in advance, unless you have chosen to reinvest your interest for higher growth. Where an investment is made during the course of the month, the first payment of monthly interest will be made on a pro-rata basis.

CAN AN INVESTOR SWITCH FROM THE GROWTH TO THE INCOME OPTION?

Yes, the investor can switch from the Growth Option to the Income Option, and no penalties will apply. An instruction for the change must be submitted via your financial advisor.

WHAT HAPPENS WHEN AN INVESTOR PASSES AWAY?

When an investor passes on, the executor of the estate or another representative in possession of a letter of authority will provide the instructions on the disposal of the benefit. If the investment has already matured, the capital can be withdrawn. If it has not yet matured, the executor or representative can transfer the benefit to the beneficiaries of the estate. The beneficiaries can choose to have the income paid out or reinvested.

Fedgroup charges no fees on your investment amount or on the interest earned. Fedgroup's income is earned from the properties it finances and the interest income generated.

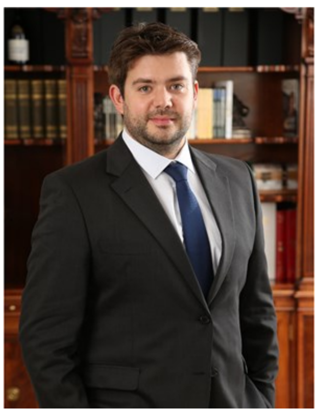
CAN I WITHDRAW REINVESTED INTEREST TO PAY MY TAXES?

Yes. An investor can approach the manager via Brenthurst to request for a portion of the capitalised interest to be paid out to meet tax liabilities, provided that the correct supporting documentation from SARS is provided to verify the amount required. Should there be no supporting documents provided from SARS, an early withdrawal penalty will be charged.

ARE THERE SPECIAL CIRCUMSTANCES UNDER WHICH I CAN WITHDRAW THE CAPITAL PORTION OF MY INVESTMENT?

The manager can consider a request from an investor of a non-matured product to have a portion of the investment paid out prior to the maturity date. The nature of the request must relate to financial distress and medical expenses. Supporting documents such as three months' bank statements and medical bills must be provided to the manager when submitting such requests. Should the request be approved by the manager, the early withdrawal penalty must be accepted by the investor. It is important to note that the quotation of an early withdrawal fee should not be interpreted that the early withdrawal is approved. The early withdrawal fee is calculated based on the remaining term and the nominal rate of return.

If you are looking for a lower risk investment option with a defined and fixed interest rate, this may be an option to consider. Speak to your advisor about how this can be incorporated in your overall financial plan, or contact Christoff Potgieter at christoff@brenthurstwealth.co.za



CHRISTOFF joined Brenthurst Wealth Management in June 2010.
He obtained his REGISTERED FINANCIAL PLANNER™ designation in 2016 (also known as the RFP™ designation).

He is a junior financial planner and assists clients with investment planning under the supervision of Magnus Heystek, Investment Specialist and Director of Brenthurst Wealth Management.

CHRISTOFF POTGIETER
REGISTERED FINANCIAL PLANNER™
Phone: + 27 11 799 8100 | **Mobile:** + 27 82 358 3099