

"Around the Table with Vickers & Peters Financial Planning"

Issue 14 – April 2010

Quarterly Publication

Compiled by Graeme Holt

Life cover - how life assurance can decrease your financial risk today

Life assurance is the only solution to the financial problems arising on death that can provide the right amount of cash at the right time in the most cost effective way.

Why life assurance is important

The primary benefit of a life assurance policy is it provides immediate cash in hand. On the death of the life assured a life policy pays out the sum assured to either a nominated beneficiary or to the deceased estate providing much needed cash flow or estate liquidity. The alternative is going through the arduous task of selling off estate assets for below market value which can take time and be very emotional.

Providing sufficient liquidity in an estate by means of an appropriate life assurance policy, more so than ever before, remains the most sensible, practical and cost effective way of dealing with all cash related problems that are associated with death. The proceeds of such policies are also free of capital gains tax.

10 reasons to take out life assurance

Most of us carry the risk that in the event of death our estate does not have the necessary cash flow to cover our debt obligations or to ensure our families have enough to maintain an existing lifestyle. A life assurance policy allows us to plan for these unfortunate situations today, unlike a savings policy which can take years to build up a sizable value. The following risk exposure can be avoided through life assurance:

- Home loans
- Estate duty liability
- Debt obligations
- Childs education
- Spouses retirement provisions

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- Family living expenses
- Maintenance of dependants
- Divorce orders & accrual claims
- Legacy issues – cash inheritance or testamentary trust
- Company risk – Keyperson and Buy & Sell agreements

How much do I need?

The amount of cover needed will depend on each individual's personal circumstances. It is not a one size fits all answer, so to get a clearer picture on the appropriate amount of cover needed, a financial needs analysis (FNA) will need to be conducted. It is important not to be under or over insured.

How much does it cost?

To start, it is important to understand the factors that effect how much you pay. Insurers assess clients risks, the premium pattern selected and the amount of cover needed to determine the monthly premiums. The biggest determining factor is your health. For this reason alone, if you are young and healthy and know you need life assurance don't delay in taking out a policy, it will be cheaper for you to buy life cover now than it might be in a few years time.

Choice

Life assurance products today allow you to structure your policy making it more suitable and affordable to your needs. A life policy can be bought with the following benefits:

- Changing premium patterns
- Premium guarantee terms
- Auxiliary benefits such as disability, critical illness and income protection
- Automatic annual benefit increases
- Whole of life or term cover
- Future cover options
- Free cover limits
- Instant cash
- Accelerated or stand alone benefits (although accelerated benefits are cheaper any auxiliary benefits attached to the policy will reduce or fall away when you claim)

What to do next?

When applying for life cover, remember to disclose all relevant information in a comprehensive manner. Failure to disclose information or omitting essential facts like pre-existing conditions could lead an insurer to cancel your policy or repudiate a claim.

Life changing events can effect how much life cover you need, so make a point of revisiting your personal financial plan whenever something significant changes in your life. It is vital to constantly review your policy structure to ensure it offers the right protection for you and your family.

In your planning, remember to also take into account the risk of becoming disabled or ill, and not only death. This is often overlooked by especially young people who do not believe they need cover.

If you would like to review your life cover please contact one of our financial planners. A financial needs analysis (FNA) will be conducted and quotes provided from the top insurers free of charge, with no obligation to take up the life cover.

Have your say - client survey 2010

With an ongoing commitment to improve our service offering we have turned to our most important asset, our clients, to tell us where we can improve our service offering and what we can do differently to make your financial future a secure one.

We would like to ask you for a few minutes of your time to let us know what you find of interest or of value when dealing with VPFP. As we really want to know whether you see VPFP as your preferred financial advisory, your feedback is greatly appreciated!

Please can you complete the questionnaire below and return it either to fax number 086 693 2491 or clientservicing@vpfp.co.za before the 31 May 2010.

VPFP Client Survey 2010					
1. Do you find the content of the VPFP newsletter relevant and informative?	<input type="checkbox"/> Yes <input type="checkbox"/> No				
If No, for what reasons?.....					
2. Is the content of the newsletter understandable and easily readable?	<input type="checkbox"/> Yes <input type="checkbox"/> No				
If No, what changes would you like to see?.....					
.....					
3. Which newsletter topics do you feel are important?					
1 being least important and 5 being the most important					
Industry legislation	1	2	3	4	5
Investment performance feedback	1	2	3	4	5
Product information	1	2	3	4	5
Macro economic themes	1	2	3	4	5
VPFP company news	1	2	3	4	5
4. What other topics, not listed above, would you like to see covered in the Newsletter?					
.....					
.....					
5. Would you like to see more concise articles with less detailed information?	<input type="checkbox"/> Yes <input type="checkbox"/> No				
6. Are you aware of the full range of financial services that VPFP offer?					
Investment Planning (Local and Offshore)	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
Retirement Planning	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
Estate Planning	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
Personal risk assurance (Life cover, disability, income protection)	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
Business risk assurance (keyperson, buy & sell agreements)	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
Employee benefit advice (Pension & Provident Funds, group risk benefits)	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
7. What concerns you the most about your financial future?.....					
.....					
.....					
8. What do you feel differentiates VPFP from other financial service providers?					
.....					
.....					
Comments					
.....					
.....					

Market Update - 1st Quarter 2010 market commentary from Celtis Capital

Markets worldwide declined during January 2010, with developed markets losing 3% and South Africa giving up 3.5%. In February, however, markets began to pick up momentum and have since rallied between 7% and 8%. The All Bond Index has also yielded a positive performance over this period on the back of declining inflation and the recent surprise decision by the SARB to decrease interest rates by a further 50 basis points. During the quarter, the rand has remained stronger relative to the US dollar, within the R7.20-R7.70/US\$ range.

In light of the above, our portfolios have been well placed to take advantage of the positive momentum. In February, we began increasing the index-orientated equity weighting and the fixed interest exposure through a yield-targeting fund, which positioned the portfolios well for the interest rate cut. We believe the yield-targeting fund to be a differentiator in our portfolios as this fund follows a more flexible mandate than a pure bond mandate, in order to generate returns in excess of domestic cash.

We aim to add value through asset manager selection, choosing an array of managers that we believe are able to make strong and confident investment decisions within their various asset classes.

We have constructed our portfolios according to a diversified asset allocation mandate, with funds allocated across a mixture of asset classes in such a way as to generate the targeted return, with the minimum amount of risk. We do not attempt to time the markets, but rather position the portfolios with a long-term view to generate a stable return above inflation over a 3 to 5 year rolling period.

The portfolios currently reveal our balanced approach to risk, given that we have seen a marked improvement in economic conditions both locally and offshore, however not all market concerns have been addressed. We therefore maintain a neutral stance on equities. We remain slightly underweight fixed interest and we seek to increase offshore exposure on rand strength.

VPEP Fund Performance since inception

Source: Moneymate

From: 12/05/2008 To: 05/04/2010		
Name:	Performance	Annualised Standard Deviation
Funds		
Vickers & Peters CPI Plus 6% FoF - A	3.37%	12.17
Asset Allocation Prudential High Equity Fund Average	2.19%	14.55
Vickers & Peters CPI Plus 4% FoF - A	9.11%	8.25
Asset Allocation Prudential Medium Equity Fund Average	5.25%	12.19
Vickers & Peters CPI Plus 2% FoF - A	12.73%	6.02
Asset Allocation Prudential Low Equity Fund Average	11.82%	6.20
Indices		
FTSE/JSE Africa All Share J203	-9.72%	25.43

*Standard deviation – the degree to which returns fluctuate around their average. The higher the standard deviation the higher the risk.

At your service...



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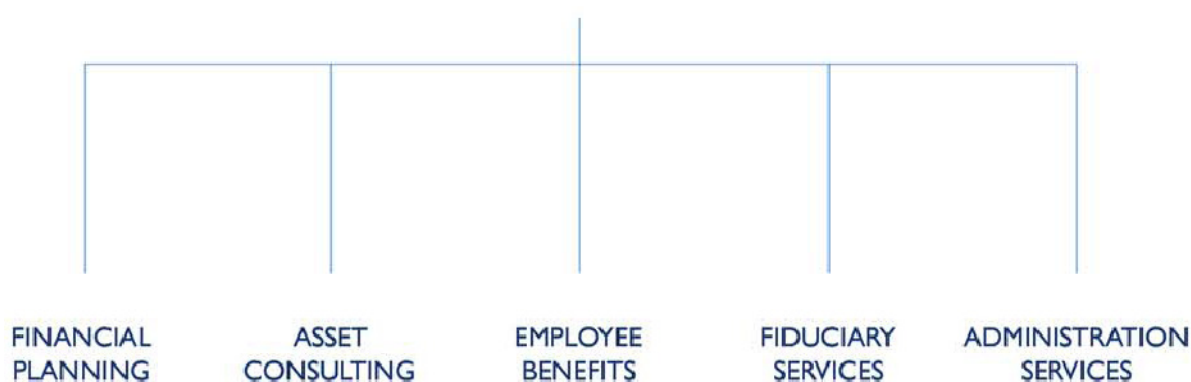
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Our services include...

- Pre and Post Retirement Planning
- Local and Global Investments
- Business Assurance – Keyman and Partnership
- Personal and Group Life Assurance
- Employee Benefit Advice and Products
- Tax and Estate Planning

Vickers & Peters

LIFESTYLE AND ASSET PLANNING



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If you would like to be removed from our mailing list we would appreciate it if you would stipulate REMOVE in the subject line of a blank e-mail message.

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LIFESTYLE AND ASSET PLANNING

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