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The Family Office Explained

By David Knott

Private Client Holdings offers a Family Office service which is headed up by Andrew Ratcliffe and supported by his team of specialists. Below we unpack exactly what a Family Office is and the services that it provides.

The term "Family Office" used to conjure up images of Swiss bankers fawning over Royalty and the Super Rich, orchestrating obscure investments in exotic locations, often under a veil of secrecy and mystery. Historically that may have been the case, but in modern times the Family Office has evolved into a transparent offering which provides a bespoke, comprehensive wealth management service and coordinates all financial aspects of a client's life.

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At the heart of the Family Office sits a Relationship Manager who is financially savvy, experienced and well-versed in the complex requirements of the high net worth client. This "Family Officer" is the person that the client family will turn to for guidance on all wealth matters - not only liquidity, tax or investment advice but also advice on managing generational wealth, assisting with things such as the purchase of vehicles, travel and also first-stop legal assistance.

The Family Officer is in turn surrounded by a team of competent specialists, each an expert in their respective fields.

These would include portfolio and wealth managers both locally and abroad who keep current with international financial trends. The Family Officer would also ensure that fiduciary specialists are brought in to ensure that the family wealth is properly housed to minimise risk and to ameliorate the impact of taxation world-wide. The all-important Will, not only of the patriarch but of the entire family, also requires attention and updating from time to time as circumstances change.

Financial services specialists are also in place to ensure that all tax returns, both for the individual family members and all trusts and companies, are accurate and filed in time to avoid penalties. Any trust and company minute books and records will also be kept current and resolutions tabled when required. Risk management is another service provided which is vital to ensure that all assets are adequately insured and to ensure that key personnel in private companies are covered by life insurance and that there is sufficient succession planning within that business to ensure continuity. Where a dedicated external expert is required for unique assistance, the Family Officer will source that outside knowledge, either locally or abroad through connections built up over the years.

In short, over time the Family Officer becomes the confidant of that family through generations.

“ Over time the Family Officer becomes the confidant of that family through generations. ”

They understand the family dynamic and being impartial are able to mediate in family disagreements if required – ensuring that the family wealth endures.

Contact Andrew and his team to discuss your requirements and how we can be of assistance to you and your family.



The Directors Desk

The Life Cycle of Wealth

2016 is already a quarter of the way through so I can't refer to the start of the year as being the best time to get your affairs in order, but I can say that anytime is a good time to action the necessary planning required to get your financial matters in order. As the old adage goes, don't delay for tomorrow what you can start today.

When it comes to wealth management it is interesting to see the similarities in the cycle of wealth accumulation and wealth dispersion of the majority of middle to high net worth families and that of the ultra-high net worth families. The only difference really is in the duration and timing.

I can illustrate this through the following examples of two PCH client families. Whilst much was different during the respective cycles of wealth, once all was said and done much was the same and through their relationship with Private Client Holdings they both enjoyed a successful outcome that met, if not exceeded, their initial expectations.

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WEALTH ACCUMULATION

1 Ronnie Regular has a successful owner managed business and sets goals of providing a great education for his children and a comfortable retirement. A holiday home at the coast would be nice. Ronnie focuses on ensuring that his income exceeds his cost of living and that excess savings are invested in a growth portfolio. Pleasingly, home loans are paid off and the children are educated and self-sufficient. Retirement assets begin to grow.

2 Warner Bee-Gates founded a tech company and rather than compete, Microsoft bought a minority interest of the company and wealth sufficient to last multi generations was created. Warner devoted his life to expanding an empire and continued to drive the business into his 80's and died still creating wealth.

WEALTH PRESERVATION

1 Ronnie was able to retire at 60, which was sooner than planned. The holiday house purchased five years earlier was debt free and the retirement assets were able to deliver an income stream whereby they could comfortably maintain their standard of living. From a strategy point of view the more aggressive growth strategy gave way to a prudent preservation strategy.

2 Warner's family investments and the business operations became extremely complex and shortly before his death he engaged the services of PCH Family Office. The family values were identified and objectives were set to meet the goals. The major goal was to preserve Warner's legacy and preserve the wealth for future generations - the Warner dynasty also moved into wealth preservation mode.

WEALTH TRANSFER

#1 Ronnie's children enjoyed a good education and a holiday home with many happy memories. The siblings' respective children (Ronnie's grandchildren) could ultimately not work out a sensible sharing arrangement with the holiday home so it was sold and proceeds dispersed.

#2 Warner's children and grandchildren lacked the expertise to take the family business to new heights so the remaining shares were sold and the capital was distributed to the individual family units.

The PCH team worked hand in hand with both of these families to ensure their financial stability and to put all the necessary measures in place to achieve this. It is what we do for all our clients and we look forward to navigating through the years of wealth accumulation, preservation and transfer with you.

“ We look forward to navigating through the years of wealth accumulation, preservation and transfer with you.”

Grant Alexander



First PCH Seminar for 2016

In April Private Client Holdings hosts another not-to-be-missed seminar at OM House in Bishopscourt - this time presented by Peter Kempen from Coronation Fund Managers.

Seats are very limited, so should you be interested in attending our seminars please contact Michelle Hawson on 021 671 1220 or email: michelle@privateclient.co.za.

HAVE YOU HEARD?

Cape Town cycle tour 2016 – PCH Triumphs

Andrew Ratcliffe and Laine Alexander competed in the 2016 Cape Town Cycle Tour on a tandem bicycle and achieved outstanding results – missing poll position by under ONE second and finishing in 2 hours 53 minutes.

Congratulations to these two for a phenomenal result in what is seen to be the most prestigious South African road race with over 35 000 entrants.



Private Client Collective Investment Scheme (CIS) update

Private Client Holdings has been managing multi-manager solutions for our clients since 2003. Over the last few months we have been preparing to evolve our multi-manager offerings into Collective Investment Schemes (CIS) – also known as unit trusts.

We are very pleased to announce that PCH will be registering our own Unit Trust Funds shortly and we will soon share more information regarding the official launch date and fund details, as well as how to go about investing in these funds.

- PrivateClient BCI Low Equity Fund
- PrivateClient BCI Medium Equity Fund
- PrivateClient BCI High Equity Fund



Financial Services Charity Fight Night

Sarah Love of PC Trust and Gail Brown of PC Administration both donned their boxing gloves and got into tip top shape to slug it out for a great cause at the annual Financial Services Charity Fight Night which raises funds for charity.

This year the chosen charity was True North, (www.true-north.co.za) a charity which focuses on early childhood development.



Discovery World Triathlon

This year PCH have a total of six staff members who will be competing in the Discovery World Triathlon – three of them in the individual's category and three in teams. We wish them all the best for this gruelling event which takes place on Sunday 24 April.



EPIC Update

Laine Alexander and Bruce Hughes donned their PCH colours to compete in the recent 2016 Absa Cape Epic – an eight day event that traverses a total of 654 km's from Meerendal Wine Estate to Tulbagh, Wellington, Stellenbosch and back to Meerendal. Together they achieved the following results: Cat Pos: 54., GC Pos: 75., Time: 36:08.07,7. An outstanding achievement well done guys!



25th Birthday Celebrations

At the end of 2015 Private Client Holdings proudly celebrated 25 years of success.

A wonderful black tie evening, coordinated by the PCH social committee, saw the entire PCH team and their partners attend an elegant dinner at the Wild Fig Restaurant which started with sundowner drinks under the trees accompanied by a string quartet, and ended with dancing well into the night!



What happens to your company retirement funds after you die?



Many companies insist that their employees become members of a pension or provident fund associated with that company. However, some employees mistakenly believe that the proceeds of such funds devolve after death in terms of their Will.

David Knott advises that according to Pension Fund legislation, the proceeds of these funds do not form part of the estate of the employee and therefore do not follow the terms of the Will.

“These proceeds must, by law, be applied towards the dependants of the deceased employee. The employee is encouraged to nominate a beneficiary or beneficiaries to the proceeds but his nomination may be ignored by the Fund Trustees if these beneficiaries are not dependants on the employee,” says Knott.

“If no dependants are nominated or ascertained, after the anniversary of death the Fund Trustees will pay the proceeds over to the estate of the deceased employee. Once paid over, the proceeds would devolve in terms of a Will, if any, or in terms of intestate succession.”

Employees should therefore ensure that they complete a beneficiary nomination form which must be lodged with the Human Resources department of their employer. This form must also be updated as circumstances change.

“This power to ignore a beneficiary nomination does not apply to a normal retirement annuity policy purchased in the course of retirement planning,” concludes Knott.

Should you want more information about Employee Benefit Schemes or have questions about pension and provident funds please contact our in-house expert Michelle van Wyk at michellevw@privateclient.co.za.



Navigating Business Evolution

Much like a living creature, which must adapt and evolve to its environment in order to survive, family-owned businesses must do the same, and need to evolve along with changing times, current trends, consumer demands and market pressures in order to survive and thrive.

According to Andrew Ratcliffe, who heads up the Family Office division at Private Client Holdings, a successful family business is one that works amicably through the four stages of its evolution: entrepreneurship, growth, governance, and maturity. And this is where the inclusion / introduction of a family governance role becomes vital.

“Family Governance is a system of joint decision-making, most often by a Board of Directors, a Family Council and top management, which helps the owner family govern its relationship with its wealth and enterprises and navigate its way through the stages of business evolution,” says Ratcliffe.

“Family Governance helps a family business to manage the challenges of evolution and of succession, as well as navigating, and ultimately avoiding, the erosion of an entrepreneurial culture. It is an essential discipline for the long-term well-being of the family enterprise and the family’s wealth and allows the family business to optimally adapt and evolve in such a way that the enterprise prospers.”

“All too many family businesses fail because the business owners either refuse to adapt, fail to adapt effectively, or believe that their company will not be affected by change. Although there is no magical formula to effectively manage a business’s evolution, effective family governance is pivotal in the preservation and growth of family wealth and family values,” concludes Ratcliffe.

Contact Andrew to learn more about Family Governance structures that work andrew@privateclient.co.za.

WHO TO TALK TO

Our Private Client Holdings experts are available to field your questions. Don’t hesitate to contact us for wealth management advice.

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