



WHAT'S IN THIS ISSUE?

NEW COLLECTIVE INVESTMENT SCHEME LAUNCHED

ARE YOUR ADULT CHILDREN SABOTAGING YOUR RETIREMENT?

ARE FAMILY TRUSTS STILL RELEVANT?

PCH AN FPI APPROVED PROFESSIONAL PRACTICE™



New Collective Investment Scheme (CIS) launched

By Grant Alexander

Private Client Portfolios, the asset management arm of Private Client Holdings, has launched three new unit trust offerings – the PrivateClient BCI Low Equity Fund, the PrivateClient BCI Medium Equity Fund and the PrivateClient BCI High Equity Fund.

The company's previous multi-manager offerings have evolved into these Collective Investment Schemes (CIS) which are approved and regulated by the Financial Services Board (FSB).

The unit trust portfolios operate under a co-naming agreement with Boutique Collective Investments (BCI) who render the administrative and operational services - such as processing of investor accounts and transactions; monitoring the daily portfolio compliance; calculating the daily price of units; reporting to all regulatory authorities, including the Financial Services Board (FSB) and the Association for Savings and Investment in South Africa (ASISA); as well as liaise with the Trustees of these unit trusts - Standard Bank of South Africa. BCI are currently the largest administrators of such collective investments in South Africa with assets under management of R95 billion.

"Prior to launching these new unit trusts, Private Client Portfolio's wrap funds consisted of a combination of unit trusts which were held within a wrap model portfolio administrative structure and provided exposure to a combination of the best of breed fund managers," explains Grant Alexander, Director of Private Client Portfolios.

"Within the wrap model portfolio environment, Private Client Holdings' clients held units within a group of different funds on the Investec platform, for example - Nedgroup Rainmaker and Coronation Top20 units. Now, within the new structure, clients hold PrivateClient BCI units, still on the Investec platform, which in turn hold these underlying funds."

"The main benefits of these new unit trust structures are that they enable us to manage our clients' investments at optimal efficiency across various platforms, with access to a wider universe of cost effective investments and expertise, and to minimise Capital Gains Tax on switches relating to discretionary investments."

"We are now operating in a highly regulated environment, especially important during the upcoming Retail Distribution Review (RDR) dispensation, and this new structure ensures transparent pricing. However, most exciting for the Private Client Portfolios team is that we can now offer these competitive CIS's to any interested investor and not only our valued Private Client Holdings clients," explains Alexander.

For more information on these new unit trust offerings contact your Private Client Holdings Wealth Manager on +27 21 671 1220 or visit www.privateclient.co.za.

The table below summarises the different strategies applied within the PrivateClient BCI offerings, with percentage holdings based on the risk and return profile of each unit trust fund.

FUND DETAILS	PRIVATECLIENT BCI LOW EQUITY FUND	PRIVATECLIENT BCI MEDIUM EQUITY FUND	PRIVATECLIENT BCI HIGH EQUITY FUND
Previous Wrap Portfolio Name	PCH Conservative PCH Defensive	PCH Balanced	PCH Optimal Growth
Benchmark	ASISA SA Multi-Asset Low Equity Category Average	ASISA SA Multi-Asset Medium Equity Category Average	ASISA SA Multi-Asset High Equity Category Average
Rolling Target Returns p.a.	CPI + 2%	CPI + 4%	CPI + 5%
Equity: maximum holding	40%	60%	75%
Offshore: maximum holding	25%	25%	25%
Property: maximum holding	25%	25%	25%
Regulation 28 status of fund	Reg28 compliant	Reg28 compliant	Reg28 compliant



The Directors Desk

2016 has been a year of exciting changes

We are already half way through the year and so far it has been an extremely busy one for the team at Private Client Holdings.

We have had an exciting year, culminating in June when we announced the launch of our three new Collective Investment Schemes (commonly called unit trusts) – the PrivateClient BCI Low Equity Fund, the PrivateClient BCI Medium Equity Fund and the PrivateClient BCI High Equity Fund.

These structures allow access to a wider universe of cost effective investments with segregated mandates, boutique managers, Smart Beta trackers and direct offshore investments. The move will enhance efficiencies and will enable us to implement our asset management views more effectively for all our clients, whilst at the same time the overall fee experience will remain largely unchanged. There are also tax benefits for these discretionary (non-retirement) investments as there is no Capital Gains Tax on switches between the underlying investments.

In addition to launching our new unit trust offerings, PCH has been accredited as one of only 12 FPI Professional Practices™ in South Africa.

This changes nothing internally but it's great to be acknowledged by a respected external body that our PCH Code of Ethics and Practice Standards are closely aligned to the FPI Rules of Professional Conduct – all of which ensures that our clients are offered excellent professional wealth management services of the highest standards.

I am also very pleased to announce that PC Trust, our stand-alone fiduciary services division, has launched its stand-alone website – please go and have a look at www.privateclienttrust.co.za. The services offered by the Fiduciary team are so integral to the all-round wealth well-being of our clients and we cant emphasise enough the importance of ensuring that your Will is up to date and relevant. If you are unsure, please chat to Sarah Love and the PC Trust fiduciary experts.

If the first half of 2016 is anything to go by, the next six months promise to be eventful and busy and we are all looking forward to it!

Grant Alexander

HAVE YOU HEARD?

UCT Cycling

PCH is proud that our sponsorship of the UCT cycling team continues and we are delighted to see them growing from strength to strength. We are also pleased at their continual involvement and commitment to Velokhaya - a Guguletu based social development project.



Silvermist seminar

PCH wealth manager Luke Hirst hosted a small evening seminar at the Green Vine Eatery at the Silvermist Wine Estate in Houtbay. Chris Steward, who is a Portfolio Manager and Analyst at Investec Asset Management and the Head of Financials at IAM Ltd. (South Africa), provided a fresh and insightful perspective on "The South African Financial Services sector" taking into account the possible effects of an increasingly likely SA downgrade.

It's raining babies!

We are delighted to have a flurry of new members joining the PCH family in the last few months. Congratulations to all of our team members who have welcomed new additions to their families and we wish you many happy memories with your new precious family members.

Launch of PrivateClient CIS braai

The launch of the Private Client Portfolios three new unit trust offerings marks another step in our success and growth towards offering our clients the very best wealth advice and vehicles at the most competitive prices. We marked the launch of the new unit trusts with a team building braai and table tennis competition. Great fun was had by all as we celebrated this significant milestone for PCH.



WMA team development day at OM House

The wealth management assistant team enjoyed a day of team development and a little pampering at OM House in Bishopscourt. This incredibly hard working team support the PCH wealth managers and took a little time out to connect with one another.



REAP update

PCH are proudly contributing towards Lizette Philanders' studies on the REAP program. Lizette has adjusted well to university and is enjoying her time at UWC. She passed all her first semester subjects for this year and achieved an A for Mathematics – well done Lizette! - www.reap.org.za





Are your adult children sabotaging your retirement?

By Mark MacSymon

Supporting adult children can have a devastating effect on your chances of retiring comfortably.

Adult dependency is an increasingly common issue at the moment due to low entry level salaries, tightening credit extensions, high property prices – all factors which make it difficult for young adults to set out on their own.

In many instances, adult children continue to live with their parents well into their late 20's and 30's and fail to share in everyday household expenses. There are other ways that adult dependency manifests itself within families – such as a situation where a regular income is paid to an adult child, much the same as a salary or a stipend.

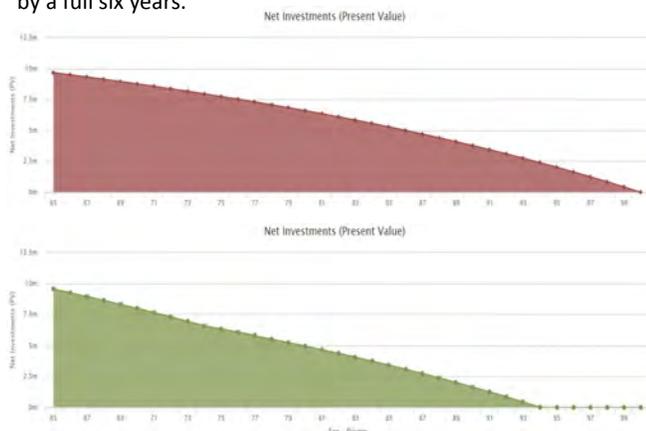
What effect dependent adult children have on their parents retirement plan

Very few South Africans are fortunate enough to retire comfortably. Add to that reality the fact that many people will live longer than originally anticipated means that very few families can afford adult dependants.

Families that support dependent adult children need to carefully consider the effect this has on their retirement plans. Gratuitous and supportive disbursements can have a devastating effect on their likelihood of retiring comfortably.

Your financial advisor should develop cash flow models for their clients which graphically demonstrates the long-term effects such support has on the longevity of their retirement capital. These exercises can be useful tools to help change the behavioural patterns of both parents and dependent children.

In the basic example below, a retired couple with investible assets of roughly R9.3m to start, can comfortably withdraw R35 000 per month, increasing at inflation, over a 35 year retirement planning period. However, in the event of a financially dependent adult increasing household expenditure by R10 000 per month for the first 10 years of his parent's retirement, it is likely to have the effect of accelerating a complete draw down of retirement capital by a full six years.



Exercises like these help retirees rationalise the often compulsive decision to increase draw down rates on living annuities in order to relieve budgetary pressures inflicted by adult dependants in the immediate term. Unfortunately, over the longer-term, the permanent loss of capital through a draw down spike, even if for just one year, can severely diminish the longevity of retirement savings.

Detrimental effects for the dependent adult

Another problem that arises with adult dependants who typically enjoy a standard of living that they ordinarily wouldn't be experiencing if they had set out on their own to make a life for themselves on a shoe string budget is that they tend to be less budget conscious, spend more frivolously and anchor their lifestyle habits at a relatively unsustainable level. These young adults should be acutely aware of budgetary constraints and saving where possible.

More importantly, the physical actions and psychological adjustments taken by budget constrained adults toward being more financially independent will be vastly different to those of dependent adult children.

How to remedy the situation of a dependent adult child

It is necessary to meet with dependent children and explain to them, using similar disclosures and cash flow models, what affect their dependency is having on their parents' golden years.

A tough stance needs to be taken – as the adage goes, you have to be cruel to be kind. Whilst allowing children to remain dependent may indeed mean that they have a better lifestyle in the short run, it is not good for parents nor their children in the long run.

How to encourage children to be less financially dependent

Parents are best advised to encourage their children to take ownership and responsibility of matters involving money. Encourage a disciplined culture of savings, no matter how small, or set a savings goal to purchase a wanted item. These basic activities of aligning incomes with expenditure will help to provide children with a more principled framework for handling matters involving money in their adult years.

PCH one of only 12 official FPI Approved Professional Practices™ in South Africa.

Private Client Holdings has become an officially accredited FPI Professional Practice™ – one of only 12 in South Africa.

As an FPI Approved Professional Practice™, PCH now stands out in a group of financial advisors who do not carry the designation, and we can confidently say that we deliver our services with the highest standards of knowledge, expertise and ethical conduct.

Our FPI accreditation validates that we follow the six step financial process and that we place the needs and objectives of our clients at the heart of our business.



