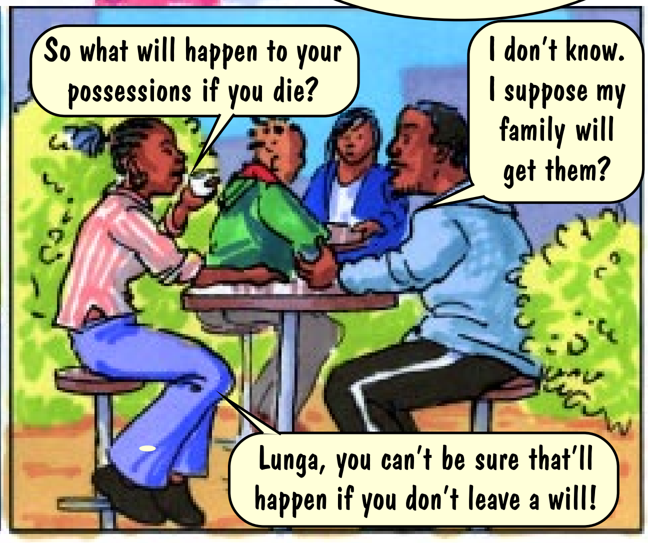
Drawing up a Will



You are responsible for what happens after your death!

If you die without leaving a will (intestate), the Master of the High Court freezes your **estate** — this includes any money you have and all your possessions. The Court then decides how to share this out.
Everything you worked for in your lifetime could end up in the wrong hands, and the people you worked hard to provide for may end up with nothing!

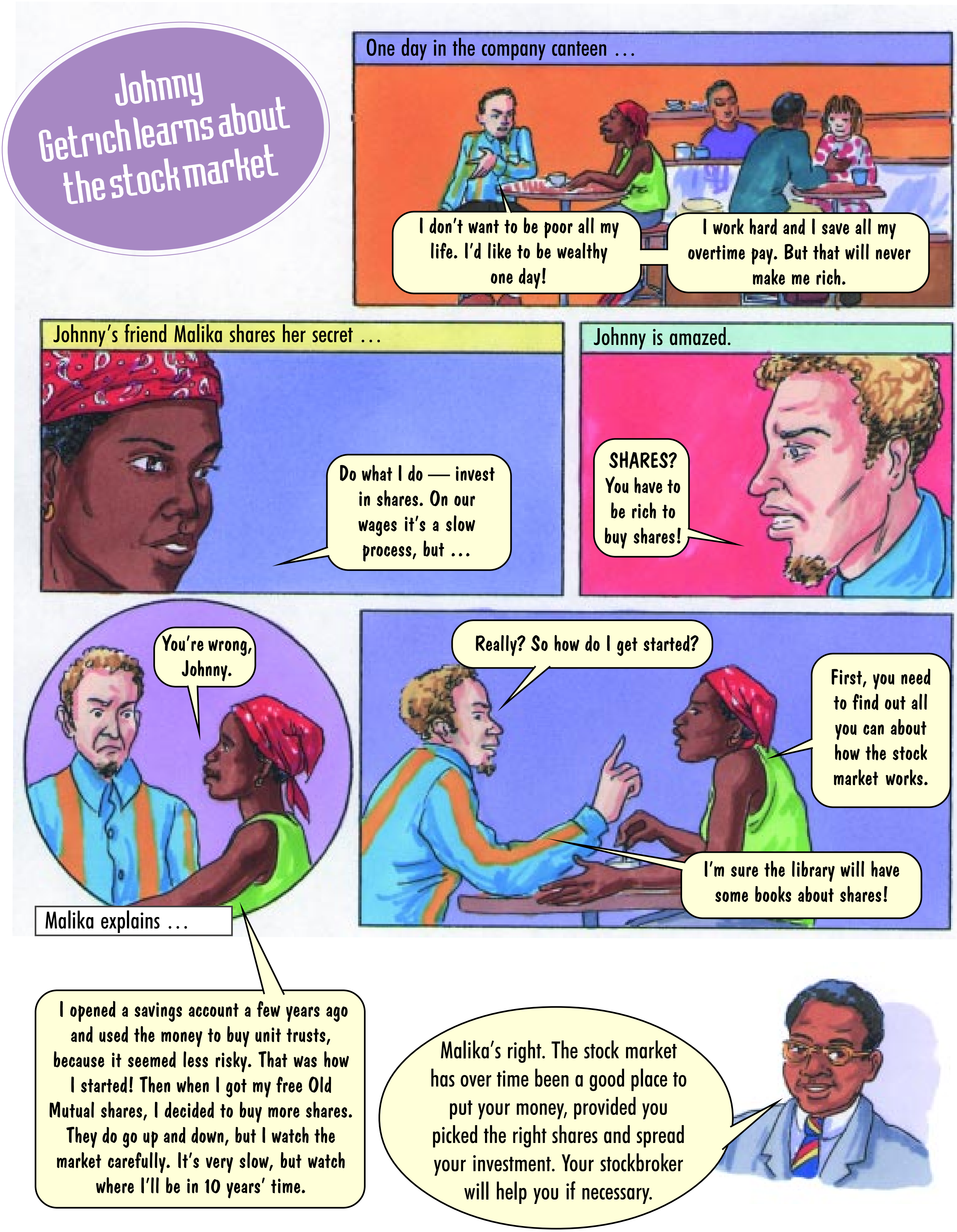
But it is best to go to a **lawyer** or your **bank**. They will help you draw up a **professional will** — and your bank won't normally charge you for the service. Your bank or your lawyer will be able to tell you how you can prepare your will to **save tax** (estate duties) and how to **protect the interests of your dependants**.

Estate duty

Estate duty is a form of tax that the government levies on the estate after your death. If your estate is worth less than a certain amount (property, insurance and everything included), no estate duty has to be paid. You can find out what that amount is from the South African Revenue Service (SARS). But your estate will have to pay 20% estate duty on any amount over R1 500 000.

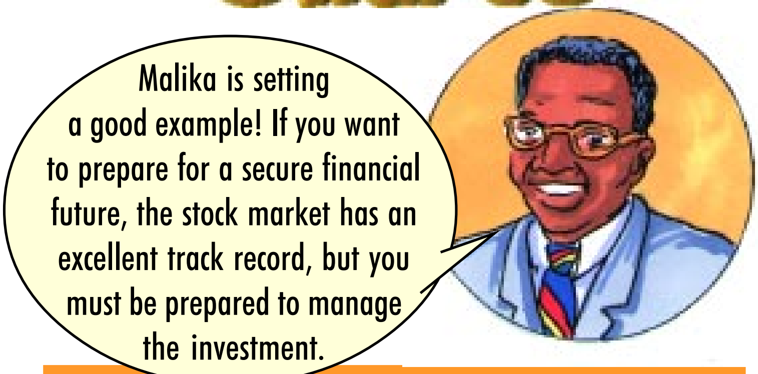
Executor

When you draw up your will, you have to appoint an executor — the person who will do all the legal and administration work to settle your estate after your death. An executor charges a fee. If your bank has drawn up your will, it will probably name itself as your executor.



Johnny Getrich learns about the stock market
One day in the company canteen …
I don't want to be poor all my life. I'd like to be wealthy one day!
I work hard and I save all my overtime pay. But that will never make me rich.
Johnny's friend Malika shares her secret …
Do what I do — invest in shares. On our wages it's a slow process, but …
Johnny is amazed.
SHARES? You have to be rich to buy shares!
You're wrong, Johnny.
Malika explains …
Really? So how do I get started?
First, you need to find out all you can about how the stock market works.
I'm sure the library will have some books about shares!
I opened a savings account a few years ago and used the money to buy unit trusts, because it seemed less risky. That was how I started! Then when I got my free Old Mutual shares, I decided to buy more shares. They do go up and down, but I watch the market carefully. It's very slow, but watch where I'll be in 10 years' time.
Malika's right. The stock market has over time been a good place to put your money, provided you picked the right shares and spread your investment. Your stockbroker will help you if necessary.

Shares



Companies pay some of their profits to shareholders - these are called **dividends**. Companies issue shares to raise **capital**. Shares of most of the world's large companies are **listed** on a ***stock exchange***, which means they can be **bought** by **ordinary people** who then have an **investment** in the company. If you own shares in Company X, it means you literally **own** part of that company. Successful companies usually grow stronger over the years — and then the ***price*** of their shares and their dividends go **up**. If the company does well, your **investment** will **grow** in value — but if it does badly, your investment can ***go down***. When you want to buy shares, you must choose the company very carefully and be prepared to invest your money for 3–5 years!

BUYING SHARES

In South Africa, shares in companies are listed on the **JSE** Securities Exchange South Africa (the old "Johannesburg Stock Exchange"). If you want to invest in shares, you first have to open an account with a **registered stockbroker** at a stockbroking firm. You discuss how much you want to invest etc., and he or she advises you. Once you have decided on which shares you want to buy, the stockbroker arranges for a dealer to buy them for you. After that, you can phone your stockbroker whenever you want to buy or sell shares. Remember, as the country develops, more and more people will become share owners.

INVESTMENTS IN THE STOCK MARKET OR UNIT TRUSTS ARE A MEDIUM TO LONG-TERM INVESTMENT. THERE ARE RISKS, AND SHARES AND UNIT TRUSTS DO GO UP AND DOWN. CHOOSE THOSE THAT ARE EXPECTED TO BE SUCCESSFUL OVER THE YEARS, AND THEN MANAGE YOUR INVESTMENT CAREFULLY!

Unit trusts

BUYING UNIT TRUSTS (NOW KNOWN AS COLLECTIVE INVESTMENT SCHEMES)

Unit trusts are a convenient way for an individual to invest in the stock market and other types of securities. A unit trust consists of the pool of money from **many individual investors**, which has been invested in a variety of different assets, those that the **fund manager** believes will provide the best growth over the next 3-5 years.

A number of different kinds of unit trusts exist. You can choose between low, medium and high risk funds.

Because a single unit trust may invest in different types of assets, an individual can **spread** their **risk**, thereby reducing the chance of losses. In other words, should the value of one investment drop, the others may increase.

When deciding to invest in a unit trust, it may be advisable to consult a **financial advisor** or a **unit trust manager**. Make sure you understand the charges involved.

If you would like to find out more about shares and unit trusts, look in the third book in this series – *Make your money work for you.*