Planning your way to financial freedom: The inevitability of death and retirement

When the past is history and the future is uncertain, the present is all you have. In the financial world, as is with much else in life, nothing is certain except for death and taxes. When a man retires without having proper estate and retirement planning, his wife gets twice the husband, half the income. Sadly, this isn't too far from reality for many of us. Prepare as they may for retirement, sooner or later many find themselves being debtors or creditors to someone. The same can be said about the unexpected death of a breadwinner – failing to have the proper arrangements in place may eventually leave family members out in the cold.

For many, the prospect of retirement and the inevitability of death are two very distressing concepts. Some shiver at the thought of not knowing whether or not they will have a sufficient income that will sustain them and their families in the future. Many individuals think that estate and retirement planning are only for high-net earners. This is, however, not true considering that high-net earners and their families are less likely to experience financial difficulties at retirement and/or death. Absolutely everyone should have the fundamentals in place, which include a proficiently drafted will and regular estate and retirement planning to address any tax implications or cash shortfalls for retirement, and the financial assistance needed by their family and loved-ones immediately after their death. Explaining what normally happens in the event that these practices are not in place emphasises how imperative estate and retirement planning really are.

A professionally drafted will is certainly the single most important legal document one can possess. Unfortunately, its value is often overlooked and underestimated. Without a signed will at the moment of delatio (death), a person's estate will devolve according to the rules of intestate succession. Without a valid will, there is also no nominated executor. In such a case, nominations for an executor would have to be obtained from the deceased's closest relatives – this will undoubtedly delay the process of winding up the estate. The appointed executor may charge a maximum fee of 4.025% (including VAT) of the estate's gross value. A fee this high can reasonably be expected from an executor who did not want to be the executor of the deceased's estate in the first place.

The public is so fixed on trying to save on estate duty by pegging the growth of their estates, they forget to address the money-craving elephant in the room. Having structures in place to save taxes are great, but without enough liquidity in the estate to pay these taxes, executor's fees, transfer costs, and other expenses, some or all of the assets in the estate may have to be sold. After retirement, most people soon realise that there is too much time left at the end of their life-savings. They normally do not have enough money to fund their previous lifestyles. The question is therefore not at what age you want to retire, but rather at what income.

It is evidently clear from the above exposition that estate and retirement planning are incredibly important to secure a person's financial freedom and avoid any unforeseen financial difficulties. The impeccable value of estate and retirement planning is immeasurable considering how one can reap the benefits by receiving a glimpse of their financial futures and having the opportunity to do something about it now.

Our fiduciary team at BVSA has decades of experience in estate and retirement planning and is professionally equipped to assist you with any of related matters. For more information on estate and retirement planning, please contact any of our financial advisors for expert advice.

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The wine industry begins to recover

After having experienced a few difficult years, the wine industry finally appears to be recovering. Many challenges have threatened wine grape producers over the last decade. The annual price growth for wine has been lower than inflation, while input costs, especially that of labor and electricity, have risen to a rate greater than inflation. The so-called 'cost-price squeeze' has worsened. Producers also had to wait longer for their money, from between 18 months and 30 months for some cellars, where previously they received their money within 10 to 12 months.

As the profitability of wine farming decreased and producers faced increasing cash flow issues, more farmers had to resort to alternative avenues such as citrus and soft fruit produces. Some farmers removed their vineyards without replacements. Amid this the total wine grape harvest continued to increase due to an increase in produce per hectare, and producers who could afford it and did not want to change to alternative farming produces, expanded their farms. But eventually the decline in vineyards, together with three years of drought and two years of frostbite damage, took its toll, leaving stock levels currently very low.

That being said, a positive outlook presently presides over wine grape prices resulting from the state of the global wine supply, since a heatwave and drought left Italy with a very poor harvest in 2017, while crops in Spain were considerably lower in 2017 due to frost, hail and drought. France lost some harvest from frost and hail, Germany from frost, and California suffered a huge loss from veldfires. The resulting global wine shortage consequently raised wine prices drastically.

Most of the cellars have compiled their 2017 reports and the consensus is that prices have already risen about 10% from the 2016 harvest to the 2017 harvest. Negotiations for the 2018 harvest indicate that there will be a rise of between 15% and 20% from the 2017 to the 2018 harvest. Furthermore, negotiators may now also use the opportunity to reestablish payment terms to shorter periods while they have the bargaining power.

Will wine grape producers plant enough vineyards to maintain the current vineyard hectares, or is the trend of switching to citrus and soft fruit ongoing?

Firstly, it is unclear whether the increase is sustainable or will only last one year until the drought in the Western Cape has cleared and Europe and America produce normal harvests again.

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Even after the increase in wine prices, as mentioned above, the turnover on wine grapes per hectare and profit per hectare are still poor in comparison to that of citrus and soft fruit. This may, however, change dramatically over the next few years, as lower vineyard plantations and larger citrus and soft fruit plantations effect the supply and demand of the products.

The fact that wine grapes require less water and manual labor per hectare than citrus and soft fruits also makes the former a desirable choice where water is scarce and labor costs are continuously increasing by much more than inflation prices, as per legislation. In addition, if the rand grows stronger (which is a strong possibility when a new president takes over), the citrus and soft fruit industries will be affected adversely because a larger percentage of these products will be exported than in the wine industry.

Every producer will have to reflect on their strategy for planting over the next few years, but wine grapes appear to be one of the options again.

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