Financial **PROTECTION**

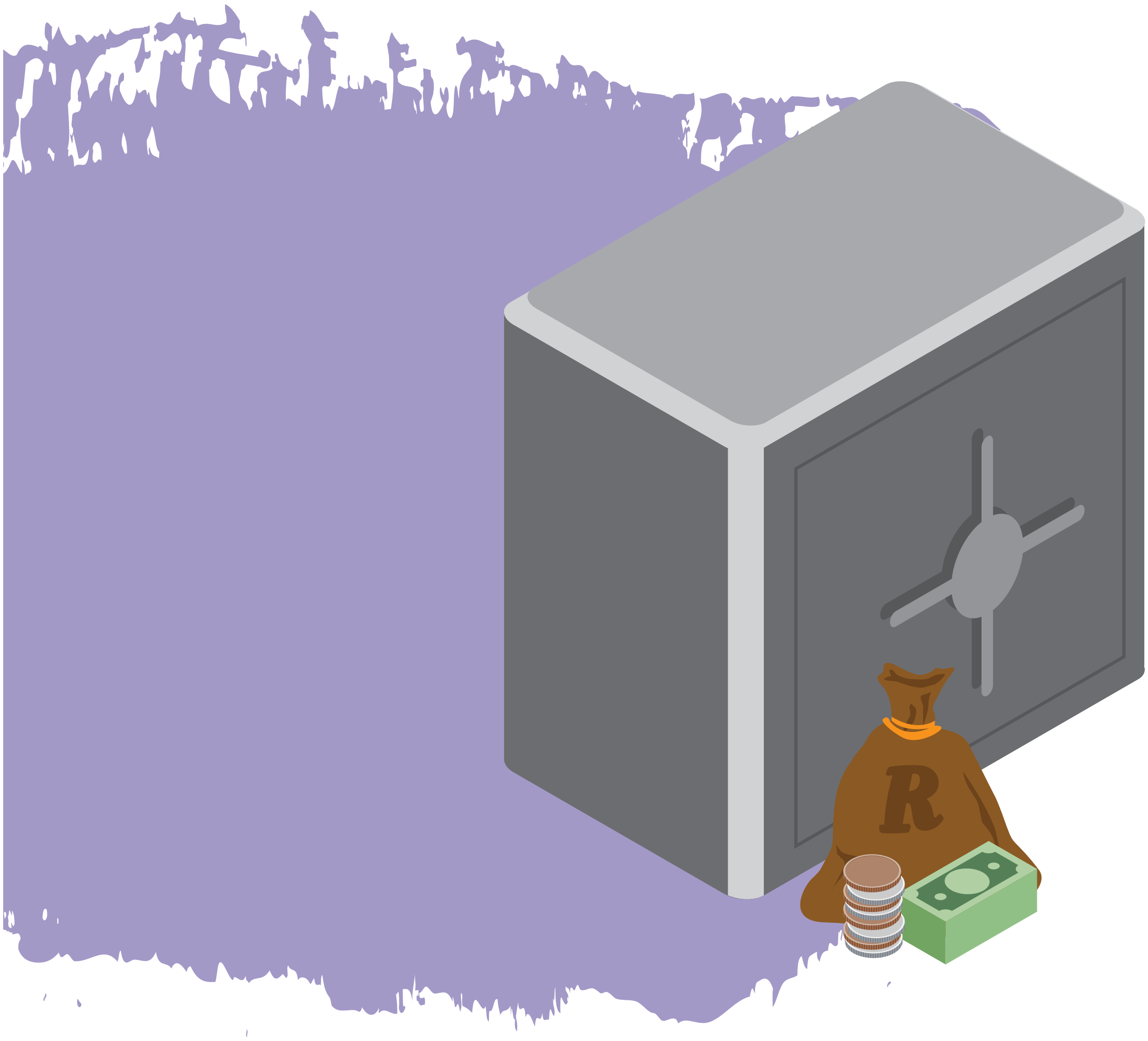
●●● More about

Safeguard your finances

Introduction

"If you have made a mistake, cut your losses as quickly as possible." – Bernard Baruch

Financial scams are becoming more regular and common. People who trick others out of their money do not care if the person is rich or poor, old or young. There are a number of scams, and you need to be aware of the different types of scams and how to determine if an investment is for real or a scam.



1. Rules

1.1 Rule 1: Never gamble

- Do not follow hunches – that is called gambling
- Do not put money on the "unknown."
- Decide whether you want to invest for fun or for profit
- Focus on "expected returns" – it is a requirement for financial security

1.2 Rule 2: Do not follow blindly

Guard against making the media and what is contained therein your only source of information when making your investment decisions. Trying to "outguess" the market by following the forecasts of the financial media may result in losses.

1.3 Rule 3: Do not invest blindly

Gaining an understanding will require work and time on your part. However, avoiding this research will cost you dearly in the long run.
Ask the following questions of your financial advisor:

- How will I potentially lose money with this investment?
- How will this investment support my investment plan?
- Will I be able to exit from this investment?
- Does this investment make business sense? Is it too good to be true?
- What is the risks / reward ratio of this investment? Will it lower my portfolio risk and will it increase my returns?

1.4 Rule 4: Compound your growth

To compound the growth of your investment you should:

- Start investing as soon as possible, the younger, the better
- Invest only in instruments that have proven return expectancies
- Always reinvest the profits generated from your investments
- Keep adding to your portfolio

1.5 Rule 5: Diversify your investment portfolio

- Never put all your eggs in one basket
- Do not randomly diversify your portfolio without thorough investigation
- Always diversify with the intention of making a meaningful change to your portfolio
- Diversify. Remember when one "zigs" the other will "zag"

1.6 Rule 6: Manage your risk actively?

- Focus on the "return of capital" before focus on the "return on capital."
- Be very aware that "what goes up, must come down", and that rule will apply to your investment growth too

1.7 Rule 7: Educate yourself

- Improve your financial intelligence
- The best investment you can make is in yourself because nobody can ever take it away from you, and it will pay you dividends for the rest of your life

2. Investment legacy

Investments hold a number of intentions:

- Saving up for a particular event or purpose (educational investment)
- Preparing for retirement funding
- Making provision for your family, in the event of your death

It is vitally important that you sit down and consider what you want to do with your estate in the event that you pass away. These wishes must be documented in a "Last Will and Testament".

If you die without a will (intestate) the Master of the High Court appoints an executor of your estate who will distribute your estate according to the law. This may include beneficiaries whom you may not have wished to benefit or may exclude persons whom you would have preferred to benefit.

It is important to have a person with the necessary knowledge and expertise to draw up your will. A law firm, your bank, or a trust company can help you in drawing up a will. Once the will is fully completed, you sign and date it in the presence of two witnesses in order for it to be valid.

Both witnesses must be of the age of 14 or above and be competent to give evidence in a court of law. A person must be of sound mind as a test of his or her ability to give evidence in court. A beneficiary in a will must not be involved in the drawing up of or attesting to a will as a witness. A person who attests and signs a will as a witness or is involved in the drafting of a will is disqualified from benefiting under the will.

Your financial advisor can assist you to draw up your will or refer you to someone that specialises in this. It is not recommended that you do this yourself as your will must be clear and concise and represent your true intentions. There are also certain legal requirements for your will to be valid and you need to be made aware of the government levies estate duty (a form of tax) payable on your estate after your death.

Make sure that you revise your will from time to time especially if life-changing events have taken place.

Your will must be kept in a safe place. Most banks, accountants, trust companies, lawyers and registered financial advisors keep wills on behalf of their clients. It is advisable to make a copy of your will and advise your executor where it is kept; also let them know where the original can be found.

3. Important Acts

3.1 The FAIS Act, 2002

The Financial Advisory and Intermediary Services Act, 2002 (FAIS Act) came into operation on the 30th September 2004. The purpose of the FAIS Act is to protect consumers of financial services and to professionalise the financial services industry. To achieve this, the FAIS Act imposes certain requirements on providers of financial services to ensure that consumers receive proper financial advice, that they are provided with sufficient information to make informed investment decisions and that they are dealing with fit and proper advisors and intermediaries.

What financial products does the FAIS Act govern?

The following products are regarded as financial products for purposes of the FAIS Act:

- Any type of long-term insurance policy (e.g. life, disability, funeral cover and long-term savings plans)
- Any type of short-term insurance policy, including cover for personal and business purposes (e.g. house, household content, car insurance, cell phone and commercial etc.)
- Bank deposits (e.g. call deposits, notice deposits and savings accounts)
- Retirement and pension fund benefits (retirement annuities, provident funds and pension funds)
- Collective investment schemes (unit trusts)
- Securities and instruments, including shares, equities, derivatives, bonds and money market instruments
- Health service benefits (hospital plans and medical aid plans)
- Foreign investment business
- Friendly society benefits (e.g. burial societies)

Note: There are other pieces of legislation which "govern" the products, for example:

- CISCA
- Pension Fund Act
- Insurance Act
- Banks Act
- Financial Markets Act

FAIS governs financial services rendered in relation to the products and not the products itself!

Who can give advice and/or render intermediary services (financial services)?

The FAIS Act requires that any person who gives advice and/or renders an intermediary service in respect of a financial product must be authorised as a financial services provider, also referred to as an FSP, or must be appointed as a representative of an authorised financial services provider.
Persons rendering financial services on behalf of an FSP are called representatives. The FSP is authorised by the Financial Sector Conduct Authority, and representatives are appointed by the FSP. An FSP can be a natural person (sole proprietor) or a legal entity.

An FSP must have one or more key individuals that are responsible for the management or oversight of that part of the business of the FSP relating to the rendering of financial services. The key individual of an FSP is subject to the approval of the Financial Sector Conduct Authority to ensure that only persons who are fit and proper are appointed as such.

It is the responsibility of the FSP to ensure that its representatives are fit and proper. This, among others, entails that the FSP must check that its representatives are persons who have character qualities of honesty and integrity and that they are competent to render financial services.

3.2 Who can administer investments?

The Collective Investment Schemes Control Act, 45 of 2002 ("CISCA") was enacted to regulate and control the establishment and administration of collective investment schemes. CISCA requires anyone who wants to establish and administrate a collective investment scheme, to register and obtain a license from the FSCA. Collective Investment Scheme portfolios, whether local funds or foreign funds, can only be marketed and solicit investment in the Republic of South Africa from financial customers if these funds have been approved by the FSCA. A collective investment scheme, in whatever form, includes an open-ended investment company, in pursuance of which members of the public are invited or permitted to contribute money or other assets and to hold a participatory interest in a portfolio of the scheme and the investors share the risk and the benefit of investment in proportion to their participatory interests in the portfolio.

3.3 The Financial Sector Regulation (FSR) Act 9, 2017

The FSR act was implemented to stabilise the financial systems in South Africa. The focus is the system must work in the interest of the financial consumer.

By implementing the Act, it will support a balanced and sustainable economic growth in South Africa.

The act promotes:

- Financial stability;
- The safety and soundness of financial institutions;
- The fair treatment and protection of financial customers;
- The efficiency and integrity of the financial system;
- The prevention of financial crime;
- Financial inclusion;
- Transformation of the financial sector; and
- Confidence in the financial system.

3.3.1. FSR Act

The objective of the FSR act is to:

- Enhance and support the efficiency and integrity of financial markets; and
- Protect financial customers by—
  - Promoting fair treatment of financial customers by financial institutions; and
  - Providing financial customers and potential financial customers with financial education programs, and otherwise promoting financial literacy and the ability of financial customers and potential financial customers to make sound financial decisions; and
- Assist in maintaining financial stability.

4. Rights and responsibilities of Financial Customers

4.1 Rights

4.1.1. Information

You have the right to information

- A written quotation
- Policy document within 30 days of signing the application
- Information on how to submit a claim
- Cost of insurance
- Commission paid to any intermediary
- Fees for services rendered in relation to a financial product
- Inclusions and exclusions of the policy
- Physical address and telephone number of the provider

4.1.2. Time off

You have the right to take time off

- Grace period must be stipulated in the policy, in terms whereof you can skip (not pay) your premium for one month, but your policy remains of force and effect.

4.1.3. Cancel

You have the right to cancel

- You may decide not to take up the contract within 30 days of signing the application. This is called a "cooling off" period

4.1.4. Complain

You have the right to complain

- The contract must also provide you with the telephone and fax numbers, physical and email addresses of the FAIS ombudsman for long-term insurance.

4.2 Responsibilities

You have the responsibility to:

- Choose a Financial Services Provider that is registered with the FSCA
- Ask to see the FSCA licence
- Make sure the paperwork is complete before you sign it
- Ask questions and ensure that the FSP answers them in clear and simple language which you can understand so that you have a clear understanding of what you are buying
- Store the policy document in a safe place
- Read through the entire contract document before you sign
- Make sure you understand what you are going to be paying for

5. Complaint

5.1 Treating customers fairly

Treating Customers Fairly (TCF) is an outcome based regulatory and supervisory approach designed to ensure that specific, clearly articulated fairness outcomes for financial services consumers are delivered by regulated financial firms. Firms are expected to demonstrate that they deliver the following 6 TCF outcomes to their customers throughout the product lifecycle, from product design and promotion, through advice and servicing, to complaints and claims handling – and throughout the product value chain.

The 6 TCF outcomes are listed below:

- Customers can be confident they are dealing with firms where TCF is central to the corporate culture
- Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly
- Customers are provided with clear information and kept appropriately informed before, during and after point of sale
- When advice is given, it is suitable and takes account of customer circumstances
- Products perform as firms have led customers to expect, and service is of an acceptable standard and as customers have been led to expect
- Customers do not face unreasonable post-sale barriers imposed by firms to change product, switch providers, submit a claim or make a complaint

5.2 Complaints procedure

Any person who wants to submit a complaint against a regulated entity must follow the following process:

- FSCA
- Ombudsman

5.2.1. Complaints to the FSCA

The FSCA will strictly deal with complaints regarding contravention of the Acts it administers. Complaints may be made to the Authority by a letter, email or by personal visits. A formal written complaint should always be submitted to the Authority. The complainant or a person acting on their behalf, e.g. the ombudsman, the broker etc. may make complaints. Details of the complainant, the efforts made by the person to resolve the matter with the body concerned, reference numbers, and copies of any relevant correspondence in the possession of the complainant should be provided at the time of complaint.

5.2.2. Complaints to the ombudsman

This is a basic guideline to follow when submitting a complaint. It is recommended that you get the relevant complaint procedure to follow from the ombudsman's office you would like to submit the complaint to.

- You must submit a formal complaint to the institution you are experiencing the problem with. The institution should be given the opportunity to resolve the problem before it is referred to the ombudsman/adjudicator.
- As a suggestion, please approach the internal complaints officer of the relevant institution as this may help speed up the process.
- Give the institution 30 working days (6 weeks) to rectify/resolve your complaint.
- Keep a copy of any letters or correspondence between you and the institution.
- If your complaint is not resolved or you are unhappy with the outcome, or you do not receive a response at all, you may approach the office of the relevant ombudsman/adjudicator.
- Ensure that you provide the ombudsman with copies of supporting documents referred to in the complaint, including correspondence with the institution.
- When you write a letter of complaint, set out the facts as clearly as possible.
- Write down the facts in a logical order and stick to what is relevant. Include important details like your claim number or your policy number.

Your options when lodging a complaint

- Submit a formal complaint to the relevant ombudsman's office.
- Approach the small claims court.
- Consult with an attorney to pursue the matter by means of further legal action.

5.3 Contact details

Pension Funds Adjudicator

If you have a complaint against your pension, provident, preservation or retirement fund that you have not been able to resolve with your employer, you may lodge a complaint with the PFA in writing.

www.pfa.org.za	Email: enquiries@pfa.org.za	Tel: 012 346 1738 | 012 748 4000 Fax: 086 693 7472

Long-term Insurance Ombudsman

For complaints about life policies, funeral cover and other long-term insurance matters, contact the Ombud.

www.ombud.co.za	Email: info@ombud.co.za Tel: 021 657 5000	Sharecall: 0860 103 236 Fax: 021 674 0951

Short-term Insurance Ombudsman

For complaints between members of the short-term insurance industry and customers contact the OSTI.

www.osti.co.za	Email: info@osti.co.za Tel: 011 726 8900	Sharecall: 0860 726 890 Fax: 011 726 5501

Ombudsman for Financial Services Providers (FAIS Ombud)

Have a complaint against an FSP and not happy with their response? Lodge the complaint with the FAIS Ombud.

www.faisombud.co.za	Enquiries on status of complaints: enquiries@faisombud.co.za Sharecall: 086 066 3247 Tel: 012 762 5000 / 012 470 9080	Fax: 012 348 3447 E-mail: info@faisombud.co.za P.O Box 74571, Lynnwood Ridge, 0040 Website: www.faisombud.co.za

Ombudsman for Banking Services

For banking-related complaints contact the ombud for banking services.

www.obssa.co.za	Email: info@obssa.co.za	Tel: 011 712 1800 Sharecall: 0860 800 900

Credit Ombudsman

If you have been negatively impacted by credit bureau information or have a dispute with a credit provider lodge a complaint with the Credit Ombudsman.

www.creditombud.org.za	Email: ombud@creditombud.org.za Call centre: 0861 662 837	Tel: 011 781 6431 Fax: 086 674 7414 SMS: "Help" to 44786

There are many different types of complaints and depending on the complaint; you would need to contact the relevant ombudsman or adjudicator’s office.

6. Keeping your financial records

It is important that you keep records of all your savings and investments. You will need them for tax reasons as well as for keeping track of your personal financial plan.

Suze Orman, an internationally recognised personal finance expert, lists the following documents that must be kept safe:

1 Month
- ATM receipts: keep for 1 month until you have verified the transactions against your bank statement

1 year
- Quarterly investment statements

3 years
- Income tax returns
- Medical bills and cancelled insurance policies
- Records of selling a house (documentation for capital gains tax)
- Records of selling a stock (documentation for capital gains tax)
- Annual investment statements

7 years
- Records of satisfied loans

Whilst active
- Contracts
- Insurance documentation
- Shares and stock certificate
- Title deeds
- Records of pension fund membership and retirement funds

Forever
- Marriage certificates
- Divorce decrees
- Death certificates
- Wills
- Adoption papers
- Birth certificates