



Wentzel Consulting

Financial Services / Finansiële Dienste

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From: Dr Otto Schulze [mailto:ottojulie@telkomsa.net]
Sent: 15 February 2006 12:50 AM
To: Dr Hugo Stark; Konrad Wentzel; elenel@mweb.co.za; jgrundli@hotmail.com
Subject: Financial assistance

Hi there

Normally this is a very taboo subject, but recently I have met very good people that changed my financial situation significantly and I thought I let you all know. Obviously everyone's financial situation differs and what worked for me won't work for all, but maybe check it out. Just to put everyone's mind at rest I don't get any commission, therefore I won't name anyone. If you like what you see just pop me a mail and I will forward you the contact detail. I believe you don't have to know everything – but you need to surround yourself with people that do!

I tell you the following tale not to boast but just to make you aware of it. After listening to my story one of our colleagues told me it is scary – maybe that's why you should hear it. I am specifically vague, because it is not about making someone or some institute look bad. Recently I went to see my bank after being contacted by another financial institute with a better offer and wanting to hear if they can improve on the offer or not. This is not the normal branch on the street corner, it is a special branch set aside to specifically take care of their higher end customers, e.g. us doctors. At the beginning of the meeting my private banker questioned my recent change from one income protection insurer to another. I subsequently explained to him why I changed and he differed from me. I countered each of his comments to the extent that he had to call in their risk management / financial planner specialist to help him. Once again we went through the whole discussion and once again I differed from their specialist, the specialist subsequently left the room to phone another consultant and came back to say that I was correct in my arguments, BUT there were other arguments in which he was correct. He phoned me today to tell me that I was correct on all counts. We did not argue about minor contract details, our differences were about the amount payable by the insurer in case of sick leave, he said 100% and I said 67% - keep in mind we were talking about their mainstay insurer which they use. Thus on a daily basis he (being the specialist in a specialist branch) was giving incorrect info because he didn't know what his mainstay insurer's contract stipulates about how much is paid out to the insuree!!

Subsequently he tried to nullify my current insurance contract, but seeing as he didn't even know his mainstay insurer's contract he really didn't know anything about my contract. Shortly afterwards he left the meeting.

To complete the story, I then discussed banking fee structures with my "private" banker as they are called. Once again we went into a debate about the tax deductibility of student loan repayments – and this time my banker was forced to phone another consultant – incidentally he phoned the person that is currently doing my personal tax returns. And obviously he acknowledged that it was a mistake and it is not tax deductible. Once again the question remains, how many people has he advised not to worry – because student loan repayments are tax deductible.

The moral of the story is that even the most specialized banking facilities makes INCREDIBLY GROSS mistakes about our finances – be weary!!

The good news is that I am moving my current account to a bank that charges me a R50-00 flat fee on all banking charges, with the exception of ATM withdrawals which is charged at R7,50 regardless of where I withdraw money (Cape Town, London or Sydney). They pay for the transferal of my home loan and also change all my debit orders to their account. There is also no annual credit card fee. Possible bad aspects are that they have no bank buildings, each customer has their own consultant and you don't have a cheque book.

The other good news is when it comes to risk management and with it I mean life insurance, disability, dread disease and income protection. As said previously because of the increase in competition in this field of the market the customer has won. Because now the premiums is lower for the same benefit and the wording of the contract are more advantageous. To take myself for example:

Old system	Life insurance	R 2,860,000
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	Disability	R 1,500,000
	Temporary income protection	R 13 429.20
	Permanent income protection	R 16 786.50
	Premium per month	R 959.91
New system	Life insurance	R 3,100,000
	Disability	R 1,500,000
	Temporary income protection	R 25 000.00
	Permanent income protection	R 18 750.00
	Premium per month	R 880.84

So – I have higher benefits at a lower premium ... the wording of my contract is much better ... and in my new system I can deduct 60% of my premium from personal income tax (the part of my premium that is responsible for my temporary and permanent income protection). Even better news is that you should revisit your risk management strategy on a yearly basis and adjust it. Furthermore the long term goal is to stop paying risk insurance in total!!

Hope this helps – baseline ... reassesses your current status

Regards,

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