

FREE TO LIVE



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What free things in life do you love the most?

For many people, the idea of being free is closely linked to financial freedom, which means having enough money for their necessities (food, shelter, clothing, healthcare and education), as well as for their wants. These wants can include anything from cars and bigger homes to holidays and entertainment.

As people achieve greater financial freedom, their sense of personal freedom increases, stress and worry over money and financial security decreases, and spirits lift with the choices that come with financial security.

In this edition we look at how financial security plays a part in being free to live, as well as how the best things in life are free.

To contact a registered financial adviser, please call the Alexander Forbes Individual Advice Centre on 0860 100 444 or email iac@forbes.co.za.

WIN

Answer the question at the end of this newsletter to stand a chance of winning a R2 500 unit trust prize. Congratulations to **Zola Mbatha** for winning the last draw. All the best with your investment.




ALEXANDERFORBES
Securing your financial well-being

What does insurance mean to you?

We work so hard to create and grow our wealth but sometimes it just takes one unforeseen incident to undo all our hard work. This is where insurance comes into its own. We asked you what insurance means to you.

” Here are some of the responses you sent:

”
“The benefit of knowing my family is well taken care of after I am gone or if I lose my job.”

Juma



”
“Insurance is important, not just in the case of death, but with regards to assets as well. It's an exceptional relief knowing that if any kind of accident happens, there is cover.”

Megan



”
“Insurance is paying it forward for the unknown future limitations. No one can predict the future but one can ensure that no matter how unfavourably things might turn out, back-up availability is guaranteed. When resources and engagements are limited, you are still able to keep the momentum.”

Lungile



”
“Insurance is my safety net. When the economy falls and inflation rises, the only guarantee is the seeds planted in better times. Insurance is that bedding ground for a better future. The peace of mind that comes with having a plan B is too enormous to be measured.”

Oriel



”
“Insurance to me means trying to mitigate my biggest risks in life. This means protecting assets that are important to me and my family such as home, car and wealth.”

Majied



The best things in life are free

We often hear the term 'the best things in life are free'. In this article we explore what it means, whether it's true, and if it is, how to balance the free with the not-free.

One of the easiest ways to assess whether the idiom that the best things in life are free stands true is to draw a comparison between the things you have that are free and those that aren't. Here's a comparison example:



Free

- ✓ Your partner, children, grandchildren and other family
- ✓ Friends
- ✓ The love of family or friends
- ✓ Sunshine
- ✓ Swimming in the sea or under a waterfall
- ✓ Smiles
- ✓ Appreciation
- ✓ Hugs
- ✓ The love of an animal
- ✓ Happiness
- ✓ Free Wi-Fi!
- ✓ Watching children grow and learn
- ✓ Sleep
- ✓ Laughter
- ✓ Happy memories



Not free

- ✗ Houses
- ✗ Cars
- ✗ Clothes
- ✗ Money in the bank
- ✗ Gadgets
- ✗ Travel to exotic destinations



What if you were asked to give up everything in one of the columns? Would you keep the free things or the not-free things? It's pretty safe to assume you wouldn't trade your family in for gadgets. And, if that's true, then the best things in life really are free.

But this doesn't mean you need to live on fresh air and fruits of the forest alone. Surely there's a balance? There is.

Most of us are born with a sense of responsibility for caring for ourselves and others, as well as our environment. We are driven to make a contribution to the world we live in and to go after achievement. This achievement, very often, comes in the form of work and its associated salary and sense of accomplishment.

This brings us to the next point: what about the not-free things? With a salary comes the ability to improve one's standard of living. That could mean a nicer or bigger house, a more comfortable car, pursuing travel dreams or just not living from month to month. But these improvements in living standard and the free things in life are certainly not mutually exclusive – you can have it all.

Money can definitely buy many things but, at the end of the day, these are just things. When the tally is drawn, our material wealth doesn't compare to the value of the free things in our life. That said, it's always good to keep dreaming, aspiring and growing. Financial security will give you the freedom of choice.

Economic commentary

In the first quarter of the Brexit vote, markets have settled and staged a cautious recovery. The focus was on monetary policy decisions by central banks. The diverging monetary policy trend looks set to continue as the United States is expected to increase rates by the end of the year while the eurozone, the United Kingdom, China and Japan continue with their own economic stimulus programmes.

The global outlook

- **The Federal Reserve opted not to increase interest rates:** A hawkish tone from the Fed (indicating that the Fed believes that inflation is high enough to warrant concern) and sufficient positive economic data have increased market expectations that a rate hike is still on the cards for this year.
- **China's economy grew by 6.7% in the second quarter:** Mixed data released shows the country is struggling to transform its economy from being export driven to consumption led.

- **Monetary policy decisions:** The European Central Bank kept its interest rates and stimulus package unchanged. The Bank of England halved interest rates to 0.25% and introduced a 170 billion pound stimulus package. The Bank of Japan increased its purchases of exchange traded funds to six trillion yen per year and adopted a new monetary policy to control short- and long-term interest rates.
- **OPEC strikes a deal to cut production:** The details of the deal will be decided at their November meeting. The announcement helped oil gain 6.4% in September. Year to date, oil is up 34.1%.

Our local outlook

- **South Africa's economy grew by 3.3% in the second quarter:** Continuing political turmoil, however, could have a negative impact on our next credit rating assessment.
- **The South African Reserve Bank left rates unchanged:** It revised its 2016 gross domestic product forecast from 0% to 0.4% and its 2016 inflation forecast down to 6.4%.

Market performance

World markets have shrugged off the imminent divorce of the UK and EU. Emerging markets returned 9.2% to outperform their developed counterparts by 5.4% (in dollars). The low interest rate environment globally has seen investors turn to emerging markets for higher yields.

The rand appreciated firmly against the dollar (6.7%), euro (5.4%) and sterling (10.1%). This was driven by foreign currency weakness and investors seeking the higher yields found in emerging markets.

Political uncertainty was the main contributor to volatility across the local markets. The Resources sector was the best performing local sector, followed by Financials and Industrials which returned 0.8% and -2.0% respectively.

The local property sector ended the quarter down 0.7%. The sector returned -4.9% in August as the spike in local bond yields (caused by political uncertainty) coincided with a rise in property yields and downward pressure on property stock prices. Returns in local fixed income were positive.

**WIN A R2 500
UNIT TRUST PRIZE**

What does insurance mean to you?

Send your answer with your name, surname and email address to equity@forbes.co.za before 6 January 2017. **Some answers will be published with first names only in the next newsletter.** If you don't want us to publish your answer or if you prefer to remain anonymous, please let us know.

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