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Break a leg

It is a little known fact that the owners of the World Trade Centre's twin towers believed that the simultaneous destruction of both towers to be impossible and that they believed the probability to be so far-fetched that they only ever insured one of the towers. In a similar fashion, most of us cannot imagine a freak accident causing a permanent disability – and from a risk perspective our instincts would be right. In fact, its not the freak accident we need to be worried about, but it's the less scary risks such as diabetes, heart, fractures and back pain that place us at risk of temporary or permanent incapacity

Recent research has revealed that most South Africans are hopelessly under-insured in respect of disability – a situation brought about by a combination of affordability, lack of information on how insurance works, a misunderstanding of what causes disability, together with a healthy dose of 'it'll never happen to me'.

From an insurance perspective, the four greatest risks facing us are temporary illness or injury, permanent disability, critical illness and death – with injury and temporary illness being the greatest risks to our working careers. In fact, a person is nine-times more likely to have a temporary disability than to have their car stolen or hijacked.

According to Stats SA, there are currently 2.8 million South Africans living with disabilities, with younger people more adversely affected by disability because they have not had as much time to accumulate wealth and create a financial buffer. A recent disability survey shows that a 25-year old has an 86% chance of suffering from a temporary disability, a 8% chance of being permanently disabled, a 23% chance of contracting a severe illness, and a 10% chance of dying before retirement. 92% of people between the ages of 25 and 32 are likely to sustain a temporary disability which will prevent them from working for 14 days or more.

Statistics show that 46% of income protection claims are from clients below the age of 40; and that serious illnesses such as diabetes – often a cause of disability – are becoming more and more common in people under 50. It was also revealed that vehicle accidents, which are a significant cause of temporary and permanent disability, are most common in men under the age of 30.

The gap between how people perceive their risk and what their chances actually are forms part of the under-insurance problem. According to a survey, less than 50% of people think they will have a temporary disability in their lifetimes and do not have any form of disability cover. The

truth, however, is that 70% of people will have at least one disability in their working careers that will prevent them from earning on either a temporary or permanent basis. Of those surveyed, two-thirds said they would run out of money within 3 months of being unable to work. Interestingly, over 50% of respondents thought that insurance provides ‘death cover’ and did not realise that insurance could be used to protect against disability and severe illness.

Disability cover is widely available throughout South Africa and generally takes the form of either (a) a lump sum benefit or (b) an income protection benefit. The purpose of disability insurance is to provide you with financial protection if you are unable to do your job and/or can no longer perform normal day-to-day functions such as bathing, dressing or eating. Because of the number and complexity of disability insurance options available in the market, consumers often attest to feeling overwhelmed and frustrated by the options.

A financial advisor will be able to help you quantify your disability insurance needs, distil the options available to you, and find the most appropriate and cost-effective solution for your needs. The reality remains that, while you are working and generating an income, your ability to earn is your greatest asset and should be protected. The quantum and type of disability cover will depend on your age, personal circumstances, earnings, debt levels, as well as how much retirement funding you have in place. In general, your financial advisor will consider the following:

Income protection

Income protection is a form of disability cover that is essentially a salary protection plan. In the event that you are temporarily or permanently disabled, this cover will provide you with between 75% and 100% of your taxable income. If you are temporarily disabled, you will generally be covered for a period of up to two years in aggregate. In the case of permanent disability, you will be covered up to your nominated retirement age which is generally age 65. It is important to ensure that your cover is linked to CPI so that your monthly pay out does not lose value over time in real terms. For self-employed people and entrepreneurs, income protection is very important as not going to work generally means loss of earnings. If you are formally employed, it is likely that you have some form of group disability cover in place, and your advisor will take this into account when assessing your needs.

Lump sum cover

Lump sum disability cover provides a single capital pay out in the event that you are permanently disabled. This form of insurance can be used effectively to settle home loans or debt in the event of a disability and can also provide much-needed financial assistance in respect of lifestyle

Why do we say break a leg?

The urbane Irish nationalist Robert Wilson Lynd published an article, "A Defence of Superstition", in the 1 October 1921 edition of the *New Statesman*, a British liberal political and cultural magazine, regarding the theatre as the second-most superstitious institution in England, after horse racing.

In horse racing, Lynd asserted that to wish a man luck is considered unlucky and so "You should say something insulting such as, 'May you break your leg!' Thus, the expression could reflect a now forgotten superstition (perhaps a theatrical superstition, though Lynd's 1921 mention is non-theatrical) in which directly wishing a person "good luck" would be considered bad luck, therefore an alternative way of wishing luck was employed.

Lynd did not attribute the phrase in any way to theatre people, but he was familiar with many of them and frequently mingled with actors backstage.

adjustments, home renovations and vehicle modifications that may need to be made. If income protection cover is not available to you for whatever reason, lump sum disability cover can be used to provide an income, although this comes with inherent investment, longevity and inflationary risks. Having said that, your financial advisor will be able to assist you with calculating the correct quantum of cover.

As you move through the various life stages, your need for life, disability and critical illness cover will change. An experienced advisor can help you formulate the right mix of life, capital disability, income protection and severe illness cover for your circumstances, and will review this cover at least annually to ensure that you are neither over- nor under-insured at any point in time.

The debt game

Contrary to what you may believe, debt can help build wealth - especially if the debt is used responsibly with a clear plan and objective. There are three ways that may help you to better utilise debt to increase your wealth over the long-term.

It's important to outline the difference between efficient and inefficient debt.

Inefficient debt is generally associated with assets that depreciate in value and have no potential of producing income or offering tax benefits. This could include debt such as a car loan or using a credit card to pay for a holiday.

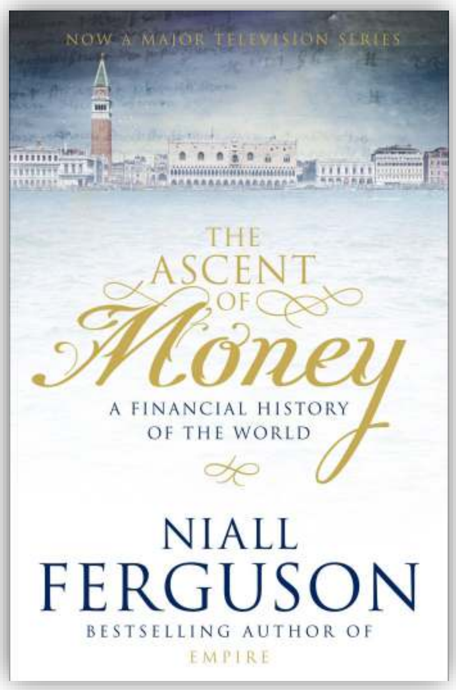
Efficient debt on the other hand is acquired to purchase assets that have the potential to grow in value and/or generate income that can be used to pay back the debt. Examples of such assets include property, shares and other securities such as managed funds. It's this type of debt that can help you build real wealth over the long term.

There are a number of ways to manage debt as a means to build wealth over the long-term.

1. Play the long game

Having inefficient debt is more than likely reducing your wealth due to the associated interest and fees. In some cases, it may be worthwhile focusing on paying down this debt first – starting with your highest interest/fee debt, and progressively paying this off.

For instance, if the interest on your credit card balance or personal loan is more than the interest on your home loan, depending on your circumstances, it may be better to pay off your credit card debt first given it has higher interest and fees than your home loan. By utilising this approach, you should be able to progressively reduce your overall interest payments.



The Ascent of Money

The Ascent of Money is a 2008 documentary by bestselling author and economist Niall Ferguson. It blends both facts and opinion. It's hosted by Ferguson, and takes viewers on a "historical adventure through the ascent of money."

At the 2009 International Emmy Awards, *The Ascent of Money* was recognized as the best documentary.

2. Peter to pay Paul game

Borrowing to invest (e.g., in property or shares), or gearing, can be a powerful means to build wealth over time as it enables you to purchase more investments than would be otherwise possible.

If your investments increase in value over time, gearing can generate a higher overall return, after the interest and other costs associated with the debt have been factored in. Capital growth and income generated from the assets can also be used to pay back the debt plus interest and fees. The interest charged on the debt may also be tax deductible.

However, there is always a risk that your investments may decrease in value, resulting in owing more on the loan than the value of your investment. If you're unable to pay back the loan due to unexpected circumstances such as, an interest rate increases or you're out of work for an extended period, the lender may have the right to take ownership of your investments.

In a worst-case scenario, depending on the amount you've borrowed to invest, you could lose more than your initial capital.

3. The recycling game

Debt recycling can be an effective strategy to accumulate wealth over time by converting some of your debt, which is inefficient (doesn't generate capital growth or income, or isn't tax-deductible) into debt that may be efficient (generates capital growth or income, or is tax-deductible).

One way to do this involves using a lump sum to pay off your inefficient debt. If you then borrow the same amount and invest it, you're essentially replacing the inefficient debt with a debt that is tax-deductible and could potentially generate wealth.

There are other options for implementing a debt recycling strategy, with varying levels of risk. A financial adviser may be able to help you determine a strategy that is most suitable for your needs.

The risks associated with taking on debt

Using debt as part of your investment strategy can introduce substantial risk including:

- Borrowing could increase potential losses
- Your losses could exceed the amount initially invested
- The value of your investments purchased using debt may not increase, or if the value does increase, it may not be sufficient to cover the costs of the loan such as interest and fees
- You may need to sell your investments sooner than intended to cover your interest, fees and charges
- If you are unable to repay your loan, the lender may have the right to sell your assets to cover outstanding repayments, interest or fees
- You may be liable to pay more tax.

The end game

Given the level of risk associated with an investment strategy that incorporates debt, it's important to consider whether this approach is right for you. Speaking to a professional, such as a financial adviser, is highly recommended.

It's also important not to incur more debt than you can comfortably afford to pay back, regardless of whether it is efficient or inefficient.

Bottom line: much like any game, when it comes to taking on debt, there is always risk. If managed well, efficient debt can help you to build your wealth over time.

Andy Warhol's Dollar art

Money first caught Warhol's attention in the early '60s, when he began drawing images of one and two dollar bills that he would eventually silk-screen on canvas, both singly and serially. Returning to the subject in 1981, Warhol isolated the symbol denoting "dollars" – the "Dollar Sign" – and made this the focus of the artwork, silk-screening multiple "$" in vivid colors one over another.

In October 2022 one of Warhol's Dollar signs was sold at auction for **£603,300**

The mighty Dollar

The $ sign may be the most powerful symbol of our age. In 2022, the USD strengthened against nearly every other major currency to levels not seen in decades, as the US Federal Reserve aggressively hiked interest rates in a bid to combat inflation.

The U.S. dollar, the official unit of currency of the United States of America, is the most used currency in international transactions and it remains the world's foremost reserve currency viz. a currency that is held in significant quantities by many governments and institutions as part of their foreign exchange reserves. But where did it come from, and where is it going?

The word "dollar" is an Anglicised form of the German word "thaler", the name given to silver coins minted in the 1500's in Joachimsthal in what is now the Czech Republic. Later on, the English version of thaler (dollar) was applied to the Spanish peso or eight-real piece (also known as "pieces of eight", famously used in tales of pirates in the Caribbean).

Independence

Prior to gaining their independence, Britain's North American colonies began to issue their own paper money to serve as a convenient medium of exchange and to pay debts. But when colonial governments issued too much money, inflation resulted. This depreciation of colonial currency was harmful to creditors in Britain when colonists paid their debts with money that had lost value. As a result, Britain restricted the colonies' rights to print paper money. These restrictions created tension between the colonies and Britain, and have been seen as a contributing factor to the American Revolution.

Continentals

In 1775, when the colonists were preparing to go to war with Britain, the U.S. Continental Congress began issuing paper money known as Continental currency, or "Continentals". As a result of the popularity of the Spanish dollar in the colonies, the rebel colonies chose to denominate their currency in dollars, rather than pounds. To finance the war with Britain, the various colonies printed vast numbers of Continental dollars, and the British also waged economic warfare by counterfeiting Continentals on a large scale. The value of Continental dollars depreciated so badly that they became almost worthless, giving rise to the phrase "not worth a continental".

After the U.S. won its independence from Britain, the term "dollar" was chosen for the monetary unit of the new nation. With the fate of the Continental dollars in mind,

the U.S. Constitution made no provision for paper currency. Until the American Civil War in the mid-1800’s, the U.S. government did not issue paper money as we know it today. U.S. currency consisted of dollar coins and foreign coins, including the Spanish dollar and Mexican peso, both of which remained acceptable as legal tender until 1857.

Paper money

Paper banknotes were introduced into the American financial system in 1861 to help finance the Civil War. Abraham Lincoln’s government brought these into circulation by using them to pay salaries of government workers and soldiers. Mindful of the British strategy of forging American banknotes during the War of Independence, and as photographic technology of the day could not reproduce colour, it was decided that the reverse of the new dollar bills would be printed in a colour other than black. The colour green was selected and these bills became known as "greenbacks". This started a tradition of the U.S. printing the back of its money in green and the term “greenback” was applied to future issues of paper U.S. dollars.

Rules & Regulations

There are some regulations to which the U.S. Treasury must adhere when designing dollar banknotes. The Secretary of the Treasury was given broad latitude by the US Congress to supervise the design, printing, and issue of banknotes. Individual portraits of 53 people central to the history of the United States have been depicted on the country's banknotes over the years, including presidents, cabinet members, Congress members, Founding Fathers, jurists, and military leaders. Only five people have been depicted on U.S. currency during their lifetime, including Salmon Chase, Lincoln's Secretary of the Treasury, who approved his own portrait for the 1861 $1. In 1873, Congress prohibited the use of portraits of living people on any U.S. bond, security, note or postal currency. Given the tendency for the faces of departed presidents to appear on U.S. dollar banknotes, dollar notes have also become known as “dead presidents”; this even though two statesmen appearing on the current dollar bill series were never president: Alexander Hamilton, the first Secretary of the Treasury, appears on the $10 bill, and Benjamin Franklin, a signatory to the Declaration of Independence, appears on the $100 bill.

US dollars are currently printed in denominations of $1, $2, $5, $10, $20, $50, and $100. At one time, however, U.S. currency included five larger denominations. Notes in the denominations of $500, $1,000, $5,000, $10,000, and $100,000 were printed, al-though the last -mentioned denomination was never officially released for public use. The common use of notes above $100 by organized crime prompted President Richard Nixon to issue an executive order in 1969 stopping their use.

Blind faith

One of the unusual characteristics of U. S. dollar banknotes is that all denominations are the same size and are largely the

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same combination of black and green. In 2002, this resulted in a lawsuit being brought by the *American Council of the Blind* in terms of which the court ruled this practice denies the blind "meaningful access" to the U.S. currency system. The judge noted that the U.S.A. “*was the only nation out of 180 issuing paper currency that printed bills that were identical in size and color in all their denominations*”. As a result of the court ruling, it is planned that a raised tactile feature will be added to dollar paper money.