



## Classic FM Business with John Fraser, 15/11/2007

### “Wealth Management,”

with Mike Estment CEO NFB Financial Services Group

**JOHN FRASER:** Our homes are our biggest investment, our biggest asset, and something which will help us enjoy a more comfortable retirement, but what do you do with your house as you begin to get old? With me is Mike Estment, CEO of NFB Financial Services Group. Mike, am I right - is the house normally the biggest investment someone will make in their lives?

**MIKE ESTMENT:** I would agree with your 100%. As markets in recent times have proven, it's an asset which can deliver superb results, continued growth and equity, it's a source of possible leverage so one can use it in need as great security against borrowings, although that comes with its own set of risks and realities.

**JOHN FRASER:** And when you reach retirement, possibly the family has moved away and you don't need quite such a big property, what are the options?

**MIKE ESTMENT:** I think that the big issue on property is location. Probably it is true that as the family moves on, the old home, the family home, is probably too large, a bit unwieldy. In the modern times in South Africa, we have tremendous pressures on the costs of owning a home. The municipal rates are in debate right now with significant changes in the offing, and it is an asset which you can actually liquidate and downsize and clearly gives you other capital to deploy into interests or capital growth returns.

**JOHN FRASER:** You say liquidate and downsize, so you sell it, move to somewhere smaller - presumably that wouldn't have to be in the same city or even country where you have been living?

**MIKE ESTMENT:** Indeed not. I think that it's quite interesting that I would imagine if one did, and we haven't done, but if one did the exercise, you'd find tremendous conglomeration of people of different ages in particular suburbs, around particular services and closer probably to the things that they do - the sporting interests, sometimes family issues, probably medical issues and the like.

**JOHN FRASER:** Presumably once you sell your house, you spend some of it on your next home, but you have to be very careful that you don't just blow the rest on a holiday because it is a useful investment into whatever pension or income you're going to have in retirement.

**MIKE ESTMENT:** I think that's a very important point. I think that all too often people liquidate assets, and as opposed to deploying the money smartly, there's a great risk that they are fooled into an "I've got a lot of money in the bank account so I'll just use a little of it", and before you know it, a whole lot has been squandered on lifestyle assets, on holidays and probably on upgrading and doing things that are not really necessary. So good advice would be to put it away, even if it's in a liquid money market type investment, get used to having it and then make conscious and careful decisions about deploying it in any particular asset. This leads us, if I may, into the retirement planning process and what we have done in the group is made special calculations around the impact of saving - the timing and time issues around savings. So if you do spend the capital, you could be setting yourself up for a disaster.

**JOHN FRASER:** We've talked about elderly people approaching retirement, but what about young people - how early should you get your first foot on the property ladder and purchaser a property?

**MIKE ESTMENT:** I think that the property story is something which as a primary residence, it is an opportunity for people to get involved in. Markets obviously have cycles and sometimes super-cycles, but over time property is an appreciating asset, the cost of the raw materials is not going to come down in a hurry and if you look at the tremendous infrastructural process going on in South Africa and you look at the world emerging countries - China, India, Brazil, Russia - their demand is unrelenting, their growth rates are enormous and it's only putting upward pressure on the price of components of a home. So the best advice is as soon as possible. Property isn't always within reach of young people, but there are many ways you can use it - you can go to your parents and get the necessary capital to provide a deposit, if you're lucky enough to have an employment which provides you with special income given the new Credit Act and the significantly more difficult issues around that in getting your first bond - if you can overcome those things, the sooner, the better.