



ISN'T SHE BEAUTIFUL!

# WEALTH TAP

## TapIN

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FACTS AND QUOTES

### CHASING WEALTH

Would you rather take R1 million right upfront or a cent on day one doubled every day until day 30? Before you read on, answer the question.

Doubling every day for 30 days would yield R10 million while doubling every day would yield R1 million in 27 days. So, taking R1 million upfront would make you look like a hero for 27 days.

Rick Guerin was smart enough to work with Warren Buffet and Charlie Munger as their third business partner. But these three mistakes led to his ultimate demise.

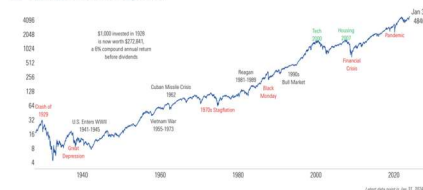
"Charlie and I always knew that (we) would become incredibly wealthy. ...we were not in a hurry to get wealthy; we knew it would happen. Rick was just as smart as us, but he was in a hurry. And so actually what happened -- some of this is public -- was that in the '73, '74 downturn, Rick was levered with margin loans. And the stock market went down almost 70% in

those two years, and so he got margin calls out the yin-yang, and he sold his Berkshire stock to me. I bought Rick's Berkshire stock at under \$40 apiece, and so Rick was forced to sell shares at ... \$40 a piece because he was levered." – Warren Buffet.

Berkshire Hathaway's share price is now at ten times that value!

The chart below confirms this:

Stocks Since the Great Depression  
S&P 500 Index Since 1928 (Log Scale)



Source: Thomson Reuters Data & Analytics  
Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Reference to specific asset classes should not be construed as a recommendation to buy or sell any specific security in those asset classes.

There have been many peaks and troughs since 1928 but staying invested in the S&P500 Index would have returned at 6% compound annual return excluding dividends.

Of course, one would now be 96 years old 😊.

"The fastest way to get rich is to go slow." – Morgan Housel.

"More the knowledge lesser the ego. Lesser the knowledge, more the ego." – Albert Einstein.

"Notice that, while lots of people are happy to tell you about Golden Ages, nobody ever seems to think one is happening right now. Maybe that's because the only place a Golden Age can ever happen is in our memory." — Adam Mastroianni.

"I think if you see the world accurately, it's bound to be humorous, because it's ridiculous." — Charlie Munger – RIP.

"You have to write the book that wants to be written. And if the book will be too difficult for grown-ups, then you write it for children." - Madeleine L'Engle.

"The most valuable financial asset is not needing to impress anyone." – Unknown.

"My ventures are not in one bottom trusted,... therefore, my merchandise makes me not sad." – Merchant of Venice.

## BRAINTEASERS

Two men walk into a bar.  
One man orders H<sub>2</sub>O.  
The other says,  
"I'll have H<sub>2</sub>O, too."  
  
The second man dies.

## DID YOU KNOW?

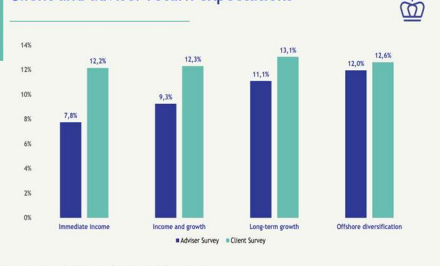
Water polo was invented in Scotland.

Alaska is the only US state that can be typed in one row of a keyboard.

## MIND THE GAP

In a recent survey annual adviser survey conducted by Coronation, there remains a significant return expectation gap between clients and advisers in the Immediate Income, Income & Growth and Long-term Growth investment objective categories.

## Client and adviser return expectations



The most alarming AND surprising is the 'Immediate Income' category.

If one compares current money market rates at 9% per annum, they are far closer to the adviser's expectations and well off the client's expectations.

For that category, the investment allocation should mostly be in money market and short dated bond instruments.

Why? A lack of educating clients by the advisers and a lack of awareness by the clients.

This can be remedied by increased levels of interaction and education by the adviser with the client – if the client is willing.

## LSM VERSUS SEM

Living Standards Measure (LSM) has served as the accepted audience measurement benchmark for many years. New industry standards see a move towards using SEM (Socio-Economic Measure) because what people own is not always an accurate reflection of their standard of living – particularly given the fact that most South Africans have a large amount of debt and live beyond their means.

LSM is argued as a misrepresentation of the South African household landscape. SEM relies less on durable goods and more on household and community

infrastructure, which changes less gradually. The only four durables included are a deep freezer, microwave oven, floor polisher or vacuum cleaner and washing machine. The list used to measure SEM is:

Built-in kitchen sink.

Water source/Hot running water.

Type of toilet.

Motor car.

Microwave oven.

Washing machine.

Deep freezer – free-standing or a side-by-side fridge and freezer.

Floor polisher or vacuum cleaner.

Type of roof material.

Type of floor material.

Number of sleeping rooms.

Home security service.

Post office near home.

Police station near home.

## LAST LAUGH

**I did some financial planning and it looks like I can retire at 97 and live comfortably for eleven minutes.**