KNOW HOW

Ready to be your OWN BOSS?

Kate Ferreira asks author and entrepreneur Shirley Anthony for top tips on how to get a start-up business off the ground

For the past two decades, Shirley, 57, has run her own successful company, called Marketing Breakthroughs, with big-name clients including Nedbank and Liberty Life. With so many people looking for advice on going their own way, Shirley decided to share her knowledge on navigating this tricky terrain, publishing her book, *The New Entrepreneur: A Practical Marketing Guide for Growing your Business Now* (Black Card Books), in 2015. The book draws from her own experience and that of over 50 successful entrepreneurs, from Jenna Clifford to Pam Golding CEO Andrew Golding.

Save towards it

Build up a nest egg of at least six months' living expenses before you resign from your job, to tide you over in the initial lean months of your start-up.

➤ MAKE IT WORK "When you're thinking about going solo, but are still in a salaried job, that's when to look at your expenses, and see what you can do away with, and where you can save," says Shirley. She paid extra into her home access-bond each month while earning a salary, which she could then draw from when she launched her biz.

Do your research

You need to know the market size, who potential customers are, and what costs are involved, to plan pricing. "Evaluate whether your offering will fulfil a customer's needs, and gather info about competitors, the market, and relevant trends," says Shirley.

➤ MAKE IT WORK Do "desk research", searching for similar products and companies online using words your customers may use to find you. Next, do "dipstick research": hit the streets, or call related businesses, asking people if they're interested in your offering, what they'd pay for it, and how they'd use it.

Think marketing

Far too many people take a shotgun approach to marketing their business, Shirley warns. This is where you try to appeal to a large, undefined market, instead of focusing on a specific target market. It's important to have a marketing plan based on real insights gleaned from your research. Getting a spot on national radio at 2pm may sound good, but it won't work if potential customers are all at their desks at work at that time...

➤ MAKE IT WORK Write down questions about potential clients. Who is my target market? How do they think? Where will I find them? What media do they consume? Does my packaging/design align with the brand I want to create? These answers will help you in both marketing and developing your unique brand. Create a new marketing plan annually, toward the end of a financial year, and try to review it quarterly so you can be responsive to new trends or disruptions.

Hone your networking skills

In the first 18 months, virtually all of Shirley's new clients came from business acquaintances. A networking event is a good source of business, but instead of seeing it only as a way to pitch your company, see it as a fact-finding mission, too.

➤ MAKE IT WORK Prepare a 30-second "elevator pitch", so you don't ramble when someone asks what you do. But make the most of your time to learn about others' businesses for valuable insight – what are their needs, what keeps them up at night, and what solutions do they have? Put new contacts on your database immediately, with notes about who they are and what they do. Don't spread yourself too thin by chasing too many people. This applies to social networking, too – you don't have to be on all the networks. Choose one or two that are best suited to your company, like LinkedIn for business-to-business (B2B), or Facebook for the consumer market. Write up a short, clear and compelling social-media profile, linked to your website.

Registering and naming your business

A registered business has clout, and it'll help with legalities – especially important if you're going into a partnership, or if you want to keep your personal- and business assets and liabilities separate. A company is a distinct legal entity from its shareholders or owners, and registering one can limit liability if there is ever a legal claim against the business, or it goes into liquidation.

When registering, you will have to select a name. It'll need to be web-friendly – easy to remember and spell (for example, you don't want people wondering if the "4" in your name is actually "for" or "four"), and unique enough so it doesn't disappear into the millions of Google-search results.

> 'The spelling of your company's name should be easy, to facilitate googling'

➤ REGISTERING Register as a customer with the Companies and Intellectual Property Commission (CIPC) before you register your company through them; their site (*cipc.co.za*) has helpful step-by-step guides on how to do this. When registering your small, private, profit-based company, you can do so hassle-free online (*eservices.cipc.co.za*). You'll have to submit two forms: a Notice of Incorporation, and a Memorandum of Incorporation, and it'll cost R125 to register. It can take up to 25 days on average to process the application, and have your company registered. Some banks, like FNB and Standard Bank, register your business on your behalf when you open a business account with them. You pay the same fee, but won't have to do the admin.

➤ NAMING When registering with CIPC, you can submit four name options, and will be alerted immediately if any are taken. If you want a quicker registration, you can register without a name, and trade under a company number – but, you must pay a deposit of R50 to reserve a name (done electronically) to use later. If you register with an approved name, but want to change it later, it'll cost you an extra R250. Also think about your website address when picking a name – ideally, you want to include your business name in it. To see if the address you want is available, go to *registerdomain.co.za*; it costs from R75 per year to register a domain (web address), and from R15 per month to host it through this site.

Tax talk

All businesses registered with the CIPC are automatically registered with SARS. If your business sells goods (not a service) and has an annual turnover of R1 million or less, it might be considered a "micro business", and may then qualify for "turnover tax".

➤ NEED TO KNOW This is a simplified, elective tax in which you pay a single tax instead of tax across various categories (VAT, income, provisional, capital gains, and dividends), in two payments spread out within a tax year. Qualifying companies get lower tax rates, and submit less paperwork to SARS. You must keep records of all incoming money, dividends declared, and a list of assets and liabilities over R10 000 each; see *tinyurl.com/qap7sst* for more information.

The new BEE codes

The Department of Trade and Industry's revised B-BBEE codes of good practice came into effect on 1 May 2015.

➤ NEED TO KNOW Businesses with a turnover under R10 million are seen as "exempted micro enterprises" (EMEs), and don't have to apply for a BEE certificate through an accredited agency. To confirm their BEE status, EMEs can now use an affidavit signed by a commissioner of oaths, submitted to a CIPC self-service terminal in Pretoria, Joburg, or Cape Town. Download an affidavit template from the CIPC site (find it under the 'Maintain your Business' section on the home page).

Book giveaway...

Win one of three copies of Shirley's book, *The New Entrepreneur*, worth R250 each. To enter, see *womanandhomemagazine.co.za* before 7 February 2016. >>

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The new RETIREMENT *rules...*

New rules governing retirement annuities, pension funds, and provident funds will come into play as of March this year. Liz Still puts some questions to the experts

OUR EXPERTS

➤ **CHRIS VEEGH** is the head of consulting at 10X Investments, and has over 25 years' experience in the investment industry.

➤ **BRUCE FLEMING** is the executive head of private clients for Consolidated Financial Planning's Western Cape division. He is a Certified Financial Planner, with almost 20 years' experience.

According to the Financial Services Board, only about 6% of working South Africans can maintain their standard of living once they retire. You might find that when you're 60, you're too "well-off" to qualify for the government-provided "older-person's grant", even though you still don't have enough to live on (to qualify, you can't earn over R5 390 a month, or have assets worth more than R930 600). The new retirement rules, which will come into effect from 1 March this year, have been designed to encourage people to save more for retirement.

However, these rules are only a part-fix of the retirement system; it still won't be compulsory for either you or your employer to contribute to your retirement.

There are three types of retirement funds: pension funds, provident funds, and retirement annuities (RAs). To date, each type has functioned under a different set of terms and conditions. Many of these T&Cs will now change, the idea being to make the rules governing all three types more consistent and less complicated.

Q Will these new rules affect pension payouts?

A Yes, the rules will affect the amount of money that you can take out of your retirement fund when you retire. The current rules allow provident-fund members to take all of their retirement money in cash when they retire, while members of pension funds and RAs may only take up to one-third in cash, and then have to invest the rest. But after March 2016, all members (which will now include those who have provident funds) will be limited to taking one-third of their investments in cash, and will have to re-invest the balance so it can be paid out in smaller monthly instalments.

'Retirement reform is here, and it's meant to help people save toward their retirement' – Bruce Fleming

Table 1: Maximum tax-free contributions to retirement funds before 1 March 2016

PENSION TYPE	EMPLOYER CONTRIBUTION	YOUR OWN CONTRIBUTION	TOTAL	TAX STATUS
Pension Fund	Up to 20% of pensionable salary	Up to 7,5% of pensionable salary to a pension fund	Up to 27,5% of pensionable salary in the pension fund, *plus* 15% non-retirement funding into an RA	Employer contributions to pension- and provident funds in respect of employees are tax-free
Provident Fund	Up to 20% of pensionable salary	None	Up to 20% of pensionable salary in the provident fund, *plus* 15% non-retirement funding into an RA	
Retirement Annuity (RA)	Self-employed people can contribute up to 15% of income. Pension- and provident-fund members can contribute up to 15% of their non-retirement funding into an RA		Up to 15%	Employer contributions to retirement annuity funds of employees are taxable

Q **Are tax-free contributions to pension funds affected?**

A There are new rules dictating how much of your retirement-fund contributions will be tax-free. Under the existing system, there are complicated rules on how much you or your employer can contribute to your retirement fund without being taxed, and on the tax status of different contributions (see Table 1, above). The new limits and rules are explained in Table 2 (below, right).

Q **What are the tax implications of the new rules?**

A In general terms, the new rules will see more people benefiting from higher tax deductions, giving a greater incentive to save for their retirement. As you can see in Table 2 (below, right), allowable deductions for all members of all three types of funds will be the same from March. You'll be able to claim a tax-deduction for contributions to a retirement fund up to 27,5% of your remuneration† or taxable income†, whichever is more, capped at R350 000 per year. If your employer makes the contribution to your retirement fund, this will now be offset by way of fringe-benefits tax†. *†See our Jargon Buster box overleaf.*

Q **Will there be a phasing in of the new retirement-fund rules?**

A Yes. If your money is in a provident fund, the new rules on how much you can take out will only apply to "new money" (that's any contributions made to a provident fund after 1 March 2016, including the interest and dividends earned on those contributions). Money invested before this date (as well as any future returns on this money) will still be governed under the old rules, so you can still draw this portion as a lump sum at retirement (or before, if you resign or are retrenched). Provident-fund members who are 55 or older on 1 March 2016 will still be able to withdraw all their savings as a lump sum on retirement, regardless of how much they contribute to the fund after 1 March. Also, members of all three types of retirement funds will only have to buy an annuity† with two-thirds of the investment if the total retirement balance is over R247 500 at the retirement date. This figure will be adjusted for inflation from time to time. The previous old-rule limit was R75 000. *†See our Jargon Buster box overleaf.*

Those earning more than R2,4 million a year should take note that the tax period ending 29 February 2016 offers the last chance to receive a tax deduction on contributions in excess of R350 000, says Chris Veegh. He suggests topping up your pension- or RA fund, or asking your employer to top up your pension- or provident fund on your behalf.

Q **What will happen if you don't invest your maximum limit of R350 000 in one year – can you catch up the next year?**

A Yes. Any contributions under the annual limit can be "caught up" in future years, but will be subject to the limits applicable in those years.

Q **How much of your gross (pre-tax) income should you try to save toward retirement each month?**

A "The rule of thumb is to try to save at least 15% of your gross monthly income, irrespective of how much you earn," advises Chris Veegh. "Saving R350 000 a year doesn't necessarily guarantee that you'll have enough money in retirement, because having 'enough' is a relative concept linked to your pre-retirement lifestyle. If you earn >>

Table 2: Maximum tax-free contributions to retirement funds after 1 March 2016

PENSION TYPE	EMPLOYER- OR OWN CONTRIBUTION	TOTAL	TAX STATUS
Pension Fund	Up to 27,5% of remuneration or taxable income, whichever is more	27,5% or R350 000, whichever is less	Employer contributions must be classified as a fringe benefit, and taxed accordingly
Provident Fund			
Retirement Annuity (RA)			

more than R2,4 million a year, you'll have to top up your retirement contributions using 'after-tax' money," he says. "If you earn R3 million a year, for example, you should save R450 000 a year in order to stick to the 15% savings 'rule of thumb'. You can still contribute the full R450 000 to your retirement fund, but the extra R100 000 will not be tax-deductible in the current year. Alternatively, you can invest this money privately – in a unit trust or in an exchange-traded fund, for example."

Q Are there any other plusses to the new rules?

A One important new benefit is that if you had saved through an RA, and then joined a new employer with a retirement fund, you will no longer lose the tax-deduction benefit that you used to enjoy on your RA. Also, if you currently contribute toward retirement through a provident fund, you will now receive a tax deduction on that contribution, so your take-home pay will increase.

Q Are there any catches that we should know about?

A Yes. Under the new rules, only employees/individuals can claim tax relief from retirement-fund contributions. This means that if your employer contributes to your retirement fund, it must be classified as a "fringe benefit", and taxed accordingly. Secondly, as mentioned above, you can't contribute more than R350 000 per year, tax-free (whether it's your employer's or your own contribution), to your fund. And remember that money invested in any type of retirement fund must be invested according to "prudential guidelines". These are investment rules that limit exposure to individual investments, such as an investment in a single listed company, limits on asset types, and limits on offshore investments. For example, retirement rules limit investment in equities to 75%, and only 25% of the value of your portfolio can be invested offshore.

Q Who will be least affected by these new fund changes?

A Probably pension-fund members. This is because pension funds are effectively becoming the "standard" retirement-fund model under the new rules. Provident-fund members will probably be the most affected by the change, as they'll have to switch over to the pension-fund model, which only lets you take one-third of your savings in cash when you retire, leaving the other two-thirds for you to live off from month-to-month in your old age.

RETIREMENT-FUND FACTS

➤ Even though South Africa's GDP is ranked 33 in the world (measured in current prices), we are one of the 16 countries in the world with the biggest pension markets – this is according to the 2015 Towers Watson Global Pensions Asset Study.

➤ **The same study reported that the 10-year average growth rate of global pension assets (in local currency), for the period ending December 2014, was just over 8%. Measured over the same period, South African pension funds grew by 13%, second only to Mexico at 19%.**

➤ You might be one of over three million South Africans who, in total, are owed over R45 billion from unclaimed contributions. Even if you were paid out when you resigned or were retrenched, there is a chance you might be owed more money from your old employer's pension fund. Visit *unclaimedbenefits.co.za* for more information. >>

Jargon busters

➤ **REMUNERATION** According to SARS, this includes any income from employment, such as salaries, wages, bonuses, overtime pay, taxable (fringe) benefits, allowances, and certain lump-sum benefits.

➤ **TAXABLE INCOME** includes remuneration, as well as profits or losses from a business or trade; income or profits arising from an individual being a beneficiary of a trust; director's fees; investment income, such as interest and foreign dividends; rental income or losses; income from royalties; annuities; pension income; and certain capital gains.

➤ **FRINGE BENEFITS** Employers have a duty to determine the value of "perks" including, for example, the use of a company car, free meals, renting a company-owned property or, in this case, contributions to retirement funds.

➤ **ANNUITY** Usually a fixed sum of money or a benefit paid to a person in monthly-, quarterly-, yearly-, or similar recurrent instalments.

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