

**THE ASSET COMPOSITION OF HIGH NET WORTH
INDIVIDUALS IN THE SOUTHERN GAUTENG AREA
OF SOUTH AFRICA**

by

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Summary

In South Africa, less than 10% of individuals are financially independent after retirement, with an increasing number becoming dependent on social grants from government – hence the importance of analysing the asset composition of high net worth individuals who have achieved financial independence.

To achieve the aim of this study, it was first necessary to define net worth and to develop a theoretical framework of the assets and liabilities included in the measurement of an individual's net worth and how these assets and liabilities should be valued. A definition of high net worth individuals was then formulated. Secondly, the factors influencing the asset composition of high net worth individuals, as well as selected demographic factors that influence net worth, were investigated. Finally, following a quantitative approach, data collected from the liquidation and distribution accounts of deceased individuals were analysed according to the developed framework.

The results of this study suggest that there are indeed differences in the contribution of the different asset types when measured using the mean, relative contribution and importance of the asset class in comparison with total assets. Further analysis revealed that the richest individuals included in the survey invested more in shares than the other groups for whom immovable property was the primary asset. Based on the analysis of selected demographic factors, the findings indicated that for many of the dependent variables, the asset used most by respondents in that group was not the same asset that made the highest contribution to the net worth of the individuals in the group.

Keywords:

- Net worth measurement
- High net worth individual
- Asset composition
- Life-cycle hypothesis
- Permanent income theory
- Keynes' theory of saving
- Factors influencing saving behaviour
- Life-cycle framework
- Assets and liabilities in liquidation accounts
- Factors influencing the individual's decision to select asset types
- Demographic factors influencing net worth

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Studies estimate that less than 10% of South Africans are financially independent after retirement, with an increasing number becoming dependent on social grants from government (National Treasury, 2004; Masimela & Kiniki, 2009; National Treasury, 2013). There are a number of factors that influence an individual's ability to retire with financial security. An analysis of the literature identified two main factors. The first is insufficient income to save for retirement. The second is investment in inappropriate assets which, in some instances, is ascribed to unsound financial advice. The aim of this study was to investigate the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and gauge whether any demographic factors have an influence on their asset composition.

Internationally and in South Africa, there is a paucity of information on high net worth individuals. According to the World Bank, one of the challenges of obtaining information from high net worth individuals is that they tend to under-declare their assets or underestimate the value of the assets (Grosh & Glewwe, 2000). This study followed a unique approach to obtaining information relating to the individual's assets composition and the associated liabilities. For the purpose of this study, information was obtained from the liquidation and distribution accounts of deceased estates. These accounts and schedules are prepared by the executor of the estate in terms of the Administration of Deceased Estates Act of 1965, and contain information on the assets in which the deceased invested and the liabilities he or she owed at time of death.

The liquidation and distribution accounts also contain certain demographic information on the deceased at the time of death, for example, age and marital status. These variables are used to compare the assets composition in the liquidation and distribution accounts of respondents that fall into the different categories.

1.2 BACKGROUND INFORMATION

The aim of this study was to investigate the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and to determine if any demographic factors influence their asset composition. In order to successfully complete the study, three important factors had to be considered, namely how net worth is measured, which assets an individual can invest in and factors that influence net worth. The next sub-section contains a short overview for each of these factors.

1.2.1 Net worth of individuals

Net worth has been studied in various fields, including household accounting, economics, the system of national accounting and financial planning. Despite using different terminology to describe it, for example, net wealth and net equity, all fields of study agree that net worth is measured by combining the values of assets and liabilities.

This understanding of net worth is based on the accounting equation developed in the seminal work of Luca Pacioli (a Franciscan friar) in 1494 (Lauwers & Willekens, 1994). The accounting equation explains the financial relationship between net worth (equity), assets and liabilities as follows:

$$\text{Equity (net wealth)} = \text{Assets (A)} - \text{Liabilities (L)}$$

An individual increases his or her wealth over a period of time when the value of his or her assets (A) increases more than the increase in the value of his or her liabilities (L) or if the value of his or her assets (A) decreases less than the increase in the value of his or her liabilities (L), resulting in an increased net wealth ($E_{t1} > E_{t0}$).

An increase in assets (or similarly, a decrease in liabilities) can be achieved through one of two methods. The first method relates to the situation where the income earned is more than the amount spent on consumption expenses or where there was capital growth in the value of assets (Keynes, 1936; Dickerson, 2008).

Dickerson (2008) confirms the first of these methods, indicating that there is a relationship between income earned and the ability to save (resulting in an increase in

net worth). He found that many Americans use credit to pay for living costs because of stagnant or declining wages. This increase in liabilities, without a similar increase in asset values, results in a decrease in the individual's net worth.

The second method, namely an increase in the value of assets, has been the focus of many studies in the field of financial planning, with these studies finding that the underlying asset in which a person invests has a significant impact on the growth achieved (Goodall & King, 2010).

This study focused on the assets that high net worth individuals invest in. As these individuals are already classified as having high net worth, it is assumed that asset protection and asset growth are their focus. According to Modigliani and Brumberg's (1954) life cycle hypothesis, and Friedman's permanent income hypothesis (1957), a person saves (increases and protects his or her net worth) during the family, career and pre-retirement years to provide income after retirement. Botha (2010) asserts that asset growth and protection are an integral part of any individual's financial plan. The next section describes the different products that individuals can invest in.

1.2.2 Assets individuals can invest in

Various studies have investigated the asset allocation of individuals and the reasons why people invest in specific assets (Goodall & King, 2010; Abrie, Graham & Van Der Linde, 2003; Insurance Institute of South Africa, 2004, Van Zyl, Botha & Skirritt, 2003; Botha, Du Preez, Geach, Goodall & Rossini, 2011). Each asset has its own risks and benefits that should be considered when deciding whether to invest in it. Venter (2009) developed a framework of financial product groups in which South Africans can invest (figure 1.1).

The financial product groups in figure 1.1 can be further divided into two categories, those aimed at protecting the individual's assets and those that will provide future growth. Financial products such as healthcare products, short-term insurance and long-term insurance are aimed at asset protection, as they fulfil the precautionary savings motive (Keynes, 1936).

Owing to the fact that the aim of the study was to determine the asset composition of individuals at time of death, these precautionary financial products were excluded from the remainder of the study. A discussion of which assets to include in the analysis framework and the motivation for these selections is provided in chapter 2 (Assets included in measuring an individual's net worth, page 11).

FIGURE 1.1
FINANCIAL SERVICES INVESTMENT PRODUCTS AND INSTRUMENTS



Source: Venter (2009)

1.2.3 Demographic factors influencing asset composition

When selecting an asset to invest in, investors normally want the largest possible return on their investments. However, according to Bernstein (1998), one cannot expect to make large profits without taking the risk of large losses. Studies investigating personal factors that influence an investor's choice of assets to invest in identified the following factors that influence asset selection (and associated risk uptake) of investors (Cirelli, 2003; Swart, 2002; Goodall, 2015; Jacobs-Lawson & Harshey, 2005):

- age
- single or married with a family
- current financial situation (wealth or financial independence)
- nature of income (regular or on a commission basis)
- existing investments
- attitude towards risks
- physical abilities
- health
- educational level
- present career
- source of funds and purpose of investment

As the study made use of the liquidation and distribution accounts of deceased estates to collect information on the asset composition of high net worth individuals, not all the factors were included in the study. Chapter 3 (Factors influencing high net worth individuals' net worth, page 38) provides a discussion of the factors that influence asset selection by individuals.

1.2.4 High net worth individuals

Internationally, there is no generally agreed-upon definition of a high net worth individual. In South Africa, various financial service providers have their own in-house definitions of what high net worth individuals are. However, there are differences, depending on the objective and targeted segment of the financial services providers.

The requirements to become a client of the major banks in South Africa’s “private banking” privileges appear in table 1.1.

**TABLE 1.1
PRIVATE BANKING REQUIREMENTS**

Name of bank	Entry level salary
Absa	R 750 000
Investec	R 800 000
Nedbank	R 450 000
Rand Merchant Bank	R1 000 000
Standard Bank	R 700 000

Source: [Moneyweb \(2015\)](#)

A common factor for all of these financial institutions’ criteria is that they use the income level of an individual and not the household accounting principle of “assets minus liabilities” to determine if a person qualifies as a high net worth individual. Chapter 4 (Research design and methodology, page 59) investigates international guidelines on how to define a high net worth individual and formulates a working definition for the purposes of this study.

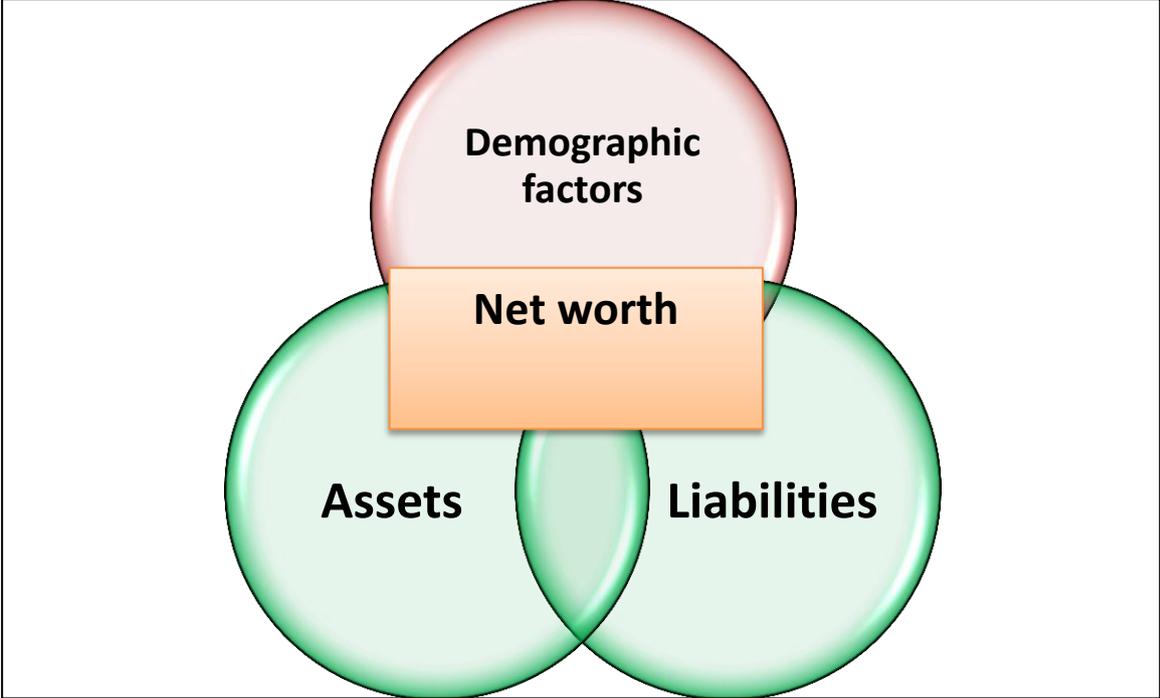
1.3 RESEARCH QUESTION AND RESEARCH OBJECTIVES

As stated earlier in this chapter, the aim of this study was to investigate the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and ascertain if any demographic factors have an influence on this asset composition. In order to achieve the purpose of the study, the following research question was formulated:

What is the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and do any demographic factors influence this composition?

The research question is graphically presented in figure 1.2 indicating that assets and liabilities are affected by demographic factors and affects net wealth.

**FIGURE 1.2
FRAMEWORK FOR STUDY**



Source: Own compilation

In order to answer the above research question, the following three sub-objectives were formulated:

Sub-objective 1:
Describe which assets and liabilities are included in the measurement of a high net worth individual's net worth.

Sub-objective 1 will be investigated in chapter 2 (Assets included in measuring an individual's net worth, page 11).

Sub-objective 2:
Identify factors that influence the asset composition of high net worth individuals.

Sub-objective 2 will be investigated in chapter 3 (Factors influencing high net worth individuals' net worth, page 38).

Sub-objective 3:

Analyse the influence of selected factors in the net worth of high net worth individuals.

Sub-objective 3 will be investigated in chapter 5 (Factors influencing asset composition, page 72).

1.4 RESEARCH DESIGN AND METHODS

In order to achieve the research objective of the study, the research was conducted in two sequential phases. During the first phase of the study, a review of literature was conducted. The literature review focused on defining net worth, the assets an individual can invest in, demographic factors that influence asset choices and defining high net worth individuals.

In the second phase of the study, a quantitative research design was used to determine if any available demographic factors influence the asset composition of high net worth individuals at date of death.

The data contained in the sample for this study was obtained from the estates of individuals administered by the Master of the High Court in Johannesburg. The deceased estate files contain the estate accounts of deceased individuals. These accounts contain information relating to the deceased's net worth, asset composition and available demographics. The data was analysed using descriptive statistics, which could be determined from the data available for analysis in the estate accounts.

Although this approach provided valuable insight into the assets and liabilities of high net worth individuals, a number of limitations were evident. The main limitation identified was the effect of estate planning practices. The implications of this limitation on the value of the assets in an estate are explained section 6.1 (Introduction, page 101). A second limitation of the study was that all demographics factors were not presented by

the data. The demographic factors are described in section 3.4 (demographic factors influencing asset composition, page 50).

A third limitation may result from the valuation methods of the property that may not include guideline on all types of assets owned by an individual. As described in section 4.3.2 (Initial and revised sampling design, page 61) it may result in a limitation of this study because estates below the threshold were not considered to be selected for the sample of data.

A fourth limitation results from the fact that the sample was selected from the Master's office in Johannesburg is that the results cannot be generalised for the entire South African population.

1.5 CHAPTER LAYOUT

The chapter layout of the study is as follows:

CHAPTER 1: INTRODUCTION

In this chapter, the introduction and background to the study were provided. The research problem and objectives of the study were also formulated. This was followed by an explanation of the research method applied in the study.

CHAPTER 2: ASSETS INCLUDED IN MEASURING AN INDIVIDUAL'S NET WORTH

This chapter starts by defining what net worth is and how it can be measured in different disciplines. The next section describes the assets and liabilities that must be included in measuring an individual's net worth and how these should be measured. This is followed by a discussion of the procedures used to compile the liquidation and distribution account of a deceased estate and how assets and liabilities are valued in the accounts. The chapter concludes by formulating a definition for high net worth individuals for the purposes of this study.

CHAPTER 3: FACTORS INFLUENCING HIGH NET WORTH INDIVIDUALS' NET WORTH

This chapter focuses on identifying factors that influence the asset composition of high net worth individuals. The demographic factors that influence net worth, as identified in the literature, are then discussed.

CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY

The aim of this chapter is to describe the two research methods applied in the study, namely a conceptual analysis approach (qualitative research design) and the interpretative approach (quantitative research design). The chapter provides an overview of the data collection process and the demographic profiling of participants.

CHAPTER 5: FACTORS INFLUENCING ASSET COMPOSITION

This chapter evaluates the effect of selected factors (independent variables) on the net worth of high net worth individuals.

CHAPTER 6: SUMMARY AND CONCLUSION

This chapter provides a summary and conclusions of the study and makes recommendations for further research.

CHAPTER 2

ASSETS INCLUDED IN MEASURING AN INDIVIDUAL'S NET WORTH

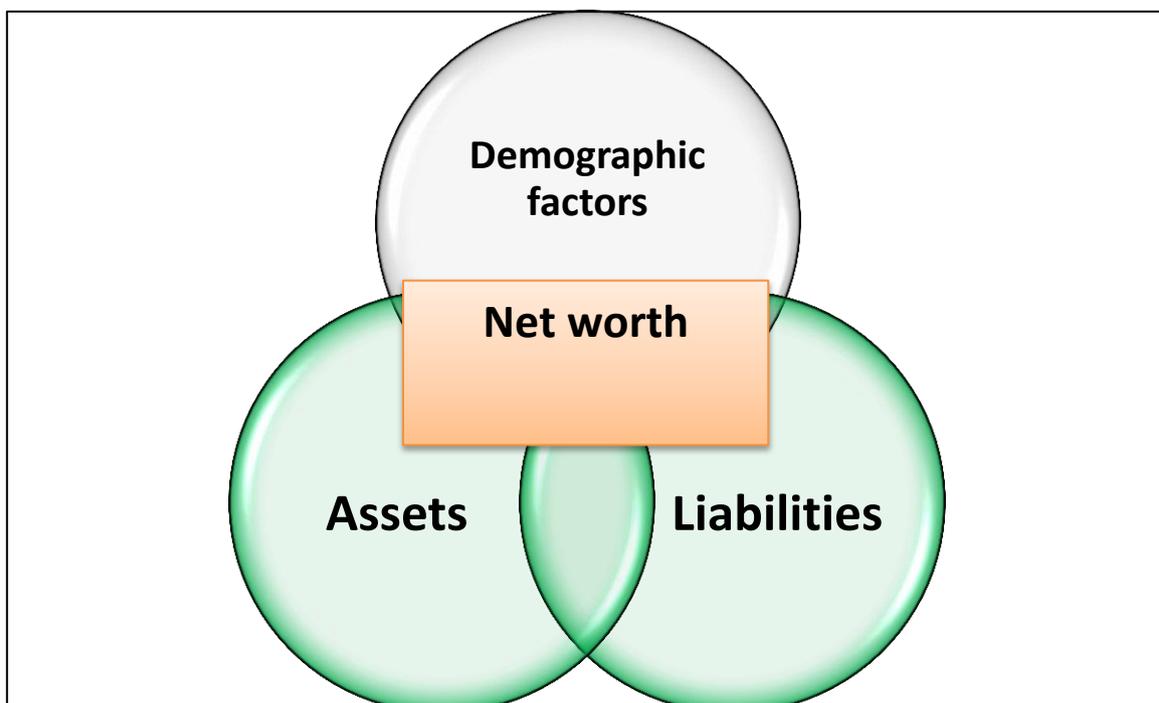
2.1 INTRODUCTION

In the previous chapter the objective of this study was formulated to investigate the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and to ascertain if any demographic factors influence this asset composition. In order to achieve the objective of the study four sub-objectives were formulated. As presented in figure 2.1 this chapter investigates the first of these sub-objectives:

Sub-objective 1:

Describe which assets and liabilities are included in the measurement of a high net worth individual's net worth.

FIGURE 2.1
FRAMEWORK FOR STUDY



Source: Own compilation

This chapter starts by defining what net worth is and how it can be measured in different disciplines. The next section describes the assets and liabilities that should be included in measuring an individual's net worth and how these should be measured. This is followed by a discussion of the procedures used to compile the liquidation and distribution account of a deceased estate and how assets and liabilities are valued in these accounts. The chapter concludes by formulating a definition for a high net worth individual for the purposes of this study.

2.2 DEFINITION OF NET WORTH

2.2.1 Introduction

An initial review of the literature revealed that authors use the terms “net worth”, “wealth” and “net equity” interchangeably (Combrink, 2015). According to Davies, Shorrocks, Sandstrom and Wolff (2007), although the terms “net worth” or “net wealth” are used in two studies, this does not imply that the authors understand or define the terms in the same way. Interpretation of the term ranges from the amount of money owned (sometimes including rights to future payments), to the value of all household resources, including human capabilities (Davies et al., 2007; Demilia, 2011).

As indicated in the preceding paragraphs, net worth can have different meanings in the context of a specific study or the field of study. Although studies concur that net worth is calculated by deducting liabilities from assets, the method used to value these items and the individual items included in the measurement differ, especially in different fields of study. This basic framework was also adapted for measuring an individual's net worth (figure 2.2). The sections below focus on different measurements of net worth and what information is currently available in South Africa.

FIGURE 2.2
NET WORTH FRAMEWORK



2.2.2 Measuring net worth in the System of National Accounts

The System of National Accounts was developed by the World Bank in an attempt to provide a framework within which economic data could be collected and analysed to assist decision makers and provide guidance on economic policies (European Commission, 2014). In terms of the System of National Accounts, information is collected and published for different institutional units in countries. These institutional units were developed taking into account the group's principal functions, behaviour and objectives, for example, financial intermediaries and general government. The assets and liabilities of individuals are included in the household sector of the national accounts.

The South African Reserve Bank follows the guidelines provided in the System of National Accounts to prepare the national accounts for South Africa. The South African Reserve Bank publishes a quarterly bulletin containing the national accounts for South Africa with information relating to each of the sectors in the economy (including the household sector). These calculations are based on macro-economic data and provide a macro-level overview for each of the institutional units (SARB, 2014).

Net worth of individuals is included in the balance sheet for the household sector published in the quarterly bulletin. In terms of the System of National Accounts guideline, two types of assets must be included in the household balance sheet, namely:

- financial assets
- non-financial assets (World Bank, 2014)

However, it is important to note that durable consumer goods such as vehicles are not included in the assets of the household but provided as a separate memo item (World Bank, 2014). In order to calculate the net worth of individuals for comparative purposes, this memo item must be added to the net wealth in the report. Table 2.1 provides the household balance sheets for 2013 and 2014.

The total net worth of the household sector is thus R8,724 billion (2013: R7,911 billion), being net wealth of R8,087 billion (2013: R7,328 billion) and durable consumer goods of R0,637 billion (2013: R0,583 billion) (SARB, 2015).

TABLE 2.1
HOUSEHOLD BALANCE SHEET

Category	R' million	
	2013	2014
Non-financial assets	2 583	2 846
Residential buildings	2 125	2 355
Other non-financial assets	458	491
Financial assets	6 441	7 034
Assets with monetary institutions	762	859
Interest in pension funds and long-term insurers	3 422	3 805
Other financial assets	2 257	2 370
Total household assets	9 024	9 880
Total household liabilities	1 696	1 793
Mortgage advances	833	854
Other debt	863	939
Net wealth	7 328	8 087
Total liabilities and wealth	9 024	9 880
Memo item: Net wealth including durable consumer goods	7 911	8 724

Source: SARB (2015)

Although the national accounts provide valuable insight into the size and structure of the household sector, it does not provide any detailed information on a personal level. Other fields of study have to be considered to obtain this information.

2.2.3 Measuring net worth in household financial accounting

The accounting sciences, especially financial accounting, mainly focus on the reporting of financial information for legal entities (IASB, 2010a. Preface to IFRS, par. 9). The majority of the International Financial Reporting Standards (IFRS) are aimed at ensuring that the equity value provided in the statement of financial position (previously referred to as the balance sheet) is useful to investors, lenders and other creditors in making decisions about providing resources to the entity (IASB, 2015). The International Accounting Standards Board (IASB) defines equity in the conceptual framework for financial reporting as the residual interest in the assets of the entity after deducting all its liabilities (IASB, 2010b), assets (A) minus liabilities (L).

In describing the analogy between entities and households, Samphantharak and Townsend (2008) point out that the household's or an individual's net wealth represents the "equity" as presented in the accounting equation. Accordingly, the definitions of assets and liabilities can also be applied in household accounting, where

- an asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow (IASB, 2013:24, par. 2.9(a))
- a liability represents obligations arising from past events, the settlement of which is expected to result in an outflow of economic resources (IASB, 2013:24, par. 2.9(b))

Where an asset meets the criteria set out in the conceptual framework, it must be included in the measurement of the individual's net worth. The conceptual framework provides the following recognition criteria that must be met before a value is placed on the asset or liability: "It must be probable that future economic benefits associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability" (IASB, 2013:18, par. 4.3).

When measuring assets and liabilities for individuals or households, the basis on which the measurement should be done must be considered. The conceptual framework provides four possible valuation methods (International Accounting Statement (IAS) 1):

- **Historical cost**

Assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amount of cash or cash equivalents expected to be paid to settle the liability in the normal course of business.

- **Current cost/(value)**

Assets are carried at the amount of cash or cash equivalents that would have to be paid if the same or equivalent asset was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.

- **Realisable/(settlement) value**

Assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the asset in an arm's length transaction (normal course of business). Liabilities are carried at their settlement values or undiscounted cash or cash equivalent amounts expected to be paid in the normal course of business to settle the liability.

- **Present value**

Assets are carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business. Liabilities are carried at the present discounted value of the future net cash outflows that are required to settle the liabilities in the normal course of business.

Various authors posit that entity financial statement amounts are currently based on estimates of some form of current value (Barth, 2008:1165; Scott, 2012:4, Deegan, 2010:210). When measuring household assets and liabilities, the Organisation for Economic Co-operation and Development (OECD, 2013) developed guidelines on conducting studies to measure household net equity using microeconomic data (individual household level) (OECD, 2013). According to this guideline, the realisable or present value methods described above should be used when valuing an individual's assets and liabilities (OECD, 2013). This approach would be also aligned with the approach followed in preparing financial statement for entities. Since the aim of this study was to measure the asset and liabilities of high net worth individuals, it was deemed important to gain an understanding of which assets should be included in the measurement of net worth. Although the financial accounting conceptual framework provides a guideline on whether or not to include an asset and liability, it does not provide a list of assets and liabilities. To assist in this respect, OECD guidelines and studies measuring household assets and liabilities were analysed.

Before considering the list of assets and liabilities provided by the OECD in its guidelines, it was deemed necessary to establish if the definitions of assets and liabilities are aligned with those used in accounting. The OECD provides the following definitions (OECD, 2013):

- An asset is a store of value representing a benefit or series of benefits accruing to the economic owner by holding or using the entity over a period of time. It is a means of carrying forward value from one accounting period to another.
- A liability is established when one unit (the debtor) is obliged, under specific circumstances, to provide a payment or series of payments to another unit (the creditor).

From the analysis, one can conclude that the definitions are indeed aligned with financial accounting, and the list can therefore be considered when determining the assets (tables 2.2 and 2.3) and liabilities (table 2.4) to be included in the measurement of net worth.

TABLE 2.2
OECD NON-FINANCIAL ASSETS

Non-financial assets
<ul style="list-style-type: none">• Owner-occupied dwellings<ul style="list-style-type: none">• Principal residence• Other owner-occupied dwellings• Other real estate• Consumer durables<ul style="list-style-type: none">• Vehicles• Other consumer durables• Valuables• Intellectual property and other non-financial assets

Source: OECD (2013)

TABLE 2.3
OECD FINANCIAL ASSETS

Financial assets

- Currency and deposits
- Bonds and other debt securities
- Net equity in own unincorporated businesses
- Shares and other equity
 - Shares in corporations
 - Other equity
- Mutual funds and other investment funds
- Life insurance funds
- Pension funds
 - Social insurance pension funds
 - Private pension funds
- Other financial assets

Source: OECD (2013)

TABLE 2.4
OECD LIABILITIES

Liabilities
<ul style="list-style-type: none">• Owner-occupied residence loans<ul style="list-style-type: none">• Principal residence loans• Other owner-occupied residence loans• Other real estate loans• Other investment loans<ul style="list-style-type: none">• Financial asset loans• Valuables loans• Intellectual property and other non-financial asset loans• Consumer durable loans<ul style="list-style-type: none">• Vehicle loans• Other consumer durable loans• Consumer credit loans and other liabilities<ul style="list-style-type: none">• Education loans• Other loans and liabilities

Source: OECD (2013)

According to the guideline, it is important to ensure that the lists are adapted for country-specific situations (OECD, 2013). To this end, South African studies investigating individual or household net worth or wealth were perused. Two studies were found:

- *Southern Africa Labour and Development Research Unit*: The Southern Africa Labour and Development Research Units (SALDR) collect data through the National Income Dynamics Study (NIDS), which provides information on the well-being of the poor in South Africa. Assets and liabilities are measured using

present values (Daniels, Arden & Sibongile, 2012). The assets and liabilities are based on the OECD model.

- *Personal Finance Research Unit*. The Personal Finance Research Unit (PFRU) collects data through a microeconomic omnibus study in order to measure household financial wellness, which includes asset and liability present values. The assets and liabilities included in the survey are based on the South African asset and liability framework of households (Unisa, 2011). The South African household asset and liability framework was developed after international comparison.

The South African household asset and liability framework was developed (Scheepers, 2013) after comparing household surveys conducted in various countries, including the following:

- United States (Wolff, 1989; Kennickell, 2000)
- Canada (SC, 2010)
- Australia (Headey, Marks & Wooden, 2005; Creedy & Tan, 2007)
- New Zealand (HESD, 2001)
- European Central Bank (European Central Bank, 2009)
- Great Britain (Black, 2011; Daffin, 2009)
- India (Subramanian & Jayaraj, 2006)

The South African household asset and liability framework consists of two components, namely a list of assets (table 2.5) and a list of liabilities (table 2.6).

TABLE 2.5
FRAMEWORK FOR SOUTH AFRICAN HOUSEHOLD BALANCE SHEET ASSETS

Non-current assets	Other non-financial assets	Retirement funding assets	Current assets	Financial assets
<ul style="list-style-type: none"> • Residential property • Other property 	<ul style="list-style-type: none"> • Vehicles, boats and planes • Household content • Collectibles • Trust assets • Business assets 	<ul style="list-style-type: none"> • Retirement funding assets 	<ul style="list-style-type: none"> • Stokvel assets • Listed shares • Fixed deposits • Other current assets • Savings accounts • Money market investments • Cheque accounts • Mzansi accounts • Cash at home 	<ul style="list-style-type: none"> • Insurance • Funeral insurance • Special needs insurance • Educational policies, • Burial society policies • Offshore investments • Unlisted shares • Loan accounts • Retail savings bonds • Employee share options • Collective investments

Source: Scheepers (2013)

TABLE 2.6
FRAMEWORK FOR SOUTH AFRICAN HOUSEHOLD BALANCE SHEET
LIABILITIES

Mortgage loans	Financial liabilities	Current liabilities
<ul style="list-style-type: none"> • Mortgage on residential property • Mortgages on other property 	<ul style="list-style-type: none"> • Vehicle financing • Financing of boats and planes • Household content/collectibles financing • Other hire purchase agreements • Cell phone contracts • Student loans • Personal loans • Loans from employers • Loans from friend/relative/ individuals • Cash loans • Other loans 	<ul style="list-style-type: none"> • Bank overdrafts • Credit cards • Store cards • Petrol/garage cards • Household bills payable • Municipal accounts • Airtime accounts • Rent in arrears • Alimony • School fees • SABC/ DSTV fees • Medical bills • Other bills

Source: Scheepers (2013)

The literature that was reviewed identified the various assets and liabilities that should be included in measuring an individual's assets and liabilities, both from a macro-economic and survey perspective. Part of the aim of this study was to gain a better understanding of the assets and liabilities of high net worth individuals. As indicated previously, because the macro-economic data do not provide any segmentation information, they cannot be used to analyse high net worth individuals. Survey data have also provided various challenges when measuring the high net worth individuals. These challenges include the following:

- **Accessibility to high net worth individuals' data**

In South Africa, as in most other countries, hardly any information on high net worth individuals' data is available. Campbell (2006) identified one of the problems of obtaining information on high net worth individuals, is access to their data. This may be attributed to the tendency that rich people do not readily

divulge information about their wealth, and they display an unwillingness to participate in studies investigating wealth (Campbell, 2006).

- **Completeness of high net worth individuals' data**

Moser and Felton (2007) confirm the problem of obtaining data from individuals as follows: when measuring the wealth of an individual using a list of assets that they own and can choose from, there is often a low likelihood of recall or individuals encounter measurement problems when evaluating their assets.

- **Representativity of high net worth individuals' data**

High net worth individuals are usually under-represented in survey data. This under-representation results from the fact that high net worth individuals are a small minority of the South African population.

In this study, an alternative approach was used to gather information on the assets and liabilities of high net worth individuals in the Southern Gauteng area of South Africa. The asset profile was determined on the basis of information published in the liquidation and distribution accounts of deceased estates of high net worth individuals. This approach ensured that accurate information on the assets owned and the values of those assets was obtained. However, as indicated previously, the definitions of assets and liabilities used in various disciplines differ significantly. In order to evaluate the reliability and accuracy of the data obtained from this approach, the requirements for preparing liquidation and distribution accounts and the valuations used are discussed in the next section.

2.3 ESTATE ACCOUNTS

2.3.1 Introduction

The administrator of an estate may be nominated as an executor in terms of a will (Administration of Estates Act 66 of 1965, section 14(1)(a)), or the nominated executor in the will may request someone to administer the estate on his or her behalf, or an

individual may die intestate (Administration of Estates Act 66 of 1965, section 16) and the heirs may request the assistance of an administrator of estates .

When an individual dies and he or she has an estate, the following reporting procedures have to be followed, before the administration of the estate can proceed:

Step 1: Reporting the estate to the master within 14 days of death.

Step 2: Submission of the will to the master (if one exists).

Step 3: Filing a preliminary inventory of the deceased's assets. This inventory can contain provisional values as the aim of the inventory is to establish whether the estate's value is less than R125 000 which would entitle the administration of the estate to a shortened process (Wiechers & Vorster, 1996).

When an estate is reported to the Master, there are various pieces of South African legislation that come into effect and to which the executor of the estate must adhere. The following legislation is pertinent:

- The Administration of Estates Act 66 of 1965, as amended: This Act contains the legislation governing the administration of the estate and distributions made from the estates. The Act also contains various sections dealing with rights of creditors and beneficiaries. In terms of section 103 of the Act, regulations are promulgated providing details of how certain administrative matters must be dealt with, including how the liquidation and distribution account must be drawn up.
- The Wills Act 7 of 1953, as amended: This Act provides the legal provisions on how a will should be executed.
- The Intestate Succession Act 81 of 1987: This Act prescribes how assets should be distributed if an individual dies without a valid will.
- The Maintenance of Surviving Spouses Act 27 of 1990: This Act gives the surviving spouse a claim for maintenance against the estate under certain conditions.

- The Matrimonial Property Act 88 of 1984: This Act deals with the accrual system and which assets and liabilities are subject to the system.
- The Trust Property Control Act 57 of 1988: The Act contains rules for the control over and protection of trust property.
- The Estate Duty Act 45 of 1955, as amended: The Act imposes an estate duty liability on deceased estates.
- The Immovable Property (Removal or Modification of Restrictions) Act 94 of 1965: This Act limits the length of a fideicommissum and similar rights.
- The Deeds Registries Act 47 of 1937: The Act contains provisions relating to redistribution agreement between the heirs of a deceased estate, or between the heirs and the surviving spouse of a testator, the executor or the administrator of the estate.
- The Long-term Insurance Act 52 of 1998: This Act protects the right included in certain long-term insurance policies.
- There are also several pieces of legislation regulating the ownership and occupation of land that would apply in a deceased estate, namely the Development Facilitation Act 67 of 1995, the Subdivision of Agricultural Land Act Repeal Act 64 of 1998, the Restitution of Land Rights Amendment Act 48 of 2003, the Land Reform (Labour Tenants) Act 3 of 1996, the Extension of Security of Tenure Act 62 of 1997, the Close Corporations Act 69 of 1984 and the Prevention of Illegal Eviction from and Unlawful Occupation of Land Act 19 of 1998.

The provisions of these Acts must be considered when administering an estate and when preparing a liquidation and distribution account as these Acts might influence the value of a specific asset.

After completing the initial reporting procedures, an executor is appointed (Administration of Estates Act 66 of 1965, section 16). The executor is responsible for the administration and liquidation of the deceased estate. The Master issues a letter of executorship after receipt of the following documents:

- death notice
- death certificate or certified copy thereof
- will
- acceptance of executorship (in duplicate)
- inventory
- affidavit declaring that no customary union was entered into by the deceased
- affidavit that the estate has not been reported to any other Master's Office
- certified copy of the executor's identity document
- certified copy of the deceased's identity document
- completed bond of security (unless excluded in the will)

After being appointed as the executor of the estate, the executor must liquidate the assets and liabilities in the estate and the surplus must be distributed to the heirs of the estate. This process is documented in the liquidation and distribution account of the estate. The requirements that must be adhered to when preparing these accounts are contained in regulation 5(1) of the regulations published in terms of section 103 of the Administration of Estates Act. According to these regulations an estate account must consist of the

- heading
- money column
- liquidation account
- recapitulation statement
- distribution account
- income and expenditure account
- fiduciary assets account
- estate duty addendum
- the executor's certificate

The next section describes the property to be included in the estate and the value that must be placed on it.

2.3.2 Assets included in the estate's liquidation account

The asset section of the liquidation account contains two sub-sections, namely immovable assets and movable assets (any assets subject to a *fideicommissum* are disclosed separately in the **fiduciary assets account**).

- **Immovable property**

Immovable assets include land and every real right in land or minerals which can be registered in the Republic. These assets must be included in the liquidation account with their title deed description as the description in the account.

In cases where immovable property is transferred to an heir, the valuation should preferably be done by a sworn appraiser. However, in terms of instruction 39 (Master of High Court 1988) the municipal valuations of fixed property will be acceptable without any levy, except in the following cases:

- (1) if the executor must provide security in terms of section 23 of the Administration of Estates Act 66 of 1965.
- (2) if a take-over is contemplated as a method of liquidation in terms of section 38 of the Administration of Estates Act 66 of 1965.
- (3) if the interests of minor children, absent or unspecified heirs, or persons incapable of handling their own affairs are involved
- (4) if estate duty is payable or likely to be payable
- (5) if the estate passes in trust to trustees or curators
- (6) if the valuation of the assets serves as the basis for determining the extent of an inheritance

If the executor sold the asset, the amount received will be used as the value of immovable property in the liquidation account.

The valuation of immovable property on which a farming undertaking is carried on, which is not sold is valued at market value less 30% (section 1, Estate Duty Act 45 of 1955).

- **Movable property**

If any movable property was sold the amount received and a description of the property will be included in the liquidation account. Instruction 39 provides guidelines on how to value specific movable property owned by the deceased:

- *Furniture*: In many estates no value is placed on furniture. Valuable furniture, however, should be valued by a sworn appraiser or by two independent persons. Antique furniture should be valued by a reputable dealer in antiques.
- *Motor vehicles*: Motor vehicles may either be valued by a sworn appraiser or by a valuation from an authorised dealer in the specific make of vehicle.
- *Jewellery*: Any valuable jewellery should be briefly described in the liquidation account and should be valued by a duly appointed appraiser or a reputable jeweller.
- *Firearms*: Firearms should be described in terms of the Firearms Control Act 60 of 2000 and should be valued by an appointed appraiser or a registered dealer in firearms and ammunition.
- *Livestock*: The liquidation account must contain a description of the kind of animals involved which should be valued by an appointed appraiser or an auctioneer.
- *Shares*: Shares in a company listed on the stock exchange should be valued according to the closing price on the stock exchange on the date of the deceased's death and shares in an unlisted company should be valued by the unlisted company's auditor.

- *Insurance policies:* The value of an insurance policy for estate purposes is the gross value which is the insured amount plus all profits and benefits without any deductions.
- *Member's interest in a close corporation:* The interest of a member should be valued by an accounting officer taking into account the number of members and any association agreement stipulating how a deceased member's interest is to be disposed of.
- *Outstanding salary and leave pay:* The amount owed to a deceased should be calculated in terms of an employment contract and confirmed by documentary proof from the employer in which the amount is set out, as well as a calculation of any amounts deducted.
- *Cash assets:* The value of the cash in the account should be confirmed by a statement from the bank where the deceased held his or her account.

The discussion above indicates that the valuation method used to value immovable and movable property in the liquidation account is aimed at determining its market value (or present value) on date of death. This method is consistent with that suggested by the OECD when measuring an individual's or household's net worth (OECD, 2013). The values of assets obtained in the liquidation account provide reliable information to calculate the net worth of an individual.

The valuation methods prescribed in the guidelines of the property described above may not include guidelines on all types of assets owned by individuals. The valuation of those assets may be at the discretion of the executor. Such valuations could be understated which will result in the net value of the estate being below the threshold for attracting estate duty, namely R3,5 million. It will result in a limitation in this study because estates below the threshold were not considered to be selected for the sample of data. Taking the limitation into consideration, it remains the best available information for the purpose of the study.

2.3.3 Assets included in the estate's fiduciary asset account

Fiduciary assets owned by the deceased must be reflected in the fiduciary asset account. The origin of the right that the deceased owned to utilise fiduciary assets, must be stated together with the Master's reference number of the estate of the person who created the right in favour of the deceased (Regulation 5(1)(g) of Schedule 4 to the Administration of Estates Act 66 of 1965).

The fiduciary assets will be regarded as assets owned by the individual during his or her lifetime. Although fiduciary assets actually represent a form of inherited assets, it is also not possible to determine the extent of inherited wealth present in the other assets appearing in the liquidation account. Hence in this study, these assets were regarded as part of the result of investment decisions taken by the deceased during his or her lifetime.

2.3.4 Liabilities included in the estate's liquidation account

The liabilities in the liquidation account can be divided into two categories. The first category is administration costs included in winding up the estate. The administration cost of the estate include advertising costs, Master's fees, executor's remuneration, appraisal costs, transfer costs of fixed property to a beneficiary, bank charges and funeral expenses (the Administration of Estates Act). If the net value of an estate exceeds the estate duty abatement, an estate will also be liable for estate duty (section 2.3.5: Estate duty addendum in the estate's liquidation and distribution accounts, page 32).

The second category of liabilities relates to claims against the estate. All creditors must submit a valid claim against the estate in accordance with section 29 of the Administration of Estates Act. Where a claim is disputed or late, the provision contained in section 31 and 32 of the Administration of Estates Act must be followed to accept or reject the claim. For each claim accepted in the estate the following details must be provided:

- *Sundry creditors:* The name of the creditor, the amount of the claim and the nature of the claim.

- *South African Revenue Service (SARS):* Any outstanding taxes in respect of previous tax years and the tax due for the year of assessment in which the person dies.

- *Mortgage bonds on fixed property:* The following details of the mortgage bond must be provided:
 - (a) the name of the bondholder
 - (b) the number of the title deed
 - (c) the capital owing at the date of death
 - (d) the interest due at the date of death

- *Bank overdrafts:* Statement of the amount due on the overdraft.

These liabilities must be settled from the liquid assets in the estate. If there are insufficient funds, assets have to be sold or the heirs have an option to contribute to provide sufficient liquidity in the estate.

2.3.5 Estate duty addendum in the estate's liquidation and distribution accounts

Estate duty is a wealth tax charged in terms of the Estate Duty Act 45 of 1955. The following assets and liabilities are included in the calculation of the estate duty payable:

	R
Determine the value of property	XXXX
Determine the value of deemed property	XXXX
GROSS VALUE OF ESTATE	XXXX
Reduce the gross value of the estate by the allowable deductions	(XXXX)
NET VALUE OF ESTATE	XXXX
Reduce the net value of the estate by the section 4A abatement that is available for all estates	(XXXX)
	XXXX

DUTIABLE AMOUNT OF THE ESTATE	XXXX
Calculate the estate duty by multiplying the dutiable amount	<hr/> XXXX
Reduce the amount by the successive death rebate, foreign death duty rebate or a rebate in respect of transfer duty paid	(XXXX)

Each of the components of the assets and liabilities will be briefly discussed below.

- **Property**

Section 3(2) of the Estate Duty Act defines property as follows: “Any right in or to property, movable or immovable, corporeal or incorporeal”.

- **Deemed property**

Section 3(3) of the Estate Duty Act includes certain assets that are deemed to be property although they do not meet the requirement of being property. These include:

- domestic insurance policies on the life of the deceased (section 3(3)(a))
- benefits payable by funds in consequence of membership or past membership (section 3(3)(a)bis)
- any property donated by the deceased in terms of a donation which was exempt from donations tax under section 56(1)(c) or (d) of the Income Tax Act. These are property donated by the deceased under a donatio mortis causa or in terms of a donation whereby the donee receives no benefit until the death of the donor (section 3(3)(b))
- any claim against the spouse under section 3 of the Matrimonial Property Act 88 of 1984 (section 3(3)(cA))
- property of which the deceased was, immediately prior to his or her death, competent to dispose for his or her own benefit or for the benefit of his or her estate (section 3(3)(d))

The “deemed property” is assets that are part of an individual’s estate over and above those reflected in the liquidation account.

- **Liabilities**

Section 4 of the Estate Duty Act allows amounts incurred as liabilities in the estate as deductions in calculating the net value of the estate.

The net value of the estate must be reduced by the section 4A-abatement. Currently, the abatement is R3 500 000. If the deceased was the spouse of an individual who died before him or her, the abatement must be calculated as follows:

- the value of the section 4A abatement (currently R3 500 000)
- *plus* [value of the section 4A abatement (currently R3 500 000)]
- *less* the amount used to reduce the net value of the predeceased person's estate]

If the estate has a dutiable amount, the estate duty payable must be calculated using the prevailing rate of 20%.

2.3.6 Summary

As stated earlier, the aim of this study was to investigate the asset composition of high net worth individuals in the Southern Gauteng area of South Africa using an alternative approach. This study made use of data obtained from the liquidation and distribution accounts of deceased high net worth individuals. This section described the procedures followed to collect information on the assets and liabilities of the deceased and how the value of the assets is calculated. The analysis revealed that sufficiently reliable and accurate information on the net worth of individuals can be obtained by using these accounts because they use the market value of the majority of assets that are included in the main categories of assets in the survey. Although an incentive may exist to understate assets in the liquidation and distribution accounts with the intention to reduce the estate duty payable, it remains the best available information due to a higher degree of certainty about the completeness thereof and is regarded as more reliable than other documentation.

2.4 DEFINING HIGH NET WORTH INDIVIDUALS

2.4.1 Introduction

The previous section described the process of the valuation of assets and liabilities of individuals. The study was based on the need to obtain information on the assets and liabilities of high net worth individuals from estates. In order to select the estates to be included in the survey, a description of a high net worth individual had to be obtained.

2.4.2 Developing a high net worth individual definition

A review of local and international literature revealed that there is no internationally accepted definition of a high net worth individual. Some studies have attempted to define a rich individual, and for the purpose of this discussion, the terms “rich individual” and “high net worth individual” are considered to be interchangeable. Slemrod (2000) describes the process of measuring affluence by first selecting a measurement instrument which includes measurements such as annual income, annual consumption, wealth, and lifetime income and consumption. Slemrod goes on to explain that the choice of measurement is dependent on the issue that needs to be resolved. Another factor to consider when choosing a measure to calculate the net worth of an individual is the availability of data. For example, if lifetime income is chosen as a measure to resolve the issue at hand, it may be impossible to track the income of an individual over an entire lifetime (Slemrod, 2000).

Having selected a measurement instrument, the next step is to determine a cut-off point beyond which an individual would be considered to be rich (Slemrod, 2000). Slemrod (2000) cautions against the use of an arbitrary cut-off point to classify individuals as rich. He illustrates the point by indicating that Edward Wolff set the cut-off point for classifying an individual as rich as when he or she earns \$200 000 or more in income per year. However, a poll conducted by Gallup and Newport (1990) revealed that respondents regarded individuals earning an income of \$95 000 as rich.

Since no national definition for high net worth individuals exists in South Africa, the guideline developed by Slemrod (2000) was used to formulate selection criteria for the purposes of this study.

2.4.3 Summary

The first choice that Slemrod (2000) identified was the selection of the measurement criteria. Because the aim of this study was to investigate the asset composition of high net worth individuals, the equity value of individuals was selected. As described in the first part of the chapter, the equity value of an individual represents the current value of his or her assets less the current value of his or her liabilities. Both these values can be obtained from the liquidation and distribution accounts of the deceased's estate, therefore meeting the access to data criteria set by Slemrod (2000).

The final step in the formulation of a definition for high net worth individuals is the cut-off point. Because South Africa is a developing country and considering the wide spread poverty, there are no clear guidelines in this regard. With due consideration of the nature of the information available in the liquidation and distribution account, a level of R3 500 000 was set. This selection was based on the fact that the South African wealth tax (estate duty) is levied on estates with a net value of more than R3 500 000.

2.5 CONCLUDING REMARKS

This chapter described the assets and liabilities that should be included when measuring an individual's net worth. The difference in the data used when measuring net worth at a macro-economic and a micro-level was discussed. The assets and liabilities included in a deceased estate's liquidation and distribution accounts were then discussed. The analysis revealed that these accounts do provide a viable alternative to traditional surveys to obtain individuals' net worth data. Although assets may be understated in the liquidation and distribution accounts, it is regarded the most useful information available for the purpose of this study. The use of liquidation and distribution accounts has the following benefits:

- **Accessibility of high net worth individuals' data**

The Administration of Estates Act 66 of 1965 stipulates that the death of all individuals must be reported to the Master of the Supreme Court. During the winding-up of an estate, liquidation and distribution accounts containing details of the deceased's properties and liabilities are compiled. After completing the

accounts, the executor of the estate places a notification of the estate accounts in the Government Gazette as well as in one newspaper. At this point, the content of the estate becomes public knowledge providing public access to the deceased individual's data.

- **Completeness of high net worth individuals' data**

A variety of stakeholders have an interest in ensuring the completeness of the estate accounts. These stakeholders include SARS wanting to ensure that the correct taxes are collected. The beneficiaries would want to ensure that all assets are captured in order for them to receive the correct distributions from the estate. The creditors that institute claims against the estate have to ensure that their claims are complete and any security against their claims is recorded in the accounts. Owing to the external verification of the content of the liquidation and distribution accounts, accurate data for the study was ensured.

This chapter achieved its sub-objective by defining net worth and how it can be measured.

The next chapter focuses on identifying factors that influence the asset composition of high net worth individuals. The demographic factors that influence net worth, as identified in the literature, are then discussed.

CHAPTER 3

FACTORS INFLUENCING HIGH NET WORTH INDIVIDUALS' NET WORTH

3.1 INTRODUCTION

The objective of this study was to investigate the asset composition of high net worth individuals in the Southern Gauteng area of South Africa, and determine whether any demographic factors influence this asset composition.

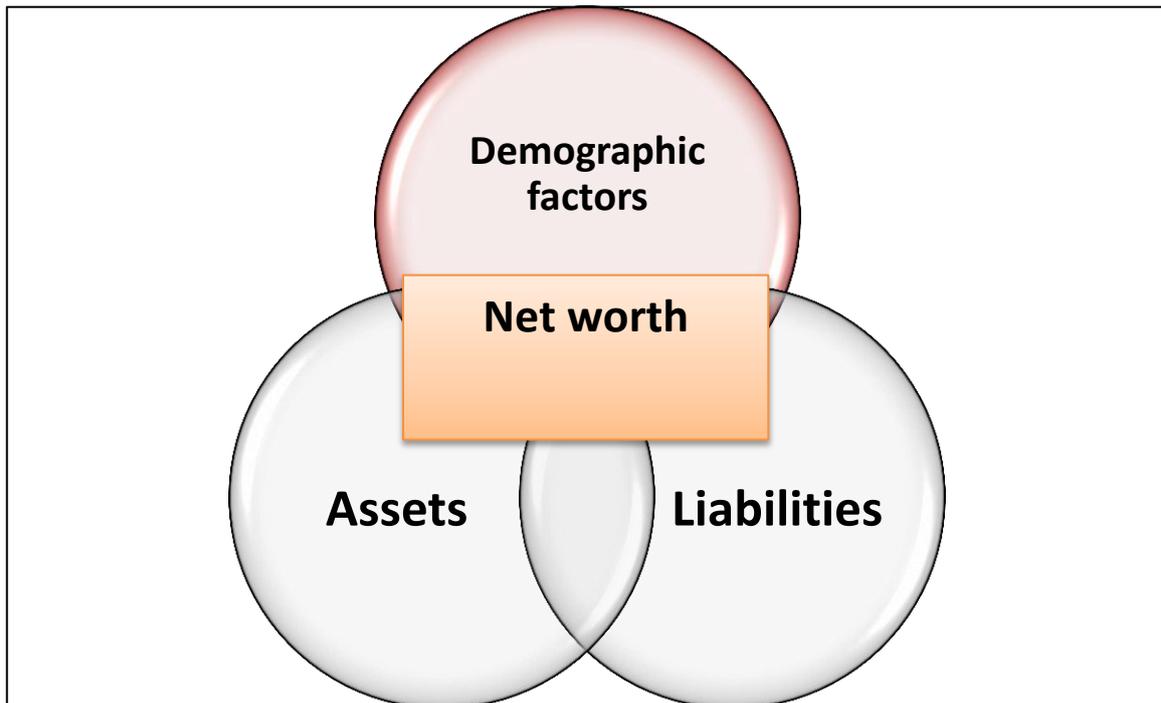
The previous chapter started by defining what net worth is and how it can be measured in different disciplines. The chapter continued to describe the assets and liabilities that must be included in measuring an individual's net worth and how these should be measured. This was followed by a discussion of the procedures used to compile the liquidation and distribution account of a deceased estate and how assets and liabilities are valued in the accounts. The chapter concluded by formulating a definition for high net worth individuals for the purposes of this study.

This chapter first describes the factors that influence an individual's net worth as presented in figure 3.1. It then describes who is considered to be a high net worth individual, and a working definition is formulated with the aim of the study in mind.

Sub-objective 2:

Identify factors that influence the asset composition of high net worth individuals.

FIGURE 3.1
FRAMEWORK FOR STUDY



Source: Own compilation

Studies investigating asset composition can broadly be divided into two groups: those that investigate the saving motivation and behaviour of individuals and those that investigate optimum asset selection. The first section of this chapter investigates the reasons for saving and how this affects the assets an individual invests in. This will be followed by a discussion of the factors that influence asset selection.

3.2 SAVINGS BEHAVIOUR

3.2.1 Introduction

Several studies have been conducted to ascertain why individuals make certain savings decisions and what influences the decisions they make. The first study to describe individuals' saving choices was the so-called "saving motives" model developed by Keynes in 1936. Further investigations using the saving motives as basis led to the development of the life-cycle hypothesis that can be used to explain the behaviour of individuals during different stages of their lives. This hypothesis has been widely

accepted in the financial planning industry and forms the basis of several asset selection decisions (King & Dicks-Mireaux, 1981; Lydall, 1955).

3.2.2 Motivation for saving

In his seminal work on the motives for saving, Keynes (1936) identified the following eight reasons for saving:

- (1) the precautionary motive which entails building up a reserve against unforeseen contingencies
- (2) the life-cycle motive, also known as “foresight”, which provides for anticipated future differences between income and expenditure
- (3) the intertemporal motive, referred to as the calculation motive, which refers to the wish to earn interest from the savings that are invested
- (4) the improvement motive, which refers to the aim of improving standards of living over time
- (5) the independence motive, which refers to the need to feel independent and to have the power to do things
- (6) the enterprise motive, which relates to the ability to invest money to speculate or to invest in business projects if and when it is favourable
- (7) the pride motive, which is concerned with leaving money to heirs (the bequest motive)
- (8) avarice or pure miserliness (Canova, Rattazi & Webley, 2005)

Browning and Lusardi (1996) added a further motivation to this list, the down-payment motive, which is the desire to accumulate lump sums to use as down payments for expensive and durable goods such as a house or a car.

Authors investigating the motives for saving and the assets individuals invest in have identified certain patterns in the reasons why individuals save. These observations led to development of the life-cycle hypothesis (LCH) and the permanent income hypothesis.

3.2.3 The life-cycle hypothesis

The life-cycle hypothesis was developed by Modigliani and Brumberg in 1954. In terms of this hypothesis individuals plan their consumption and savings behaviour over their life-cycles. They will accumulate assets during the time they are working and earning an income and then dissave after they retire. The hypothesis is based on the assumption that an individual aims to maintain a similar lifestyle before and after retirement.

The life-cycle hypothesis forms the basis of retirement planning as individuals aim to save sufficiently during their employment years in order to sustain them after retirement (Ando & Modigliani, 1963; Danziger, Van Der Gaag, Smolensky & Taussig, 1983; Lee, Lown & Sharpe, 2007). The theory makes two important assumptions. Firstly, it assumes that individuals do not receive bequests during their lifetimes and that there is no government or that government does not affect savings behaviour (Modigliani, 1993). The second assumption is that at any age the ratio of preferred consumption of life resources is independent on the size of the life resources (Modigliani, 1993).

The fundamental assumption that an individual's life span is finite is used to explain why the savings behaviour of individuals changes as they move through their life stages. The life-cycle hypothesis identifies the following three broad life stages which underpin the changes in saving behaviour:

- (1) before an individual starts to work
- (2) the entire working stage of the individual's life
- (3) the retirement stage (Modigliani & Brumberg, 1954)

The life-cycle hypothesis predicts the savings behaviour of individuals as they move through the stages in life, but deviations from the prediction have been highlighted in the literature. These deviations could be explained by circumstances such as liquidity problems, the influence of government on the economy of a country, amongst others (Cox & Japelli, 1993).

3.2.4 The permanent income hypothesis

The second important economic theory that was developed in order to understand individuals' savings behaviour is the permanent income hypothesis (PIH) (Friedman, 1957). The theory explains that individuals' current consumption is determined by the income they are currently earning and their expected future income, which together are known as their "permanent income". Individual behaviour will thus only be influenced by permanent changes in income (future earnings) and not temporary changes.

Applying this principle, an individual endeavours to smooth consumption over time. This results in individuals being willing to take up debt as students as they expect higher future income from employment to pay back the debt. Individuals would generally save for retirement as they expect a decline in the income they earn after retirement. The assumption is that permanent income and consumption smoothing are contained in the permanent income hypothesis. This assumption leads to the conclusion that changes in income will not have a significant effect on the individual's consumption pattern. The hypothesis confirms the notion that individuals will save during their working life and consume their savings after retirement.

3.2.5 Summary

This section investigated the three main economic theories that can be used to explain the savings behaviour of individuals. The general principles developed in these theories are that individuals will invest surplus income while they are working in order to accumulate assets for retirement and they will consume the assets after retirement. The next section investigates the factors that influence the assets individuals invest in, that is the products available for investment.

3.3 FACTORS INFLUENCING INVESTMENT DECISIONS

3.3.1 Introduction

When an individual wants to select an asset to invest in, he or she is faced with numerous options and many sources of investment advice are on offer (Randson, 2003, Viceira, 2001). Studies investigating the assets selected by individuals have found that it

is a complex process with numerous factors influencing the final decision (Campbell, Cocco, Gomes & Maenhout, 2001; Ameriks & Zeldes, 2004). Figure 3.2 contains a list of factors affecting asset selection as identified in the literature. Owing to the complex and individual nature of the investment decision process, these factors contribute differently to each individual's final decision and can therefore not be ranked in order of importance. The sections below focus on each of these factors and how they can impact on an individual's investment decision.

FIGURE 3.2
FACTORS INFLUENCING INVESTMENT DECISIONS



Source: Own compilation

3.3.2 Risk tolerance

Risk tolerance is defined by the International Organisation for Standardisation (ISO) as the extent to which one is willing to accept the possibility of experiencing a less favourable outcome in the pursuit of a more favourable outcome (Roszkowski, Delaney & Cordell, 2009). An individual's risk tolerance affects his or her investment decisions to the extent that certain asset classes have significantly higher risks of capital losses although they generally provide higher returns. Individuals with low risk tolerance would therefore not invest in these assets even though they provide the best opportunities in terms of long-term growth (Van Heerden, 2010).

Financial planners that use the life-cycle pattern for portfolio allocation, decrease an individual's share of the portfolio invested (being a risky asset) as their age increases (Old Mutual, 2015). Cocco, Gomes and Maenhout (2005) found that risk aversion increases along with age, resulting in a lower willingness to invest in riskier assets. According to Panyagometh (2011), to maximise wealth, individuals need to invest in high-risk assets at the earliest possible life stage, as this will ensure the highest long-term growth.

3.3.3 Mortality risk

Geyer, Hanke and Weissensteiner (2009) found that mortality risk influences asset selection. Mortality risk contains two seemingly opposing elements: firstly, the risk of dying prematurely (thus not being able to provide for one's dependants); and secondly, the risk of dying "too late" (thus not having sufficient retirement capital). Mortality risk has also been described as a conflict between the desire to save more for a possible longer life and the desire to spend more money in the present (King & Dicks-Mireaux, 1981).

The risk of dying prematurely happens before all accumulated wealth has been consumed, as proposed by the permanent income hypothesis. An important risk that should also be addressed is the risk of losing an income stream from labour which forms the basis of permanent income and current consumption (Chen, Ibbotson, Milevsky & Zhu, 2006). In the formal labour market, however, mortality risk is decreased

by lump-sum payouts to a deceased employee's next of kin from group life policies and retirement funds.

The mortality risk (longevity) can be eliminated by making use of life annuities. Life annuities allow the exchange of a lump-sum amount for a stream of future income payments (annuities) that continues for as long as an individual is alive (Horneff, Maurer, Mitchell & Stamos, 2009). Some of these annuities also allow the option to continue paying monthly amounts to a surviving spouse after the investor's death (Brown, 2007). Risk tolerance influences the extent to which an individual will make use of life annuities. When risk tolerance decreases, individuals tend to increasingly exchange their accumulated wealth for a secured stream of payments which will only end at the time of death or upon the death of a spouse (Davidoff, Brown & Diamond, 2003).

The relationship between mortality risk and the effect on asset allocation has, however, been found to be inconsistent. Authors have speculated that asset allocation seems to depend on the level of income and age but they have not found a conclusive explanation for the patterns revealed by their research (Geyer et al., 2009).

3.3.4 Human capital

According to Cocco et al. (2005), an individual's total wealth consists of two components, namely financial assets and human capital. Human capital is defined as the present value of future income from employment income (Chen et al., 2006). It therefore forms part of permanent income in the permanent income hypothesis. Human capital can therefore have an influence on consumption and saving to finance future consumption.

Individuals' perceptions of the risk to invest in various classes of assets are influenced by their human capital (Chen et al., 2006). The value of human capital is influenced by numerous factors, such as the level of education or the scarcity of the skill possessed by the individual (Becker, 2009). The value of human capital is high when an individual is young mainly because of the high number of years left to earn an income (Chen et al., 2006). Once an individual has obtained permanent employment, the relative certainty of earning a fixed income increases his or her tolerance for investment risk.

The investment risk tolerance of individuals can also increase when they achieve flexibility in the labour market, owing to their being employable in a variety of highly remunerated positions (Cocco et al., 2005). In some cases, the receipt of a steady income elevates the tolerance for risk to a level at which individuals regard such steady income as a substitute for the necessity to diversify their investments by eliminating risk-free asset classes in their investment portfolios (Cocco et al., 2005). A steady income in this case therefore induces an individual to invest solely in risky assets. This finding holds true regardless of the life stage individuals find themselves in.

Similarly, individuals experience increased risk aversion if their source of income is threatened. Bodie, Merton and Samuelson (1992) developed a model that suggests that the flexibility of labour supply plays a vital role in household asset allocation (Bodie et al., 1992). They concur that it is not only the age of an individual in his or her life cycle that determines investment behaviour, but rather the labour flexibility he or she is experiencing. The authors found indications that greater labour flexibility leads to more risky investing in assets at any given age in the life cycle.

3.3.5 Liquidity

Before investing surplus cash, an individual should have sufficient cash to finance emergencies. A portion of the assets in a portfolio need to be liquid, either in cash or in investments that can be turned into cash, if required (Azorsky, 1987:105).

3.3.6 Inflation

Clarke (2002:11) describes inflation as a reduction in the number of products that can be bought owing to a constant rise in prices. In order to increase an individual's net worth, an asset must achieve long-term capital growth that is above inflation (measured by the consumer price index [CPI] in South Africa) (Botha, Geach, Goodall, Rossini, Stodl & Du Preez, 2009). According to Posel (1990:15), an individual's own inflation rate should rather be considered when selecting an investment and personal inflation is influenced by various factors such as interest rates on loans and the size of the household.

3.3.7 Government policies

An individual's savings behaviour is significantly influenced by the government whose influence can be found in many spheres. For example, if the government has a deficit on its budget it could result in an increase in interest rates and/or taxes. This will result in lowering the savings potential of individuals because of a reduction in disposable income (Modigliani, 1993).

Government policies can also influence the investment behaviour of individuals by providing incentives to invest in certain assets or placing restrictions on other investments. An example of such a restriction, in a South African context, is foreign exchange controls that limit the acquisition of foreign assets by South African individuals (Aron & Muellbauer, 2006). Government incentives and restrictions can influence the asset selection of individuals.

An example of a government policy to enhance saving behaviour has been introduced by the South African government in the form of tax free savings. South African citizens are able to contribute a maximum of R30 000 per tax year, and a maximum of R500 000 during their lifetimes completely tax free. These limits are governed by legislation and may change (National Treasury, 2014).

3.3.8 Timing and cost of investments

Market timing refers to the risk of purchasing assets at the top end of the market. In order to reduce this, investing should take place over a period of time if possible (Jagannathan & Korajczyk, 2014). The act of investing results in the incurrance of expenses. Examples of such expenses are, inter alia, brokerage fees and advisors fees. If these charges are deducted from the invested amount up front, it reduces the capital that can grow over time, thus impacting negatively on the return on investments. If these costs are levied at the end of the investment, the quantum on which the costs can be levied may be significantly higher (Horneff et al., 2009). The impact of the cost levied to invest in different products can influence the asset selection and the ability to move invested amounts from one asset to another.

3.3.9 The bequest motive

Individuals with a bequest motive expect to own sufficient savings to sustain them until the end of their lives and to bequeath some assets at the time of death (Horneff et al., 2009). There are conflicting views in the literature on the effect the bequest motive has on the classes of assets invested in by individuals. Dynan, Skinner and Zeldes (2002) argue that assets bequeathed are assets that were accumulated as part of precautionary savings, but were not utilised for financial shocks. Gourinchas and Parker (2002) posit that over and above precautionary savings, individuals also make life-cycle savings, which are in assets such as property, equities and cash which can be traded during an individual's life cycle or left to his or her heirs.

3.3.10 Timing of investment

A phenomenon that was expected to be confirmed by this study is that the accumulation of assets occurs quickly over the first financial life stages because young individuals accumulate so-called "precautionary savings" in excess of life-cycle savings. However, when investors reach their forties, life-cycle savings exceed the precautionary savings (Gourinchas & Parker, 2002). Precautionary saving is a complement of life-cycle saving. Precautionary savings are described as those savings made to accumulate illiquid assets that will be available after retirement. Life-cycle savings are assets such as property, equities and cash that are liquid assets which can be traded during an individual's life cycle (Gourinchas & Parker, 2002).

3.3.11 Taxation

Fischer, Kraft and Munk, (2013) studied the effect on wealth when portfolio decisions in a life-cycle model are optimised for taxation. They found that it is justifiable to ignore tax in life-cycle portfolio choices because the switching to a fully tax-optimised investment strategy will result in a marginal gain of 2%. In a South African context, the decisions of investors about which assets they wish to accumulate, can be affected by the tax that can be attracted by the fruits (income tax) and eventual capital gains of such an asset at the time of death (estate duty and capital gains tax).

3.3.12 Diversification of assets

Various authors agree that when selecting an asset to invest in, diversification should play a key part because it helps to reduce the risks of asset ownership. Ghyoot (2012) describes diversification as the spreading of risk over a number of investments with the purpose of lowering the total risk. Diversification results in a lowering of the volatility of an individual's net worth as asset values tend to move in different directions and at different rates compared with one another (Goodall, 2015). Botha et al. (2009) suggest that individuals should diversify their asset holdings in terms of types of asset classes while investing in different assets in each class. They (2009) also assert that regional and currency diversification is important to ensure a well-diversified portfolio.

3.3.13 Housing and mortgage decisions

For the majority of households the largest asset investment and net worth generator is residential property (South African Reserve Bank, 2014). In their paper, Yao and Zhang (2005) investigated the interplay between a household's asset allocation decisions and its housing and mortgage decisions in a realistic life-cycle framework. Empirical analysis has uncovered the following key characteristics of households' asset allocations and housing and mortgage choices:

- (1) Graphical representations of investments in the asset classes of both homes and equities are hump shaped as age increases. Home ownership peaks around retirement age and stock ownership peaks during investors' fifties.
- (2) Households with a low home value to net worth ratio and/or a high mortgage to net worth ratio are more likely to participate in the stock market.
- (3) Households with a large home value in net worth hold less stock and households with a high mortgage balance relative to net worth invest more in stock relative to net worth or other broader definitions of assets.
- (4) The effects of house value or mortgage balance as a fraction of net worth on stockholdings relative to wealth or liquid financial assets are much weaker and statistically inconclusive (Yao & Zhang, 2005).

3.3.14 Term of investment

The projected term of the investment has an influence on the risk an individual can accept. Shorter-term investments have low risk and low volatility, and are easily accessible (Swart, 2002:147; Botha et al., 2009). According to De Wet and Jugmohan (2008), the longer an individual invests in a high-risk and volatile asset, say, shares, the lower overall volatility becomes.

3.3.15 Summary

Each individual's investment decisions vary depending on the weight he or she attaches to each of the factors described in this section. However, studies investigating savings behaviour have revealed that individuals with similar characteristics select similar assets to invest in because the value they attach to the different factors influencing asset values are similar. The next section will investigate which personal factors can be used to describe the asset selection of individuals.

3.4 DEMOGRAPHIC FACTORS INFLUENCING ASSET COMPOSITION

3.4.1 Introduction

In the previous section, different factors that influence an individual's asset investment choices were discussed. This section focuses on the factors that can be used to describe the asset composition of an individual. Internationally, several studies have been conducted to identify and describe the factors that influence net worth and asset composition. The following is an overview of the impact of certain demographic factors on an individual's net worth:

- *Age*: According to the life-cycle hypothesis, individuals aim to consume a constant percentage of the present value of their life income. Studies investigating the effect of age on net worth confirmed this hypothesis (Van Rooij, Lusardi & Alessie, 2008; Chowa & Ansong, 2009; Anan & Townsend, 2011).

- *Cultural heritage*: Several studies found that the cultural heritage of individuals has an impact on their net worth (Keister & Moller, 2000; Schmidt & Sevak, 2005).
- *Education*: Studies found that individuals with a higher educational level have a higher net worth (Schmidt & Sevak, 2005; Yadollahi, Paim, Othman & Suandi, 2009).
- *Employment*: One study found that the employment status of the head of the family has an impact on the net worth of a household (Anan & Townsend, 2011).
- *Gender*: Studies found that men had a higher net worth than woman (Schmidt & Sevak, 2005; Van Rooij et al., 2008; Behrman, Mitchell, Soo & Bravo, 2010).
- *Income*: Studies found that the higher individuals' income, the higher their net worth was (Van Rooij et al., 2008; Schmidt & Sevak, 2005).
- *Marital status*: One study reported that the marital status of an individual has a significant effect on his or her net worth (Chowa & Ansong, 2009).
- *Occupation*: As expected, the occupation of individuals has an impact on their net worth, mainly because certain occupations provide better employment flexibility (Yadollahi et al., 2009).
- *Parents' education levels*: One study found that children whose parents have higher levels of education have a higher net worth (Behrman et al., 2010).

As stated previously, this study made use of a unique data collection technique to gather information on the assets and liabilities of high net worth individuals. Owing to the fact that the data collected were limited to the data available in public documents, only those factors appearing in the public documents are discussed in the next section. This section starts with a discussion of the information that must be supplied in the liquidation and distribution accounts of deceased estates.

3.4.2 Personal information in the liquidation and distribution accounts

The account submitted to the Master of the High Court must contain all accounts required in the relevant legislation (section 2.3.1: Introduction, page 24) and contain the ordinal number of the account. The heading of the liquidation and distribution account must also provide the following information:

- the full name and surname of the deceased
- the date of death of the deceased
- the deceased's identity number
- the deceased's marital status at the time
- if married, whether the marriage was in or out of community of property, and where it was a marriage in community of property, the full name and identity number of the surviving spouse
- the full names of the heirs and whether they are majors or minors
- the marital status of the heirs
- assets inherited by the heirs and the reason for the award, for example, surviving spouse accrual claim.

Although not required in the regulations, Wiechers and Vorster (2014) recommend that the following should also be provided to facilitate the speedy completion of the estate:

- the place where the deceased died
- his or her last address
- his or her occupation, which is usually mentioned under the heading.

Based on the information provided in the liquidation and distribution account, it was possible to identify the following demographic factors that could be used to analyse the data gathered from the liquidation and distribution accounts of deceased high net worth individuals:

- age
- gender
- marital status
- life stage.

These four variables will be discussed in the sections to follow.

3.4.3 Age

Several studies investigating the effect of age found that an individual's net worth increases with age until a point after retirement when it generally decreases (Van Rooij et al., 2008; Chowa & Ansong, 2009; Anan & Townsend, 2011). This finding is consistent with the life-cycle hypothesis and the permanent income hypothesis in terms of which an individual would accumulate assets until the date of retirement and then start to dis-save.

Fischer et al. (2013) investigated the effect of tax provisions in the United States on the investment behaviour of US investors. The authors defined the following four age groups on which taxation had an impact:

- (1) the age of 20 at which an individual commences making investment decisions
- (2) the next age of importance in the study, namely 65, at which time individuals retire
- (3) the age of 66 when pension benefits commence
- (4) the age of 100 at which the life cycle ends (Fischer et al., 2013)

Carasso and McKerman (2007:7) found that age is a significant variable when considering net worth in life-cycle patterns. According to them (2007), individuals generally attempt to accumulate as many assets as possible in anticipation of retirement.

ICICI Prudential Life Insurance Company Ltd (2013) and Gomes and Michaelides (2005) suggest that age can be used to predict net worth, owing to the fact that individuals of a similar age have similar financial needs and investment strategies. Gomes and Michaelides (2005) identified the following groups based on their age and their investment strategies:

- “Young and single” are individuals aged between 25 to 30 and unmarried. Their aim is to build a precautionary fund and start with an investment strategy to create wealth.

- “Married” individuals are aged between 30 and 65 married with or without children with their investment strategies focusing on purchasing residential property and providing for health care, retirement income and life protection.
- “Retired” individuals are over the age of 65 and focus on preserving capital while maintaining their standard of living.

Based on the discussion above, it is clear that net worth increases with age. Based on the focus of this study, namely high net worth individuals, it was to be expected that the majority of the respondents would be in the later stages of their life cycle.

3.4.4 Gender

Studies investigating the net worth of men and women found that men had a higher net worth than women (Van Rooij et al., 2008; Behrman et al., 2010). A possible reason for this could be that traditionally, the husband in the family is responsible for financial management with the wife mainly responsible for caring for the children (Europ Assistance SA, 2008). Deere and Doss (2006) found that other reasons for gender inequality are based on disparity in the labour market, with women generally facing more constraints in entering and remaining in the labour market than their male counterparts.

3.4.5 Marital status

Studies investigating the net worth of individuals found that married individuals have a higher net worth than single or divorced individuals (Keister et al., 2000; Schmidt & Townsend, 2005; Van Rooij et al., 2008; Chowa & Ansong, 2009). Schmidt & Townsend (2005) found that single households’ net worth is approximately half that of married couples. Semyonov and Lewin-Epstein (2013) also found that net worth of single older households (above the age of 50) is comparably lower than that of married couples.

3.4.6 Life stage

The life stages of an individual were described as far back as the 17th century by the British author, William Shakespeare. He used the term “man” to describe a human

individual. Shakespeare, when writing the play *“As you like It”*, put into the character Jaques’ mouth the great speech explaining the seven ages of man (Walter, 1965):

- Shakespeare’s seven ages start with that of an “infant that is mewling and puking in the nurse’s arms”.
- The second age is the “whining schoolboy with his satchel and shining morning face, creeping like snail, unwillingly to school”.
- The third age is when one becomes a lover, “sighing like furnace, with a woeful ballad made to his mistress’s eyebrow”.
- The fourth age is that of a “soldier, full of strange oaths, and bearded like the pard [sic], jealous in honour, sudden and quick in quarrel, seeking the bubble reputation even in the cannon’s mouth”.
- During the fifth age, the justice, “in fair round belly with good capon lined, with eyes severe, and beard of formal cut, full of wise saws and modern instance, and so he plays his part”.
- The sixth age “shifts into lean and slippered pantaloons, with spectacles on nose, a pouch on side, his youthful hose well saved, a world too wide for his shrunk shank; and his big manly voice, turning again toward childish treble, pipes and whistles in his sound”.
- The last scene of all, “that ends this strange eventful history, is second childishness and mere oblivion, sans teeth, sans eyes, sans taste, sans everything [sic]”.

Lydall (1955) applied the seven ages of man to formulate the economic life cycle of individuals which can be used to explain the life-cycle hypothesis (Ando & Modigliani, 1963; Wheelwright, 2003). The economic life cycle, like Shakespeare’s ages, starts after emergence from adolescence when the young adult goes out to work. Lydall (1995) explains that the economic life cycle starts with the first earnings that are usually lower than those that will be earned later in life. The increase in income following the first earnings is attributed to the growth in skill and experience; but at some stage a peak is reached from which the individual’s income begins to fall. The peak in income occurs when individuals reach 54 years of age and remains at that level for the life stage of 54 to 64 years (Lydall, 1955). The pattern followed by income earned varies from the pattern of net wealth. Net wealth peaks in later life stages than income and

does not reduce significantly after retirement as is the case with net earnings, but is consumed gradually over time.

Life stage asset allocation methods are aimed at ensuring that an investor has sufficient time to manage market fluctuation, and individuals in an early life stage should generally invest more in riskier assets (Carroll, 2000). Although various definitions of life stages exist, they are all based on a combination of the age and marital status of the individual. Some life-stage models also consider whether there are children living in the house and what the age of the children is (Lean & Ali, 2008; Fischer et al., 2013; Ho, Milevsky & Robinson, 1994; Yao & Zhang, 2005; Engen, Gale & Uccello, 2005).

Although various definitions of the life stages exist, for the purposes of this study the definition developed by the South African Advertising Research Foundation (SAARF, 2010) and used in the comprehensive annual All Media and Products Study (AMPS) (which includes questions on the use of assets by individuals). This life stage definition was used in similar studies by Botha (2015) and Venter & Stedall (2010) and is therefore deemed to be the most appropriate for this study. The life-stage definition considers the following factors to describe the life stage an individual is in: age, home ownership, marital status and the presence of dependent children. Respondents are classified into one of eight personal life stage groups (see table 3.1).

TABLE 3.1
LIFE STAGES

Life-stage	Characteristics
At-home singles (AHS)	<ul style="list-style-type: none"> • Up to 34 years old • Live with parents • Not married/not living together • Do not have any dependent children in the household (own or other children [up to the age of 21]) whom they are responsible for
Young independent singles (YIS)	<ul style="list-style-type: none"> • Up to 34 years old • Not living with parents • Not married/not living together • Do not have any dependent children in the household whom they are responsible for

Life-stage	Characteristics
Mature singles (MS)	<ul style="list-style-type: none"> • 35+ years old • Not married/not living together • Do not have any dependent children in the household whom they are responsible for
Young couples (YC)	<ul style="list-style-type: none"> • Up to 49 years old • Married/living together • Do not have any dependent children in the household whom they are responsible for
Young family (YF)	<ul style="list-style-type: none"> • Married/living together • With at least one dependent child under the age of 13 in the household whom they are responsible for
Single parent family (SPF)	<ul style="list-style-type: none"> • Not married/not living together • With dependent children in the household whom they are responsible for
Mature family (MF)	<ul style="list-style-type: none"> • Married/living together • With no dependent children under 13 years in the household whom they are responsible for, but with dependent children over the age of 13 years in the household
Mature couples (MC)	<ul style="list-style-type: none"> • 50+ years old • Married/living together • No dependent children in the household whom they are responsible for

Source: SAARF (2010)

3.4.7 Summary

This section found that individuals with similar characteristics have similar financial needs and investment strategies and that these could be used to describe their investment choices. The study investigated the asset allocation of high net worth individuals based on their asset ownership at the time of their death. The section concluded with a discussion of studies that have previously identified the demographic factors included in the liquidation and distribution accounts (age, gender, marital status and life stage), as having an impact on the net worth.

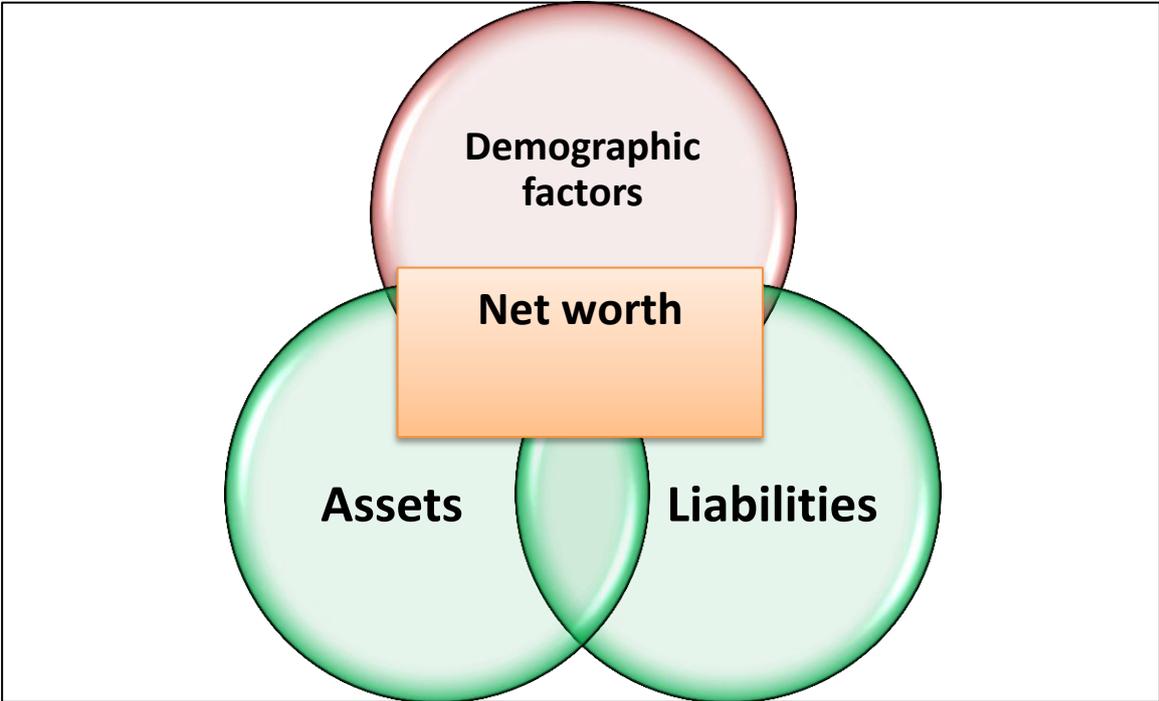
3.5 CONCLUDING REMARKS

This chapter focused on the second sub-objective of the research, namely to identify factors that influence the asset composition of high net worth individuals. Initially, some

of the seminal theories underlying asset composition were discussed. This was followed by a discussion of factors that influence an individual's asset selection. Finally, the demographic factors that influence net worth as identified in the literature were explained.

These findings can be summarised in the following framework with two components, the first being the demographic factors that influence net worth and the second the method used to calculate net worth (see figure 3.3).

FIGURE 3.3
FRAMEWORK FOR STUDY



Source: Own compilation

The next chapter describes the two research methods applied in the study, namely a conceptual analysis approach (qualitative research design) and the interpretative approach (quantitative research design). The chapter provides an overview of the data collection process and the demographic profiling of participants.

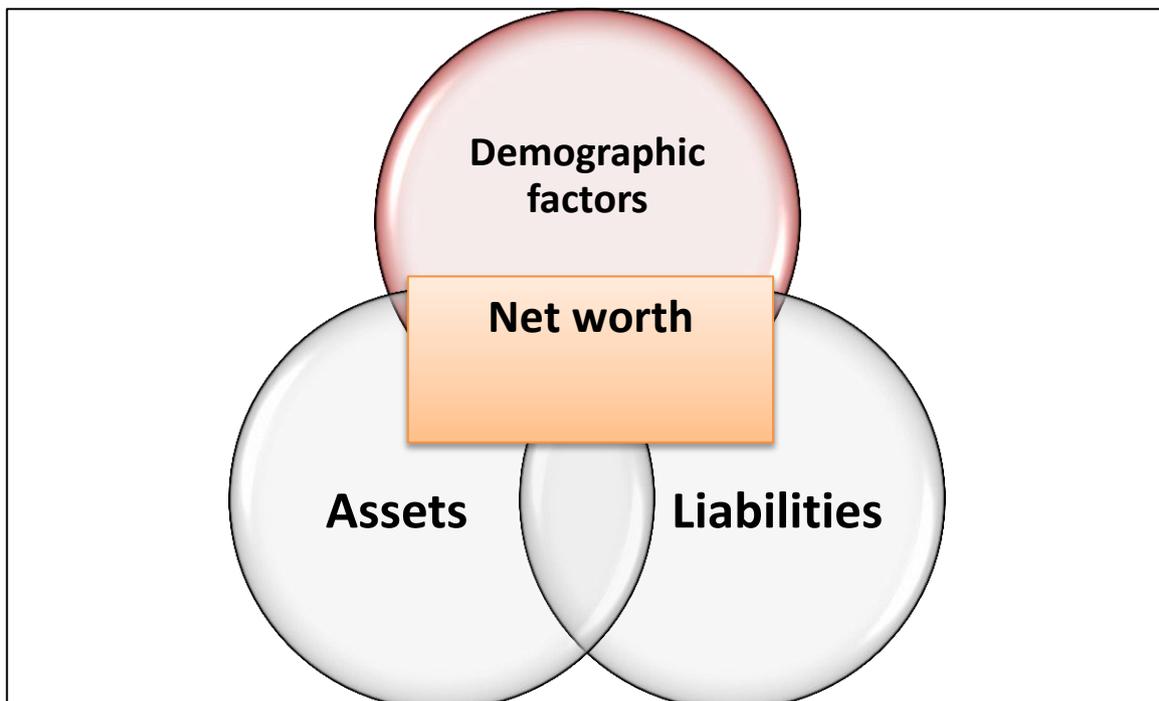
CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

The aim of this study was to investigate the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and to ascertain if any demographic factors have an influence on this asset composition as presented in figure 4.1.

FIGURE 4.1
FRAMEWORK FOR STUDY



Source: Own compilation

This chapter describes the research method used in this study in order to answer the study's research question:

What is the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and do any demographic factors influence this composition?

The research consisted of two distinct phases. During the first phase, a literature review was conducted to describe how to measure net worth and the factors that influence net worth (chapter 2: Assets included in measuring an individual's net worth, page 11 and chapter 3: Factors influencing high net worth individuals' net worth, page 38). This was followed by an empirical research phase during which data were collected and analysed based on the results of the literature review (chapter 5: Factors influencing asset composition, page 72).

4.2 LITERATURE REVIEW

During the first phase of the research, a conceptual analysis design (qualitative research design) was used to analyse literature and documents (including legislation, accredited articles, government policies and procedures, and other scientific literature). An archival research method was used because historical documents, reports and articles were examined to identify information relevant to the topics that formed the basis of the study (Babbie & Mouton, 2009; Venter, 2009). The documents used in the study were obtained from library searches conducted with the assistance of a librarian as well as seminal works used by other authors in their documents, reports and articles. All ethical principles and policies were applied in collecting, analysing and interpreting documents.

The results of the literature review were used to develop a framework that was applied to the empirical data collected. The framework described the different assets and liabilities that should be included in individuals' estates when preparing their liquidation and distribution accounts in order to calculate their net worth and the demographic

factors that influence their net worth. Figure 4.1 is a visual representation of the framework developed.

4.3 EMPIRICAL RESEARCH

4.3.1 Introduction

An interpretative research approach was adopted for the empirical research because such an approach seeks to understand and describe the findings obtained (Babbie & Mouton, 2009). Quantitative descriptive studies entail interpretation in that researchers set the horizon of expectations for the study by pre-selecting the variables that will be studied, and in that they draw conclusions from the results of statistical tests, which are themselves based on sets of assumptions. (Sandelowski, 2000). All ethical policies and principles were adhered to when the data were collected, and approval was obtained because all the data used in the study are in the public domain and open for review by any member of the public.

4.3.2 Initial and revised sampling design

The office of the Master of the High Court administers the estates of deceased individuals (Administration of Estates Act of 1965: s 4(1)). As described in the literature review, after an individual has passed away, the executor must prepare a liquidation and distribution account, which is submitted to the Master of the High Court (section 2.3.1: Introduction, page 24). In order to obtain the data from high net worth estates, a selection criterion for inclusion in the survey was developed (section 2.4.2: Developing a high net worth individual definition, page 35). In terms of the selection criterion, only estates that were liable for estate duty could be included in the sample frame. Estates are liable for estate duty when the net value exceeds R3,5 million. This selection criterion enabled the researcher to identify relevant estates from all the estates submitted to the Master of the High Court.

The valuation methods prescribed in the guidelines of the property described above may not include guidelines on all types of assets owned by an individual. The valuation of those assets may be at the discretion of the executor. Such valuations could be

understated which will result in the net value of the estate being below the threshold for attracting estate duty, namely R3,5 million. It will result in a limitation in this study because estates below the threshold were not considered to be selected for the sample of data.

Initially, the researcher planned to apply a convenience sample by obtaining liquidation and distribution accounts that meet the selection criteria from a group of practitioners. This approach was selected as previous attempts to obtain similar information from one of the offices of the Master of the High Court proved to be problematic.

Through the professional relationship that exists between the University of South Africa's (Unisa's) Personal Finance Research Unit (PFRU) and Momentum Limited, the latter was approached to assist in obtaining data from estates for which it acted as executor and that met the inclusion criteria. However, owing to confidentiality concerns and after several unsuccessful attempts, yet another alternative approach had to be followed. A former financial advisor was contacted in an attempt to contact relevant financial planners that act as executors. This approach also proved unsuccessful. During the process, the researcher was referred to a senior employee at Nedbank Private Wealth. This senior employee advised the researcher to approach the Chief Master and provided the researcher with the relevant contact details.

An electronic mail message was sent to the Chief Master, explaining the purpose of requesting the data. This process resulted in a telephonic discussion with the Chief Master who invited the researcher to a meeting on 22 December 2014 in his office in the Pretoria CBD.

During the meeting, the Chief Master confirmed that he supported the research initiative as explained, and that all data in the estate files that are available to the general public, would be made available for the study. The Chief Master suggested that the deceased estates reported to the office of the Master of the Supreme Court in Johannesburg should be used as the population of the data. The motivation for this was that in his professional opinion, this was the office where the highest number of high net worth individuals' estates was administered.

The Chief Master explained that the extraction of the data would be time consuming as the paper-based files would have to be located and reviewed, because the new on-line system was not yet operational. A new system, called the Master's Integrated Case Management System (ICMS), was being tested for implementation at the time. The purpose of the new system was to improve information to the Master's Offices and the various stakeholders in the process. The first phase of the project was in progress at the time of the meeting. This phase consisted of registering all the files opened after 2008 (including deceased estate files) on the central ICMS system. For deceased estate files, only the estate file number, the name of the deceased, the identity number of the deceased and the office of the Master at which the estate would be captured were included. During the next phases, the contents of the files would be scanned. The contents of a deceased estate file contain both public record files and confidential content. To accommodate all stakeholders, the ICMS system allows for a variety of access rights that permit the various stakeholders to access the content to which they are entitled. The access rights to be afforded to members of the public will make viewing of the liquidation and distribution accounts possible, which was a major obstacle in this study causing time delays of several months.

To facilitate the data collection process, the Chief Master accompanied the author to the office of the Master of the Supreme Court in Johannesburg and introduced the researcher to the Assistant Master. The latter was requested to provide a list of all estate files that were subject to estate duty – this list would form the sample frame for the study. A random sample was selected from the sample frame which would then be submitted to the Assistant Master in order to collect the files from which the required data would be extracted.

A list of all the estates reported to the Johannesburg Master's Office which met the criterion to be referred to SARS for assessment of estate duty was obtained; this list contained 292 file names (the population frame). A random sample of 60 files (covering the 2013, 2014 and 2015 calendar years) was selected. The sample list was sent to the Assistant Master on 5 January 2015. By 10 February 2015, no information had been received from the assistant Master, and a follow-up electronic communication was sent. On 12 March 2015, after no information was forthcoming from the Assistant Master, an electronic mail was sent to the Chief Master to request his assistance once again.

In response to the request for assistance, the Chief Master sent an electronic mail to the Master of the Supreme Court in Johannesburg to request assistance in collecting the data. The Master of the South Gauteng High Court in Johannesburg subsequently contacted the researcher on 24 March 2015 and requested the list containing the sample of deceased estate files, which was provided to him. This communication was forwarded to the Deputy Master: Deceased Examination Section, of the Master of the South Gauteng High Court, who contacted the researcher to arrange a meeting with the Assistant Master where the requested files would be ready for review.

A limitation resulting from the fact that the sample was selected from the Master's office in Johannesburg is that the results cannot be generalised for the entire South African population.

4.3.3 Data collection and capturing

The visit to the office of the Assistant Master of the South Gauteng High Court took place on 14 April 2015. On arrival, only a small number of files were made available for data collection. In response to a question about the possibility of inspecting all the files that appeared on the sample list, the response was that various staff members had to access the files in order to perform various verification duties on them. At the time of the study, there was no tracking system in place to enable someone to track a particular file in order to determine its location at any given point in time. Despite the sample list being made available to the Assistant Master approximately three months earlier, it was not possible to locate and/or retain the files during that period. An alternative process of photocopying the liquidation and distribution accounts when the file was located and then releasing it for further processing could not be done owing to a shortage of staff and the work pressure experienced by the Assistant Master. It was then agreed that the outstanding sample elements would be replaced by files that still met the selection criteria, but which would be accessible during one of the visits to the site. The effect of this change was that the sampling method was changed from a randomly selected sample to a convenience sample. From the previous discussion it is clear that this change in sampling method was required in order to complete the project.

The Assistant Master managed to locate several replacement files from offices of other staff members and the filing room. Although the initial sample contained 60 files of

deceased estates, despite various efforts to obtain the required number of files, the assistant master could only obtain 49 files that met the selection criteria of the net value of the estate being in excess of R3,5 million. This represented 81.7% of the initial sample size. The data from these 49 files were captured and analysed.

The liquidation and distribution accounts of the 49 deceased estates were analysed and captured on a Microsoft Excel 2010 spreadsheet. The spreadsheet contains columns for all types of assets and liabilities found in the data, control variables and demographic information.

4.3.4 Validity and reliability of the data collection

Throughout the data collection process, quality control procedures were conducted on a continuous basis to ensure the validity and reliability of the data. The following validity and reliability tests were conducted during the data collection and capturing process:

- The original list of estates was obtained directly from the Master of the High Court to ensure that the cases on the list were complete and only contained valid cases.
- Individual assets and liabilities were captured as well as the control total provided in the accounts. Totals of amounts entered and control variables were electronically compared to ensure accuracy of data captures.
- Demographic information was originally captured as part of the data entry and all missing data variables (e.g. marital status) were verified to ensure that the information that was provided confirmed the correct entry of data.

4.3.5 Data analysis

The demographic information captured in the Microsoft Excel 2010 file was firstly analysed using descriptive statistics to determine if it could be used for further analysis of the financial data (see section 4.4: Demographic profile of respondents, page 66). Using the theoretical framework developed in chapter 2 (Assets included in measuring an individual's net worth, page 11), the net worth of the estate included in the study was calculated as the dependent variable for the study. In order to evaluate the effect of the

dependent variable (factors influencing net worth), descriptive statistics in the form of cross-tabulation were used. The analysis of the effect of the independent variable on the dependent variable is presented in the next chapter.

4.4 DEMOGRAPHIC PROFILE OF RESPONDENTS

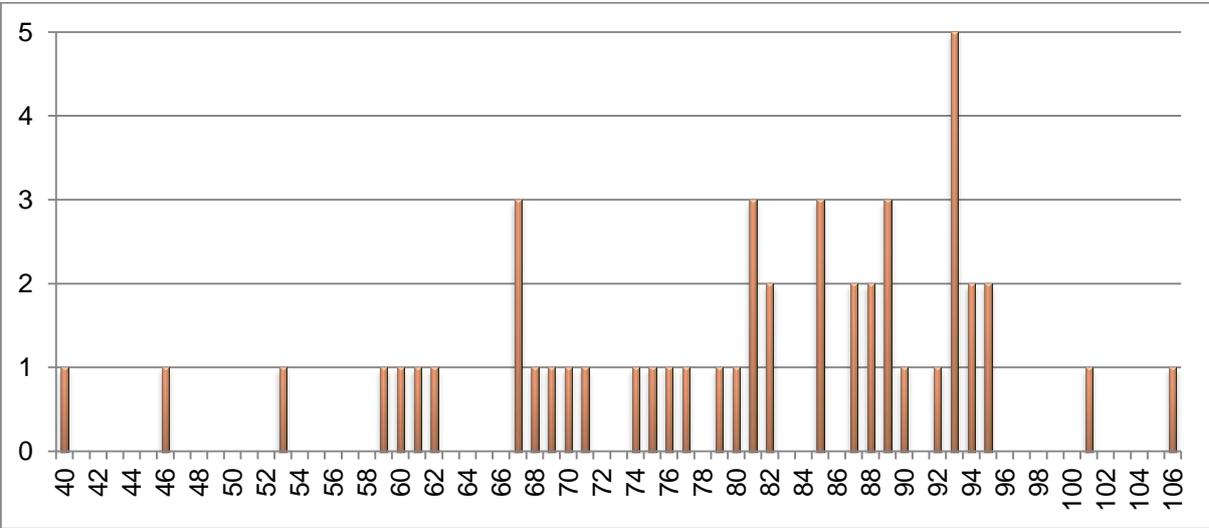
4.4.1 Introduction

Forty-nine liquidation and distribution accounts of deceased estate files were included in the sample (hereafter referred to as the respondents). This section provides the demographic overview of the respondents.

4.4.2 Age of deceased

An initial analysis of the sample of high net worth individuals revealed that the majority of the sample consisted of retired individuals. This finding confirms the life-cycle hypothesis, which states that assets are accumulated throughout an individual's life and are then consumed after retirement. It is therefore expected that an individual will become a high net worth individual later in life. Figure 4.2 indicates the age distribution of the sample elements.

FIGURE 4.2
AGE DISTRIBUTION OF INDIVIDUALS IN SAMPLE



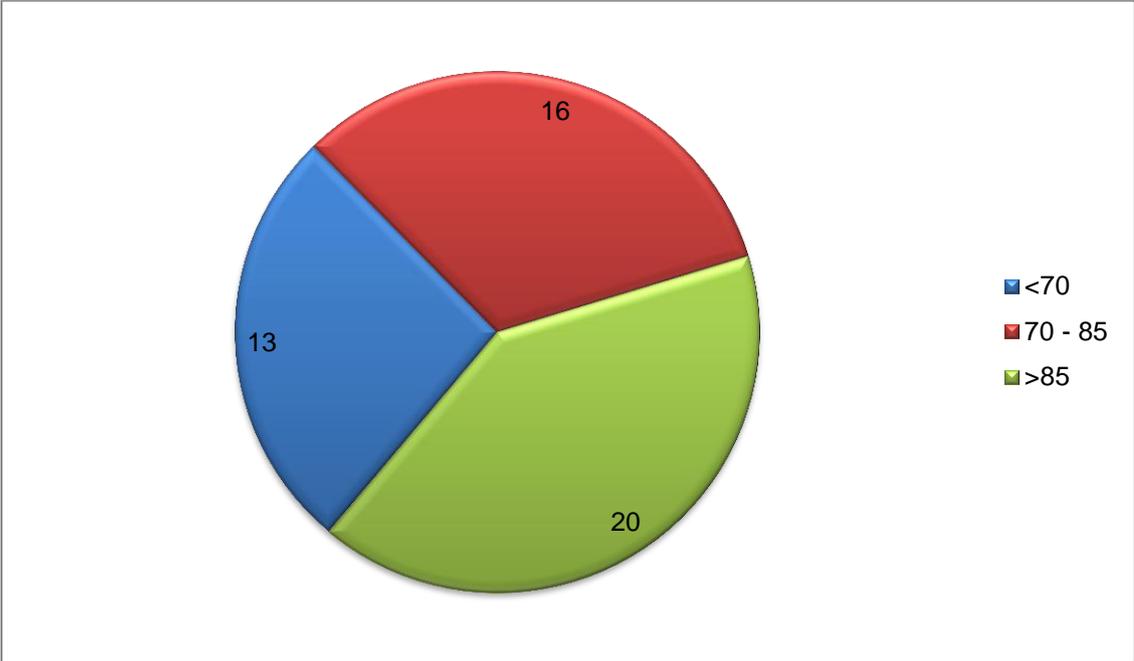
The visual inspection of the age distribution reveals that the youngest person included in the sample was 40 years of age and the oldest 106 years of age.

To facilitate the analysis of the data, the respondents were divided into three different age groups (table 4.1 and figure 4.3).

TABLE 4.1
NUMBER OF INDIVIDUALS PER AGE GROUP

AGE GROUPS	N	%
<70	13	27%
70–85	16	33%
>85	20	40%
TOTAL	49	100%

FIGURE 4.3
NUMBER OF INDIVIDUALS PER AGE GROUP

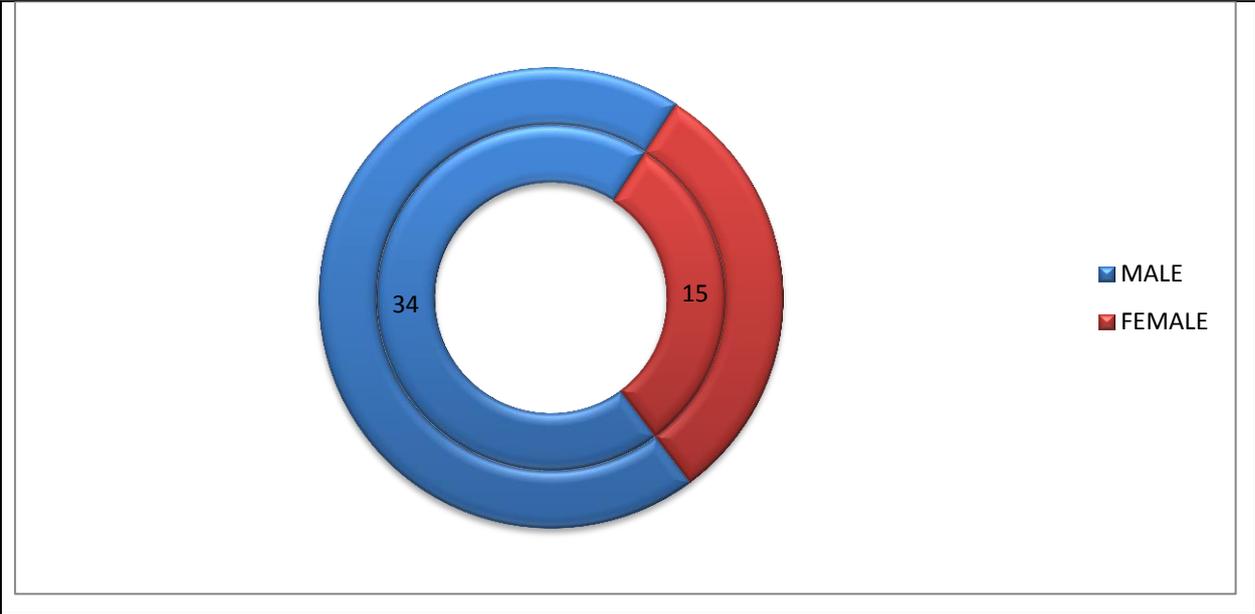


The results of the new groups were that 27% of the respondents fell into group 1 (individuals below the age of 70), 33% between the ages of 70 and 85 (group 2), and 40% were allocated to group 3 because they were over the age of 85. These three age groups were utilised for further analysis of the data.

4.4.3 Gender of deceased

Figure 4.4 indicates the gender profile of the respondents. The figure shows that that the majority of respondents (69%) were male. This supports the traditional view that ownership of financial assets was mainly gender based, with the majority of the wealth vesting in the husband of the family.

**FIGURE 4.4
GENDER DISTRIBUTION**



In relation to the findings of Deere and Doss (2006), it should be noted that the female economically active population is smaller than the male population, which might provide some explanation for gender phenomena found in this study (Stats SA, 2014).

4.4.4 Marital status of deceased

The heading of the liquidation and distribution account must indicate if a respondent is married and what the legal form of the marriage was. For the purposes of this study, it was therefore concluded that if no information was provided, the deceased was not married (i.e. never married, widow or widower). The marital status of respondents is indicated in figure 4.5.

FIGURE 4.5
MARITAL STATUS DISTRIBUTION

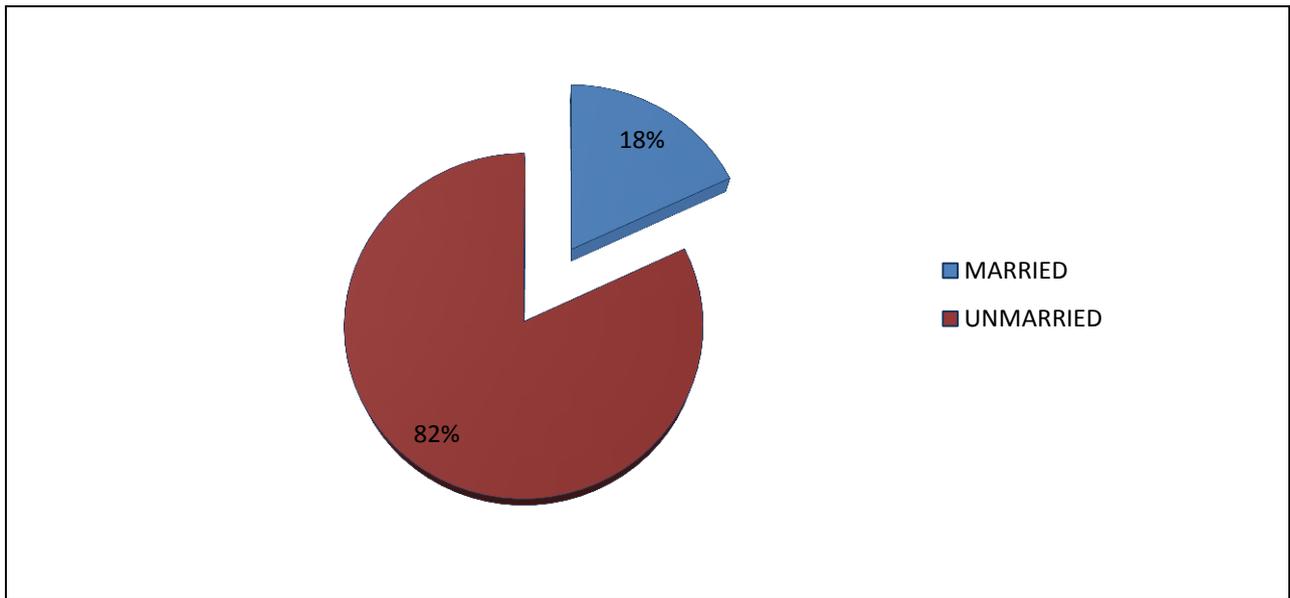


Figure 4.5 indicates that the respondents could be divided into two groups, those who were married at time of death (18%) (groups: married in community of property, without community of property and common law marriages) and those who were not married at time of death (82%) (groups: single/never married, not married/living with someone, divorced, widowed and separated). Since no clear information was available on to whether the respondents who were not married at the time of death had previously been married, this variable was not used for further analysis.

4.4.5 Life stages

The analysis of the estate files, the ages, marital status and the presence of dependent children was extracted to determine the life stage in which the deceased individuals had been at the time of death. The life stages of the respondents based on the South African Advertising Research Foundation (SAARF, 2010) framework are indicated in figure 4.6 and table 4.2.

FIGURE 4.6
PERCENTAGES OF LIFE STAGES PRESENT IN THE SAMPLE

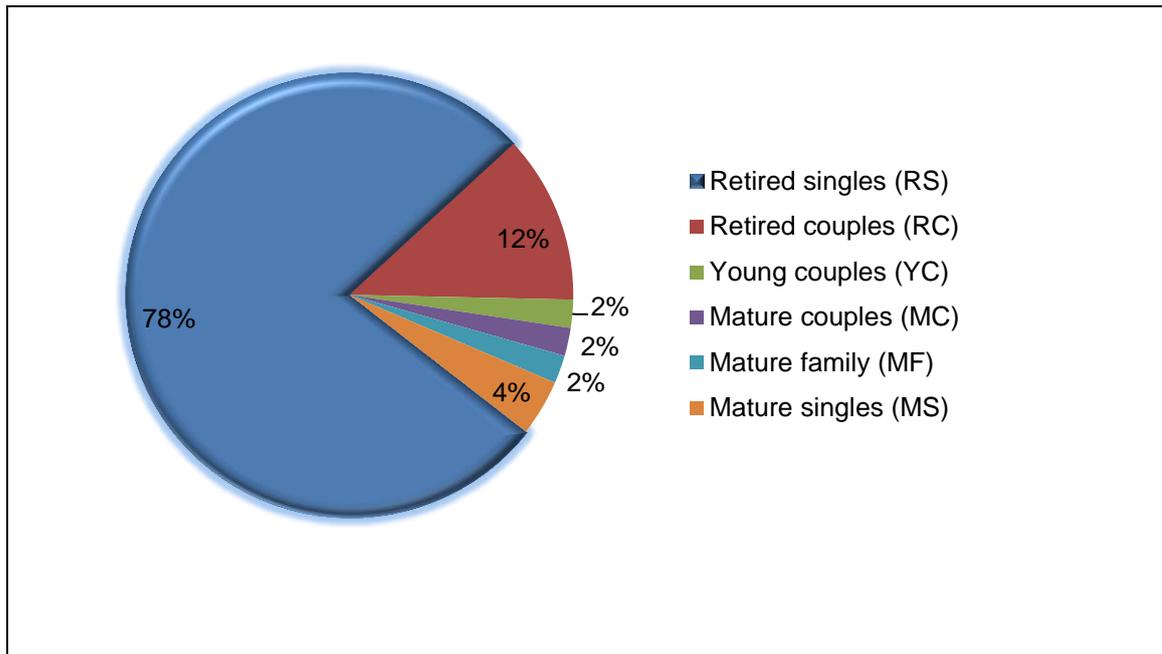


TABLE 4.2
NUMBER OF LIFE STAGES PRESENT IN THE SAMPLE

LIFE STAGE	N	%
Retired singles (RS)	38	78%
Retired couples (RC)	6	12%
Young couples (YC)	1	2%
Mature couples (MC)	1	2%
Mature family (MF)	1	2%
Mature singles (MS)	2	4%
TOTAL	49	100%

Source: Own compilation

The sample represents only six life stages. The “retired singles” life stage represented 78% of the sample. Three of the life stages, namely “young couples”, “mature families” and “mature couples” were represented by only one individual, and a fourth life stage, namely “mature singles”, by two individuals. Owing to the disproportionate distribution of respondents per life stage, it was not possible to draw meaningful conclusions from an analysis per life stage. This independent variable is thus not used for further analysis in the next chapter.

4.5 CONCLUDING REMARKS

This chapter discussed the research method that was applied in the study in order to achieve its aim, namely to investigate the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and determine whether any demographic factors had an influence on this asset composition.

The chapter also provided an overview of the demographic information of the high net worth individuals included in the study. The next chapter provides results of the analyses performed on the net worth of the individuals included in the sample, and an analysis of the impact of the different demographic factors on the respondents' net worth.

CHAPTER 5

FACTORS INFLUENCING ASSET COMPOSITION

5.1 INTRODUCTION

The overall objective of this study was to investigate the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and to ascertain if any demographic factors have an influence on this asset composition. After developing the framework in the literature phase of the study, the following sub-objective was developed for this chapter:

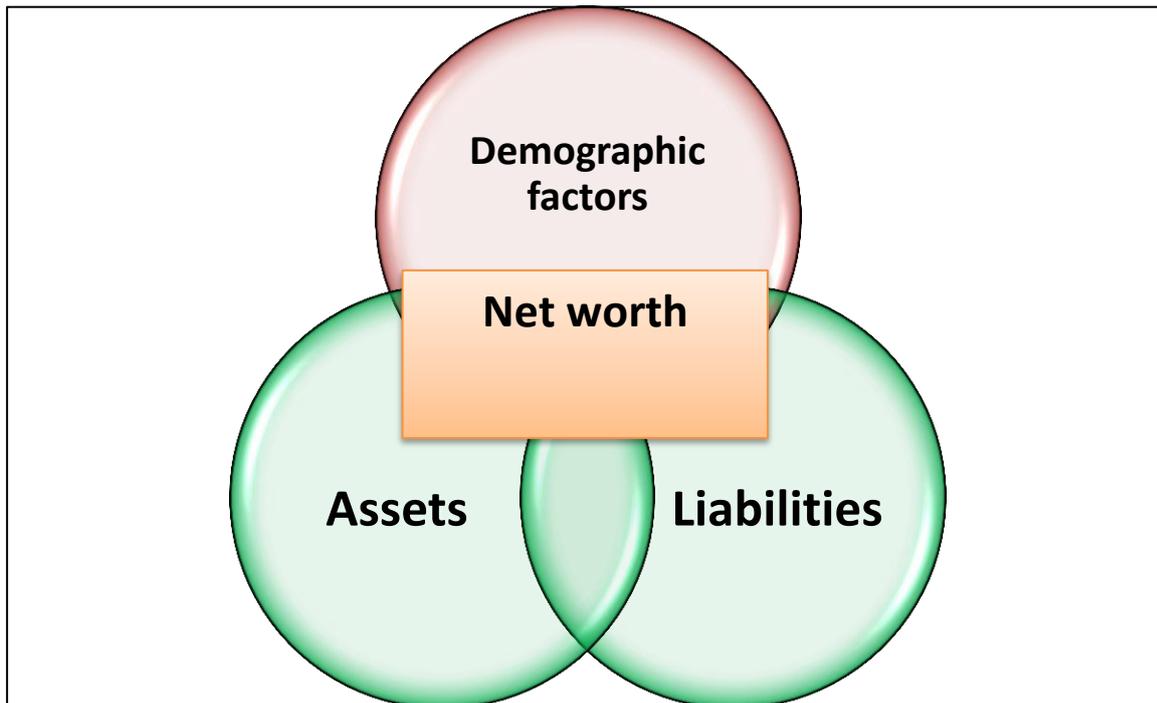
Sub-objective 3:

Analyse the influence of selected factors in the net worth of high net worth individuals.

To achieve this sub-objective, data collected from liquidation and distribution accounts (submitted to the Master of the High Court) were analysed. Forty-nine liquidation and distribution accounts were obtained from the office of the Master of the High Court in Johannesburg (chapter 4: Research design and methodology, page 59) and form the basis of the analysis conducted in this chapter.

The framework (figure 5.1) developed during the literature phase of the study comprised of two distinct components. The first component described the demographic factors that influence the asset allocation of respondents (see section 4.4.1: Introduction, page 66, for a description of these factors). The second component of the framework provides the framework for calculating an individual's net worth. In terms of the framework, net worth is calculated as the value of the assets an individual owned (A) less the value of the liabilities owed by the individual (L).

FIGURE 5.1
FRAMEWORK FOR STUDY



Source: Own compilation

The chapter initially provides the results of the calculation of the dependent variable and its sub-components to arrive at the net worth per individual (section 5.2: Dependent variable: net worth, page 73). The dependent variable is then analysed using the various independent variables (demographic factors) identified in the study (section 5.3: Influence of demographic factors on net worth, page 86).

5.2 DEPENDENT VARIABLE: NET WORTH

5.2.1 Introduction

The literature review developed the net worth framework that was used to calculate the net worth of individuals including high net worth individuals (section 2.2.1: Introduction, page 12; figure 5.2).

FIGURE 5.2
NET WORTH FRAMEWORK



This framework was applied to each of the respondents in order to calculate the dependent variable used in the study. The literature review found that individuals invest in various assets and take up various liabilities. In order to calculate the dependent variable, each of the components of the net worth framework had to be calculated.

The literature identified the framework for South African household balance sheet assets as the basis for measuring the value of the assets owned by individuals (table 2.5, page 22). In order to facilitate the representation of the results in an accessible manner, assets of a similar nature were grouped together (figure 5.3).

In order to calculate the second value in the net worth framework, the framework for South African household balance sheet liabilities (table 2.6, page 23) was used. Various components that appear in the literature framework were not analysed owing to the respondents allocating a tiny proportion of their net worth to those components. These components are only presented as one figure in the results under the heading "other".

FIGURE 5.3
RECONCILIATION OF ASSET PRODUCTS IN LIQUIDATION ACCOUNTS WITH
ASSET PRODUCTS

Investments in or subscription to shares	<ul style="list-style-type: none"> •Listed shares, managed portfolios
Immovable property	<ul style="list-style-type: none"> •Residential property, holiday property, property: farms, other property
Business interests	<ul style="list-style-type: none"> •Interest in close corporations, loan accounts and going concerns
Savings or deposits	<ul style="list-style-type: none"> •Savings accounts at banks, money market, •Current accounts at banks, off-shore investments, foreign accounts, government bonds, bank investments, gold coins, cash on hand, sundry investments
Unit trusts or mutual funds	<ul style="list-style-type: none"> •Unit trusts, exchange-traded funds, guaranteed funds, collective investments, gilt funds
Fixed-term investments	<ul style="list-style-type: none"> •Fixed deposits at financial institutions
Vehicles, including boats and planes	<ul style="list-style-type: none"> •Motor vehicles: personal and production
Collectibles and household content	<ul style="list-style-type: none"> •Furniture and effects, firearms for personal use
Retirement annuity/pension policy	<ul style="list-style-type: none"> •Annuities
Trusts	<ul style="list-style-type: none"> •Trusts
Other	<ul style="list-style-type: none"> •Life policies, inheritance received, debtors, credit cards, SARS, loans to individuals, bonds, wildlife products, implements

(SECTION 2.2.3: Measuring net worth in household financial accounting, page 15)

5.2.2 Net worth of high net worth individuals

The calculation of the dependent variable (net worth) found that the average net worth for respondents included in the study was R11 752 982 (figure 5.4). A more detailed statistical analysis of the asset and liability distribution for the sample is provided in annexure A (table A1).

**FIGURE 5.4
AVERAGE NET WORTH FOR ALL AGES**



The selection criteria developed in the previous chapter determined that only estates with a net value of R3,5 million (before deducting any estate duty liability) should be included in the sample. By applying the net worth framework to the respondents included in the sample it was found that the respondent with the lowest net worth was R3,554 million (assets of R3,794 million less liabilities of R0,05 million – see annexure A: table A1). It can therefore be concluded that the 49 respondents included in the sample satisfied the selection criteria and could be used for further analysis.

The analysis of the data revealed that the highest net worth individual included in the study had a net worth of R84 084 234. The median net worth value of the respondents was R6 678 679. The next section analyses the asset and liability values of respondents.

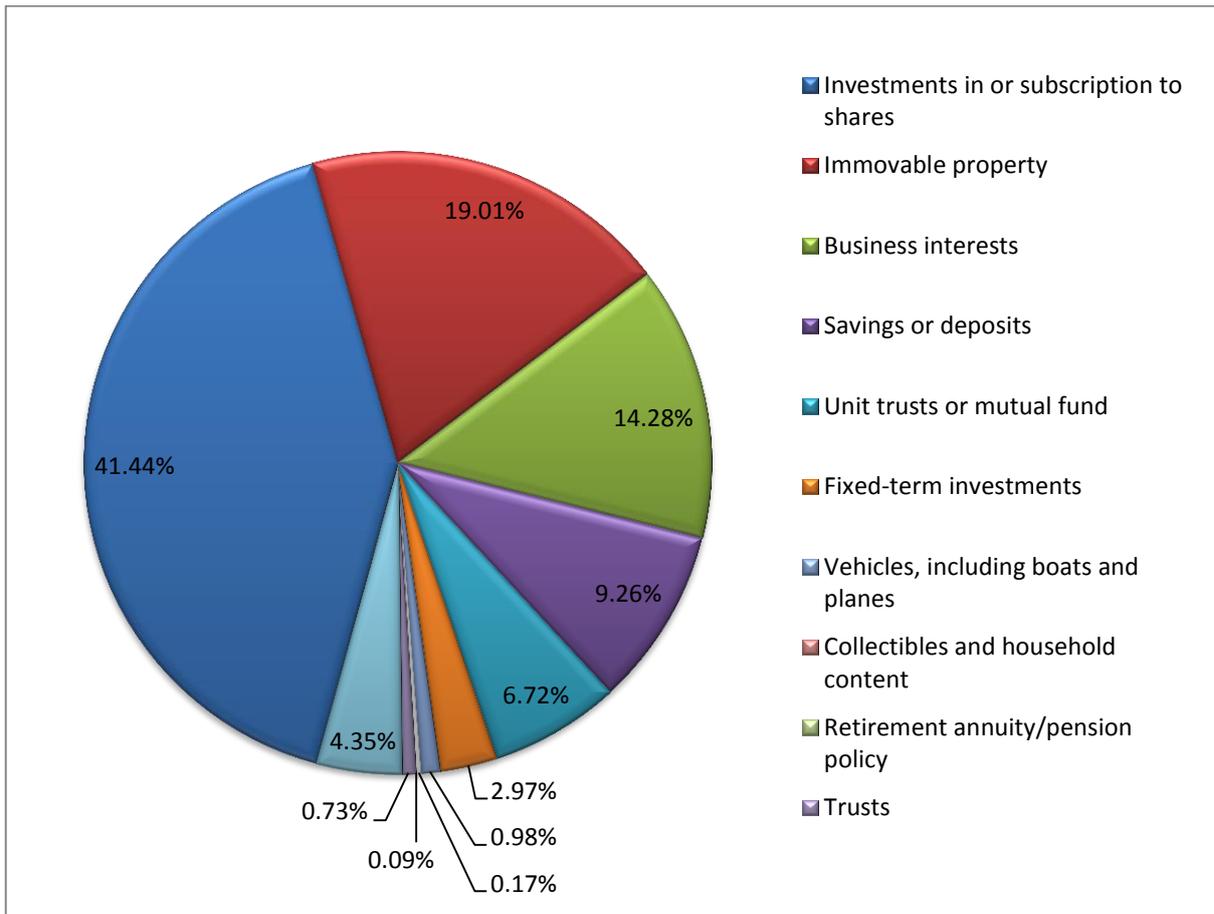
5.2.3 Assets of high net worth individuals

As described previously (sections 1.2.2: Assets individuals can invest in, page 3 and 5.2.1: Introduction, page 73), individuals can invest in various assets. Using the revised asset framework provided in figure 5.3, the asset allocation of respondents was analysed. Table 5.1 and figure 5.5 provide the mean investment in the different asset groups. Additional statistical information relating to the sample distribution for each of the asset groups is provided in annexure A (tables A2 to A12).

TABLE 5.1
TYPES OF ASSETS INVESTED IN (MEAN)

TYPE OF ASSETS	Mean	% of total assets
	R' thousand	
Investments in or subscription to shares	5 365	42%
Immovable property	2 462	19%
Business interests	1 849	14%
Savings or deposits	1 199	9%
Unit trusts or mutual funds	870	7%
Fixed-term investments	384	3%
Vehicles, including boats and planes	127	1%
Collectibles and household content	22	0%
Retirement annuity/pension policy	12	0%
Trusts	94	1%
Other	563	4%
TOTAL	12 947	100%

FIGURE 5.5
PERCENTAGE OF TYPES OF ASSETS TO TOTAL ASSETS



An analysis of the data contained in table 5.1 and figure 5.5 revealed that the largest asset class in terms of average monetary values was investment in or subscription to shares (41%). It is noteworthy that 73% of respondents had some form of investment in this group. The product types that were included in this group were listed shares and managed portfolios. Managed portfolios consist of a portfolio of shares which is managed by a broker – hence these portfolios may contain an element of cash from the sale of shares or dividends received. For the purpose of this study, it was assumed that these cash components were incidental and an integral part of the portfolio of shares.

The average percentage of share investments in the individual estates of those respondents who had such investments, to the total asset value, was 38%. This indicates that 62% of the portfolios of the respondents who had investments in shares were diversified among the other asset types. Of these respondents, 47% had more than 20% of the value of their total assets invested in shares.

Table 5.1 indicates that the second largest asset class was the immovable property group of assets. This group consisted of residential property, property held for investment, holiday property and farms. These properties were added together as insufficient detail was provided in the liquidation accounts to enable the researcher to conduct a more detailed analysis of these figures. It is interesting to note that 84% of the respondents owned some form of immovable property. This confirms the traditional view that home ownership is an important contributor to wealth creation.

Although the average monetary values of the asset groups would give one an indication of the asset allocation in the different groups, additional insights into the assets in which the respondents invested could be obtained when considering the asset allocation in each of the individual estates. Table 5.2 (column 1) indicates how many estates contained assets from each of the groups. However, one should note that although a person has a specific type of asset, this asset might not form a significant portion of the value of his or her estate. In order to evaluate the importance of the different asset groups in the estates of the respondents, table 5.2 (column 2) indicates for which percentage of respondents the asset class represented more than 20% of the value of the individual estate.

Because one respondent with a significant holding in a specific asset could influence the mean values provided, a relative contribution mean value was also calculated. The relative contribution mean was calculated using the following formula:

$$\sum_{i=0}^n (\text{asset type value} / \text{total asset value}) / n$$

Table 5.2 (column 3) indicates the relative contribution mean for each asset class.

TABLE 5.2
TYPES OF ASSETS INVESTED IN

TYPE OF ASSETS	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Relative contribution mean
Investments in shares	73%	47%	38%
Immovable property	84%	59%	34%
Business interests	31%	18%	40%
Savings or deposits	88%	18%	15%
Unit trusts or mutual funds	43%	12%	18%
Fixed-term investments	39%	4%	9%
Vehicles, including boats and planes	65%	0%	2%
Collectibles and household content	49%	0%	1%
Retirement annuity/ pension policy	8%	0%	2%
Trusts	6%	2%	20%
Other	71%	14%	13%

The initial descriptive analysis of the asset allocation provided a comprehensive list of assets included in the estates of the high net worth individuals under review. The analysis revealed that there were several asset groups that were not significant contributors to the estates under review.

In order to gain a better understanding of the net worth of the respondents, it was decided to limit the number of asset groups provided in the following sections by moving the insignificant asset groups to the heading “other”. To enable the researcher to select the groups to be included, a set of decision rules was developed. All asset groups that did not meet at least two of the selection criteria were included in the group of assets referred to as “other”.

The following selection criteria were applied to each asset group:

Criterion 1: More than a quarter of estates must have asset included in this group.

Criterion 2: For at least 5% of estates this asset group should represent a significant portion of the assets.

Criterion 3: The relative contribution mean of the asset group should be at least 5%.

After applying the selection criteria, the following asset groups were combined in the other asset group for further analysis (basis of exclusion provided in brackets):

- vehicles, including boats and planes (*criterion 2 and criterion 3*)
- collectibles and household content (*criterion 2 and criterion 3*)
- retirement annuity/pension policy (*criterion 1, criterion 2 and criterion 3*)
- trusts (*Criterion 1 and Criterion 2*)

For the purposes of further analysis, all of these were grouped together under the heading “other”.

Although “fixed-term investments” technically did not meet selection criterion 2 it was decided to include it in the further analysis as the percentage of estates for which it represented a significant portion of the total assets was 4.08%, while the criterion for inclusion was 5%. Owing to the fact that it met all the other selection criteria, it was decided to include it in the analysis.

5.2.4 Liabilities of high net worth individuals

The average liabilities of respondents were R1 194 365 (standard deviation of R2 064 048). The respondent with the highest liabilities had debt amounting to R13 716 181 (29,19% of his asset value). The respondent with the highest debt to asset ratio has a ratio of 40, 67:1 (a 93-year-old male) and the respondent with the lowest debt to asset ratio had a ratio of 0,87:1 (a 106 year-old male).

All respondents included in the sample were liable for estate duty (the inclusion criterion was a net worth of R3,5 million). Although the estate duty rate is 20%, the average percentage of estate duty paid by all the respondents was 12%, clearly indicating the

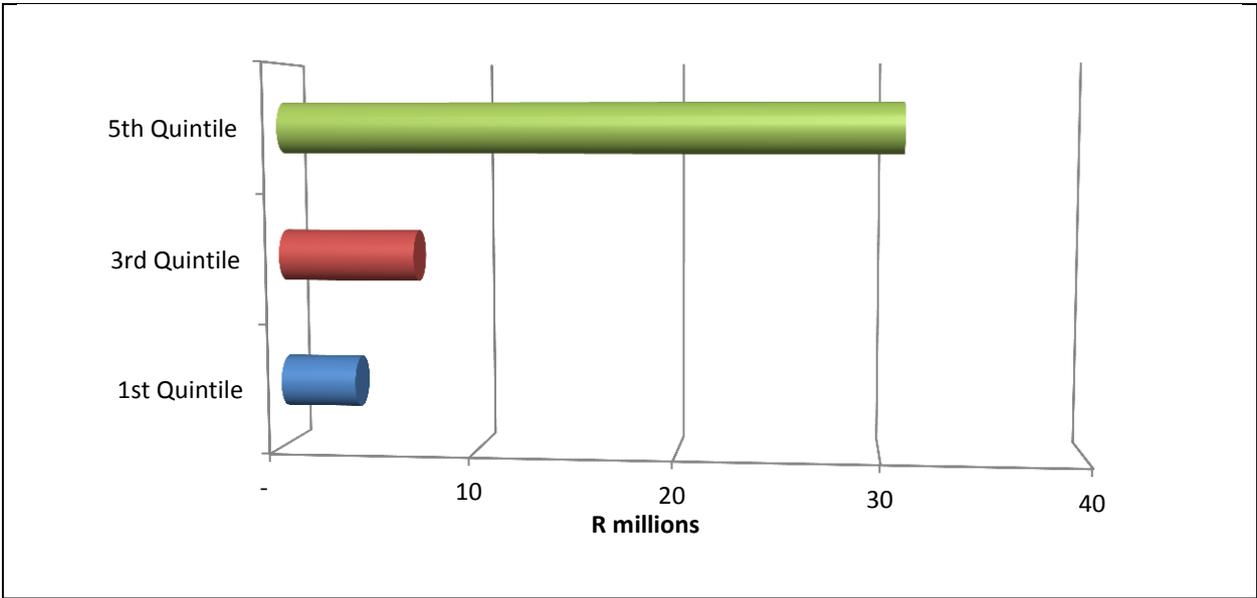
effect of the abatement and other allowable deductions, such as accruals to a surviving spouse (section 4(q)) on the amount of tax collected.

5.2.5 Analysis of net worth

The previous section discussed the components of net worth. In this section, the analysis of the net worth values is explained in order to gain a better understanding of the data contained in the sample. The net worth was used to divide the respondents into quintiles. In order to obtain an understanding of the difference between the quintiles, the first, middle and last quintiles are discussed (see annexure A, table A13, for details of all five quintiles).

Figure 5.6 indicates the average net worth for the quintiles selected for analysis included in the study.

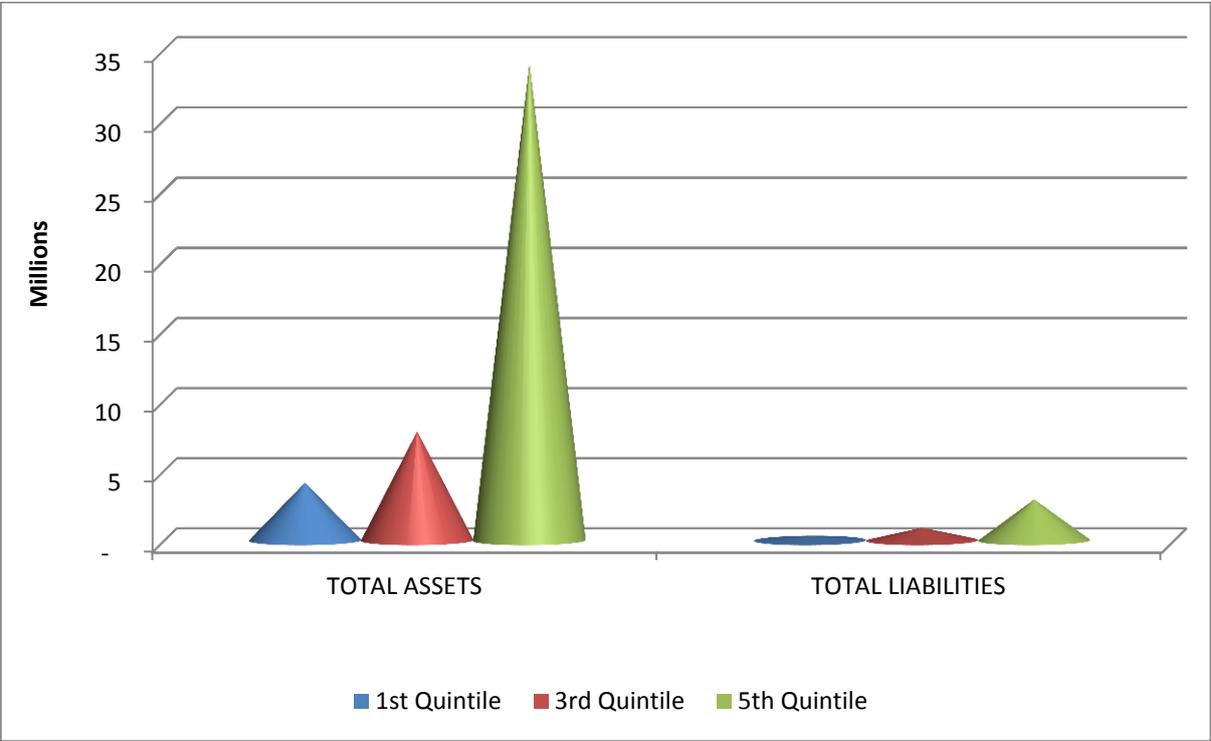
**FIGURE 5.6
AVERAGE NET WORTH PER QUINTILE**



The mean values of the net worth for the three quintiles in figure 5.6 reveal that the fifth quintile accumulated significantly more net worth (R31 109 million) than the third (R6 879 million) and the first (R3 808 million) quintiles.

In relation to the net worth framework (figure 5.2), figure 5.7 indicates that the average asset value for the fifth quintile explains the significant difference in net worth of this group over the others.

FIGURE 5.7
MEAN ASSET AND LIABILITY VALUES PER QUINTILE



The mean value of the total assets of the first quintile was R4,133 million compared to a mean value of R7,790 million for the third quintile and R34,041 million for the fifth quintile. Although an increasing trend was also identified in the mean values for total liabilities, the quintiles display an increasing tendency from R0,324 million, R0,911 million and R2,932 million respectively. This increase was considerably less than in the increase in assets.

In order to better understand the differences in the asset value of the assets in which individuals in the quintiles had invested, the asset values were analysed (table 5.3).

TABLE 5.3

RAND VALUES INVESTED IN TYPES OF ASSETS PER QUINTILE

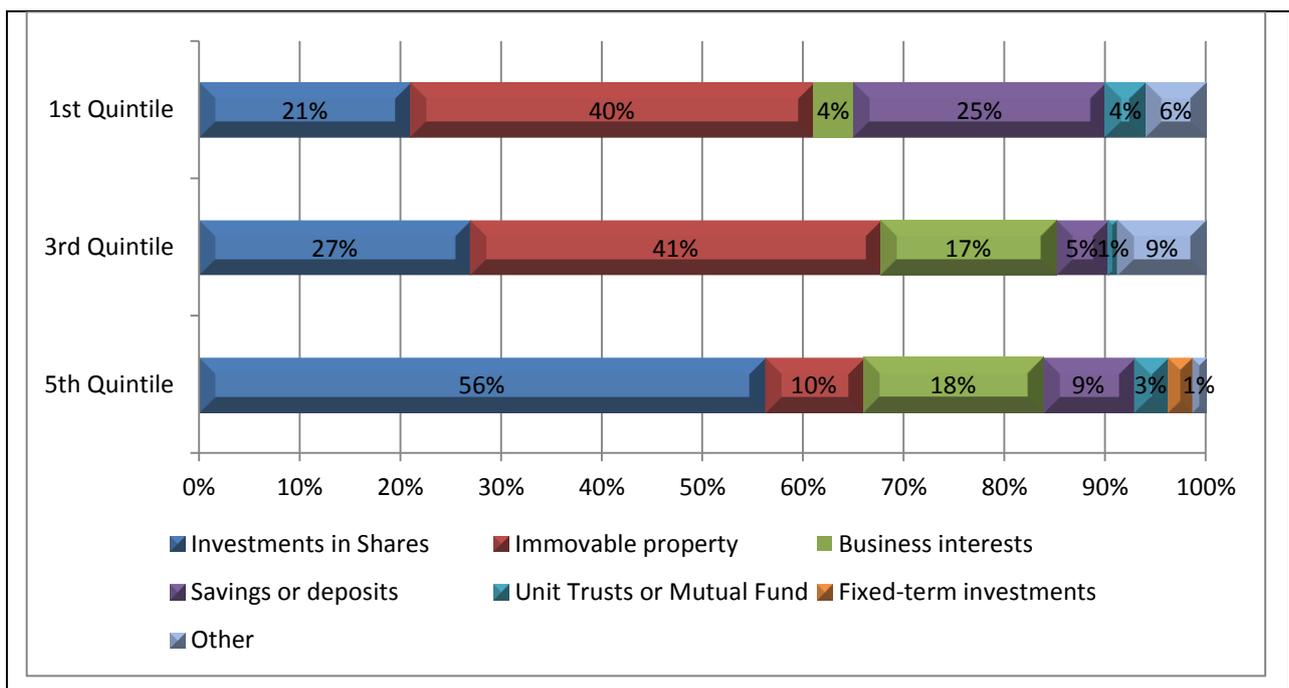
TYPE OF ASSETS	1st Quintile	3 rd Quintile	5 th Quintile
	Mean rand value (thousands)	Mean rand value (thousands)	Mean rand value (thousands)
Investments in shares	881	2 099	19 116 ^H
Immovable property	1 664 ^H	3 173 ^H	3 335
Business interests	145	1 354	6 076
Savings or deposits	1 015	407	3 072
Unit trusts or mutual funds	168	75	1 137
Fixed-term investments	3	2	820
Other	256	679	485
TOTAL	4 132	7 789	34 041

^H highest value

Table 5.3 indicates that the respondents in the first and third quintiles' high value assets were immovable property, but the respondents in the highest quintile's asset with the highest value was investments in shares. To gain a further understanding of the respondents' investment strategy, the assets as a proportion of the total assets were analysed in figure 5.8.

FIGURE 5.8

ASSET CLASS PER QUINTILE



Visual observation of the charts in figure 5.8 indicates notable differences in the asset allocation between the quintiles. The analysis revealed that investment in shares increased along with the increased net worth of the quintiles. Table 5.4 provides additional insight into the use of the different asset groups relative to total assets per quintile. The table firstly provides the percentage of the estates in the quintile that invested in each of the assets (first column) and the percentage of estates in which the asset group under review represented more than 20% of the value of all the assets (second column).

**TABLE 5.4
TYPES OF ASSETS INVESTED IN PER QUINTILE**

TYPE OF ASSETS	1st Quintile		3 rd Quintile		5 th Quintile	
	% of estates that invested in this asset	% of estates with value more than 20%	% of estates that invested in this asset	% of estates with value more than 20%	% of estates that invested in this asset	% of estates with value more than 20%
Investments in shares	80%	50%	80%	50%	100% ^H	70% ^H
Immovable property	90%	90% ^H	100% ^H	70% ^H	80%	20%
Business interests	10%	10%	30%	30%	60%	40%
Savings or deposits	100% ^H	40%	80%	0%	100% ^H	10%
Unit trusts or mutual funds	20%	10%	40%	0%	60%	0%
Fixed-term investments	30%	0%	10%	0%	50%	0%
Other	80%	10%	90%	20%	90%	0%

^H highest proportion

Table 5.4 indicates that the asset type that the most respondents of the first quintile invested in was savings or deposits (100%), but for most of the respondents (90%), immovable property formed a major part of their asset allocation. In the third quintile, immovable property had both the highest number of respondents investing in it (100%) as well as the highest number of respondents for whom it represented more than 20% of their total assets (70%). All of the richest respondents in the sample invested in shares and savings or deposits (100%), but it is interesting to note that shares

represented the larger proportion of total asset per respondent than the other asset groups. Another interesting finding was that immovable property exceeded 20% of total assets for only 20% of the richest quintile compared to the other quintiles where immovable property represented the highest proportion.

5.2.6 Summary

This section analysed the net worth of respondents and the assets in which the respondents invested. The next section considers the effect each of the factors identified in the data (independent variables) had on the net worth of respondents (dependent variable).

5.3 INFLUENCE OF DEMOGRAPHIC FACTORS ON NET WORTH

5.3.1 Introduction

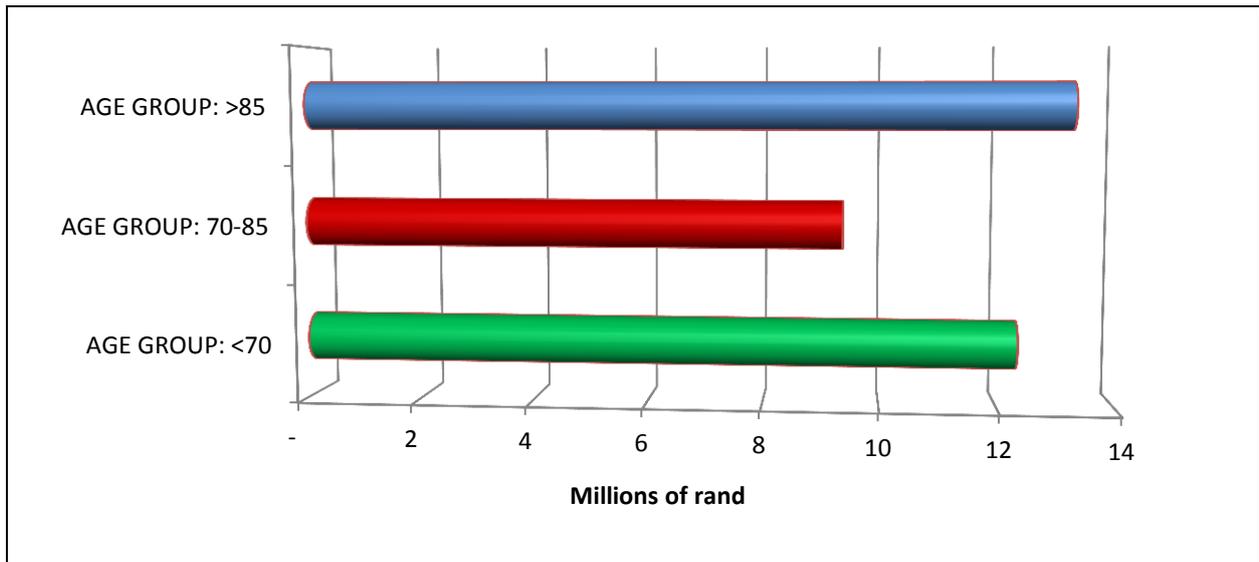
This section analyses the effect different demographic factors had on the net worth and asset composition of high net worth individuals included in the sample. The demographic factors used in the sample were those identifiable in the liquidation and distribution accounts (section 3.4: Demographic factors influencing asset composition, page 50). The following variables are discussed:

- age
- gender
- marital status

5.3.2 Effect of age on net worth

The analysis of the age distributions of the respondents (section 4.4.2: Age of deceased, page 66) revealed that the respondents could be divided into the following three groups: below 70 years of age; between the ages of 70 and 85; and above 85 years of age. Figure 5.9 indicates the average net worth for each of the age groups included in the study.

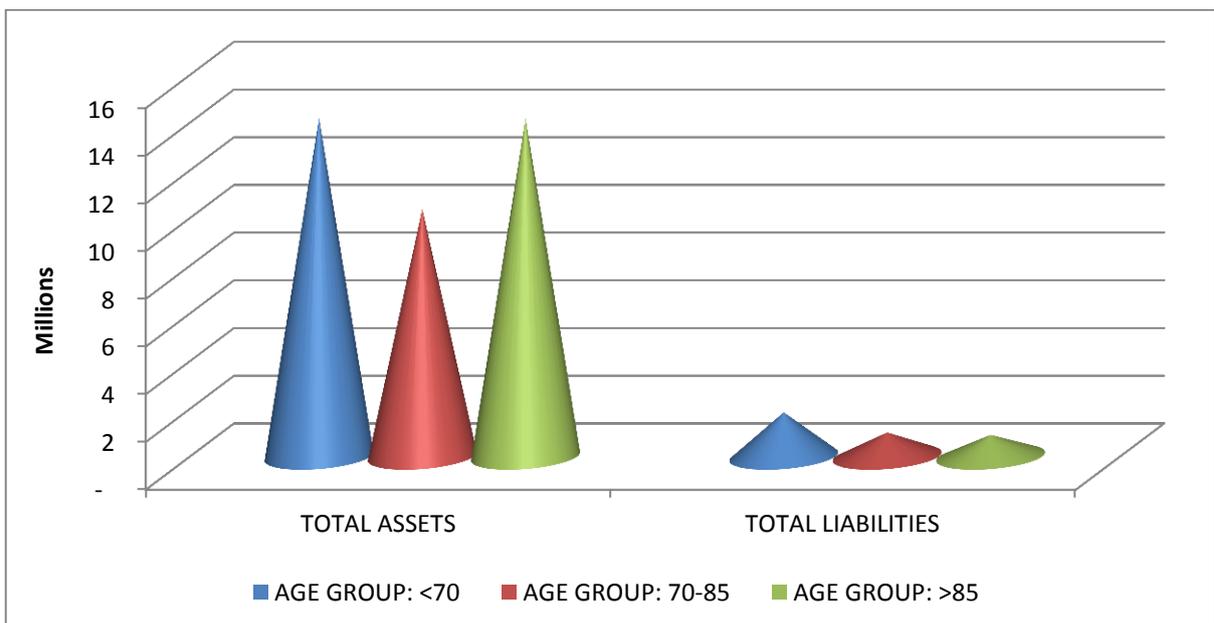
FIGURE 5.9
AVERAGE NET WORTH PER AGE GROUP



The mean values of the net worth per age group in figure 5.9 indicate that the above 85 age group accumulated the highest net worth of the three age groups (R13,269 million), while the age group between 70 and 85 years had net worth of R9,375 million.

In terms of the net worth framework (figure 5.2), it is clear that this difference in the net worth per group could either be due to differences in the value of the assets accumulated or differences in the liability values. Figure 5.10 indicates the average asset and liability value for the groups under review.

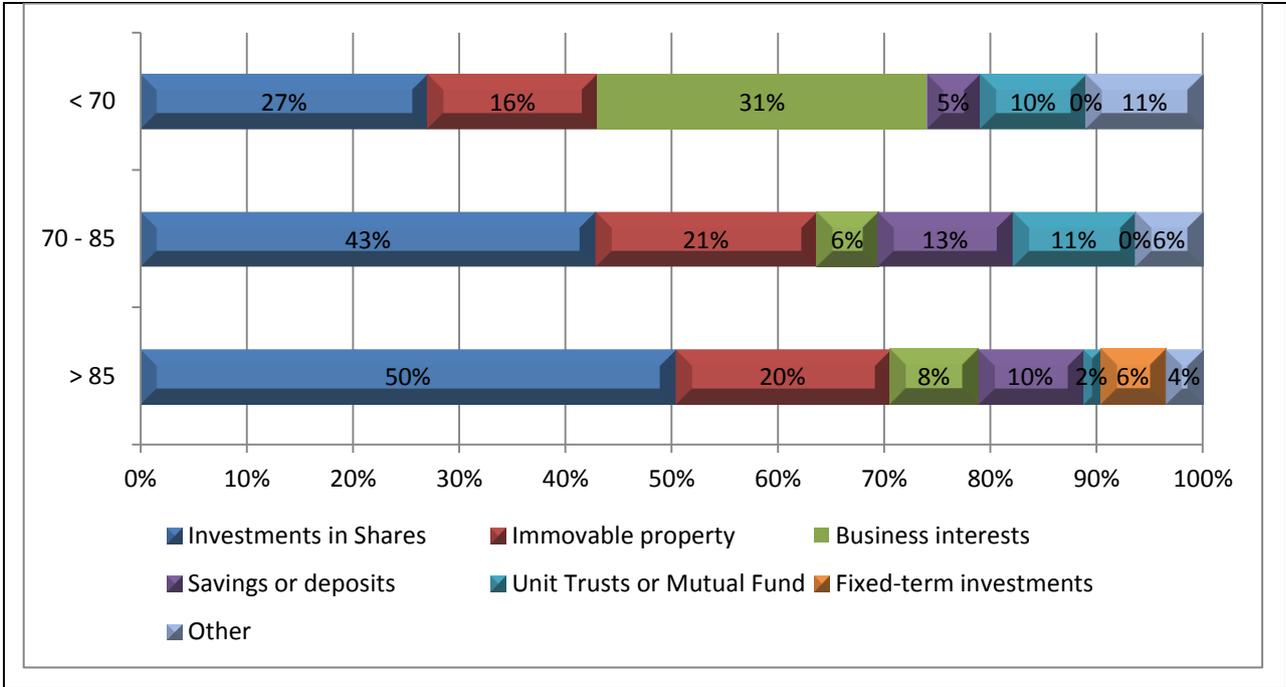
FIGURE 5.10
MEAN ASSET AND LIABILITY VALUES PER AGE GROUP



The mean value of the total assets of the “below 70 age group” was R14,203 million which was quite similar to the above 85 age group’s mean value of R14,181 million. The 70 to 80 years of age group’s mean value of total assets was approximately 27% lower than the other two groups. Total liabilities indicate a decreasing tendency as ages rise. This decreasing tendency is expected as individuals settle debt after retirement and are not likely to incur new debt as they grow older.

According to the life-cycle hypothesis, the accumulation of assets reaches a peak at retirement age and assets are then consumed after retirement (section 3.2.3: The life-cycle hypothesis, page 41). The results of the first two groups followed this hypothesis, with the net worth decreasing when a person moved from the first group to the next. However, it is interesting to note that for the elements included in this sample, the value then increased again when moving over to the third group. A possible explanation for the deviation in the traditional life-cycle hypothesis might be the asset allocation of the different groups. Asset allocation is investigated in the analysis that follows.

FIGURE 5.11
ASSET CLASS PER AGE GROUP



A visual inspection of the charts in figure 5.11 indicates differences in the asset allocation between the groups. This confirms that the difference in asset allocation

between the groups could provide a possible explanation for the deviation from the traditional life-cycle hypothesis.

The analysis revealed that investment in shares increased along with age, which seems to contradict the traditional view that shares are high risk assets and the holding of these assets should be reduced with age (section 3.4.3: Age, page 53). It is notable that there was a significant decline in business interests along with the rise in age. This observation was to be expected as a person’s ability to manage a business is expected to decrease with age. The third highest asset group, namely property, did not reveal a significant trend between the age groups. Table 5.5 provides additional insight into the use of the different asset groups per age group.

**TABLE 5.5
ASSETS INVESTED IN PER AGE GROUP**

TYPE OF ASSETS	Age group: below 70		Age group: between 70 and 85		Age group: above 85	
	% of estates that invested in this asset	% of estates with value more than 20%	% of estates that invested in this asset	% of estates with value more than 20%	% of estates that invested in this asset	% of estates with value more than 20%
Investments in shares	54%	15%	81%	63% ^H	80%	55%
Immovable property	85% ^H	46% ^H	88%	63% ^H	80%	65% ^H
Business interests	38%	31%	25%	6%	30%	20%
Savings or deposits	77%	15%	94% ^H	25%	90% ^H	15%
Unit trusts or mutual fund	46%	15%	63%	25%	25%	0%
Fixed-term investments	23%	0%	44%	0%	45%	10%
Other	92%	31%	94%	6%	85%	15%

^H highest proportion

Table 5.5 indicates that the asset type that the most respondents of the below 70 age group invested in was immovable property. Although shares attracted the highest mean value of investment (figure 5.11), immovable property was used by more respondents to accumulate assets. The between 70 and 85 age group mostly made use of savings or

deposits, but only 25% of respondents' investments contributed more than 20% to their asset value. A high percentage (90%) of the above 85 age group used savings or deposits although they did not form a significant part of their assets. The trend identified in these results confirms the findings that as individuals' age increase, they invest in less risky assets which might be why there is an increase in the use of savings and deposits.

5.3.3 Effect of gender on net worth

The analysis of the gender distribution of the respondents (section 4.4.3: Gender of deceased, page 68) revealed a distribution of 15 female and 34 male respondents. Figure 5.12 indicates the average net worth for each of the gender groups included in the study.

FIGURE 5.12
AVERAGE NET WORTH BY GENDER

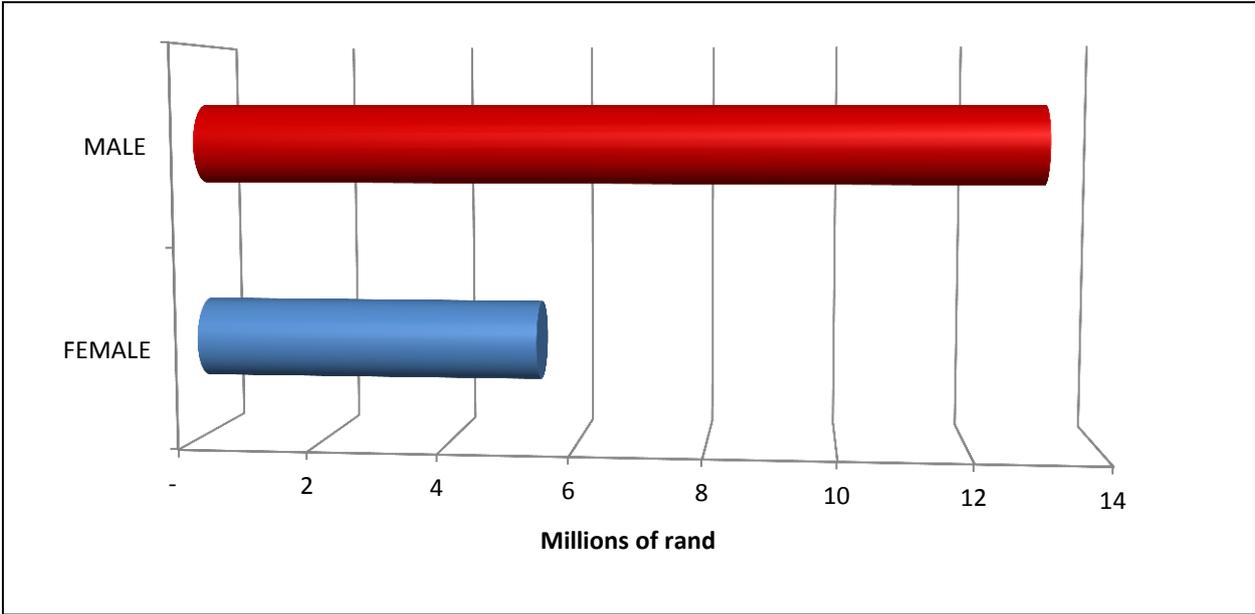
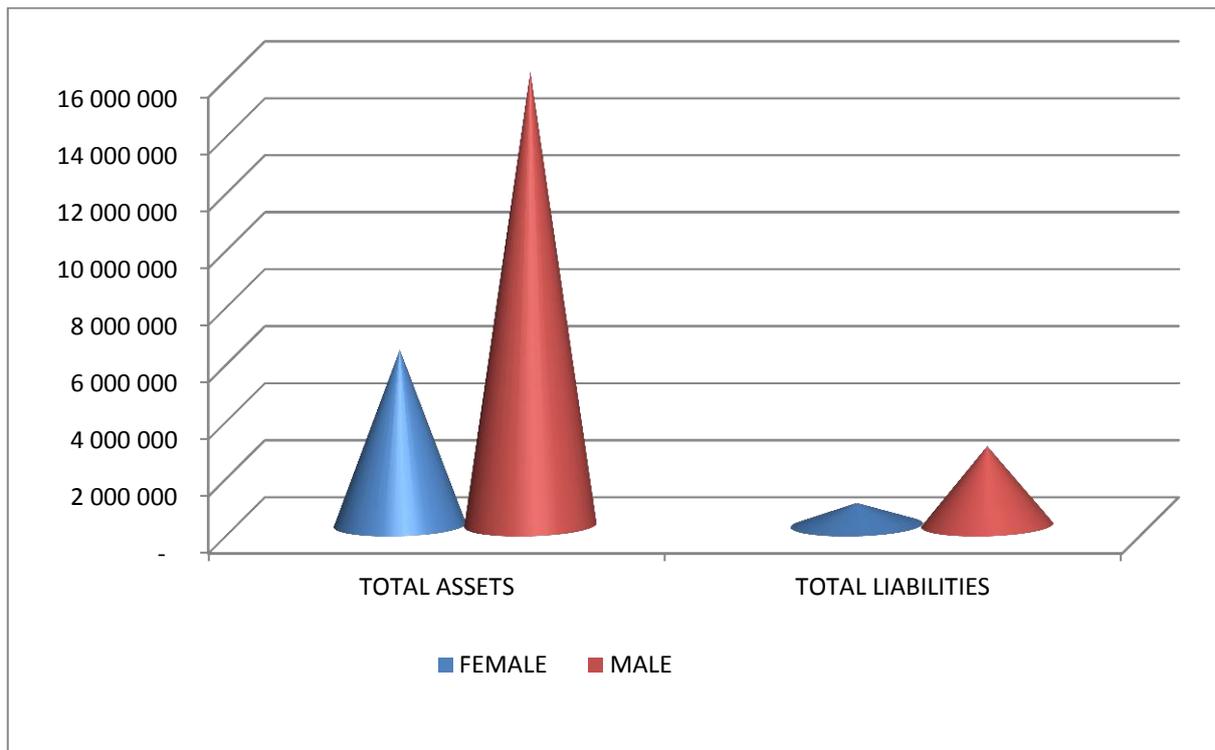


Figure 5.12 indicates that the average net worth for male respondents (R13,152 million) was approximately 244% higher than for female respondents (R5,381 million). Figure 5.13 indicates the average asset and liability value for the groups in order to determine if the difference was due to a difference in the value of the assets accumulated or liabilities owed.

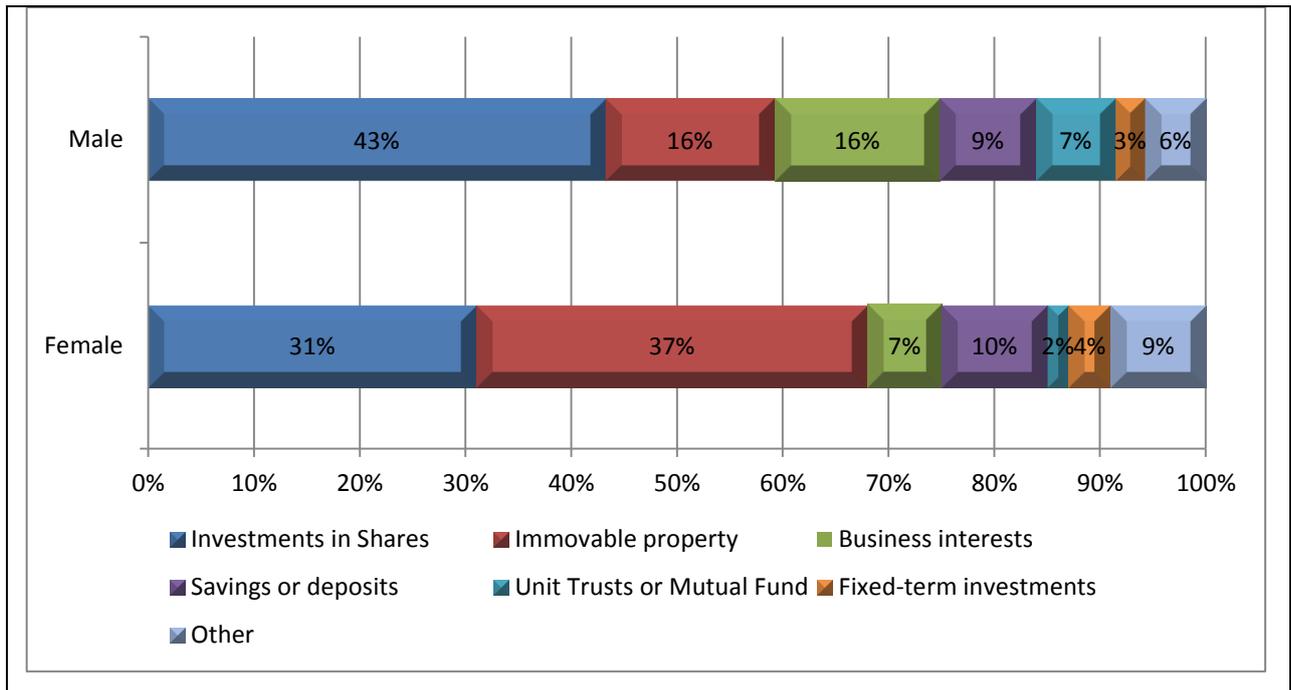
FIGURE 5.13
MEAN ASSET AND LIABILITY VALUES BY GENDER



The mean value of the total assets of the female respondents was R6,171 million, which is significantly lower than the mean value for male respondents of R15,936 million. The total liabilities display a similar tendency that the mean value for female respondents was R0,789 million compared to R2,785 million for male respondents.

According to Sunden and Surette (1998), the accumulation of assets is significantly affected by gender differences. The results of the gender groups in this study followed this hypothesis with the difference in net worth between female and male respondents. This difference might be due to the asset composition of the respondents, which is indicated in figure 5.14.

FIGURE 5.14
ASSET CLASS BY GENDER



The charts in figure 5.14 indicate that there were notable differences in the asset allocation between the genders. This difference in asset allocation between the genders was similar to that identified in the literature review (section 3.4.4: Gender, page 54).

The analysis revealed that females mainly invested in immovable property with investment in shares in second place. The remainder of females' investments were spread in smaller proportions across the remaining asset types. The male respondents' preferred investment in shares by a significant margin. The male respondents' employed a more equal spread of their investments over three more asset types, namely immovable property, business interests and savings or deposits.

TABLE 5.6
ASSETS INVESTED IN BY GENDER

TYPE OF ASSETS	Female		Male	
	% of estates that invested in this asset	% of estates with value more than 20%	% of estates that invested in this asset	% of estates with value more than 20%
Investments in shares	80%	47%	71%	47%
Immovable property	93% ^H	73% ^H	79%	53% ^H
Business interests	13%	13%	38%	21%
Savings or deposits	87%	13%	88% ^H	21%
Unit trusts or mutual funds	33%	7%	47%	15%
Fixed-term investments	40%	7%	38%	3%
Other	87%	13%	91%	18%

^H highest proportion

Table 5.6 confirms that the asset type most preferred by the female group was immovable property, and that for most of them, it also represented the highest portion of their asset base. Interestingly, male respondents were investing in different types of assets compared to the female group, as can be seen in the distribution of their assets based on the asset class that represents more than 20% of their asset values.

The findings in table 5.6 revealed an interesting trend when compared to the literature, which found that genders invest differently if only the two most popular asset types invested in are considered. In this study, immovable property ranked the highest (73% and 53%) for both genders and shares the second highest (47% and 47%). Although the remaining asset types were again similarly invested in by both females (13%, 13%, 7%, 7%) and males (21%, 21%, 15%, 3%), they represented a significantly higher proportion of the asset allocation of males.

Investments in shares reflected the highest in mean value (R6,9 million) compared to immovable property (R2,6 million) for male respondents. However, for ranking in terms of percentages of assets per respondent, immovable property was ranked higher. A possible explanation for the contradicting rankings could be that a higher number of respondents invested more than 20% of their assets in immovable property than the

number of respondents who invested in shares. However, for those who did invest in shares, it represented a significantly higher proportion of their assets. This explanation was confirmed by an analysis of the distribution per asset types which revealed that the maximum investment in shares by a single respondent was R69,667 million compared to R7,8 million for immovable property.

To analyse the contradicting rankings further, the percentages of estates in which the asset types were more than 20%, 30% and 40% were calculated using the following formula, where $u(t - c)$ is a unit step function for $x = 20\%, 30\%$ and 40% respectively for each of the columns in table 5.7:

$$\sum_{i=0}^n u(\text{asset type value} / \text{total asset value} - x\%) / n$$

**TABLE 5.7
PROPORTIONAL INVESTMENT IN ASSETS (MALES)**

TYPE OF ASSETS	Male			
	Maximum rand value per asset type R million	% of estates with value more than 20%	% of estates with value more than 30%	% of estates with value more than 40%
Investments in shares	69,667 ^H	47%	35% ^H	35% ^H
Immovable property	7,800	53% ^H	35% ^H	21%
Business interests	22,171	21%	18%	18%
Savings or deposits	15,152	21%	15%	12%
Unit trusts or mutual funds	12,008	15%	12%	9%
Fixed-term investments	5,851	3%	0%	0%
Other	5,992	18%	12%	9%

^H highest proportion

It is interesting to note in table 5.7 that the ranking between shares and immovable property as a percentage of total assets became equal at the 30% point of asset type to total assets. When the value of an asset type is expressed as a percentage of total assets, only when it exceeds 40% of the total value, does the ranking of the investments

in shares and immovable property change to the same ranking as the ranking according to mean values of those asset types.

5.3.4 Effect of marital status on net worth

The analysis of the marital status of the respondents (section 4.4.4: Marital status of deceased, page 68) revealed that several different marital statuses exist. For the purpose of the analysis these respondents were divided into two groups, namely unmarried and married respondents.

**FIGURE 5.15
DISTRIBUTION BY MARITAL STATUS**

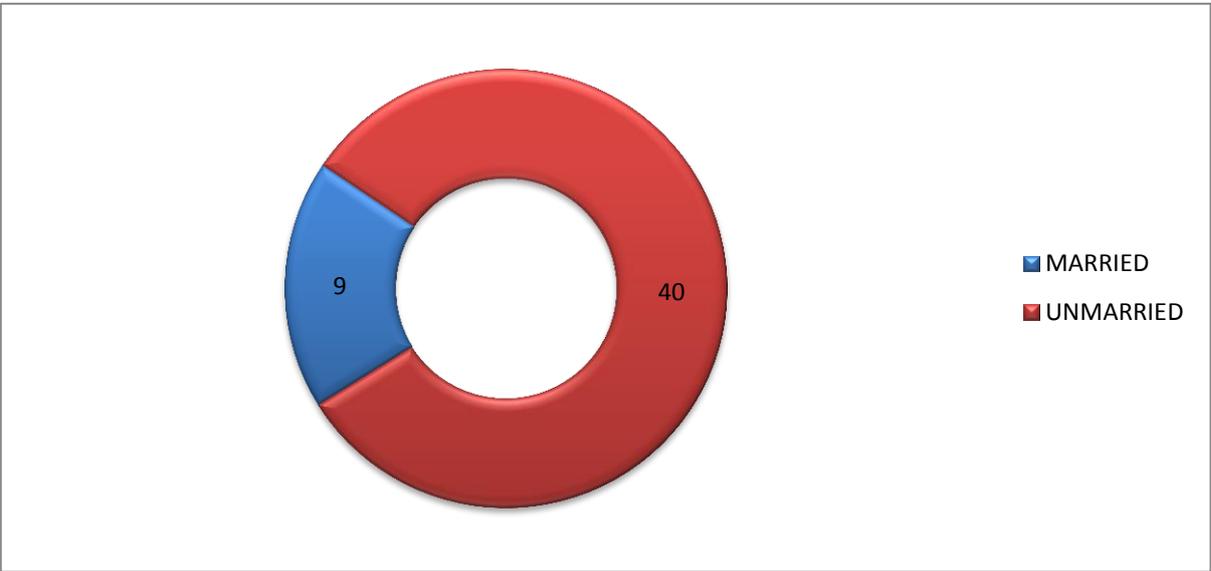


Figure 5.16 provides the average net worth for each of the marital status groups included in the study.

FIGURE 5.16
AVERAGE NET WORTH BY MARITAL STATUS

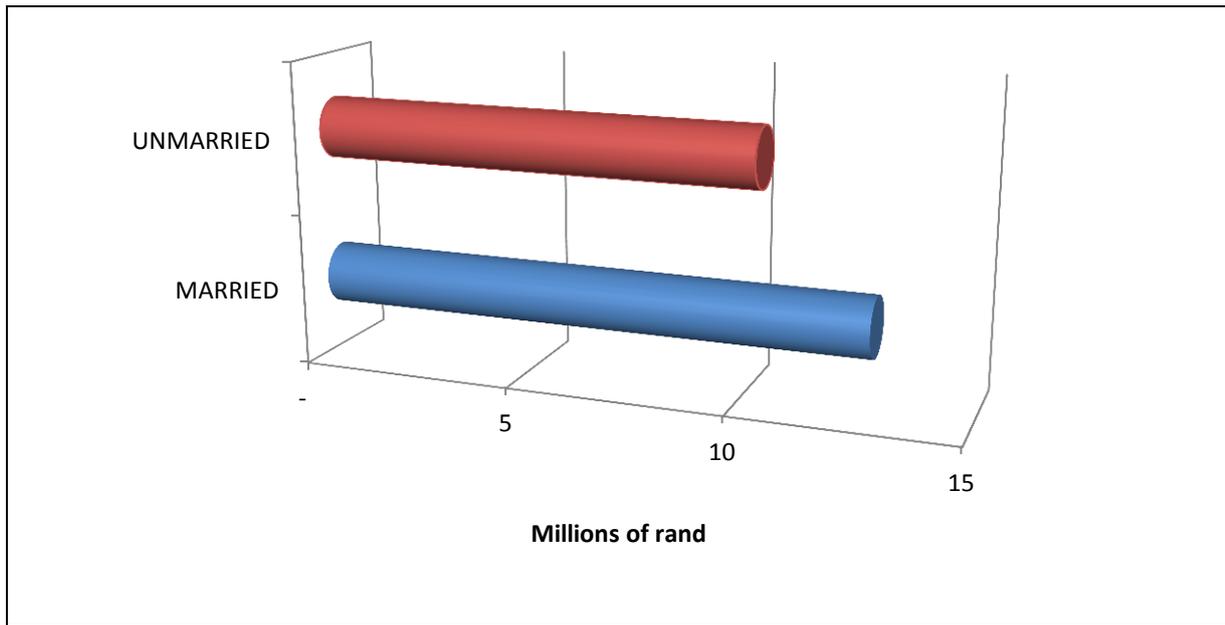
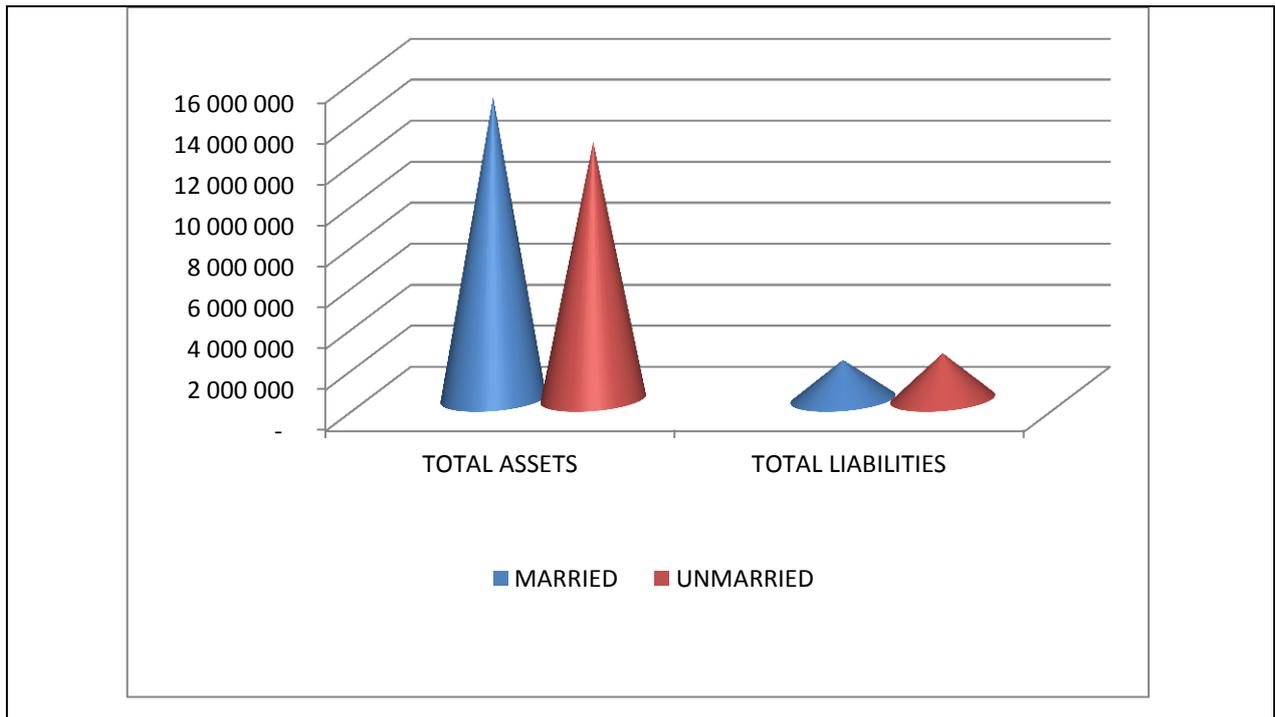


Figure 5.16 indicates that the average net worth of married respondents (R12,833 million) was almost 24% higher than for unmarried respondents (R10,309 million).

In terms of the net worth framework (figure 5.2), the difference in the net worth by marital status could either be due to differences in the value of the assets accumulated or differences in the liability values. Figure 5.17 indicates the average asset and liability value for the groups under review.

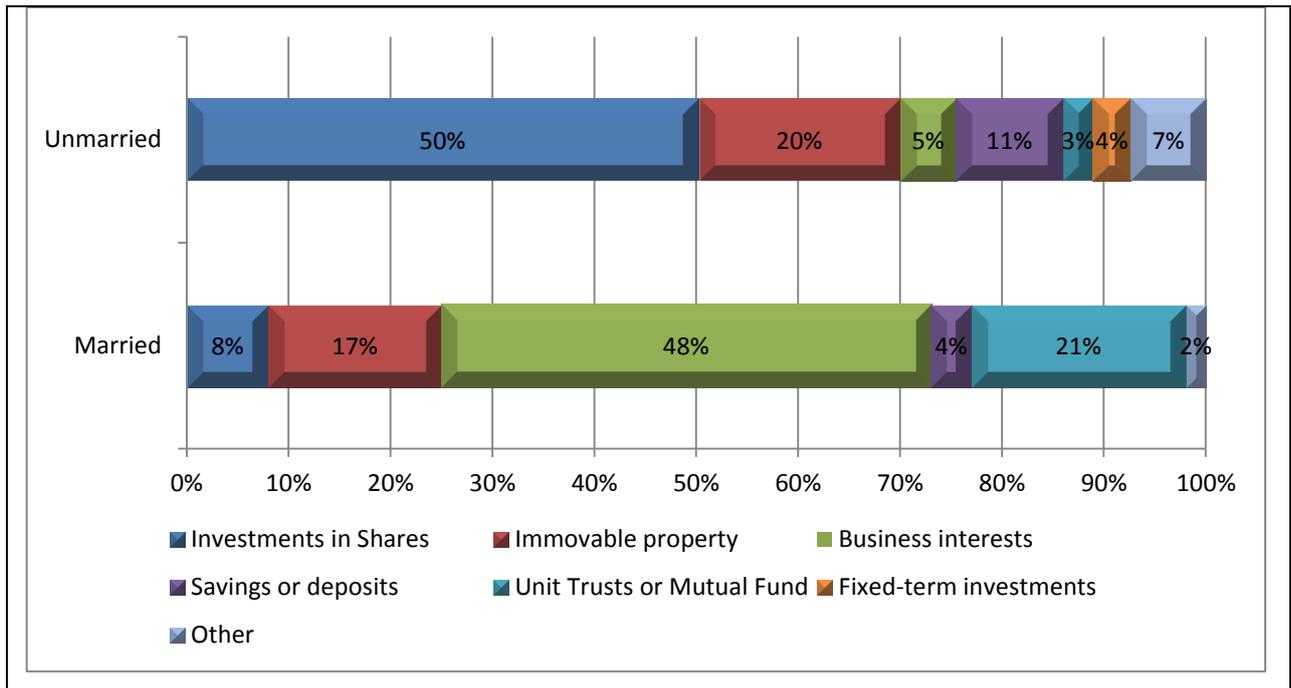
FIGURE 5.17
MEAN ASSET AND LIABILITY VALUES BY MARITAL STATUS



The mean value of the total assets of married respondents was R14,742 million which was 18% higher than the mean value for unmarried respondents of R12,543 million. Total liabilities indicated the opposite tendency as the mean value for married respondents was R1,909 million which was 15% lower when compared to R2,234 million for unmarried respondents (figure 5.17). The fact that the mean value for assets was higher for married than for unmarried respondents and the mean value for liabilities was lower for married than for unmarried respondents explains the difference in net worth indicated in figure 5.16.

FIGURE 5.18

PERCENTAGE OF INVESTMENTS PER ASSET CLASS BY MARITAL STATUS



A visual inspection of the charts in figure 5.18 indicated that there were significant differences in the asset allocation between married and unmarried respondents.

This indicates that married respondents mainly invested in businesses with immovable property in third place. Interestingly, for married respondents, unit trusts or mutual funds attracted the second highest investment amounts. Investments in shares only reached fourth place to set the investment behaviour of married respondents totally apart from unmarried respondents for which the investment ranking on mean values was shares in first place, immovable property second, and savings or deposits third, respectively. Table 5.8 provides additional insight into the use of the different asset groups by marital status.

TABLE 5.8
TYPES OF ASSETS INVESTED IN BY MARITAL STATUS

TYPE OF ASSETS	Married		Unmarried	
	% of estates that invested in this asset	% of estates with value more than 20%	% of estates that invested in this asset	% of estates with value more than 20%
Investments in shares	56%	11%	78%	55%
Immovable property	67%	44%	88% ^H	63% ^H
Business interests	67%	56% ^H	23%	10%
Savings or deposits	89% ^H	0%	88% ^H	23%
Unit trusts or mutual funds	56%	33%	40%	8%
Fixed-term investments	11%	0%	45%	5%
Other	89%	0%	90%	20%

^H highest proportion

Table 5.8 confirms that the asset type that was most preferred by married respondents, namely business interests, was the only asset type in which more than half of the respondents invested when measuring assets that exceeded 20% of total assets.

The unmarried respondents' investments per asset type revealed a completely different allocation compared to the married respondents, with only two asset types of clear preference namely immovable property at 63% and investments in shares at 55%. The difference in investment behaviour between married and unmarried respondents contradicts the findings of Xiao (1996).

The asset type invested in by the majority of married respondents was savings and deposits, although the percentage of respondents for whom the asset type exceeded 20% of their total assets, was only 21%. This might indicate that these accounts were used for the precautionary savings motive and that the funds in those accounts were only to provide for emergencies.

5.3.5 Summary

The analysis of the influence of the different demographic factors on the net worth of high net worth individuals revealed that all of the factors included in the study had some effect on the respondent's net worth with asset composition having a major impact on net worth.

5.4 CONCLUDING REMARKS

This chapter applied the net worth framework developed in the literature review to calculate the net worth of the respondents included in the study. The analysis included a discussion of the assets in which the respondents invested.

The sub-objective for this chapter, namely to analyse the influence of selected factors in the net worth of high net worth individuals was achieved in the second part of the chapter in which the influence of the factors identified in the framework was used to evaluate the influence on the net worth and asset composition of high net worth individuals. It was found that these factors had a noticeable influence on the net worth and asset composition of the high net worth individuals included in the sample.

The next chapter summarises the main findings of the literature review that was conducted, the empirical design and the results of the data analysis. The chapter concludes with overall findings and suggestions for possible future research.

CHAPTER 6

SUMMARY AND CONCLUSION

6.1 INTRODUCTION

This study investigated the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and whether any demographic factors influence this asset composition.

In order to achieve the objectives of the study the following research question was formulated:

What is the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and do any demographic factors influence this composition?

The research required to answer the research question was conducted in the following two sequential phases:

- A literature review phase, during which previous national and international studies were analysed to develop a framework on how to measure net worth and the factors that influence net worth and asset composition.
- The empirical research phase, which consisted of collecting data on high net worth individuals' assets and liabilities and evaluating the impact of demographic factors on the net worth and asset composition of these high net worth individuals.

This chapter summarises the main findings of the literature review that was conducted, the empirical design and the results of the data analysis. The chapter concludes with overall findings and suggestions for possible future research.

6.2 RESEARCH OBJECTIVES AND FINDINGS

6.2.1 Introduction

In order to achieve the objective of this study, three research sub-objectives were formulated (see section 1.3: Research question and research objectives, page 6). The research process addressed each of these sub-objectives as discussed below.

6.2.2 Research sub-objective 1

The first research sub-objective of this study was as follows:

Sub-objective 1:
Describe which assets and liabilities are included in the measurement of a high net worth individual's net worth.

The literature review phase of the study identified the fact that in the majority of fields investigating net worth, an individual's net worth is calculated by deducting his or her liabilities from his or her assets. The framework depicted in figure 6.1 was designed to calculate the net worth of individuals included in the study

**FIGURE 6.1
NET WORTH FRAMEWORK**



The literature review continued with an analysis of the assets and liabilities that should be included when calculating an individual's net worth. The literature review also identified various models that include different assets at different values. For the purposes of this study, the framework for South African household balance sheet assets (table 2.5) and the framework for South African household balance sheet liabilities

(table 2.6) were adopted. Table 6.1 provides a summary of the types of assets and liabilities included in the framework.

TABLE 6.1
ASSET AND LIABILITY FRAMEWORK

Asset types	Liability types
Non-current assets	Mortgage loans
Other non-financial assets	Financial liabilities
Retirement funding assets	Current liabilities
Current assets	
Financial assets	

The literature review continued by analysing the assets and liabilities contained in the liquidation and distribution accounts of deceased estates. The result of this analysis was that a list of assets that could be used in the analysis was compiled (figure 5.3). The asset types are indicated in table 6.2.

TABLE 6.2
ASSET TYPES

Asset types
Investments in or subscription to shares
Immovable property
Business interests
Savings or deposits
Unit trusts or mutual funds
Fixed-term investments
Vehicles, including boats and planes
Collectibles and household content
Retirement annuities/pension policies
Trusts
Other

The final component relating to this sub-objective was to define a high net worth individual for the purposes of this study. To this end, the selection criterion was set at estates with a net value of R3 500 000 or more. This criterion was based on the fact that

South African wealth taxes (estate duty) are levied on estates with a net value of more than R3 500 000.

6.2.3 Research sub-objective 2

The second research sub-objective of this study was as follows:

Sub-objective 2:

Identify factors that influence the asset composition of high net worth individuals.

The literature review phase of the study first identified seminal theories that explain the asset accumulation of individuals. Three theories were discussed, namely the saving motives theory, the life-cycle hypothesis and permanent income hypothesis. Several studies have used these theories as the basis for the analysis of individuals' net worth. The analysis of these studies revealed the following as possible demographic factors that influence asset accumulation and selection of individuals:

- age
- cultural heritage
- education
- employment
- gender
- income
- marital status
- occupation
- parents' education levels

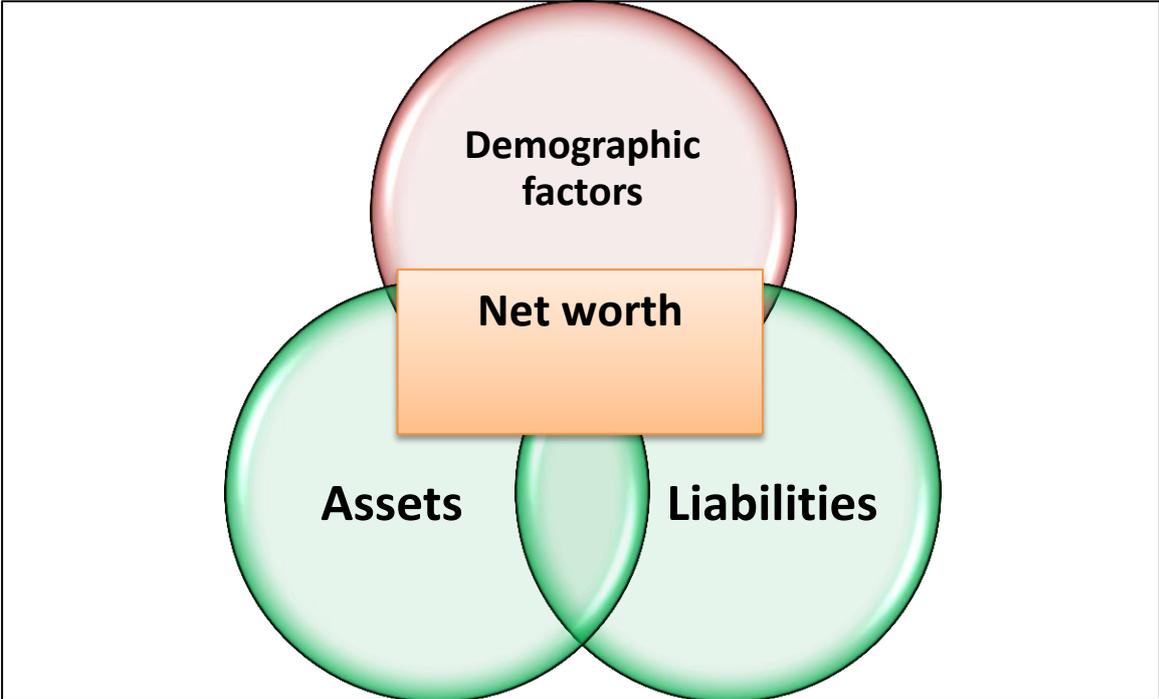
The literature review also identified various factors that individuals consider when selecting an asset type to invest in, and although these factors are weighted differently by different people, studies have found that individuals in similar circumstances select similar products. The explanation for this is the fact that individuals in similar circumstance have similar financial needs and priorities. In this study, this provided the motivation for using demographic factors to analyse individuals' net worth.

In this study, the demographic factors used in the sample were those identified in the liquidation and distribution accounts (section 3.4: Demographic factors influencing asset composition, page 50). The following variables were discussed:

- age
- gender
- marital status

Based on the factors identified in the literature review, the framework in figure 6.2 was developed to analyse the data obtained from the liquidation and distribution accounts of the high net worth individuals included in the study.

FIGURE 6.2
FRAMEWORK FOR DATA ANALYSIS



Source: Own compilation

6.2.4 Research sub-objective 3

The final research sub-objective of this study was as follows:

Sub-objective 3:

Analyse the influence of selected factors in the net worth of high net worth individuals.

The aim of the empirical research phase of the study was to achieve this research sub-objective. The first step in this process was to collect data from high net worth individuals. After various unsuccessful attempts to collect the required data, the following process was successfully followed: with the assistance of the Chief Master and the Assistant Master, 49 liquidation and distribution accounts that had been submitted to the Master of the High Court in Johannesburg and that met the selection criteria were obtained.

Using the asset and liability frameworks developed in the literature review phase of the study, a dependent variable (net worth) was calculated per respondent. The analysis revealed that the average net worth for respondents included in the study was R11 752 982, with the highest net worth individual having a net worth of R84 084 234.

The analysis of the data revealed differences in the contribution of the different asset types when measured using mean, relative contribution and importance of the asset class in comparison with total assets.

A further analysis of the net worth of the respondents based on a quintile analysis revealed that the richest individuals included in the survey invested more in shares than the other groups for which immovable property was the most important asset.

The analysis of the impact of the different demographic factors included in the survey revealed noticeable differences in net worth and asset composition for each of the variables investigated. Table 6.3 provides a summary of the net worth per variable (column 2), asset type contributing the most to net worth, and the asset type (contributing at least 20% of net worth per individual) which most individuals in the group owned.

TABLE 6.3
NET WORTH PER VARIABLE AND MOST IMPORTANT ASSET TYPE

Independent variable	Mean net worth R' million	Asset contributing the most to net worth	Most used asset type
Age group			
Below 70	12,348	Immovable property	Immovable property
Between 70 and 85	9,375	Investments in shares and immovable property	Savings or deposits
Above 85	13,269	Immovable property	Savings or deposits
Gender			
Female	5,381	Immovable property	Immovable property
Male	13,152	Immovable property	Savings or deposits
Marital status			
Married	12,833	Business interests	Savings or deposits
Unmarried	10,309	Immovable property	Immovable property and savings or deposits

The analysis revealed that for many of the dependent variables, the asset used most by respondents in that group was not the asset that made the highest contribution to the net worth of the individuals in the group.

6.3 FUTURE RESEARCH

This study was conducted using data from only one South African province. Although the province whose data was used is the most affluent province in South Africa, high net worth individuals in the other eight provinces could display different asset type preferences, especially in the more rural provinces. Studies of these provinces might result in different results from those obtained in this study.

This study only focused on the results of financial planning by high net worth individuals. Future studies could investigate the motivation for and effect of financial planning on high net worth individuals' asset composition and net worth.

A longitudinal study on the asset composition of high net worth individuals could be done to determine if economic conditions significantly affect the asset composition of high net worth individuals.

6.4 CONCLUSION

This study used the net worth and asset composition of high net worth individuals at the time of death to answer the following research question:

What is the asset composition of high net worth individuals in the Southern Gauteng area of South Africa and do any demographic factors influence this composition?

The research process entailed first developing a framework (figure 6.2) that was used to analyse the data obtained from the liquidation and distribution accounts of the high net worth individuals included in the study.

The results of this study should make a contribution to the field of personal finance by following a unique approach to collecting data from high net worth individuals. Other methods of data collection from this group, such as questionnaires, were found to be ineffective and unreliable mainly because of the inaccessibility of high net worth individuals and under-reporting of assets and liabilities. The approach followed in this study addressed these problems for the following reasons:

- The values of assets and liabilities of the high net worth individuals were obtained through an analysis of the liquidation and distribution accounts prepared in terms of the Administration of Estates Act.

- The completeness of the asset and liabilities was ensured on the basis of the fact that a variety of stakeholders have an interest in ensuring the completeness and accuracy of data in the liquidation and distribution accounts.

Although this approach provided valuable insight into the assets and liabilities of high net worth individuals, a number of limitations were evident. The main limitation identified was the effect of estate planning practices. In terms of estate planning principles, the ownership of an asset is removed from individuals although they still retain some of the benefits associated with these assets. Although this might reduce the value of some of the estates included in this sample, the aim of the study was to determine the value of the assets owned by high net worth individuals. Owing to the fact that the assets subjected to estate planning are not owned by the individual, by definition, these assets were excluded from the study. When measuring the net worth of a household, these values can make a significant contribution to the household's overall net worth.

The analysis performed in this study revealed that the demographic factors (age, gender and marital status) all had noticeable effects on the net worth of high net worth individuals and the assets owned by the respondents.

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ANNEXURE A

TABLE A1

DISTRIBUTION OF NET WORTH

Master's reference	Number of dependent children	Gender: male/female	Marital status	Age	Total assets value	Total liabilities value	Net worth
		(M/F)	(U/M)		(thousands)	(thousands)	(thousands)
24762/2012	0	F	Unmarried	53	4 468	316	4 151
2006/2014	0	F	Unmarried	70	4 611	491	4 120
2222/2015	0	F	Unmarried	77	3 831	244	3 587
103/2013	0	F	Unmarried	81	5 233	287	4 946
17062/2013	0	F	Unmarried	82	4 649	319	4 329
8947/2013	0	F	Unmarried	85	4 103	371	3 732
31992/2012	0	F	Unmarried	85	10 764	672	10 092
10372/2009	0	F	Unmarried	90	8 678	1 296	7 382
27699/2014	0	F	Unmarried	92	3 902	338	3 564
7888/2014	0	F	Unmarried	93	12 410	1 494	10 915
15749/2011	0	F	Unmarried	94	4 798	518	4 279
4192/2011	0	F	Unmarried	94	7 227	635	6 592
19454/2009	0	F	Unmarried	95	4 764	334	4 430
18063/2011	0	F	Unmarried	95	5 263	51	5 212
28119/2011	0	F	Unmarried	101	7 865	501	7 364
20679/2011	0	M	Unmarried	40	6 564	1 640	4 924
28066/2013	0	M	Married	46	9 325	390	8 934
25992/2010	1	M	Married	59	28 059	2 966	25 093
10788/2011	0	M	Married	60	33 937	1 489	32 448
6685/2013	0	M	Married	61	13 291	707	12 584
5924/2014	0	M	Married	62	6 875	197	6 679
7693/2014	0	M	Unmarried	63	7 461	540	6 921
22193/2013	0	M	Unmarried	67	11 557	488	11 069
17853/2012	0	M	Unmarried	67	5 108	831	4 277
15739/2010	0	M	Unmarried	67	5 232	448	4 784
6532/2014	0	M	Unmarried	68	5 777	384	5 392
3113/2013	0	M	Unmarried	69	46 986	13 716	33 270
24079/2014	0	M	Married	71	14 518	829	13 689
28752/2009	0	M	Unmarried	74	16 064	2 278	13 787
6751/2010	0	M	Unmarried	75	4 740	476	4 264
13602/2009	0	M	Unmarried	76	5 926	353	5 573
22452/2012	0	M	Unmarried	79	26 223	1 347	24 877
24455/2013	0	M	Unmarried	80	4 586	193	4 393
25142/2014	0	M	Married	81	4 084	530	3 555
12103/2013	0	M	Married	81	16 077	3 306	12 771
31798/2012	0	M	Unmarried	82	17 637	2 478	15 159
19222/2013	0	M	Unmarried	85	23 120	1 999	21 121
26364/2014	0	M	Unmarried	87	37 466	3 056	34 410
30222/2014	0	M	Unmarried	87	3 999	206	3 792
13524/2010	0	M	Unmarried	88	4 375	248	4 126
7243/2013	0	M	Unmarried	88	15 170	817	14 353
21680/2011	0	M	Unmarried	89	4 159	411	3 747
24618/2014	0	M	Unmarried	89	22 449	1 025	21 424
31768/2013	0	M	Married	89	6 519	262	6 257
24268/2013	0	M	Unmarried	93	3 795	85	3 709
4222/2011	0	M	Unmarried	93	19 714	507	19 206
17012/2013	0	M	Unmarried	93	14 926	1 113	13 813
31562/2013	0	M	Unmarried	93	11 318	4 603	6 714
24853/2014	0	M	Unmarried	106	84 819	735	84 084
TOTAL					634 420	58 524	575 896

TABLE A2

TYPES OF ASSET INVESTED IN: Investment in shares

Analysis groups	N	Total rand value	Mean rand value	Median rand value	Maximum rand value	Minimum rand value	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Standard deviation	Kurtosis	Skewness
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)			(thousands)		
QUINTILE: First	10	8 811	881	505	3 694	-	80%	50%	1 203	2,73	1,73
QUINTILE: Second	10	8 429	843	31	4 152	-	50%	20%	1 548	1,76	1,79
QUINTILE: Third	10	20 993	2 099	1 126	5 385	-	80%	50%	2 353	-1,89	0,42
QUINTILE: Fourth	9	33 499	3 722	466	9 106	-	56%	46%	4 358	-2,36	0,35
QUINTILE: Fifth	10	191 162	19 116	13 419	69 667	663	100%	70%	22 098	2,25	1,57
AGE GROUP: Below 70	13	49 448	3 804	62	42 877	-	54%	15%	11 781	12,77	3,56
AGE GROUP: Between 70 and 85	16	70 752	4 422	2 756	17 424	-	81%	63%	5 712	1,78	1,61
AGE GROUP: Above 85	20	142 694	7 135	873	69 667	-	80%	55%	15 887	13,95	3,60
GENDER: Female	15	28 902	1 927	183	8 265	-	80%	47%	2 587	0,91	1,27
GENDER: Male	34	233 993	6 882	761	69 667	-	71%	47%	14 259	12,00	3,29
MARITAL STATUS: Married	9	11 056	1 228	54	6 699	-	56%	11%	2 292	4,37	2,15
MARITAL STATUS: Unmarried	40	251 838	6 296	901	69 667	-	78%	55%	13 232	14,42	3,59

TABLE A3

TYPES OF ASSET INVESTED IN: Immovable property

Analysis groups	N	Total rand value	Mean rand value	Median rand value	Maximum rand value	Minimum rand value	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Standard deviation	Kurtosis	Skewness
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)			(thousands)		
QUINTILE: First	10	16 638	1 664	1 700	3 600	-	90%	90%	984	0,98	0,38
QUINTILE: Second	10	13 530	1 353	1 150	4 300	-	90%	60%	1 147	5,64	2,07
QUINTILE: Third	10	31 735	3 174	2 305	8 675	915 000	100%	70%	2 553	1,01	1,27
QUINTILE: Fourth	9	25 370	2 819	2 750	6 740	-	56%	37%	2 866	-2,16	0,12
QUINTILE: Fifth	10	33 352	3 335	3 100	7 800	-	80%	20%	2 536	-0,46	0,31
AGE GROUP: Below 70	13	28 842	2 219	1 800	5 565	-	85%	46%	1 705	-0,50	0,48
AGE GROUP: Between 70 and 85	16	34 438	2 152	1 375	6 740	-	88%	63%	1 990	0,50	1,19
AGE GROUP: Above 85	20	57 345	2 867	2 000	8 675	-	80%	65%	15 887	-0,30	0,85
GENDER: Female	15	33 683	2 246	1 375	8 675	-	93%	73%	2 587	5,22	2,17
GENDER: Male	34	86 942	2 557	1 760	7 800	-	79%	53%	14 259	-0,64	0,66
MARITAL STATUS: Married	9	21 192	2 355	2 790	6 740	-	67%	44%	2 292	0,27	0,69
MARITAL STATUS: Unmarried	40	99 433	2 486	1 685	8 675	-	88%	63%	13 232	0,50	1,12

TABLE A4

TYPES OF ASSET INVESTED IN: Business interests

Analysis groups	N	Total rand value	Mean rand value	Median rand value	Maximum rand value	Minimum rand value	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Standard deviation	Kurtosis	Skewness
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)			(thousands)		
QUINTILE: First	10	1 450	145	-	1 450	-	10%	10%	459	10,00	3,16
QUINTILE: Second	10	451	45	-	451	-	10%	0%	143	10,00	3,16
QUINTILE: Third	10	13 535	1 353	-	5 107	-	30%	30%	2 213	-0,74	1,14
QUINTILE: Fourth	9	14 418	1 602	-	8 862	-	44%	33%	2 886	6,28	2,43
QUINTILE: Fifth	10	60 759	6 076	1 978	22 171	-	60%	40%	8 711	0,30	1,36
AGE GROUP: Below 70	13	57 535	4 426	-	22 171	-	38%	31%	8 064	1,85	1,77
AGE GROUP: Between 70 and 85	16	9 566	598	-	3 653	-	25%	6%	1 156	2,36	1,82
AGE GROUP: Above 85	20	23 511	1 176	-	10 034	-	30%	20%	2 493	8,43	2,78
GENDER: Female	15	6 295	420	-	4 845	-	13%	13%	1 280	12,00	3,41
GENDER: Male	34	84 318	2 480	-	22 171	-	38%	21%	5 427	8,12	2,88
MARITAL STATUS: Married	9	63 301	7 033	3 583	22 171	-	67%	56%	8 728	-0,05	1,21
MARITAL STATUS: Unmarried	40	27 312	683	-	10 034	-	23%	10%	1 849	17,34	3,90

TABLE A5

TYPES OF ASSET INVESTED IN: Savings or deposits

Analysis groups?	N	Total rand value	Mean rand value	Median rand value	Maximum rand value	Minimum rand value	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Standard deviation	Kurtosis	Skewness
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)			(thousands)		
QUINTILE: First	10	10 156	1 016	397	2 827	64	100%	40%	1 058	-1,39	0,69
QUINTILE: Second	10	6 610	661	49	2 584	-	70%	30%	949	0,39	1,26
QUINTILE: Third	10	4 071	407	311	965	-	80%	0%	424	-2,12	0,23
QUINTILE: Fourth	9	7 203	800	367	3 622	-	89%	6%	1 117	6,45	2,48
QUINTILE: Fifth	10	30 724	3 072	1 455	15 152	1	100%	10%	4 650	5,79	2,28
AGE GROUP: Below 70	13	9 959	766	14	3 111	-	77%	15%	1 088	0,44	1,27
AGE GROUP: Between 70 and 85	16	20 912	1 307	586	5 301	-	94%	25%	1 569	1,54	1,49
AGE GROUP: Above 85	20	27 894	1 395	345	15 152	-	90%	15%	3 371	16,54	3,96
GENDER: Female	15	9 271	618	385	2 827	-	87%	13%	776	4,07	1,91
GENDER: Male	34	49 493	1 456	349	15 152	-	88%	21%	2 778	18,41	3,92
MARITAL STATUS: Married	9	5 944	660	299	3 111	-	89%	0%	1 006	5,06	2,20
MARITAL STATUS: Unmarried	40	52 820	1 321	400	15 152	-	88%	23%	2 577	21,82	4,27

TABLE A6

TYPES OF ASSET INVESTED IN: Unit trusts or mutual funds

Analysis groups	N	Total rand value	Mean rand value	Median rand value	Maximum rand value	Minimum rand value	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Standard deviation	Kurtosis	Skewness
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)			(thousands)		
QUINTILE: First	10	1 676	168	-	1 643	-	20%	10%	518	9,99	3,16
QUINTILE: Second	10	5 222	522	20	2 277	-	50%	20%	875	0,82	1,52
QUINTILE: Fourth	9	23 614	2 624	-	12 008	-	44%	41%	4 408	1,57	1,59
QUINTILE: Fifth	10	11 365	1 137	450	4 333	-	60%	0%	1 510	0,89	1,28
AGE GROUP: Below 70	13	18 811	1 447	-	12 008	-	46%	15%	3 427	8,62	2,87
AGE GROUP: Between 70 and 85	16	19 085	1 193	295	7 595	-	63%	25%	2 020	6,78	2,50
AGE GROUP: Above 85	20	4 730	236	-	2 981	-	25%	0%	729	11,71	3,41
GENDER: Female	15	1 995	133	-	1 643	-	33%	7%	421	14,41	3,77
GENDER: Male	34	40 630	1 195	-	12 008	-	47%	15%	2 535	10,40	3,06
MARITAL STATUS: Married	9	27 879	3 098	8	12 008	-	56%	33%	4 327	0,91	1,29
MARITAL STATUS: Unmarried	40	14 747	369	-	2 981	-	40%	8%	747	3,79	2,14

TABLE A7

TYPES OF ASSET INVESTED IN: Fixed-term investments

Analysis groups	N	Total rand value	Mean rand value	Median rand value	Maximum rand value	Minimum rand value	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Standard deviation	Kurtosis	Skewness
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)			(thousands)		
QUINTILE: First	10	31	3	-	21	-	30%	0%	7	5,71	2,42
QUINTILE: Second	10	3 638	364	6	2 631	-	50%	10%	816	8,72	2,90
QUINTILE: Third	10	15	1	-	15	-	10%	0%	5	10,00	3,16
QUINTILE: Fourth	9	6 949	772	12	3 882	-	56%	12%	1 421	2,30	1,84
QUINTILE: Fifth	10	8 204	820	68	5 851	-	50%	0%	1 804	8,90	2,94
AGE GROUP: Below 70	13	624	48	-	479	-	23%	0%	136	10,27	3,16
AGE GROUP: Between 70 and 85	16	837	52	-	351	-	44%	0%	110	3,84	2,21
AGE GROUP: Above 85	20	17 376	869	-	5 851	-	45%	10%	1 611	4,22	2,14
GENDER: Female	15	3 759	251	-	2 631	-	40%	7%	677	13,04	3,54
GENDER: Male	34	15 078	443	-	5 851	-	38%	3%	1 241	12,26	3,46
MARITAL STATUS: Married	9	290	32	-	290	-	11%	0%	97	9,00	3,00
MARITAL STATUS: Unmarried	40	18 547	464	-	5 851	-	45%	5%	1 200	11,46	3,32

TABLE A8

TYPES OF ASSET INVESTED IN: Vehicles, including boats and planes

Analysis groups	N	Total rand value	Mean rand value	Median rand value	Maximum rand value	Minimum rand value	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Standard deviation	Kurtosis	Skewness
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)			(thousands)		
QUINTILE: First	10	387	39	15	166	-	60%	0%	57	1,73	1,59
QUINTILE: Second	10	1 245	125	63	503	-	70%	0%	158	3,12	1,71
QUINTILE: Third	10	891	89	22	413	-	60%	0%	144	2,19	1,78
QUINTILE: Fourth	9	2 959	329	164	1 429	-	78%	3%	467	3,94	1,95
QUINTILE: Fifth	10	734	73	58	200	-	60%	0%	78	-1,08	0,62
AGE GROUP: Below 70	13	3 398	261	140	1 429	-	92%	0%	382	8,26	2,73
AGE GROUP: Between 70 and 85	16	1 668	104	65	465	-	56%	0%	134	2,22	1,50
AGE GROUP: Above 85	20	1 150	57	10	631	-	55%	0%	140	16,89	3,99
GENDER: Female	15	164	11	-	68	-	33%	0%	22	3,67	2,19
GENDER: Male	34	6 052	178	92	1 429	-	79%	0%	271	13,59	3,32
MARITAL STATUS: Married	9	1 308	145	111	465	-	89%	0%	135	4,21	1,83
MARITAL STATUS: Unmarried	40	4 907	123	23	1 429	-	60%	0%	257	17,35	3,82

TABLE A9

TYPES OF ASSET INVESTED IN: Collectibles and household content

Analysis groups	N	Total rand value	Mean rand value	Median rand value	Maximum rand value	Minimum rand value	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Standard deviation	Kurtosis	Skewness
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)			(thousands)		
QUINTILE: First	10	492	49	12	225	-	60%	0%	78	1,97	1,70
QUINTILE: Second	10	114	11	-	61	-	30%	0%	21	3,24	1,88
QUINTILE: Third	10	117	12	0	86	-	50%	0%	26	8,98	2,95
QUINTILE: Fourth	9	248	28	26	71	-	67%	0%	28	-1,11	0,56
QUINTILE: Fifth	10	113	11	-	49	-	40%	0%	18	0,54	1,36
AGE GROUP: Below 70	13	468	36	30	86	-	77%	0%	31	-1,54	0,20
AGE GROUP: Between 70 and 85	16	333	21	-	225	-	38%	0%	56	13,98	3,66
AGE GROUP: Above 85	20	283	14	-	152	-	40%	0%	35	14,38	3,65
GENDER: Female	15	361	24	-	225	-	40%	0%	59	11,41	3,30
GENDER: Male	34	723	21	2	152	-	53%	0%	34	5,91	2,21
MARITAL STATUS: Married	9	145	16	5	71	-	67%	0%	24	2,77	1,73
MARITAL STATUS: Unmarried	40	939	23	-	225	-	45%	0%	45	10,45	3,02

TABLE A10

TYPES OF ASSET INVESTED IN: Retirement Annuity/Pension policy

Analysis groups	N	Total rand value	Mean rand value	Median rand value	Maximum rand value	Minimum rand value	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Standard deviation	Kurtosis	Skewness
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)			(thousands)		
QUINTILE: First	10	220	22	-	182	-	20%	0%	57	8,80	2,94
QUINTILE: Second	10	-	-	-	-	-	0%	0%	-	-	-
QUINTILE: Third	10	-	-	-	-	-	0%	0%	-	-	-
QUINTILE: Fourth	9	-	-	-	-	-	0%	0%	-	-	-
QUINTILE: Fifth	10	348	35	-	346	-	20%	0%	109	10,00	3,16
AGE GROUP: Below 70	13	-	-	-	-	-	0%	0%	-	-	-
AGE GROUP: Between 70 and 85	16	384	24	-	346	-	13%	0%	86	15,53	3,92
AGE GROUP: Above 85	20	183	9	-	182	-	10%	0%	41	20,00	4,47
GENDER: Female	15	38	3	-	38	-	7%	0%	10	15,00	3,87
GENDER: Male	34	530	16	-	346	-	9%	0%	66	20,77	4,51
MARITAL STATUS: Married	9	-	-	-	-	-	0%	0%	-	-	-
MARITAL STATUS: Unmarried	40	568	14	-	346	-	10%	0%	61	24,27	4,84

TABLE A11

TYPES OF ASSET INVESTED IN: Trusts

Analysis groups	N	Total rand value	Mean rand value	Median rand value	Maximum rand value	Minimum rand value	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Standard deviation	Kurtosis	Skewness
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)		(thousands)			
QUINTILE: First	10	-	-	-	-	-	0%	0%	-	-	-
QUINTILE: Second	10	-	-	-	-	-	0%	0%	-	-	-
QUINTILE: Third	10	-	-	-	-	-	0%	0%	-	-	-
QUINTILE: Fourth	9	4 473	497	-	4 464	-	22%	39%	1 488	9,00	3,00
QUINTILE: Fifth	10	146	15	-	146	-	10%	0%	46	10,00	3,16
AGE GROUP: Below 70	13	4 464	343	-	4 464	-	8%	8%	1 238	13,00	3,61
AGE GROUP: Between 70 and 85	16	146	9	-	146	-	6%	0%	36	16,00	4,00
AGE GROUP: Above 85	20	9	0	-	9	-	5%	0%	2	20,00	4,47
GENDER: Female	15	-	-	-	-	-	0%	0%	-	-	-
GENDER: Male	34	4 619	136	-	4 464	-	9%	3%	765	33,92	5,82
MARITAL STATUS: Married	9	-	-	-	-	-	0%	0%	-	-	-
MARITAL STATUS: Unmarried	40	4 619	115	-	4 464	-	8%	3%	706	39,91	6,31

TABLE A12

TYPES OF ASSETS INVESTED IN: Other, including vehicles, boats and planes, collectibles and household content, retirement annuity/pension policy and trusts combined as "other"

135

Analysis groups	N	Total rand value	Mean rand value	Median rand value	Maximum rand value	Minimum rand value	% of estates that invested in this asset	% of estates in which these assets represent more than 20% of the value	Standard deviation	Kurtosis	Skewness
		(thousands)	(thousands)	(thousands)	(thousands)	(thousands)			(thousands)		
QUINTILE: First	10	2 564	256	173	1 293	-	80%	10%	386	7,19	2,56
QUINTILE: Second	10	13 571	1 357	247	5 564	300	100%	30%	2 038	0,66	1,42
QUINTILE: Third	10	6 799	680	323	2 590	-	90%	20%	939	1,32	1,67
QUINTILE: Fourth	9	12 284	1 365	719	5 992	-	89%	12%	1 973	3,86	2,04
QUINTILE: Fifth	10	4 844	485	172	2 918	-	90%	0%	890	7,91	2,76
AGE GROUP: Below 70	13	19 418	1 494	329	5 992	-	92%	31%	2 098	1,13	1,53
AGE GROUP: Between 70 and 85	16	10 578	661	230	4 182	-	94%	6%	1 170	5,89	2,54
AGE GROUP: Above 85	20	10 064	503	116	3 149	-	85%	15%	837	5,21	2,33
GENDER: Female	15	8 660	577	108	4 182	-	87%	13%	1 155	7,20	2,68
GENDER: Male	34	31 401	924	264	5 992	-	91%	18%	1 508	5,06	2,33
MARITAL STATUS: Married	9	3 023	336	185	869	-	89%	0%	326	-0,71	0,91
MARITAL STATUS: Unmarried	40	37 037	926	234	5 992	-	90%	20%	1 532	3,83	2,11

TABLE A13

RAND VALUES INVESTED IN TYPES OF ASSETS PER QUINTILE

TYPE OF ASSETS	FIRST QUINTILE	SECOND QUINTILE	THIRD QUINTILE	FOURTH QUINTILE	FIFTH QUINTILE
	Mean rand value (thousands)				
Investments in shares	881	843	2 099	3 722 ^H	19 116 ^H
Immovable property	1 664 ^H	1 353 ^H	3 173 ^H	2 819	3 335
Business interests	145	45	1 354	1 602	6 076
Savings or deposits	1 015	661	407	800	3 072
Unit trusts or mutual funds	168	522	75	2 624	1 137
Fixed-term investments	3	364	2	772	820
Other	256	1 357	679	1 365	485
TOTAL	4 132	5 145	7 789	13 704	34 041

^H highest proportion

TABLE A14

TYPES OF ASSETS INVESTED IN FOR THE SECOND AND FOURTH QUINTILES

TYPE OF ASSETS	1st Quintile		2 nd Quintile		3 rd Quintile		4 th Quintile		5 th Quintile	
	% of estates that invested in this asset	% of estates with value more than 20%	% of estates that invested in this asset	% of estates with value more than 20%	% of estates that invested in this asset	% of estates with value more than 20%	% of estate that invested in this asset	% of estates with value more than 20%	% of estate that invested in this asset	% of estates with value more than 20%
Investments in shares	62%	50%	50%	20%	80%	50%	56% ^H	44%	100% ^H	70% ^H
Immovable property	90%	90% ^H	90% ^H	60% ^H	100% ^H	70% ^H	56% ^H	56% ^H	80%	20%
Business interests	10%	10%	10%	0%	30%	30%	44%	11%	60%	40%
Savings or deposits	100% ^H	40%	70%	30%	80%	0%	40%	0%	100% ^H	10%
Unit trusts or mutual funds	20%	10%	50%	20%	40%	0%	10%	0%	60%	0%
Fixed-term investments	30%	0%	50%	10%	10%	0%	14%	0%	50%	0%
Other	80%	10%	100%	30%	90%	20%	24%	0%	90%	0%

^H highest proportion