NAMFISA
NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

CONSUMER EDUCATION BULLETIN

MARCH 2018

HAPPY INDEPENDENCE

IN THIS ISSUE WE TALK ABOUT GYM REBATES, CANCELING YOUR INSURANCE POLICY AND MUCH MORE....

CONSUMER EDUCATION BULLETIN

MARCH '18

Mission
To effectively regulate and supervise financial institutions and to give sound advice to the Minister of Finance.

Vision
To have a safe, financially stable and fair financial system contributing to the economic development of Namibia in which consumers are protected.

Values
WE ARE COMMITTED TO TEAMWORK
- We create a conducive and enabling work environment
- We have a shared urgency to achieve our vision
- We support each other, treat each other with respect and are collectively responsible for our actions

WE ARE PASSIONATE ABOUT SERVICE
- We provide quality service
- We provide our service on time
- We are courteous, professional and respectful

WE ACT WITH INTEGRITY
- We act with honesty, fairness and transparency
- We treat information confidentially
- We act independently and consistently

WE DRIVE PERFORMANCE EXCELLENCE
- We commit to regulatory and supervisory excellence
- We commit to operational excellence
- We commit to the highest standards of performance

WE ARE ACCOUNTABLE
- We are accountable to our customers and stakeholders
- We are prudent in the management of our resources
- We take accountability for our decisions

WE ARE AGILE
- We commit to being adaptable to our changing environment
- We commit to embrace change whilst maintaining regulatory certainty
- We commit to creating innovative solutions

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Editorial Team:
Victoria Muranda
Uaatjo Kaurimuje

Layout:
Ogilvy & Mather Namibia

Copywriting:
Ogilvy & Mather Namibia

Distribution:
All distribution enquiries should be directed to the NAMFISA Consumer Education Department at the contact details listed below.

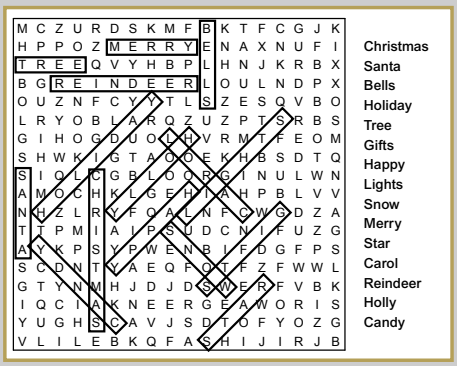
Contributions:
Contributions to this bulletin are welcome.
The Editor reserves the right to edit submissions.
Send contributions to the Editor at:
info@namfisa.com.na.

Contact Details:

+264 61 290 5000
PO Box 21250, Windhoek
consumer@namfisa.com.na
1st Floor, Sanlam Centre
154 Independence Avenue, Windhoek

Last Issue Game
Did you successfully complete last issue's game?

Here are the answers:



Christmas
Santa
Bells
Holiday
Tree
Gifts
Happy
Lights
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Merry
Star
Carol
Reindeer
Holly
Candy

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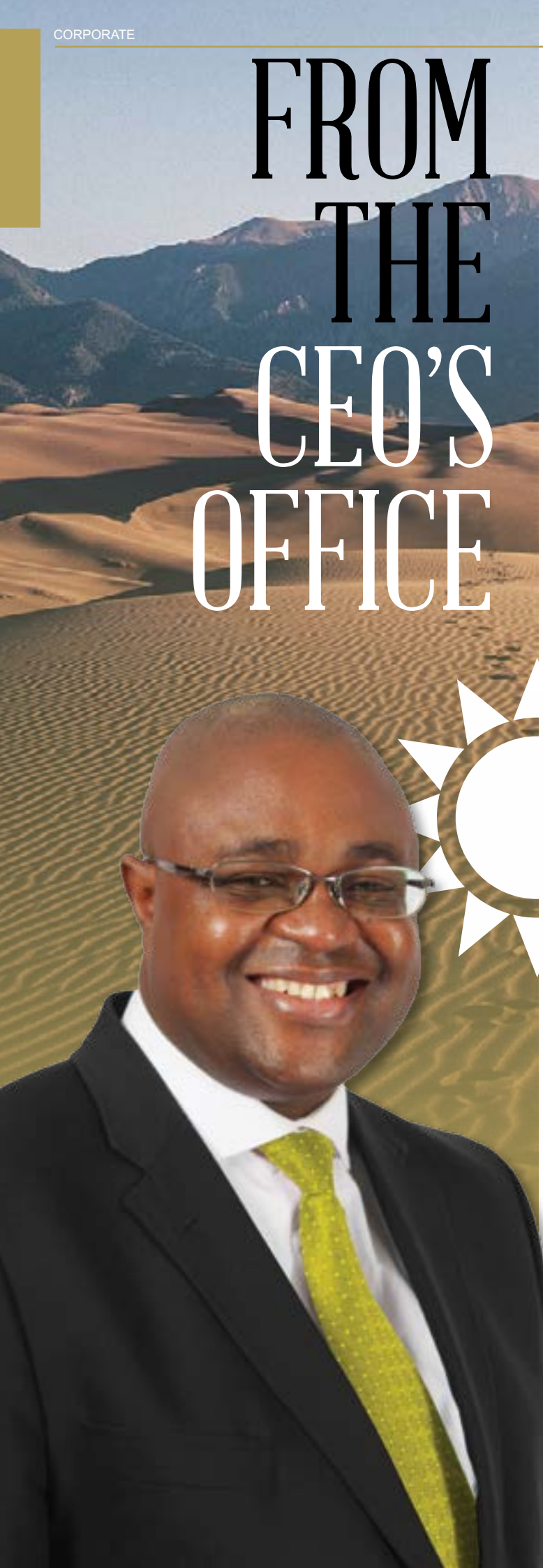
FROM THE CEO'S OFFICE



Welcome to our first edition for the year 2018, as we bring you knowledge that is aimed at ensuring you are educated as a consumer to make wise financial decisions. This Independence edition is filled with information that will encourage you to act on the year of reckoning as our President has set the theme for the year.

The theme by our President calls on, and I quote; *"Public office bearers to account to the Nation, on the realisation of electoral promises and implementation of national development plans. Reckoning includes due recognition for delivery and stark consequences for non-delivery. In this regard, we intend to intensify our focus and efforts towards accountability, transparency and effective governance".*

NAMFISA is no exception to the rule and we have thus taken the message seriously in reckoning.

We continuously engage with our stakeholders and customers,and that has proven to be the best way for consumers to be well aware of their financial rights and responsibilities, and regulated entities are treating consumers fairly.

Our mission that entails to effectively regulate and supervise financial institutions and to give sound advice to the Minister of Finance, is one that we take very seriously.

To deliver on our mandate, we have dedicated much time and resources to update the current archaic financial laws administered by the Authority. One of the reasons for the review of the archaic laws is to warrant that customers are treated fairly and are protected against industry malpractices. This led to the drafting of the NAMFISA Bill, the Financial Services Adjudicator Bill, the Financial Institutions and Markets Bill and the Microlending Bill that was recently tabled in Parliament. These updated pieces of legislation will contribute to the economic development of Namibia in which you, our valued consumers of financial services are protected. NAMFISA remains committed in working towards its goals to effectively transform the financial sector for the ultimate benefit of all Namibians.

You might ask how you are protected by NAMFISA as a consumer of financial services.

Here are some examples

- By making sure that legislation is relevant and regulations are followed by financial institutions.
- We continue to educate you on your rights and responsibilities and
- We continuously engage with you on various platforms which leads to productive and beneficial relationship establishments.

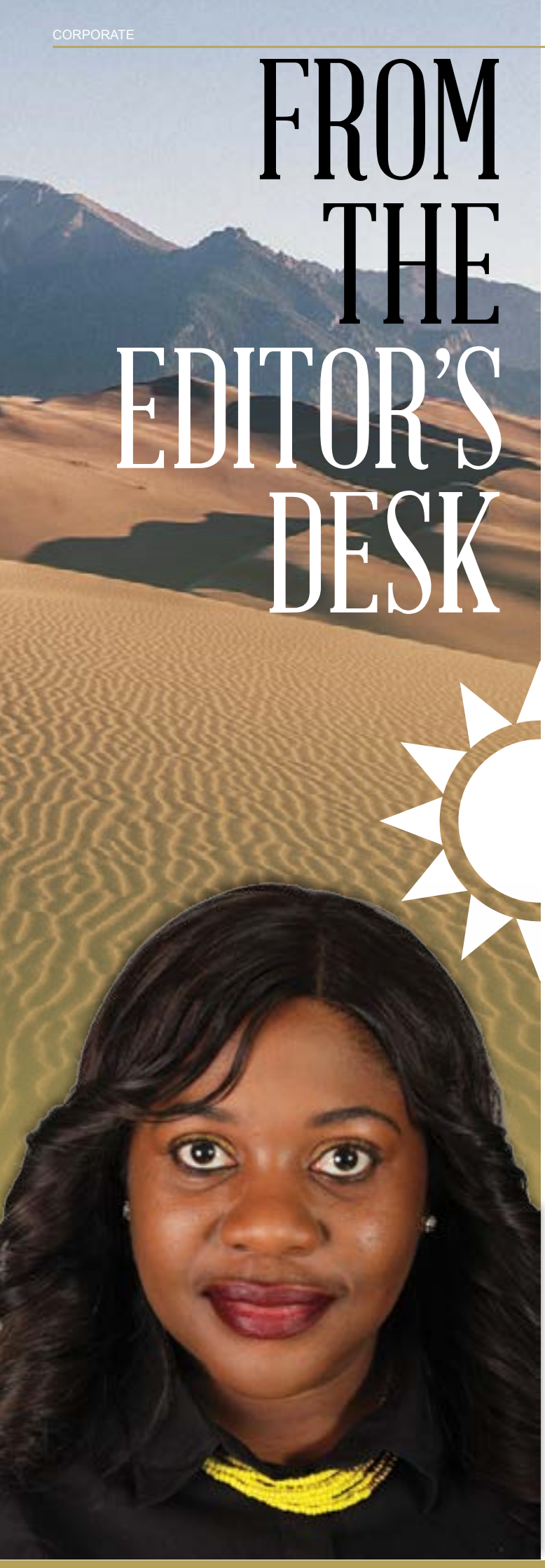
Our corporate values sets the foundation of how we execute our mandate. One of the values that I would like to highlight in this edition is "we are passionate about service." This value awakens the fact that we care about the safety and protection of financial services consumers and the soundness of the financial services sector at large. As we all know, an empowered consumer is a protected consumer. Thus the empowerment will lead to consumers making informed decisions when it comes to personal finance.

Because we care for our consumers, we have a dedicated toll free number **(0800 290 500)** and a dedicated website **www.educates.namfisa.com.na** to ensure that you kept abreast of developments in the financial services sector, or should you wish to lodge a complaint against a financial institution.

Wishing you a happy reading and a year of reckoning!

Kenneth Simataa Matomola
Chief Executive Officer

FROM THE EDITOR'S DESK



Welcome to the Independence edition of your Consumer Education Bulletin. In this edition we talk about Gym Rebates, Cancelling your Insurance, Investments and Hire Purchase, among other informative pieces.

The articles in this issue are deliberately chosen given the high level of existing household indebtedness in Namibia.

Namfisa like many other stakeholders welcomes the tabling of the Micro-Lending Bill by our Minister of Finance on 22 February 2018, as it is a necessary and urgent intervention that is aimed at protecting the consumer.

First Lady Monica Geingos at the launch of the collateral free loan of the "One Foundation," recently said, *"Namfisa has done an exceptional job in regulating the sector, despite enabling primary legislation. The foundation also welcomes the outlawing of the backward practice of taking debit cards as collateral. We hope to see a policy focus which lends itself to early intervention, debt counselling, responsible pricing and transparency of loan products."*

Namfisa shares the same sentiments as the First Lady, hence efforts to educate customers on their rights and responsibilities as consumes of financial services.

The article on Hire purchase on page 12 gives you practical tips that also make you remember the difference between needs and wants. Having said that I would like to share a quote by Will Smith, *"We spend money that we do not have, on things we do not need, to impress people who do not care."*

Read the article to avoid that debt trap and more. The article from the Financial Literacy Initiative is another eye opener for you to reflect on your financial behavior and those around you.

This is the independence edition and to us financial independence is important to achieve. Below are 3 tips to possible financial freedom.

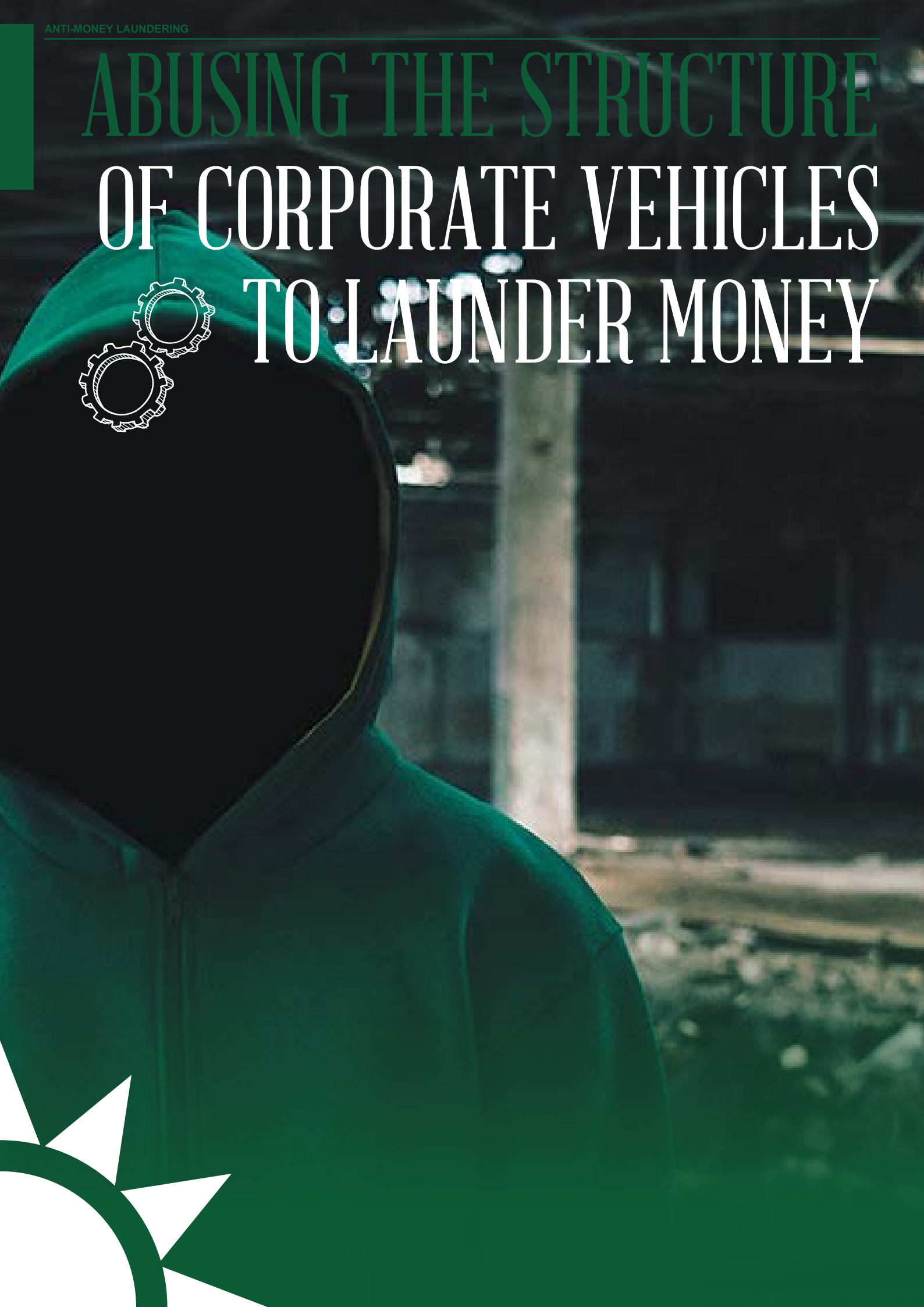
1. **Do a monthly Budget:** Get serious. Sit down with your spouse and do a monthly budget based on your income, not your expenses. Agree that you are no longer going to be spending more money then you have. Overspending is what led you to debt in the first place. Decide each month what is coming in and what will be going out. Assume only minimum payments on all debts, but whatever happens, the income must always be greater or equal to the expenses.
2. **Pay off your debt:** It's time to tackle your debt. Make a list of all your debts, your debt list should include all loans. Then, put those debts in order from smallest to largest. Start by making the minimum payments on all your loans, except for the first one on your list, the smallest loan. On this loan, pay as much money as you can every month and focus all your energies on getting it paid off. Once that first loan is paid off, take that money you were paying monthly and begin to aggressively pay off loan. Continue right on down the list until all of your debt is completely paid off.
3. **Safe/invest any extra funds:** Get wise and increase your emergency savings to 3-6 months' worth of expenses. Now that your debt is all paid off, saving money should be a breeze.

Consider saving 3 months of expenses if your income is fairly secure and 6 months if your income fluctuates or is commission based. This money also should be in a savings, investment or money market account.

I wish you a happy financial independence journey and pleasant reading. Share the knowledge with others.

Victoria Muranda
Editor

ABUSING THE STRUCTURE OF CORPORATE VEHICLES TO LAUNDER MONEY



Corporate vehicles - such as companies, trusts, foundations, partnerships, and other types of legal persons and arrangements, conduct a wide variety of commercial and entrepreneurial activities. However, despite the essential and legitimate role that corporate vehicles play in Namibia and the global economy, under certain conditions, they have been misused for illicit purposes, including money laundering (ML), bribery and corruption, insider dealings, tax fraud, terrorist financing (TF), and other illegal activities. This is because, for criminals trying to circumvent anti-money laundering (AML) and counter-terrorist financing (CFT) measures, corporate vehicles are an attractive way to disguise and convert the proceeds of crime before introducing them into the financial system.

Amongst others, the abuse of financial services by corporate vehicles can take place in the following ways:

- **Abuse of financial services:** a corporate vehicle which is a client of a Financial Institution abusing financial services offered by service providers (insurance, micro loans, investments etc) to launder funds or advance TF;
- **Fronting:** A Financial Institution or service provider under the supervision (or licensing) of bodies such as NAMFISA, the Bank of Namibia, the Financial Intelligence Centre using the supposed legitimate business operations as a "front" to disguise illicit activities, such as to launder money or advance TF.

The misuse of corporate vehicles could be significantly reduced if information regarding both the legal owner(s) and the beneficial owner(s), the source of the corporate vehicle's assets, and its activities were readily available to the authorities. Legal and beneficial ownership information can assist law enforcement and other competent authorities by identifying those natural persons who may be responsible for the underlying activity of concern, or who may have relevant information to further an investigation. This allows the authorities to "follow the money" in financial investigations involving suspect accounts/assets held by corporate vehicles. In particular, beneficial ownership information can also help locate a given person's assets within Namibia or other jurisdictions.

Financial Institutions are gatekeepers to our financial sector. Over and above obtaining information that could be needed by law enforcement, they are the first line of defense in terms of legal obligations to protect the integrity of the financial sector. The Financial Intelligence Act, 2012 (Act No. 13 of 2012) (The FIA) and its accompanying Regulations, Industry Guidance etc., has established standards on transparency, so as to deter and prevent the misuse of corporate vehicles. The FIA requires Financial Institutions to ensure that adequate, accurate and timely information on the beneficial ownership of corporate vehicles is available and can be accessed by the competent authorities in a timely fashion. To the extent that such information is made available, it may help Financial Institutions to implement the customer due diligence (CDD) requirements on corporate vehicles (who are their clients), including to identify the beneficial owner(s), identify and manage potential ML/TF risks, and implement AML/CFT controls based on those risks.

In general, the lack of adequate, accurate and timely beneficial ownership information facilitates ML/TF by disguising:

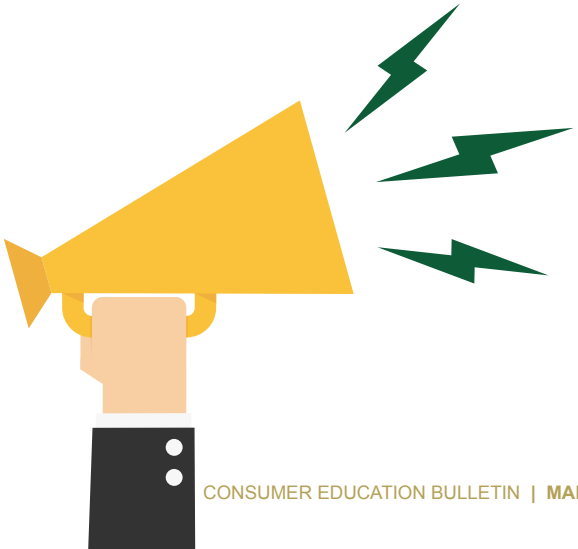
- the **identity** of known or suspected criminals;
- the true **purpose** of transactions, accounts or property held by a corporate vehicle; and/or
- the **source or use** of funds or property associated with a corporate vehicle.

Past experience has shown that beneficial ownership information can be obscured through the use of:

a. *shell companies (which can be established with various forms of ownership structures), especially in cases where there is foreign ownership which is spread across jurisdictions;*
b. *complex ownership and control structures involving many layers of shares registered in the name of other legal persons;*
c. *bearer shares and bearer share warrants;*
d. *formal nominee shareholders and directors where the identity of the nominator is undisclosed;*
e. *informal nominee shareholders and directors, such as close associates and family;*
f. *trusts and other legal arrangements which enable a separation of legal ownership and beneficial ownership of assets;*
g. *use of intermediaries in forming legal persons, including professional intermediaries.*

These problems are greatly exacerbated when different aspects of a corporate vehicle implicate numerous countries. Criminals often create, administer, control, own, and financially operate corporate vehicles from different countries, thereby preventing competent authorities in any one jurisdiction from obtaining all relevant information about a corporate vehicle which is subject to an investigation into ML/TF, or associated predicate offences such as corruption or tax crimes.

Trusts can also be used to conceal the control of assets, including the proceeds of crime. For example, a trust may be created in one jurisdiction and used in another to hold assets across jurisdictions to disguise the origins of criminal proceeds. It may also be used to enhance anonymity by completely disconnecting the beneficial owner from the names of the other parties including the trustee, settlor, protector or beneficiary.



THE ROLE OF AN INVESTMENT MANAGER

Before diving into what an Investment Manager is, let's briefly look at what an investment is and then tie the two together.

In short, investment is the employment of funds with the aim of getting a return/profit on it. In general terms, investment means the use of money in the hope of making more money. In finance, investment means the purchase of a financial product or other item of value with an expectation of favourable future returns. Investment of hard earned money is a crucial activity of every human being. It is the commitment of funds which have been saved/spared from current consumption with the hope that some benefits will be received in the future. It is indeed, a reward for waiting for the money to grow over time. Savings of the people are invested in assets depending on their risk and return demands.

People invest their funds in shares, debentures, fixed deposits, negotiable certificates of deposits (NCDs), property, life insurance policies, retirement/provident funds, unit trusts and other financial assets with the view of deriving future income in the form of interest, dividends, rental income, annuities, pension benefits and the appreciation of the value of their principal/initial capital.

The starting point in the investment process is usually the process to determine the characteristics of the various investment options and then matching them with the individual investor's need/s and preferences. This, however, is not as easy as it sounds, there are a lot of considerations, assessments and analyses that are involved in order to make an informed decision. For many investors, this function is given to professional investment managers to perform.

WHO IS AN INVESTMENT MANAGER?

An investment manager is a company approved by the Registrar of Stock Exchanges in terms of section 4(1)(f) of the Stock Exchanges Control Act, 1985, that, as a regular feature of its business, administers or holds in safe custody on behalf of any other person, any investments in listed

securities or any investment of which listed securities form part. Investment Managers appoint Portfolio Managers, subject to the approval of the Registrar, to be responsible for the day to day investment management activities and investment decisions. Portfolio means the combined holding/investment of many kinds of financial securities; i.e. shares, debentures, government bonds, units trusts and other financial assets. It is essentially to the various assets of an investor that are to be considered as a Unit.

Investment Managers must adhere to all applicable laws and regulations governing their activities.

In particular, Investment Managers must:

- Observe high standards of integrity and fair dealing in managing investments;
- Act in the best interest of the clients;
- Act with due skill, care, diligence and good faith;
- Observe high standards of marker conduct; and
- Monitor investments on an ongoing basis.

WHAT IS PORTFOLIO MANAGEMENT?

As earlier stated, investment management activities are Portfolio Managers employed by the Investment Managers. Portfolio management is the art and science of making decisions about investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. It is all about determining the strengths, weaknesses, opportunities and threats in the choice of debt (bonds)or equity (shares) or money market (NCDs) or cash within Namibia (domestic)or international, and many other trade-offs encountered in the attempt to reach the right mix (asset allocation) in order to maximise investment returns.

Clients of an investment manager vary from institutional investors (pension funds, medical aid funds, insurance companies and unit trust management companies), trusts, natural persons and corporate companies. The securities managed by an investment manager range from listed and unlisted equity shares, bonds, cash to property. An investment manager must enter into a written mandate with its clients to manage the client's assets with discretionary powers to buy, sell, retain and manage the assets in accordance with the specific terms of the client's mandate.

The buying and selling of listed securities are transacted on a regulated stock exchange and an investment manager makes use of a registered stock broker to buy and sell securities for and on behalf of a client.

HOW ARE INVESTMENT MANAGEMENT PROCESSES CARRIED OUT?

There are three major steps that would normally be followed by an investment manager in the investment management process:

1. **Planning Step:** An investment manager needs to assess each clients' risk tolerance, return objectives, time horizon, tax exposure, liquidity needs, income needs, and any unique circumstances or preferences. Information gathered allows an investment manager to design an investment policy statement (client's mandate) that details the client's investment objective and constraints and to construct a portfolio that will uniquely fit each investor's circumstances.

2. **Execution Step:** The investment manager analyzes the risk and return characteristics of various asset classes to determine how funds will be allocated. Often, investment manager uses different approaches, to examine current economic conditions and forecasts of macro-economic variables. Once the asset class allocations are determined, investment managers may identify the most attractive securities within the asset class.

3. **Feedback step:** Over time, the clients' circumstances will change, risk and return characteristics of asset classes will change, and the actual weights of the assets in the portfolio will change with asset prices. The portfolio manager must monitor these changes and rebalance the portfolio periodically in response. The portfolio manager must measure portfolio performance and evaluate it relative to the return on the benchmark identified in the investment policy statement.

The investment manager provides the client with a comprehensive report on their investment portfolio at regular intervals, and in case of Namibia, this may not exceed three months at a time, unless the client consents in writing not to receive the report because such a client is able to access the information made available by the investment manager through electronic means on a continuous basis.

THE ROLE OF THE CLIENT

Ensure that you invest your hard-earned money is invested with a reputable investment manager that is registered with the Namibia Financial Institutions Supervisory Authority (NAMFISA). The listed of registered investment managers can be found on the NAMFISA website at: **www.namfisa.com.na**.

References:

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INVESTMENT POLICY

DID YOU KNOW THE EFFECTS OF PARTIAL SURRENDERS AND WITHDRAWALS ON AN INVESTMENT POLICY? IF YOU DO NOT KNOW THEN YOU ARE READING THE RIGHT ARTICLE!

Let us start by understanding an investment policy. Often, a consumer takes out investment policies as a form of saving money which they wish to access in the future. The date of accessing the investment is normally a pre-determined future date. However quite often consumers, due to other financial hardships will access their investments before the predetermined future date. Under many circumstances this is permissible.

However, do you know that accessing your investment before the predetermined future date actually has negative consequences?

Yes, this is what the consumers do not know until they have actually accessed their investment pre-maturely or until the maturity date comes when they withdraw the last portion of their investment.

The process of accessing a portion of your investment earlier than was initially planned or anticipated is, in the financial world known as “partial surrender or withdrawal” of your investment.

When consumers pre-maturely withdraw their investment or a portion of it, there are normally negative consequences. These negative consequences can come in the following forms:

You may:

- Not be able to achieve your intended financial goal and this may result in losing the financial benefit accumulated over years.
- Lose part of the capital that you initially invested.
- Be charged high penalties.
- Not be able to get an investment with similar beneficial conditions in the future as you may have to pay a higher premium in view of your higher age.

BUT WHAT REALLY HAPPENS WHEN YOUR EFFECT A PARTIAL SURRENDER OR WITHDRAWAL?

Think about the purpose of your investment. You want to access a financial or investment benefit in the future.

Therefore, what really happens when you effect a partial surrender or withdrawal is that, you are not only reducing your investment benefits that could have been available to you at maturity, but you may also not be aware that often penalties are charged for accessing the investment or a portion of it earlier. These penalties are called partial surrender/ withdrawal penalties and they are usually very high.

These penalties are normally charged directly from the investment or the benefit accumulated and sometimes the consumer is not even aware of this. Worse of, you may even lose part of the initial capital that you invested. Thus it is not a good idea to effect partial surrenders/withdrawals unless it is really necessary.

In our next article we will give you an example of two consumers that have invested money. These two consumers have the same investment terms, however one of them effected partial surrenders whereas the other did not. The one that did not affect any partial surrenders and withdrawals received more money at the maturity of the investment. Get a hold of our next issue which will help you better, with more detail,the negative effects of partial surrenders/withdrawals.

Next Bulletin: June 2018

PAYMENT METHODS

FOR INSURANCE PREMIUMS AND MANTAINING SUFFICIENT FUNDS TO PAY INSURANCE PREMIUMS

The following payments methods are used by policyholders to pay their insurance premiums.

a.) Is a Stop Order an acceptable method of payment for Insurance premiums?

This payment method is where policyholders have arranged with their employer or bank to directly deduct insurance premiums from their salaries and pay the insurance entity. The stop order application form is completed by the policyholders authorising the insurance premiums payment directly from their salaries. Given that the policyholder is the one who gives the instruction – the policyholder is the one who can issue the instruction for the cancelation of the deduction.

b.) Are there costs associated with a stop order?

Yes, there are costs associated with the stop order method known as administration costs. The cost for a stop order instruction in a bank can be as high as N$125.00 per instruction if done in a bank.

c.) What is a debit order?

The debit order is where an insurance company given the instruction for the deduction of insurance premiums from the policyholders' bank account. The policyholder will thus give consent to an insurance company to deduct insurance premiums from their bank accounts on a specific date. Unlike a stop order where the policy holder can instruct the bank to stop the deductions – with a debit order only the insurance company can instruct the bank to stop the deduction of the insurance premiums.

d.) Are there costs associated with the debit order?

Yes, there are transaction costs(bank charges) associated with the debit order payment method. E.g. assuming that Ms. Hilma Linus took out an insurance policy with the monthly premiums of N$ 800.00 and the transaction fee is N$ 15.00. This mean that she has to pay N$ 800 plus N$ 15.00 which is equal to N$ 815.00. Transaction fee lists of varied amount can be obtained from different commercial banks.

e.) What happen if one does not have sufficient funds in his or her bank account during the deduction date?

If one does not have enough funds in his or her account, then he or she will be charged a return drawer ("RD") or dishonor fee. Subsequently should a debit order run for two months and there are still no funds available, the debit order is automatically cancelled by the insurance company and as such the benefit having insurance cover is cancelled. The policyholder is not covered against any property loss and thus cannot submit a claim against the insurance company.

f.) Any tips for debit order payments?

- Policyholders should ensure that they do not deduct all their money before the debit order runs; and
- Policyholders must check their bank statements to verify whether their insurance premiums were deducted by the insurance company.

g.) Can policyholders change their payment methods?

Yes, policyholders may change their payment method e.g. if one was employed by a certain organisation which has a stop order arrangement with a certain insurance company, and he or she resigned from such employer to another employer, which does not offer stop order facilities, in this case such policyholder may change his or her payment method to a debit order payment to ensure that he or she continues with his or her insurance benefit and will not lose out on the benefits should a claim event occur.

There are also other means of paying such as effected a scheduled payment on your online banking profile should you bank have such facilities.

It is important for policyholders to have an understanding of the common payment methods used by insurance company as this will be helpful in ensuring timely payments of their insurance premiums.

HIRE PURCHASES

THE DO'S AND DON'TS

You saw a beautiful lounge suite that you really want and you received a text message from one of the furniture shops offering you pre-approved credit - you only need to accept the offer by going to the shop and make a choice on the items that you want.

The question here is: Are you buying the lounge suite because you really need it or because you merely want it? **Remember, there is a difference between needs and wants.** Needs refer to items that you cannot do without while Wants are merely referring to "nice to have" items that you can easily do without. After answering this question, there are a few more things to be on the look-out for before taking that step of acquiring the goods that you need. Do you want to buy it cash or on credit? Buying it cash will be the most convenient way, but do you have the money readily available to immediately make a cash purchase?

The other option is to buy it on credit (i.e. hire purchase agreement) and, with so many credit offerings from the furniture shops, it is easy to fall into a debt trap especially if you are not financially disciplined.

So what is hire purchase? A hire purchase is a method of buying goods on credit by making equal monthly installments over time. Important to remember that the ownership of the goods purchased is not transferred to the buyer until all required payments have been made.

Before you enter into a hire purchase agreement, you should make a well-informed decision by looking at the following do's and don'ts of it.

Do's for hire purchase:

1. Shop around to see what are the terms and conditions of the furniture shops as well as the price of the goods you need.
2. Some shops require a percentage as a deposit upfront. This is normally calculated as 10 percent of the price of the item. Make sure that you have the deposit available when entering into a hire purchase agreement with the furniture shop.
3. Insurance is also required for the goods purchased and this is also included in the agreement. If you have your own household insurance, the insurance can be removed from the agreement as long as you provide your own insurance details to the furniture shop.
4. Make sure that you can afford the required monthly installments as set out in the hire purchase agreement.

Dont's for hire purchase:

1. Don't settle for the first and best option available.
2. Don't be forced into taking out insurance offered by the furniture shop as this tend to be more expensive. Rather make use of your own insurance. Insurance should **not** be compulsory for you to get the goods.
3. The terms and conditions in the agreement,as well as the line items in the contract,should be explained to you.
4. The benefits offered should also be explained. If not, ask for an explanation.
5. Don't rush into an agreement without knowing what exactly you are putting yourself into.

Advantages and disadvantages of hire purchase:

Advantages:

1. The advantage for the buyer is that he/she can make a big purchase whilst not having enough liquidity and pay small monthly installments over a period of time.
2. With a hire purchase, the buyer can receive the goods purchased immediately and enjoy the use thereof, although the buyer only becomes the owner of the goods upon payment of the last installment.

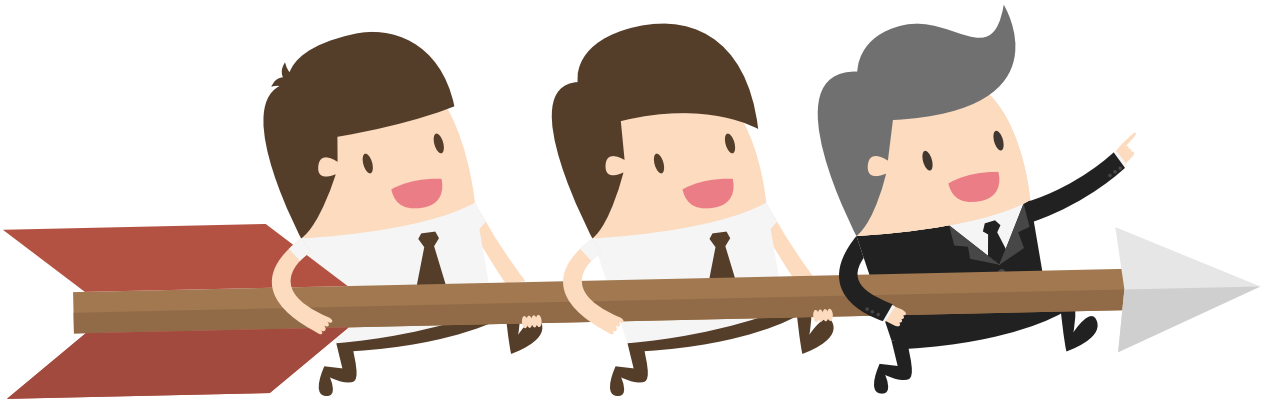
Disadvantages:

1. The disadvantage of this method is that, if the buyer fails to pay or default on the payment, the seller will take possession of the goods as the buyer is not yet the owner of the goods.
2. Due to the installment method, the buyer pays a higher price for the goods as it includes cost plus interest.

With hire purchase, buyers are obliged to keep their end of the bargain by making timeous payments on their hire purchase until it is paid off and ownership transferred to them.

In the event of defaulting, make the necessary arrangements with the seller in order to avoid conflict. Communication is very important in this regard. Ignoring demand letters and calls from the seller will not solve the problem.

Please make an informed decision before embarking on a shopping spree.



CANCELLING YOUR INSURANCE POLICY

FACTORS TO CONSIDER BEFORE CANCELLING YOUR INSURANCE POLICY

The continued increase in the number of insurance policy cancellations is evidence that more consumers are struggling to keep up with their insurance policy premium payments.

Affordability is cited as the main reason many consumers opt to cancel their policies. Recent high inflation rates and job losses in some sectors of the economy have badly affected consumers' disposable income. As a result, many consumers have axed their spending on insurance premiums as some consumers still undervalue the critical importance of insurance as a means of protection. Before deciding to cancel an insurance policy there are various factors that needs to be taken into consideration.

As a policyholder, you have all the rights to cancel your insurance policy at any time. However, the decision to cancel your insurance policy should not be taken in a rush or lightly. It should be well thought after having considered different factors, as such a decision could have a huge impact on your financial future.

Before deciding to cancel your insurance policy it is of utmost importance that you critically look at the good and the bad (pros and cons) of cancelling your policy contract. Most importantly, one should look at the terms of the policy contract relating to cancellation and verify if there are any costs or penalties that will be charged on cancellation as well as any benefits entitlement upon cancellation.

As part of the terms, most policy contracts usually have a cooling-off period, this is the period within which a policyholder may cancel a policy contract-and still be entitled to a refund of the whole or a portion of the insurance premiums paid up to the date of cancellation.

Ensure that you are well aware of the cooling-off period, it is normally stipulated in the policy contract. Even if you cancel your policy after the cooling-off period make sure that you are well aware of any benefits you may be entitled to on cancellation. For some policies you may still benefit by being paid a surrender value after the policy has been cancelled. A surrender value is a partial amount of the benefits payable when you cancel your policy before it matures.

Cancelling your policy may seem to be a very good decision in the short-term given the amount of money you may save on your budget. However,such a decision may prove to be very costly as it may jeopardize your financial future when viewed from a long-term perspective. Before deciding to cancel your policy ensure that you have properly evaluated the costs and benefits both from a short and long-term perspectives so that you have a balanced view of the situation before finally deciding to cancel your policy.

Critically consider your circumstances or conditions and evaluate if cancelling your policy is worthwhile, as some insurance policies such as life and health insurance may become so critical at some point in your life and you may not be in a position to afford them out of your pocket when the need arises. For policies such as life & health you could consider factors such as your age and your general health condition as they may be very costly when paid personally out of your pocket and this may affect the quality of your life in general. Also, consider the well-being of your current and prospective beneficiaries or loved ones should you cancel your policy as they may suffer from financial hardships in the future.

Before cancelling your insurance policy,ensure that you are well aware of the time remaining to maturity, especially for pure investment or savings policies as you may end up cancelling a policy whose maturity date was close and you will end-up losing or forfeiting the benefits you could have been entitled to on maturity of the policy. If the maturity date is closer, rather let your policy mature in order to get the full benefits accrual. In a situation where you cancel your insurance policy with the intention of switching to another insurer, make sure the new insurance policy can immediately kick-in so that you are not left uninsured at the time of transition.

Ensure that your policy contract includes all the benefits you intended to cover before signing it off, as this will save you the inconvenience of having to cancel and take another insurance policy because the initial policy did not cover all intended needs. Your insurance policy contract will also include the procedures involved in cancelling the policy where one may approach the insurer directly or go through a broker or an agent of the insurer. Always follow-up to confirm that your policy has indeed been cancelled and verify that no deductions are made after the cancellation date.

If you are still being deducted insurance premium(s) after the policy cancellation, you are entitled to a refund from the insurer. Feel free to contact our Complaints Department should you experience difficulties in recovering premiums deducted after your policy was cancelled. As tough as it maybe to keep up with monthly premiums, remember that your insurance policy could be exactly be what you need in tough times such as these and therefore think carefully before cancelling it.

RETIREMENT, WHAT TO GET READY

WHAT CHOICES CAN ONE EXPECT TO MAKE, WHAT ANNUITY OPTIONS ARE AVAILABLE AND WHAT ARE THE TYPE OF FEES ONE CAN EXPECT TO PAY?

Retirement for many seems very far away,and with developments in current times, most people are likely to reach retirement age later than usual, and therefore it is important that they plan for it. At retirement, a person will have to make choices, so it is important to know how these choices affect your retirement benefits. After saving for many years (hopefully without premature withdrawals),one should hopefully have some money to use during retirement.

So, what options are available to a retiring member of a pension fund? And what are the fees a retiring member can expect to pay? In order to answer these questions, this article will look at them separately.

What are the choices you can expect to make at retirement?

Once you have retired, you will be required to decide how you want to receive your retirement benefit. Unless the benefit is not more than N$ 50 000, in which case it will paid as a lump sum (subject to tax laws). The way the retirement benefits will be paid to you will depend on the type of fund you were a member of,before retirement. For example, if you were in a pension fund, you will only be allowed to receive one-third of your total retirement savings in a cash lump sum, and you will be required to purchase an annuity product with the remaining two-thirds. The annuity will be paying you a monthly pension. On the other hand, if you were in a provident fund, you will be allowed to receive your full retirement benefit (savings) in cash, but can decide how much of your benefit you want to use to purchase anannuity product that will pay you a monthly pension. It is your choice, however always remember that the more you receive in a lump sum, the less you will receive from your monthly pension.

Please also note that for pension fund members, legislation stipulates that the one-third allowable portion can be taken as a cash lump sum tax free whilst the two-thirds will be taxed

on a monthly basis as the pension payments are made, at marginal tax rates. Similarly, for provident fund members, legislation stipulates that one-third of the benefit can be taken tax free, meaning that the balance (i.e. the two-thirds) will be taxed. This tax will either be deducted once off (if the two-thirds is taken as a lump sum), or on monthly pension payments (if the two-thirds is used to purchase an annuity).

What annuity options are available at retirement?

If you decide to purchase an annuity, you generally have two (2) options to choose from. These are: whether you want to buy a "Guaranteed" annuity or "Living" annuity?

As mentioned above, pension fund members are by law required to buy an annuity with their two-thirds balance, but you,the retiring member,can choose between a (1) guaranteed or (2) life with an investment-linked living annuity, or a combination of the two (like a with-profit annuity).You need to know that a guaranteed annuity guarantees you a predetermined income for life, while a living annuity allows you to choose where to invest your retirement savings and how much of those savings you will receive as an income each year.

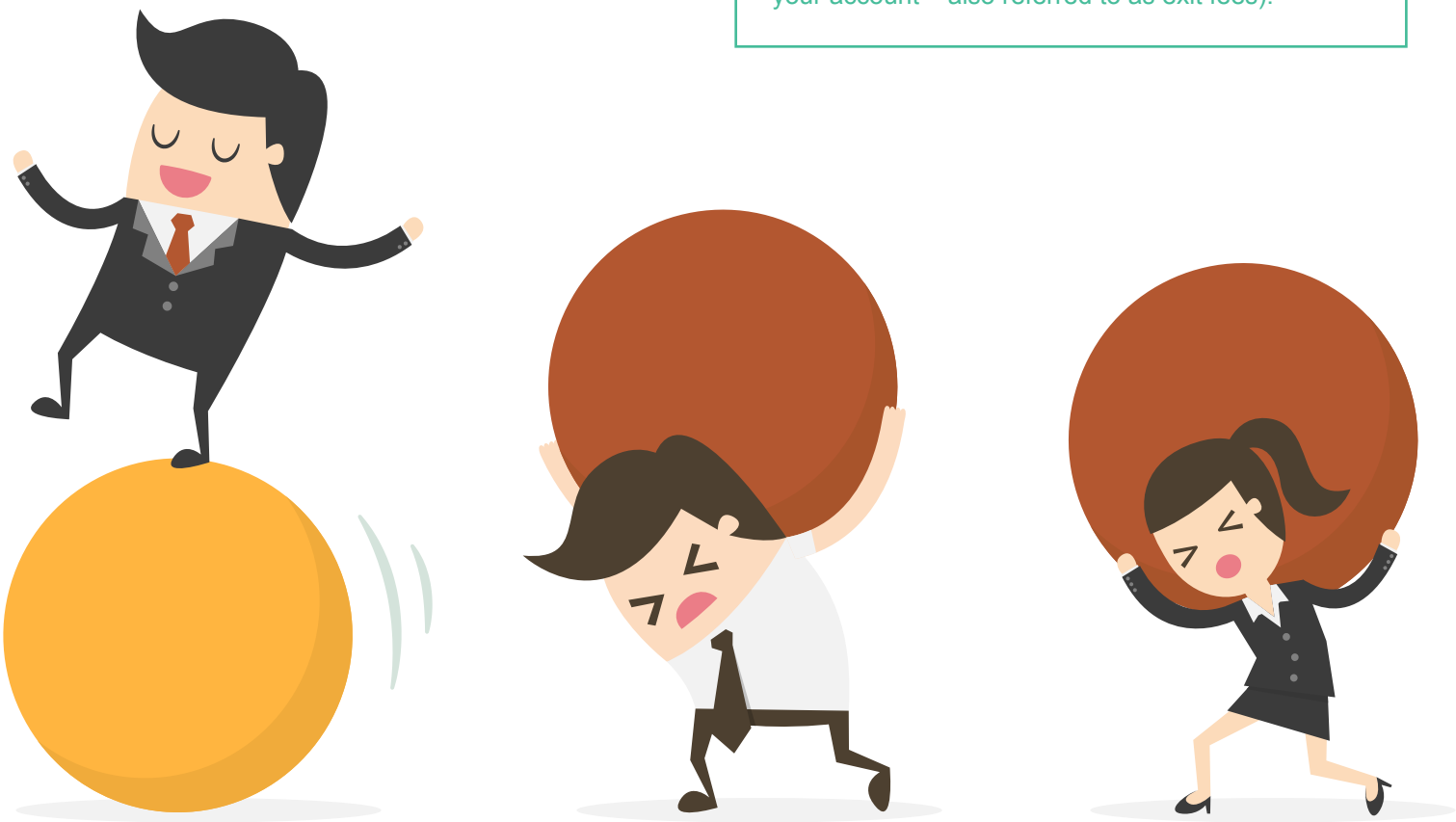
The two annuity products have a number of differences in design and structure, but the key difference between the two is the level of risk you take at retirement. These products are usually provided by life assurers. Some life assurers allow you to transfer from a living to a guaranteed annuity, however once you have bought a guaranteed annuity you will have to keep the guaranteed annuity for the rest of your life.

What are the type of fees a retiring member can expect to pay after retirement?

In order for you to get the best out of your retirement savings, it is important that you consider minimising fees and maximising returns on your investment. Investment and other costs are generally not the first thing you think of when considering the risks to your retirement money. However, in retirement, paying high fees can reduce your available savings(principal amount) to invest and you future monthly pension payments. By reducing costs you have more money to preserve and to invest.

You need to know that when you convert your retirement savings into an annuity, there are a number of fees that you will need to pay. Generally, assurer's charge fees based on their internal charging policies, so certain fees will be charged by one assurer and not by the other. Normally the fees that you will need to pay are:

- Entry/joining fee-You will have to pay this fee when you join a fund that charges this fee. This fee is usually charged as a Namibian dollar amount and is charged to your retirement annuity account.
- Investment fee-This fee is deducted from your investment returns before the balance is paid to your account. This fee is usually charged every year and it differs depending on the investment choices you make when you join the annuity fund. Other fees and costs such as trading fees, insurance fees and tax may apply too.
- Administration fee-This type of fee is deducted from your account,or from the investment returns,or when you close your account (i.e. full or partial withdrawal of your account – also referred to as exit fees).



GYM REBATES

WHY MEDICAL AID FUNDS ARE NOT PERMITTED TO PAY THEIR MEMBERS GYM REBATES AND OTHER RELEVANT INFORMATION

A medical aid fund is defined in the MAF Act as any business carried on under a scheme established with the object of providing financial or other assistance to members of the fund and their dependants in defraying expenditure incurred by them in connection with the rendering of any ***medical service.***

It is further specified in the MAF Act, in the definition of a *"medical service" that only a: "healthcare treatment provided by a person registered in terms of any law, qualifies as a medical service."*

The rules of several registered Funds provided for gym rebates and other wellness programs as benefits to members of medical aid funds. The provision of gym rebates by Funds to members did not necessarily ***involve the provision of health care treatment by a registered person in terms of any law as contemplated in the MAF Act.***

NAMFISA, through the Registrar of the Medical Aid Funds ("the Registrar"), ***is compelled by statute to rectify any malpractice which is in contravention of the applicable administered laws.***

Therefore on the 10th of April 2017, the Registrar issued a Directive to the Medical Aid Funds industry (PI/MAF/DIR/01/2017), informing the said industry that the practice of offering gym rebates and wellness programmes as part of its benefit structures to members of the said Funds, where such services are not offered by persons registered in terms of any law is in contravention of Section 1 of the MAF Act. Funds were directed to comply with the said directive by 31 December 2018.

Appeal

On the 9th of August 2017, an Appeal was lodged with the NAMFISA Appeal Board by a registered Fund, appealing the decision of the Registrar to allow for the phasing out of gym rebates and other wellness programmes until 31 December 2018.

The NAMFISA Appeal Board, is an independent body and can by law confirm, set aside, or vary any decision taken by the Registrar of the Funds. Other Funds were invited to oppose the Appeal, however none of the Funds elected to oppose the Appeal.

On 14 December 2017, the NAMFISA Appeal Board set aside the decision of the Registrar and the medical aid funds were directed to comply with Section 1 of the Medical Aid Funds Act, with immediate effect. Therefore Funds are, with effect from 14 December 2017, not permitted to offer gym rebates and other wellness programmes which are not offered by a person registered in terms of any law in contravention of Section 1 of the Medical Aid Funds Act.

Will Medical Aid Funds provide their members with additional benefits and or reduce the monthly contribution premiums in lieu of the prohibition on the paymentof gym rebates?

The decision to provide additional benefits to members of medical aid funds and or to reduce the monthly contribution premiums is at the discretion of the Board of Trustees of each medical aid fund. The respective Board of Trustees will resolve on the aforementioned taking into account the financial viability and financial sustainability of the Fund.

Why is NAMFISA not encouraging and supporting preventative and positive measures such as gym rebates?

NAMFISA supports the services offered by fitness centers and deems it necessary for healthy lifestyles and in the prevention of certain health conditions, however NAMFISA, is **obligated** by statute to rectify any malpractice which is in contravention of the applicable administered laws.

The Registrar therefore requires full cooperation and support of this process by all medical aid funds and stakeholders at large.

FINANCIAL LITERACY INITIATIVE

Namibians generally do not talk much about finances with each other or within families. It creates negativity and stress and even arguments that lead to fights. In addition, it also seems that Namibians do not reflect much on their finances, but when they do, it is stressful and rather should be avoided.

This leads many Namibians to develop, adopt and inherit poor financial management habits. These include; lack of planning, no saving, impulse buying, poor financial discipline, over-indebtedness and stress which leads to illness and much more.

There is a theory on habits that talks to the psyche of people about being “mindful”. The intention is for the individual to focus on his/her bad habits. What this means is that the individual embraces his/her inherent sense of curiosity and explores every facet of his/her financial decision making.

Mrs. Adams for example would start by being curious as to where her money goes every month and through positive and curious investigation draw an expenditure sheet for every week and then reflect over a coffee as to where her money is going. Through further investigation she might start grouping the expenditure into patterns such as; groceries, toiletries, friends & family, education and fast-food.

The theory further proposes that as the individual continuous to curiously investigate his/her poor/bad financial behavior it will support the individual to start making small positive changes since he/she better understand the triggers, behavior and consequences.

Once this starts taking place it is important to contact organisations like the Financial Literacy Initiative in Namibia to provide educational materials and resources to support the positive behavioral change.

Therefore, Namibians, be encouraged to curiously investigate your financial behavior in as much detail as possible to help you to make positive changes to your financial behavior.

Author: Francois Brand, Deputy Director: Financial Education and Consumer Behavior, Ministry of Finance. FLI Manager Namibia

TransUnion

WHY A CREDIT BUREAU MATTERS

Reliable credit information makes it possible for over 700,000 consumers in Namibia to access goods and services on credit. But before they extend credit to you, credit grantors and service providers need some form of reassurance that you can (and will) make the repayments.

This is where a reliable credit bureau comes in. It provides credit reports that benefit consumers and companies alike when it comes to extending credit.

Companies use it to extend credit

Credit bureaus are a reliable source of information for lenders. Without this information, they would have to protect themselves against the risk of people not making credit repayments. They may insist on large deposits or issue credit at high interest rates. Or they could simply stop providing credit altogether

With access to information from a reliable credit bureau, companies can make informed lending decisions. This means they'll be more willing to consider credit applications and accept those with an acceptable level of risk to them.

It provides accurate and fair information

The credit bureau is an independent business that collects, stores and manages information relevant to your credit profile. This information is presented in a credit report, which companies use to assess the risk of providing credit to you. They can look at information such as your employment details, credit behaviour and payment history.

The credit bureau itself does not make any judgements or assumptions that could impact your credit application–it simply provides reliable data that could help finalise the application process in line with the company's policies.

It helps you build a positive profile

The credit bureau benefits both companies and consumers. While companies use it to make lending decisions, consumers can use it as a tool to help improve their chances of obtaining credit.

By understanding your credit profile and seeing what your credit history looks like, you can take steps to build and maintain a positive profile. This will assist greatly in applying for credit and could even help you get credit on favourable terms.

To get a copy of your own credit report, call TransUnion at **061-227142** or email **Namibia-freereport@transunion.co.za**. We can explain the information on the report and answer any questions you may have.

NAMFISA COMPLAINTS DEPARTMENT

Did you know that the NAMFISA Complaints Department considers complaints against financial services providers? If not, then you are reading the right article.

WHAT TYPE OF COMPLAINTS DO THE NAMFISA COMPLAINTS DEPARTMENT DEAL WITH?

You probably wonder from time to time what complaints the NAMFISA Complaints Department deals with. The department deals with complaints that pertain to the dissatisfaction of consumers with financial services that are offered by NAMFISA regulated financial service providers. This means that the NAMFISA Complaints Department will only handle complaints that relate to the business of regulated financial service providers as long as the complaint relates to financial services that are not banking services. There are instances in which the department receives complaints that are not against a NAMFISA regulated financial service provider. Nonetheless, we are committed to assisting you in determining the relevant body or entity that can assist you.

WHO ARE THOSE FINANCIAL SERVICE PROVIDERS?

HERE IS THE LIST OF THE REGULATED ENTITIES THAT WE REGULATE BASED ON THE SECTOR OF BUSINESS:

1. Insurers
   (a) Long-term Insurers
   (b) Short-term Insurers
   (c) Insurance Agents
   (d) Insurance Brokers
2. Pension Funds
3. Medical Aid Funds
4. Friendly Societies
5. Microlenders
6. Collective Investment Schemes
   (a) Unit Trust Managers
   (b) Unlisted Investment Managers
7. Stock Exchanges
8. Investment Managers

If you want to find out more on whether a particular entity is regulated by NAMFISA, please visit our website at: https://www.namfisa.com.na/. Navigate to the financial sector you are interested in, select the relevant sector and click on registered entities to get the complete list of the registered entities under the particular sector required.

We hope this article was of assistance and we look forward to providing you with more guidance in the next Consumer Education Bulletin.

BUDGET SHEET

TAKE CONTROL OF YOUR FINANCES.

1: MONTHLY INCOME

Income is the total sum of everything your household earns. Income can come from the salary of a steady job or work you do on the side that brings in money.

You: Monthly salary (after tax) _____

Husband/wife: Monthly salary (after tax) _____

TOTAL INCOME (A) A: _____

2: MONTHLY EXPENSES

Expenses are everything that you spend your money on each month, such as food, water and electricity, and airtime.

Rent/mortgage/bond _____

Food (cooking at home) _____

Take-aways (KFC, Nandos) _____

Taxi/bus/petrol _____

Car loan repayment _____

School fees _____

Crèche/day care _____

Water and electricity _____

Airtime _____

2.1 EXPENSES YOU SHOULD HAVE

Medical aid _____

Life insurance _____

Funeral insurance _____

2.2 OTHER EXPENSES

_____ _____

_____ _____

_____ _____

TOTAL EXPENSES (B) B: _____

3: SAVINGS

We always stress the importance of putting money aside for the future.

SAVINGS (C) C: _____

4: ADDING IT ALL UP

Take your Income (A) and subtract the total of your Expenses (B) and then subtract your Savings (C) to see how much money you will have left over at the end of the month.

E.g. Income (A) = N$5,000; Expenses (B) = N$3,850; Savings (C) = N$500
Therefore: N$5,000 - N$3,850 - N$500 = N$650 left over at month-end.

GLOSSARY OF KEY UNIT TRUST SCHEME TERMS

Source: http://www.iol.co.za

3rd Party Insurance
It is referred to as a "third-party" cover since the beneficiary of the policy is someone other than the two parties involved in the contract (the car owner and the insurance company).

Abandonment Value
Abandonment value is the equivalent cash value of a project if it is liquidated immediately after reducing all debts which need to be repaid.

Beneficiary
In life insurance, the beneficiary is the person or entity entitled to receive the claim amount and other benefits upon the death of the benefactor or on the maturity of the policy.

Balloon Payment
Balloon payment is the lump sum payment which is attached to a loan, mortgage, or a commercial loan. This payment is usually made towards the end of the loan period. Balloon payment is higher than what you might be paying towards the loan on a monthly basis.

Cede or Ceding Company
A ceding company is an insurance company that transfers the insurance portfolio to a reinsurer. The insurer however is liable to pay the claims in the event of default by the reinsurer.

Contingent Beneficiary
In a life insurance policy or an annuity plan, a contingent beneficiary gets proceeds from the policy in the event of a demise of the primary beneficiary at the same time as that of the insured.

Contingent Liability
A contingent liability is defined as a liability which may arise depending on the outcome of a specific event. It is a possible obligation which may or may not arise depending on how a future event unfolds. A contingent liability is recorded when it can be estimated, or else it should be disclosed.

Deferred Acquisition Cost
The practice of deferring the outlays incurred in the acquisition of new business over the term of the insurance contract is called deferred acquisition cost.

Equity Finance
Equity finance is a method of raising fresh capital by selling shares of the company to public, institutional investors, or financial institutions. The people who buy shares are referred to as shareholders of the company because they have received ownership interest in the company.

Fully Drawn Advance
Fully drawn advance is a financing method which gives you the freedom to take funds or a loan but only for longer durations. It is an ideal way of financing assets which have a long shelf life such as real estate.

Indemnity
Indemnity means making compensation payments to one party by the other for the loss occurred.

Insurable Interest
Insurable interest is defined as the reasonable concern of a person to obtain insurance for any individual or property against unforeseen events such as death, losses, etc.

Lapsed Policy
The policy for which all benefits to the policy holder cease and is terminated due to non payment of premium amount on the due date or even after the grace period is called a lapsed policy.

Medical Underwriting
Before the issuance of a health or life insurance policy, the applicant is evaluated on the basis of his/her medical history in order to set the premium rate for the policy and to decide whether to offer coverage or not.

Mitigation
Mitigation means reducing risk of loss from the occurrence of any undesirable event. This is an important element for any insurance business so as to avoid unnecessary losses.

No-Claim Bonus
No-claim bonus (NCB) is a discount in premium offered by insurance companies if a vehicle owner has not made a single claim during the term of the motor insurance policy.

Reinstatement
If an insured person fails to pay the premium due to various circumstances and as a result the insurance policy gets terminated, then the insurance coverage can be renewed. This process of putting the insurance policy back after a lapse is known as reinstatement.

Retention Limit
The maximum amount of risk retained by an insurer per life is called retention. Beyond that, the insurer cedes the excess risk to a reinsurer. The point beyond which the insurer cedes the risk to the reinsurer is called retention limit.

Risk assessment
Risk assessment, also called underwriting, is the methodology used by insurers for evaluating and assessing the risks associated with a insurance policy. The same helps in calculation of the correct premium for an insured.

Surrender Value
It is the amount the policyholder will get from the insurance company if he decides to exit the policy before maturity.

Maturity
The end of a duration or time period of a contractual investment.

Underwriting Risk
Underwriting risk refers to the potential loss to an insurer emanating from faulty underwriting. The same may affect the solvency and profitability of the insurer in an adverse manner.

Vesting Bonus
Vesting bonus is the bonus given by the insurer to the policy holder after ascertaining its assets and liabilities.

NAMFISA
NAMIBIA FINANCIAL
INSTITUTIONS SUPERVISORY AUTHORITY

CONSUMER EDUCATION BULLETIN

Brain Teasers are a great way to challenge the brain and have a little fun.
Find the answers in our next edition

Independence Day word scramble

pidedneneenc .....
itlquaey .....
domreef .....
biaamin .....
lebrcetiona .....
rigtsh .....
eccusss .....
msa jamonu .....
ovito ay oitvo .....
wapso .....
thuos fraica .....
elgurstg .....
teenenin etynin .....
cracydemo .....

CONTACT DETAILS:

+264 61 290 5000
PO Box 21250, Windhoek
consumer@namfisa.com.na
1st Floor, Sanlam Centre
154 Independence Avenue, Windhoek
www.namfisa.com.na

COMPLAINTS TOLL FREE NUMBER
0800 290 500