

# VSA

VAUGHN  
STERLING  
& ASSOCIATES

Financial Planning & Investment Advice

## Business Profile



**Vaughn Sterling & Associates (Pty) Ltd (“VSA”) is an authorised financial service provider which provides independent financial advice to its clients. VSA was established in 2002 and we strive to add value by building long term relationships based on trust and quality of advice.**

*Please read this Profile together with our formal Disclosure letter that is required by legislation.*

## OUR PHILOSOPHY

We believe that business and private clients should enjoy individualised financial planning and support services which facilitate the achievement of their financial goals.

***Our basic objective is to assist you to gain a better understanding of your financial position and to manage your wealth and risks under different scenarios. The objective is to establish and achieve your financial goals over time in a reliable and consistent manner.***

In this process, a joint examination of your profile and objectives, results in an understanding of your requirements and risk exposures. This enables the design of a financial plan tailored to your individual needs. Advice is given on actions required and investments or risk products are facilitated. This is followed by periodic reviews and advice.

***Our independence from product suppliers is a cornerstone of our philosophy.***

We are not tied solely to any single institution and do not entertain demands from product suppliers for “minimum business volumes” which might compromise our independence. Our recommendations typically include two or more alternative quotations (for your investment or risk products) in order to enable you to make an informed choice.

We accept that each person is a unique being and requires an individualised approach. So, our approach is to be an “intelligent sounding board” that allows you to make better financial decisions.

VSA has no “corporate” shareholders. The directors and Key Individuals of VSA are also the shareholders of VSA and we therefore focus on servicing clients without divided loyalties. Furthermore, from the perspective of business continuity, we have an adequate number of professional advisors to ensure uninterrupted service for the long run.

# VALUE PROPOSITION AND SERVICE OFFERING

**Our fundamental value proposition is that we assist clients to make better financial decisions.**

Our service offering includes one-on-one individual financial planning, corporate solutions and employee benefits. Our professional advisors provide the following services:

## **A. Private individuals**

- Full Financial needs analysis
- Risk planning: Death & Disability
- Pre-and-post Retirement planning
- Estate Planning
- Investment advice
- We recommend that you should have an up to date will and, if appropriate, other forms of wealth planning, such as trusts, and we facilitate these with competent professionals in the legal profession.
- From time to time we may send you selected articles or information on topics related to your financial planning and investments.

## **B. Companies**

- Group schemes or employee benefits (group life assurance and “pensions”)
- Buy/sell agreements
- Key man assurance.

In terms of our FSP licence we do not provide advice or services relating to: trading in individual shares or derivative products, bank deposits, medical schemes, short term insurance, taxation, property syndications and debt counselling.

# THE FINANCIAL PLANNING PROCESS

A financial plan is essentially a set of documents that describes the financial aspects of your life in terms of “where are you now”, “where do you want to go to in future” and “how to get there”.

Financial planning, therefore, is the continuous process, throughout your lifetime, of balancing your available resources and your financial goals (needs or desires). In doing this, we look at four different scenarios: the current scenario, the retirement scenario, the scenario on death and the scenario on disability. In each scenario, one looks at the available assets and insurance policies and the required level of income to meet the anticipated expenses of that scenario.

**There are basically six steps to the financial planning process.**

- 1. Establish and define the relationship with you (what services would you like VSA to provide to you?).**
- 2. Collect your financial information (Financial goals, balance sheet, budgets, existing policies, etc.)**
- 3. Analyse and assess your financial position.**
- 4. Develop the financial planning alternatives and make recommendations, including specific insurance or investment products.**
- 5. Agree on an action plan and implement the above recommendations.**
- 6. Review your situation and make any required changes on an ongoing basis.**

Should you prefer to do only one financial product (such as a specific investment or a single insurance policy to cover a bond) without going through the whole process, we could sign a “single need” service agreement to reflect your desire that we only provide you with that one product and not look at any other aspects of your financial planning.

## THE INVESTMENT PROCESS

We are adept in understanding the investment universe and the facilitation of your investments is one of the key functions of our business. VSA is not registered as an investment manager under the FAIS Act, so the terms of our licence do not allow us to make changes to your investments without your specific written instructions.

Assisting you with the management of your investments is part of the six step financial planning process outlined above. This is a specialised field that warrants a bit more explanation.

***Our approach is to use a flexible process that is adaptable to your unique requirements and circumstances. The main steps of this process are as follows:***

- Define your investment needs or profile; this is the set of characteristics that describes your investment. Included here are the objectives and the choice of appropriate benchmarks that should be used for measuring your portfolios' returns and risks. The key element of your investment profile is the investment risk scale from 1 to 5. This scale indicates the volatility and the real returns that one could expect at each point on the scale. (It does not prescribe rigid limits for the different asset classes).
- Recommend an appropriate platform product (such as a pure unit trust, an endowment policy, a retirement annuity, a living annuity or a preservation fund) that holds a portfolio of unit trust funds that match your needs. (Mostly we recommend that clients place their local investments with Investec or Allan Gray as we find that the service is good and the fees are low.)
- Choosing suitable unit trust funds that match up to your investment profile in order to construct a portfolio of funds that would match up to the characteristics that you want to see in your investment. This function of choosing appropriate unit trust funds for your investment can be done in one of two ways: the Traditional Approach that had been used by VSA since inception and the Model Portfolio Approach that was introduced towards the end of 2015.

In both these approaches, the goal is to choose funds that are expected to be first or second quartile performers in the long term and to avoid third and fourth quartile performing funds. The summaries of these two approaches are:

- Traditional Approach: VSA selects unit trust funds from a set of preferred funds that are managed by high quality asset managers and that are available on the platform where the investment will be made. This would

include certain funds managed by Allan Gray, Coronation, Foord, Investec, Nedgroup Investments and Prudential.

The funds chosen would typically be reviewed on an annual basis and consequently your portfolio might be adjusted once per year. You have to personally sign each switch form to adjust your portfolio.

- Model Portfolio Approach: Funds are selected by VSA in partnership with Portfolio Analytics (“Analytics”), an asset consultant with a discretionary category II licence. Funds are selected from a wider universe, not only those that are available on platforms, and allocated to the different model portfolios. These model portfolios are standard portfolios at each of the points on the risk scale.

VSA and Analytics hold quarterly Investment Committee meetings to review and adjust the model portfolios as needed. When the funds in a model portfolio are adjusted, all clients who are invested in that model portfolio are adjusted at exactly the same time. It is therefore not necessary for you to sign a switch form as Analytics’ mandate allows them to switch funds on your behalf.

Generally speaking, both approaches try to avoid funds that have poor performance and higher fees, such as certain multimanager funds and broker (“white label”) funds.

Part of this step is to ensure sufficient diversification in order to avoid large exposures, for example to a single fund manager, a specific asset management company or a geographic region.

Where your investment profile would be best served by multiple asset classes, such as a cautious or moderate profile, we recommend multi-asset class funds to match up to the profile. We do not try to outguess the market in terms of which asset classes will perform the best, but we rely on the fund managers to adjust their asset allocations according to their expectations.

- Review/monitor your portfolio’s returns and characteristics to ensure that it still matches up to your investment profile. Give feedback and adjust your profile to cater for any changed circumstances.
- We do advocate that you “stick to your profile” and that you don’t switch your funds too often (as you don’t want to buy last month’s winners that become next month’s losers). We do not attempt to “time the market”.

## WEALTH ADVISORS

*Our people are all highly qualified individuals. They are selected for their experience, competence, accountability and integrity, qualities which we hold in high regard in dealing with our clients.*

**Chris van der Merwe, CFP®(Director/ Key Individual)** started his career with the National Marketing Council after obtaining a B.Com. degree from the University of Stellenbosch. He obtained his honours degree in Economics at the University of Pretoria through part-time studies. He then obtained a B.Ing. (Civil) at the University of Stellenbosch and worked for 20 years as a civil engineer for various companies. He obtained the Post Graduate Diploma in Financial Planning from the University of the Orange Free State in 2006. For 12 years he was involved in project management. In 2000 he became an independent financial advisor. He is a certified member of the Financial Planning Institute (CFP®).

**Willem de Villiers, CFP®(Director/ Key Individual)** started his career as an engineer in Iran and has been involved with financial institutions since 1980. His financial career began with the Standard Bank group and he was involved with various aspects of banking, IT systems and asset/liability management. He joined the South African Reserve Bank in 1992 as Assistant General Manager, Risk Management. In 1998 he joined Merrill Lynch as General Manager of Merrill Lynch Capital Markets Bank and since 2001 he has been an independent consultant and financial advisor. He has obtained the qualifications of BSc. B.Eng. (Industrial), M.B.A, B.Com. and the Post Graduate Diploma in Financial Planning from the University of the Orange Free State. He is a certified member of the Financial Planning Institute (CFP®).

**Catharina Botha (Wealth Advisor)** started her career as a Statistician with Human Science Research Council in 1980 after obtaining B.Sc. and B.Sc.(hons) in Mathematical Statistics at the University of Pretoria. She has also obtained the qualifications M.Sc. in Mathematical Statistics and Postgraduate Certificate in Advanced Taxation. She worked in the agricultural environment at Dairy Board, Meat Board and Outspan International Limited. She was also a lecturer at the Tshwane University of Technology, University of Pretoria and UNISA on a full-time or part-time basis. She joined VSA in 2009 as an independent financial advisor and has completed the Postgraduate Diploma in Financial Planning at the University of the Free State in 2012. She is a certified member of the Financial Planning Institute (CFP®).

**Human Anderson (CA(SA) and Wealth Advisor)**. Human is a Chartered Accountant who retired from the SA Reserve Bank in 2014, after a career in financial accounting, reporting, taxation and financial management. He joined VSA in 2015 as independent financial advisor. He obtained his B.Com. degree from the University of Northwest (Potchefstroom campus), B.Com. (Hons) and CTA from the University of Pretoria and completed a tertiary diploma in the administration of estates at UNISA. He is a member of the South African Institute of Chartered Accountants (SAICA).

**Pieter Coetzer (Wealth Advisor)** Pieter obtained his B.Ing. (Mechanical) degree from the Northwest University in 1998. Since then he was employed by various companies (Aurecon, PBMR, Barloworld and SA Bureau of Standards) as a project engineer. He completed the MBL degree at UNISA in 2008. Pieter joined VSA in 2009 as an independent financial advisor.

**Pieter Botha, CFP®(CA(SA) and Wealth Advisor)** Pieter is a Chartered Accountant and served in various senior financial positions in Altech and SARS and joined VSA in 2011 as an independent financial advisor. He completed a master's degree in taxation in 2010 at the University of Pretoria and completed the Postgraduate Diploma in Financial Planning at the University of the Free State in 2011. He is a certified member of the Financial Planning Institute (CFP®) as well as a member of the South African Institute of Chartered Accountants (SAICA).

## FEE STRUCTURE

VSA's standard fee structure is as follows:

1. There is no charge or fees payable for a first consultation. VSA may charge a fee for an initial Financial Needs Analysis. However, should you decide to implement the agreed strategies through VSA, this fee will be waived.
2. In the case of Life Assurance products, VSA receives a standard fee from the life assurance companies.
3. In the case of investment products fees depend of the investment amount and are charged by the three parties involved in the product, being: the product provider, the financial advisor (VSA) and the unit trust fund managers. Fees are charged initially at the commencement of the investment and on an annual basis thereafter.  
The level of service and the fees charged by the different product providers vary widely. We therefore do most of our clients' investments on the cheaper platforms where we get the best service.



VSA's fees for doing investments vary within a range, depending on the size and complexity of the investment. As an illustration, the typical fees for a smaller investment are as follows:

	<b>Initial or up-front fees</b>  (recovered once-off at the commencement of the investment)	<b>Annual fees</b>  (recovered as to 1/12 of the fee on the investment balance every month.)
<b>Product provider</b> (also called the "platform")	0%	Typically, between 0.0% and 0.4%, depending on which funds you choose and the size of the investment.
<b>Financial advisor</b> (VSA)	1% of the amount invested <b>*A sliding scale applies for larger investments</b>	1% per annum <b>*A sliding scale applies for larger investments</b>
<b>Asset consultant</b> (only applicable to model portfolios)	0%	0.2% per annum
<b>Fund manager</b> (the unit trust fund or collective investment scheme)	Most funds charge 0.0%	Typically, 0.0% - 3.5%, depending on which fund you choose and on the fund's performance

VAT is applicable and should be added to the fees above.

NOTE: we do NOT do the traditional "contractual savings" type products that have very high upfront commissions for the broker and penalties for the client if the policy is made paid up.

## CONTACT DETAILS

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