



Fountain Grove Office Park

5 Second Road

Hyde Park

2191

Telephone: 086 111 3411

[www.galileocapital.co.za](http://www.galileocapital.co.za)

## Monthly Newsletter – August 2012

### Delayed consumption leads to wealth creation

Theo has been doing some research for his TV programme, *Sakegesprek*, (Sundays on kykNET at 7.30pm) about the benefits of delayed consumption. He focused on two things South Africans love to buy: Wimpy burgers and entry level Toyotas.

In 1983, a Wimpy Burger cost R2 while an entry level Toyota cost R6 626. If you had decided to skip buying the burger and invested the money in the stock market instead, you would be able to buy six burgers today with the proceeds. But if you'd made a regular habit of delaying the consumption of unnecessary items over the last 30 years, and had invested the money in the JSE, you would be in a fantastic position now.

A burger's easy – what about a car? Admittedly, it's more complicated to do without a car, but if you had avoided buying the entry level Toyota in 1983, you would now be able to buy four cars and have money left over to fill each car's tank more than a 100 times!

Obviously it's not possible to avoid buying a car. But do you really need the R500 000 car? Or would the R350 000 vehicle do the job? If you are already retired, it's a discussion worth having with your children and grandchildren, based on these figures.

*Theo Vorster and Warren Ingram*

### Be your own best friend

It's easy to feel alone when you're going through a stressful time – even if you have strong social support. But you can also learn to be your own best friend, your own personal coach, say experts.

To feel better you need to treat yourself kindly – this is called 'self-compassion'. Instead of muttering all those negative thoughts about yourself, focus on the positive instead, by being optimistic. Research shows that if you can master this, you'll cope better with everything from a major relationship crisis to trying to find your sunglasses. Again.

When bad things happen to a friend, you'll offer words of support and comfort. When bad things happen to you, however, chances are you'll tell yourself what an idiot you are, and possibly even yell at yourself internally. If you can talk to yourself the way you talk to your friends, however, you'll be happier.

Mark Leary, a professor of psychology and neuroscience at Duke University in the US, has conducted 15 studies over the past seven years, and three examine how self-compassion affects people over age 65. The studies found that people who accepted memory lapses, arthritis and other difficulties of getting older, and who treated themselves extra nicely on tough days, reported more positive emotions and were coping better with the ageing process.

You can learn self-compassion and train your brain to focus on the positive, even if you're genetically and socially wired to see the glass as half-empty. Research shows that to enjoy life and feel good, people need roughly four positive emotions to counteract the effect of one negative emotion.

A simple technique is to write down, in a journal, the positive and negative things that happen to you every day, no matter how big or small. Try for four positives for each negative. You'll be training your brain to look for the good even as you acknowledge the bad.

## Picking up the pieces

Following our article from last month, we recently presented to a group of people in Cape Town who lost money in an investment scam called Abante, which was based in the Western Cape and promoted by Herman Pretorius, and in which more R1.8-billion has disappeared.

As a company, we had nothing to do with Abante or the advisors who recommended the investment, but we are attempting to help the unfortunate investors who have lost money to re-start their financial planning. We don't expect this to be an easy task, but someone has to offer honest and professional advice.

If you are being offered investment opportunities by sales people, here are some guidelines that could help you identify a scam.

- **Vague investment structure:** Is the investment transparent in its structure ie. is it a unit trust, listed share or regulated insurance investment? If not, why would you invest in it?
- **Fantastic returns at low risk:** Any investment that promises a return of 5% per year above inflation (11% per year at current inflation rates) carries significant risk. If you are being promised returns that range from 10% per year or higher at no/low risk, you are being sold a scam.
- **Guaranteed capital/growth:** The only reliable guaranteed investment is a government bond. Anything else should be treated with scepticism.
- **High upfront costs/commissions:** There is little justification for an investment that charges high upfront costs or pays agents high upfront commissions. The product provider and your advisor should be remunerated on an on-going basis that aligns their interests with yours.
- **Performance fees:** We are not in favour of performance fees. Most product providers charge an annual fee plus a performance fee, which we feel is unfair to investors. If you are charged a performance fee you should not be charged an annual fee too.

## Umami: the fifth flavour

Most of us are taught that we can only really taste four flavours – sweet, salty, sour and bitter. But there's a fifth flavour – umami – which in technical terms represents the taste of glutamates and nucleotides. It doesn't sound terribly appetising, put like that. In simpler terms, it's a pleasant 'brothy' or 'meaty' taste with a long-lasting, mouth-watering and coating sensation over the tongue.

Tasted by itself, umami is not really palatable, but it makes a great variety of foods pleasant especially in the presence of a matching aroma. The optimum umami taste depends on the amount of salt in the food – too much and it's overpowered. But researchers say some groups of people, like the elderly, might benefit from umami, because their taste and smell sensitivity is impaired by age and multiple medications. A loss of taste and smell can contribute to poor nutrition, increasing their risk of disease.

Many foods that we eat daily are rich in umami. These include fish, shellfish, cured meats, mushrooms, ripe tomatoes, Chinese cabbage, spinach and celery, as well as green tea, and fermented and aged products like cheese and soy sauce.

And interestingly, most people's first encounter with umami is breast milk.