

PERSONALISED LEGAL ASSISTANCE

Professional legal and property consulting

SONNENBERG & ASSOCIATES PROPERTY AND LEGAL ADVICE NEWSLETTER #133

1. Legal Quotes

"The law isn't justice. It's a very imperfect mechanism. If you press exactly the right buttons and are also lucky, justice may show up in the answer. A mechanism is all the law was ever intended to be." [Samuel M. Gaylord]

"Laws are the creation of the outlaws." [unknown]

"No law or ordinance is mightier than understanding." [Plato]

2. Degrees of innocence

Criminal attorney to his client in jail at the first consultation: " So... how innocent can you afford to be?"

3. Inspiring quotes

"What you know in your heart always shows you the way." [John de Ruiter]

"We are all in the gutter, but some of us are looking at the stars." [Oscar Wilde]

"Life isn't about finding yourself. Life is about creating yourself." [George Bernard Shaw]

4. What does our newly acquired 'junk status' mean for us?

Our government's foreign debt (like most governments, our government borrows money to pay its bills) was downgraded recently. Most of South Africa's debt is in rand (ZAR), and only somewhere between ten and fifteen percent is in foreign currency. Standard & Poor's have declared that due to the political instability in the country the likelihood of our foreign debt being repaid is very low.

Pursuant to the downgrade announcement, generally speaking:

1. The rand will weaken as a result of billions of rands of investment leaving these shores for safer investment havens).
2. The cost of credit will increase (as it will cost the government more to borrow money). [One positive spin-off is that our esteemed President may find it hard to loan the monies needed for the nuclear deal].
3. A weaker rand means petrol prices are likely to rise (due to the fact that oil purchases are dollar-based), and
4. Food prices will increase as the prices of rice, maize, sunflower oil, wheat and sugar are also set in dollars [we will pay more for imported foods].
5. Inflation will increase as a result.
6. Interest rates will probably increase.
7. Electricity tariffs may increase.
8. There will be less surplus/available cash after expenses for normal households (due to increased credit card interest, higher monthly interest payments on short-term finance agreements such as vehicle finance, and monthly bond payments being higher).
9. The appetite for taking on more/fresh debt (for example a new bond, in the case of the purchase of a property) may be diminished.
10. The cost of living will increase across the board.

Like it or not, the downgrade will affect all of us.

I am available on 083 2515451 or fritz@sonnenberg.co.za.

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