

PONZI SCHEMES

IF IT'S TOO GOOD TO BE TRUE

What is a Ponzi Scheme? IT USUALLY IS

An investment scheme that lures new investors by offering unusually high payouts. Older investors get payouts from new investors, rather than from profits earned.

HOW TO SPOT A SCHEME

Compare the scheme's interest rate to the country's official rate (Repo Rate).

5% - 6% Average interest rate in a country
VS **30%** Unusually high rate

Don't be comforted if the scheme has paid out regularly to family and friends.

WHAT TO ASK BEFORE INVESTING

- How long have you been in the investment business? What are your qualifications?
- Do they require me to introduce other investors?

"We heard about it from friends, they all invested and received great returns. All our friends and family were invested and now have nothing to live off." *Ponzi victim*

Are you registered with the Financial Services Board? Can you show me proof?

Trust your instincts!

References: Wikipedia, Dawie de Villiers – CEO, Sanlam Structured Solutions Design: Lilian van Zyl

CONDITIONALS

ZERO Conditional	PRESENT SIMPLE	PRESENT SIMPLE
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Use: Facts which are generally true or scientific facts. The condition always has the same result.

Example: If you add one and one, you get two.

FIRST Conditional	PRESENT SIMPLE	WILL/WON'T + VERB
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Use: A possible situation in the future (if the condition happens). **Example:** If it rains, I will need my umbrella.

SECOND Conditional	PAST SIMPLE	WOULD + VERB
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Use: Unreal or improbable situation now or in the future. **Example:** If I won the lottery, I would buy a castle.

THIRD Conditional	PAST PERFECT	WOULD HAVE + PAST PARTICIPLE
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Use: The person is imagining a different past. Imaginary situation that did not happen. **Example:** If you had studied, you would have passed the examination.

'Do not put all eggs in one basket'

Warren Buffet

PHRASAL VERBS

Verbs	Definition
Account for	To explain and record a money deal
Bring in	To earn
Cash in	To sell investments/assets, to take advantage of a situation
Fall behind	To be late in doing something
Mark up	To increase
Run up	To make costs go up quickly
Trade in	To give in an old item as part of the payment for a new one
Water down	To make less strong
Write down	To note an asset at a lower value than previously
Work out	To calculate

FINANCIAL RATIOS

- 1. Current ratio (or working capital)** measures liquidity (access to cash). It shows if a business can pay its most urgent debts.
- 2. Quick ratio (or acid test ratio)** provides a more accurate picture of short-term solvency (ability to pay debts) by considering completely liquid assets.
- 3. A company's profit margin (or return on sales)** is the percentage difference between sales income and the cost of sales.
- 4. Earnings per share** relates the company's profits to the number of ordinary shares it has issued.
- 5. The price/earnings ratio (PER)** reflects the market's opinion of a company's revenues, earnings and dividends.
- 6. Debt/equity ratio (or gearing)** compares the amount of debt to the firm's own capital (the assets it owns).
- 7. Interest cover or times interest earned** shows whether funds are available to pay long-term debt costs.
- 8. Dividend cover or the dividend payout ratio** shows the percentage of income paid out to shareholders.
- 9. Return on equity** shows profit compared to shareholders' capital.

Source: Financial English book – Ian Mackenzie