

TAX FREE INVESTMENTS – A MUST FOR EVERY INVESTOR



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CONTRIBUTION LIMITS

- R36,000 per annum *OR* R3,000 per month
- R500,000 over your lifetime

The sooner you get all your contributions invested, the more time it has to grow free of tax. If you perceive the value of tax free returns, you are likely to want to start investing, and to refrain from withdrawing.

TAX BENEFITS

1. **No tax on interest** (Interest in normal discretionary investments could be taxed up to 45%, depending on your marginal tax rate).
2. **No tax on dividends** (Dividends are taxed at 20% in a normal discretionary investment).
3. **No income tax on withdrawals** (Withdrawals are not seen as income).
4. **No capital gains tax** applicable when switching or withdrawing (The effective rate in a normal discretionary portfolio could be up to 18%).

The long-term benefits of not paying tax on your returns are substantial.

LIQUIDITY

- Should you wish to **emigrate**, the money is easily accessible within 7 working days.
- For major **emergencies**, the money is also accessible within 7 working days.

Do however realise that the longer you stay invested, the more benefit you will receive as you will receive more compound growth on returns that could otherwise have been taxable. I mention the liquidity benefits purely to mention that the capital can serve handy in an exit plan. I don't encourage withdrawals for any other reasons because one will simply nullify the long-term benefits.

NO REGULATION 28 COMPLIANCE NECESSARY

In Pension, provident and retirement annuities (Retirement funds) an investor has to comply with regulation 28 of the Pension Funds Act. Although the intention is to protect investors, the outcome is undesirable, for the following two major reasons:

- Investors in retirement funds are unable to invest more than 30% offshore. Their protection against a possibly further weakening Rand is therefore limited.
- Those that wish to be 100% exposed to growth assets (shares and property) cannot do so. They are limited to 75% exposure in shares.

In a Tax-Free Investment (TFI), these limits do not apply. However, do take note that current legislation limits your investment options to unit trusts that charge fixed fees.

EXECUTOR'S FEES & ESTATE DUTY

Where one can nominate a beneficiary, there will be no executor's fees charged on the value of this investment on a client's passing. The fund value will be paid out directly to the beneficiary. The capital value is however seen as an asset for estate duty purposes, like any other discretionary investment.

TAX DEDUCTIBILITY

This investment is made with after tax money. Contributions are not tax deductible.