

Take Action with “Passives”

Nerina Visser
ETF Strategist
etfSA.co.za

etfSA.co.za Seminar
JSE Ltd
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The Tragedy

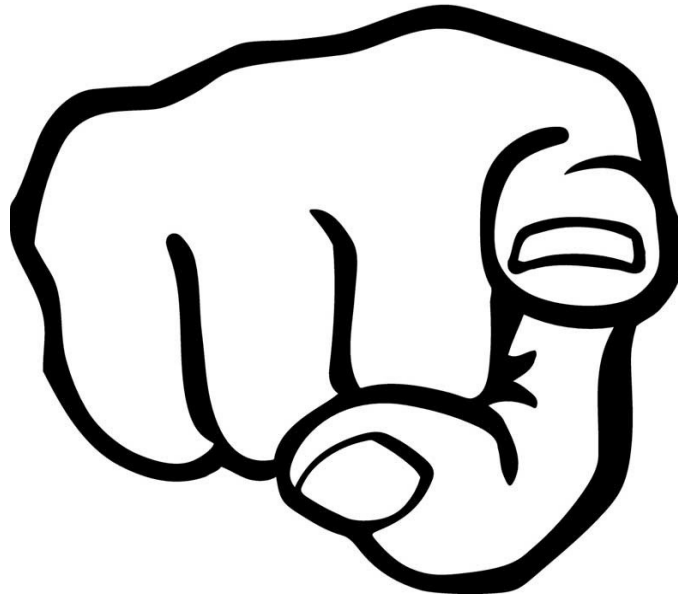
97% of people **never achieve** financial freedom

Two out of three people will **rely on their children** to support them financially

Less than **3% of the population** will be able to stop working and lead the quality of life they had hoped for

Most people **worry their money will run out** before they die

Who has the power to change this?



Money doesn't solve Money problems

Financial literacy solves Money problems!

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A ACTION
C CHANGES
T THINGS



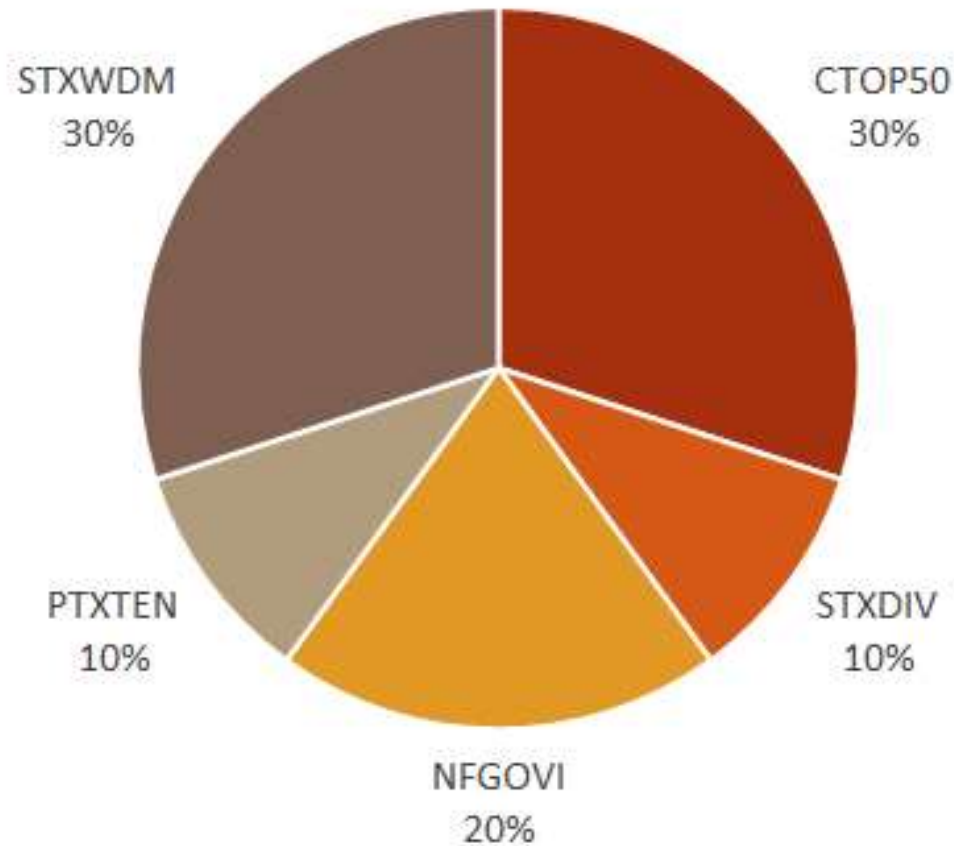
Action Plan

- Investment **Club** / Stokvel
 - The One Million Rand – Five Year – Investment Plan
- **Individual** Investors
 - Retirement Annuity or Tax-Free Investment?
- Which Investment **Platform**?
 - Why “Bulking” Beats “No Admin Fees”

The One Million Rand – Five Year – Investment Plan

- Five basic building blocks – One portfolio
 - SA Equity (broad-based): Coreshares SA Top50 ETF (**CTOP50**)
 - SA Equity (high dividends): Satrix DIVI ETF (**STXDIV**)
 - SA Bonds: NewFunds GOVI ETF (**NFGOVI**)
 - SA Property: Proptrax Ten ETF (**PTXTEN**)
 - International: Satrix MSCI World ETF (**STXWDM**)

The One Million Rand – Five Year – Investment Plan



The One Million Rand – Five Year – Investment Plan

- Initial monthly debit order – R10,000
- Increase by 10% every year
- Re-invest all distributions
- Portfolio value after 5 years: R1,014,627*

**etfSA.co.za calculations based on ProfileData ETF performance data, as at 27-May-19
Past performance is no guarantee of future performance – this is just indicative*

How to get started?

www.etfsa.co.za has a handy starter pack

www.etfsa.co.za/education.htm



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ETFs (N-Z) [dial Certificates: 132485](#) ⇄ 0.00 (0.00%) | [ETF New Funds MAPPS Protect: 3674](#) ⬇ -8.00 (-0.22%) | [ETF NewFunds Equity Momentum: 2865](#) ⬆ 9.00 (0.32%) |
ETNs (A-Z) [MSCI Africa Capped 50 TRI: 11550](#) ⬆ 125.00 (1.09%) | [ETN - Deutsche Bank MSCI China TRI: 7200](#) ⬇ -8.00 (-0.11%) | [ETN - Deutsche Bank MSCI Emerging](#)

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ETP Education

On this page you will find easy to understand general information about ETPs.



First time investor information
[click here](#) (October 2017)



Stokvel/Investor Club information
[click here](#) (July 2018)



Description of the different types of ETPs
[click here](#)



To view presentations about ETPs
[click here](#)

What are

An Exchange Traded Product (ETP) is an investment vehicle which provides an investor with direct access to a basket of shares traded on stock exchanges such as the Johannesburg Stock Exchange (JSE) with the convenience of trading in a single security. Most ETPs track an index, such as the FTSE/ISE Top 40. ETPs are attractive as investments because of their low costs (Total Expense Ratio (TER)) and the ability to purchase them like



Individual Investors

What to do first?

- Before you invest:
 - Get consumer **debt** under control
 - Build up a 3-6 month **emergency fund**
- **Start investing** once this is well underway

Individual Investors

What to do first?

- **Objective:** maximise tax savings
- **Tax-free** investment? or **Retirement** annuity?
 - Only available to individual investors, not groups
- Two deciding **factors:**
 - Age
 - Current tax status

Individual Investors

What to do first?

- If you are **younger than 40** and/or you **do not** currently **pay** (much) income **tax**:
 - Priority **1**: Maximise **tax-free** investments (R33,000 p.a.)
 - Priority **2**: Maximise **retirement** savings contributions (27.5% of taxable income)
 - Priority **3**: **Discretionary** ("regular") investments



Assume: 3-6m emergency fund in place; Consumer debt under control

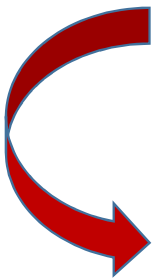
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Individual Investors

What to do first?

- If you are **older than 40** or you currently pay **a lot of income tax**:

- 
- Priority **1**: Maximise **retirement** savings contributions (27.5% of taxable income)
 - Priority **2**: Maximise **tax-free** investments (R33,000 p.a.)
 - Priority **3**: **Discretionary** ("regular") investments



Assume: 3-6m emergency fund in place; Consumer debt under control

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Which Investment Platform?

- ETFs are **listed** securities (**JSE**)
 - It must be bought through a broker / investment platform
- **Transaction** costs
 - **Brokerage** + VAT (variable / negotiable)
 - **Strate** fees + levies (min of R10.55 per transaction, compulsory, non-negotiable)

Which Investment Platform?

- Transaction cost example – lump sum

R1,000 lump sum	Online broker	etfSA.co.za
Brokerage rate	0.25%	0.08%
Brokerage cost (incl. VAT)	R2.88	R0.92
Strate settlement fees	R10.55	R10.55
Total	R13.42	R11.47
% of investment amount	1.34%	1.15%

Source: etfSA.co.za calculations

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Which Investment Platform?

What is “bulking”?

- Administrators with a Cat III license may trade for multiple investors in one transaction, and then share the costs of that transaction between all the investors
 - e.g. AOS & Computershare, not online brokers

Which Investment Platform?

- Transaction cost example – lump sum

This is the benefit of bulking!

R1,000 lump sum	Online broker	etfSA.co.za	
		1 investor	100 investors
Brokerage rate	0.25%	0.08%	0.08%
Brokerage cost (incl. VAT)	R2.88	R0.92	R0.92
Strate settlement fees	R10.55	R10.55	R0.11
Total	R13.42	R11.47	R1.03
% of investment amount	1.34%	1.15%	0.10%

Source: etfSA.co.za calculations

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Which Investment Platform?

- Transaction cost example – debit order

There are always multiple investors on debit order day

R300 p.m. debit order	Online broker	etfSA.co.za	
		1 investor	100 investors
Brokerage rate	0.25%	0.08%	0.08%
Brokerage cost (incl. VAT)	R10.35	R3.31	R3.31
Strate settlement fees	R126.60	R126.60	R1.27
Total	R136.95	R129.91	R4.58
% of investment amount	3.80%	3.61%	0.13%

Source: etfSA.co.za calculations

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Which Investment Platform?

- Reinvesting dividends, e.g. 2% p.a. paid quarterly

Dividend re-investments are done on the same day for all investors

R10,000 investment ≡ R50 dividend/quarter	Online broker	etfSA.co.za	
		1 investor	100 investors
Brokerage rate	0.25%	0.08%	0.08%
Brokerage cost (incl. VAT)	R0.58	R0.18	R0.18
Strate settlement fees	R42.20	R42.20	R0.42
Total	R42.78	R42.78	R0.60
% of investment amount	0.43%	0.43%	0.01%

Source: etfSA.co.za calculations

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Which Investment Platform?

- What about **admin fees**?

	Online broker	etfSA.co.za
Annual admin fee excl. VAT	---	0.65% max
Annual admin fee incl. VAT		
if portfolio value = R1,000	R0.00	R6.82
if portfolio value = R10,000	R0.00	R68.24
% of investment amount	0.00%	0.68%

This is the basis on which it is advertised as **cheap(er)**

Source: etfSA.co.za calculations

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Which Investment Platform?

- **Total** transaction costs and admin fees **over 1 year**

R1,000 lump sum	Online broker	etfSA.co.za
Initial transaction costs	R13.42	R1.03
Admin fee for 1 year	R0.00	R6.82
Selling transaction costs	R13.42	R1.03
Total	R26.84	R8.88
% of investment amount	2.68%	0.89%

Not so **cheap** after all!

*Note: Assume total return ETF so no dividend reinvestment costs
Source: etfSA.co.za calculations*

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Which Investment Platform?

- Make sure you consider **ALL** costs before choosing an investment platform / broker
- etfSA.co.za are **registered financial advisors** – we are allowed to advise you, and we **don't charge** our clients for it



Still not
sure what
to do?



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Invest with the
“ETF specialists”

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Contact Details

Discretionary Investments	010 446 0371	<u>info@etfsa.co.za</u>
Tax Free Investment Accounts	010 446 0371	<u>taxfree@etfsa.co.za</u>
RA Funds	010 446 0374	<u>rafunds@etfsa.co.za</u>
Living Annuity Funds	010 446 0374	<u>lafunds@etfsa.co.za</u>
Portfolio Management Service	010 446 0372	<u>portfolios@etfsa.co.za</u>
Nerina Visser	010 446 0376	<u>nerinav@etfsa.co.za</u>
Mike Brown	010 446 0377	<u>mikeb@etfsa.co.za</u>

Website: www.etfsa.co.za

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