



# Optimal Management of Your Retirement Objectives

**etfSA.co.za Investment Seminars**

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## **Tax Free Investment Accounts**

- Build up capital for the family.
- Supplement your retirement pool.

## **Retirement Annuity Funds**

- Latest tax amendments affecting retirement funds.

## **Living Annuity Funds**

- Managing your capital and income withdrawals for a long retirement.

## **Discretionary Investments**

- The importance of diversified portfolios.
- Building up cash that can be easily accessed outside of annuity/retirement funds.

# Tax Free Investment Accounts

- All income (dividends, interest) plus capital gains is tax free.
- ETFs/Unit Trusts which pay 4 dividends a year are ideal for maximizing the tax free income allowance.
- The tax free capital gains are key.

Capital Gains (past 5 years)		
	% Appreciation (per annum)	Value of R30000 Investment After 5 Years*
Tax Free Savings Account	5,8%	39 800
JSE All Share Index	12,7%	54 540
ETF Tax Free Investment Equity Portfolio	21,4%	79 000
* All income reinvested.		

# Tax Free Strategies

- Make R30 000 investment each year. Can be for any individual with SA ID number.
- Make investment as **early as possible in each tax year**
  - To maximize capital growth and to receive 4 tax free dividends.
- Debit order or periodic lump sums available from R1000 in ETF Tax Free Investment Accounts.
- Three ETFIA portfolios to choose from (from 2016/2017)
  - Balanced income/equity ETF portfolio
  - Equity only ETF portfolio
  - Foreign ETFs only
  - Individual ETFs for R30 000 investment.

# Retirement Annuity Funds

## January 2016 Tax Amendment Act

Tax Free Deductions		
	<u>Current</u> (to 29 February 2016)	<u>Future</u> (from 1 March 2016)
<b>Tax deductible for member</b>	15% of non-retirement funding taxable income. * Must deduct any <u>member contribution</u> to pension fund (typically up to 7,5% of income).	27,5% of remuneration income or taxable income. *Includes all employer contributions, now received as a “fringe benefit” for both pension and provident funds.
<b>Employer deductions</b>	All contributions and administration costs (up to 10% of member’s salary).	Unlimited deduction on retirement fund contributions on behalf of employers.
<b>Annual cap for members</b>	None	R350 000



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# Retirement Annuity Funds

January 2016 Tax Amendment Act (continued)

## “De-minimis” threshold

<u>Current</u> (to 29 February 2016)	<u>Future</u> (from 1 March 2016)
R150 000	R247 500

- This is the amount which can be fully drawn as a lump sum from a Retirement Fund, on taking retirement.
- After the threshold is reached – only 1/3 of retirement benefit can be taken as a lump sum – 2/3 has to be converted to an annuity.



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# Retirement Annuity Funds

## Key Issues for Retirement

- If you leave your job – preserve your retirement capital.
- The full sum can be moved into another retirement fund or preservation fund and all tax credits retained.
- RA funds are superior to Preservation Funds because:
  - You can continue to make tax deductible contributions to a RA Fund, until you decide to retire
  - RA Funds are typically lower cost, more transparent and offer wider investment choices
  - You can do a once-off withdrawal from a Preservation fund.
- You can transfer a Preservation Fund into a RA Fund under Section 14 of the Act.



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# Living Annuity Funds

- Should ideally only be considered when no other income is being earned.
- You can transfer your Pension Fund, Provident Funds, etc. into a RA Fund / or Preservation Fund until you want to take **full retirement**.
- You can transfer your Pension Fund / Provident Funds or RAs directly into a Living Annuity Fund (Directive 135).
- You can transfer from one Living Annuity Fund to another.



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# Living Annuity Funds

## Lifestyle Portfolios

Fund	Allocation	Comment
<b>Wealth Conservator Fund (CPI +3%)</b>	10% - 15%	To meet near term withdrawals (1-3 years).
<b>Wealth Building Fund (CPI +5%)</b>	15% - 20%	Low risk balanced fund but should grow capital comparatively (3-5 years).
<b>Wealth Enhancer fund (CPI +7%)</b>	25% - 30%	Higher risk fund with longer term outlook (5-10 years).
<b>Wealth Maximiser Fund (CPI +10%)</b>	45% - 50%	Equity only fund, designed to grow capital (10 years or more).
	<b>100%</b>	



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# Living Annuity Funds

Fund	Allocation	5 Year Returns (% p.a.)	Weighted Average Return (% p.a.)
<b>Wealth Conservator Fund (CPI +3%)</b>	10% %	9,6%	0,96%
<b>Wealth Building Fund (CPI +5%)</b>	15%	11,7%	1,76%
<b>Wealth Enhancer fund (CPI +7%)</b>	25%	13,2%	3,30%
<b>Wealth Maximiser Fund (CPI +10%)</b>	50%	18,0%	9,00%
	<b>100%</b>		<b>15,02%</b>

- Capital would approximately double over 5 years.
- Drawdowns of from 5% to 7,5% easily accommodated with capital still growing.
- Costs maximum 1,25% per annum.



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# Discretionary Portfolios

## Typical Balanced Portfolio

	Allocation (%)	5 Year Return* (% p.a.)	Weighted Returns (per annum)
SA Equities	50%	12,55% (ALSI)	6,33%
Foreign Equities	10%	22,01% (MSCI) (ZAR)	2,20%
Fixed Interest Bonds	20%	7,49% (ALBI)	1,50%
Cash	15%	5,8% (STEFI)	0,87%
Listed Property	5%	17,43% (SAPY)	0,87%
<b>Totals</b>	<b>100%</b>		<b>11,77%</b>

*\* With dividends reinvested.*

### Note: Average return past 5 years for multi-asset Unit Trusts

Low Equity	9,73%
Medium Equity	10,63%
High Equity	11,62%

Source: Quarterly Unit Trust Survey (Dec 2015).

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# Discretionary Portfolio Using Exchange Traded Funds (ETFs)

	Amount Allocated (%)	5 Year Return (% p.a.)	Weighted Return % p.a.)
<b>SA Equities (30%)</b>			
Satrix INDI 25 ETF	15%	24,17%	3,62%
NewFunds S&P GIVI FINI ETF	10%	18,55%	1,86%
Satrix SWIX Top 40 ETF	5%	13,95%	0,70%
<b>Foreign Equities (40%)</b>			
DBX Tracker MSCI USA ETF	15%	31,46%	4,72%
DBX Tracker MSCI FTSE 100 ETF	10%	21,53%	2,15%
DBX Tracker MSCI Japan ETF	10%	22,62%	2,26%
DBX Tracker Eurostoxx 50 ETF	5%	19,08%	0,95%
<b>Bonds (15%)</b>			
RMB Inflation-X ETF	15%	8,85%	1,33%
<b>Listed Property (15%)</b>			
PropTrax Ten ETF	15%	16,04%	2,30%
<b>Total</b>	<b>100%</b>		<b>19,99%</b>

Source: Quarterly Unit Trust Survey (Dec 2015).  
 Note: Historical returns may not be repeated in future.

# Managed Discretionary Portfolios

**For investments over  $\pm$ R1 million**

- Bespoke portfolio management service
- Designed to meet investment and risk profile of individual clients.
- All-in cost 1% per annum (includes all transaction, custodian, administration, asset management and financial advice).
- Funds can be added to or withdrawn at any time.
- Full personal service – access to Nerina Visser or Mike Brown at any time.



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