



The Home of Exchange Traded Funds®



Computershare

ETF Tax Free Investment Accounts

Client Newsletter – February 2021

Dear ETF Tax Free Investor

The current tax year (2020/2021) is drawing to a close. Remember that, under Section 12T of the Income Tax Act, each individual South African is allowed to invest up to R36 000 per year in a tax free investment account.

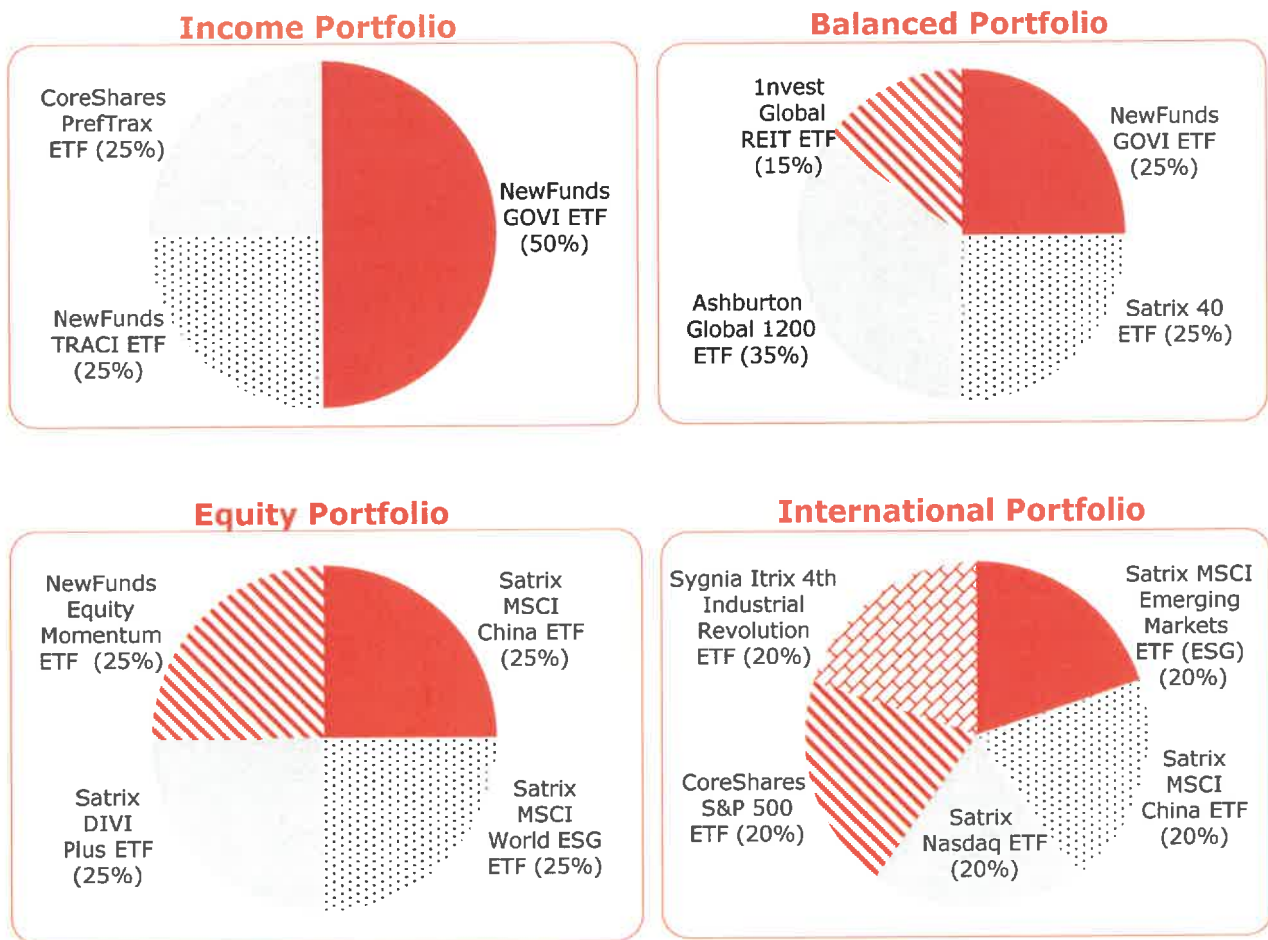
Please find enclosed a breakdown of your ETF Tax Free Investment account contributions, which indicates how much of your 2020/2021 allowance of R36 000 has been utilised.

The benefits of these accounts are that:

- ❖ No tax whatsoever is paid on these accounts – no tax on interest or dividends, and no capital gains tax when you sell your investment.
- ❖ Any individuals with South African citizenship, including minors and non-taxpayers, can open a Tax Free Account.
- ❖ There are no restrictions on withdrawals from these tax free accounts, but you cannot reinvest funds withdrawn without affecting your annual and lifetime contribution limits.
- ❖ Since March 2018, transfers between providers of tax free accounts can take place without you losing any of your tax benefits.

You can invest in all qualifying ETFs, listed on the JSE, either by choosing these individual ETFs, or by investing in the four different portfolio profiles, made up of bundles of ETFs, namely Income, Balanced, Equity and International portfolios. You can switch between any of these ETFs or portfolios at any time, at no cost.

The new portfolio structures for the 2021/2022 tax year, are as follows:



Should you wish to change your current investment, or the portfolios used for previous tax years, to the new portfolios created for 2021/22, please indicate this on the attached switch form for Computershare investors (EIA- account number) and we will expedite this once the new portfolios come into effect on 1 March 2021. For Investor Hub investors, you can facilitate switches yourself electronically.

Full details and fact sheets on these tax free portfolios are carried on the etfSA.co.za website (www.etfsa.co.za).

We offer tax free accounts through the Investor Hub, which is a purely digital platform, or through the traditional accounts we have opened in the past with Computershare (Pty) Ltd. Your tax free account number will reflect which platform your tax free account is registered on.

If you have not fully utilised your tax free allowance for the present tax year, you can still make this investment before the end of February 2021. An additional investment form is attached to this email should you wish to do so. Please note, for investment processing purposes, we would appreciate it if you could adhere to the deadline of Monday 22nd February 2021 for any new contributions or for opening new accounts.

If you have already used up your tax free allowance for 2020/2021, remember you can invest a further R36 000 in the new tax year, commencing 1 March 2021. A useful tip is to make your tax free investments as early in the new tax year as possible, to benefit in full from four tax free dividend payment windows during the year.

We would like to thank you for your past support for the ETF Tax Free Investment Accounts and look forward to your continued support.

Kind regards
Mike Brown
Managing Director
etfSA.co.za

For any enquiries, please feel free to contact us:
Tel: 010 446-0371 Email: taxfree@etfSA.co.za

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The price of ETPs can go up as well as down and past performance is not necessarily a guide to the future. The ETP's herein are listed on the Johannesburg Stock Exchange Limited and trading in ETP securities will incur trading and settlement costs. ETF securities are traded at ruling prices and can engage in scrip lending.

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The Home of Retirement Funds

For Retirement and Living Annuity solutions

etfSA Retirement Annuity Fund

(Registration No 12/8/38021)

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Fax: +27 086 692 4543

Email: rafunds@etfsa.co.za

Website: www.etfsa.co.za

10 February 2021

Dear etfSA RA Client

The 2020/2021 tax year is drawing to a close.

Investors can make contributions to retirement funds of up to 27,5% of their taxable income and such contributions will be taken into account as a tax deduction for income tax purposes.

Any contributions made by your company to a pension or provident fund on your behalf, as well as deductions from your own salary, need to be taken into account, when assessing your total contribution to retirement funds. However, if these pension/provident contributions fall below the 27,5% of your taxable income threshold, you can fully utilise this tax deductible allowance by making contributions to your own Retirement Annuity Fund. Please note there is an annual cap of R350 000 per person for tax deductible contributions to a retirement fund.

If you have still not fully utilised your tax deductible contributions for the current tax year, you still have time to make such contributions before end-February 2021. In order to ensure that such contributions are fully processed through the banking and JSE settlement systems, **please make any additional contributions to your RA Fund before the close of business on Friday 19th February 2021.**

Lump sum payments should be made to:

etfSA RA Fund Account

Bank: **First National Bank (Cheque Account)** Account No.: **62713815910**

Branch: **RMB Corporate Banking** Branch Code: **204109**

Reference: Your policy number

You also have time to open an etfSA RA Fund account before the end of February. The application form and all RA Fund details can be viewed and downloaded on the website, www.etfsa.co.za, click on the Retirement Annuity Fund window.

etfSA RA Fund is registered with the Financial Sector Conduct Authority (FSCA) as a registered Retirement Annuity Fund (Reg. No. 12/8/38021)

Board of Trustees: C du Toit (Chairman) (Ind);
D Clifford; N G Gwatidzo (Ind); N Visser; Dr P Johl (Ind);
Principal Officer: M F Brown

Recent Legislative Changes that Impact on Retirement Funds

New tax legislation, effective from 1 March 2021, will have the following impact:

Emigration and Retirement Funds

South Africans who have lived outside the country and have informed SARS of their non-resident status **for three years or more**, will still be able to withdraw their retirement annuities and preservation funds when the new law comes into effect. The South African Reserve Bank's decision to phase out emigration for exchange control purposes will mean that members of retirement annuities and preservation funds can make full cash withdrawal, but only if they have not lived in South Africa for three years and have non-resident status with SARS for 3 years.

Members who have already **officially emigrated** or **whose emigration applications are in by 1 March 2021** and approved by 27 February 2022, will not have to wait the three year period.

For other members of retirement funds, if you emigrate after 1 March 2021, **you will have to wait 3 years** before you can cash in your retirement benefits and transfer the cash abroad.

At the outset, it is important to note that the "emigration/three-year rule" **applies to members of retirement annuity funds and preservation funds only**, it does not apply to pension funds.

Where the member has retired from employment and is a deferred member of a pension fund, that member will have to transfer to a retirement annuity fund or preservation fund and exercise the rule from there.

An option that can be considered by persons wishing to emigrate, is to convert your retirement annuity or preservation fund into a Living Annuity and then withdraw the maximum drawdown (17,5% per annum) of the capital each year. In this manner, you would be able to transfer proceeds abroad within a period of 6 years or so. This can only be done if you are over the age of 55 years.

You can take one-third of the capital as a lump sum, when converting your pre-retirement funds into a Living Annuity. You will be taxed on this withdrawal, but at a special concessionary rate for the first R1,05 million. This may suit some emigrants who wish to have access to at least some of their retirement capital.

A Living Annuity is not subject to Regulation 28 restrictions or investment exposure, so the investment returns can often be higher in a LA, rather than in RAs or Preservation Funds.

Preservation Fund Amendments

The new legislation, effective from 1 March 2021, aligns the benefits of retirement funds (being pension, provident and retirement annuity funds), subject to certain vested rights in provident funds.

Currently, members of a **provident fund** can take up to 100% of their retirement benefits in cash. The new legislation, effective 1 March 2021, bring in the following changes:

1. Members who are 55 and older at 1 March 2021, retain the right to take up to 100% of their retirement benefit in cash.
2. Members younger than 55 at 1 March 2021:
 - Will have the right to take up to 100% of their retirement benefit accumulated up to 28 February 2021, plus any growth since 1 March 2021, in cash.
 - Will be allowed to take up to one-third of the retirement benefit accumulated from 1 March 2021, in cash and the balance must be utilised to purchase an annuity.

Effectively, this means that if you are 55 or older at 1 March 2021, the new legislation will not have any impact on you should you retire from any provident fund. Should you leave the fund prior to retirement, you can still preserve your benefit in a preservation fund and still retain your current rights at retirement from the preservation fund.

For members younger than 55 at 1 March 2021, the Provident Fund will split your benefits into 2 sections:

1. The accumulated benefit as at 28 February 2021 will be retained in a sperate section and growth and expenses will be added/deducted from the account going forward.
2. All future contributions will be accruing in a different section and contributions, expenses and growth will be allocated to this section.

Section 14 Transfers

More and more investors are transferring their high cost RA investments from Life insurance and unit trust platforms to much lower cost RAs run by passive investment managers. Such Section 14 transfers are much simplified if you contact the transferee fund (etfSA RA Fund) to arrange such transfers with the transferor fund (your old RA provider). Trying to arrange such transfers yourself often leads to frustration, time delays, higher fees and general lack of interest by the transferor fund.

We make such transfers easy for you. You need to have an etfSA RA Fund account, after which, if you give us your old RA Fund statements and policy numbers, we would make all the transfer arrangements.

Living Annuity Transfers

LAs, operated by traditional providers, have received some adverse publicity recently because of high costs and poor investment returns. You can transfer your pre-retirement, preservation, retirement annuity or pension funds, directly into a Living Annuity with etfSA.co.za. Our total costs range from 0,85% to 1,25% per year, depending on the size of the investment.

We will arrange these transfers at no cost to you.

etfSA RA Fund Portfolios

The etfSA RA Fund now offers five portfolios to investors targeting different inflation plus and risk outcomes, namely:

- Wealth Conservator Portfolio - CPI+3% (low risk)
- Wealth Builder Portfolio - CPI +5% (medium risk)
- Wealth Enhancer Portfolio - CPI +7% (high risk)
- Wealth Default Portfolio - fixed asset allocation - (medium risk)
- Wealth Protector Portfolio - cash/income fund - (low risk)

The fact sheets for the five portfolios can be viewed on the etfSA.co.za website: www.etfsa.co.za.

You can invest your retirement capital in any one, or a combination of, the five portfolios. Switching between portfolios can be done at any time at no cost.

Thank you for your support for the etfSA RA Fund, which has now grown to be one of the top 25 RA Funds in South Africa, based on size and membership.

Should you have any need for assistance with your retirement investment, please contact us on:

Email: rafunds@etfsa.co.za

Tel: 010 446-0374

Yours faithfully

Mike Brown

Principal Officer

etfSA Retirement Annuity Fund