

Wealth Life Cycle Investing

**“Using ETPs to Build Up and Manage
Wealth Over Your Life Cycle”**

Investment Seminar

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“Life Wealth Cycle”

	Age	Features
Accumulating Capital	25-35	<ul style="list-style-type: none"> • Discretionary recurring (debit order) investment plan. • Preserve any retirement savings.
Building Wealth	35-60	<ul style="list-style-type: none"> • Diversifying your asset base. • Maximise tax advantages (mainly by investing in your own retirement annuities). • Exploit “empty nesters” spare capital.
Maintain and Preserve Wealth	60-90	<ul style="list-style-type: none"> • Pool your retirement investments to maximise compounding of capital. • Look for flexible Living Annuity products. • Keep part of your capital outside of retirement products. • Plan for your Estate.

Accumulating Capital Early On

- Get into the habit of allocating 10% of your income in discretionary investments (outside formal retirement packages).
- Look for simple, low cost, transparent, liquid investments you can manage yourself.
- Make regular (monthly) debit order investments into this “start-up” investment.
- Add lump sums when you can.
- Low cost ETFs or balanced unit trusts are ideal.

What to Avoid

Don't buy:

- Specific term investments:
 - Endowments
 - Fixed period lock-ins
 - Loyalty schemes
 - Any rebates/performance fees
 - Penalty clauses.
 - Insurance policies disguised as investments.
 - “TV Dinner” products.

Building Up Wealth

R1000 per month in Satrix INDI 25 ETF

	Current Value*				
	1 Year (R)	3 Year (R)	5 Year (R)	10 Year (R)	20 year** (R)
Satrix INDI 25 ETF	13 640	50 780	111 660	402 485	3 820 500
* Current value of R1000 per month investment over 1-10 years for period ended 30 October 2015.					
** Extrapolated return based on 2004-2014 returns.					
Source: etfSA.co.za / Profile Data (30/10/2015).					
Note: Historic returns may not be repeated in future.					

The Advantages of Using the etfSA Investor Plan for Discretionary Investments

- Will accept investments from R1000.
- Will process debit orders from R300 per month.
- Automatically reinvests dividends four times a year.
- Brokerage fee of 0,08% (8bps) per transaction (all trades "bulked").
- Administration fee (0,4% - 0,7% p.a.) is administered over 12 months and covers all transactions over that period.
- Will facilitate third party investments
- Ideal for Investor Clubs/Stokvels.
- Can view accounts online at any time.

View: www.etfsa.co.za

Importance of Preserving Retirement Funds

Value of R200 000 Capital Preserved in a RA Fund			
	After 10 Years	After 20 Years	After 30 Years
R200k (lump sum in etfSA Wealth Enhancer Fund) (16% per annum)	R1 042 200	R5 492 800	R28 295 730
<i>Future performance extrapolated on actual 10 year returns for etfSA Wealth Enhancer Fund.</i>			

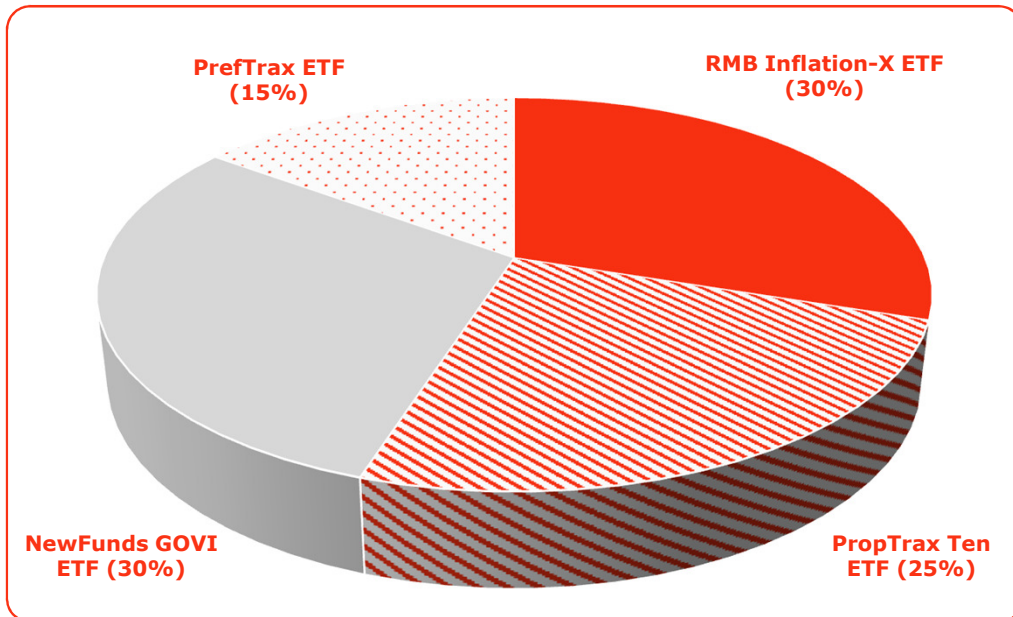
New Tax Free Savings Investment Accounts

- All capital growth and any income/dividends earned in such accounts is tax free.
- Contributions limited to R30 000 per tax year per person.
- Subject to life investment contribution of R500 000.
- Value of investment can rise above R500 000 without any restrictions.
- Capital can be withdrawn at any time.

The ETF Tax Free Investment Accounts

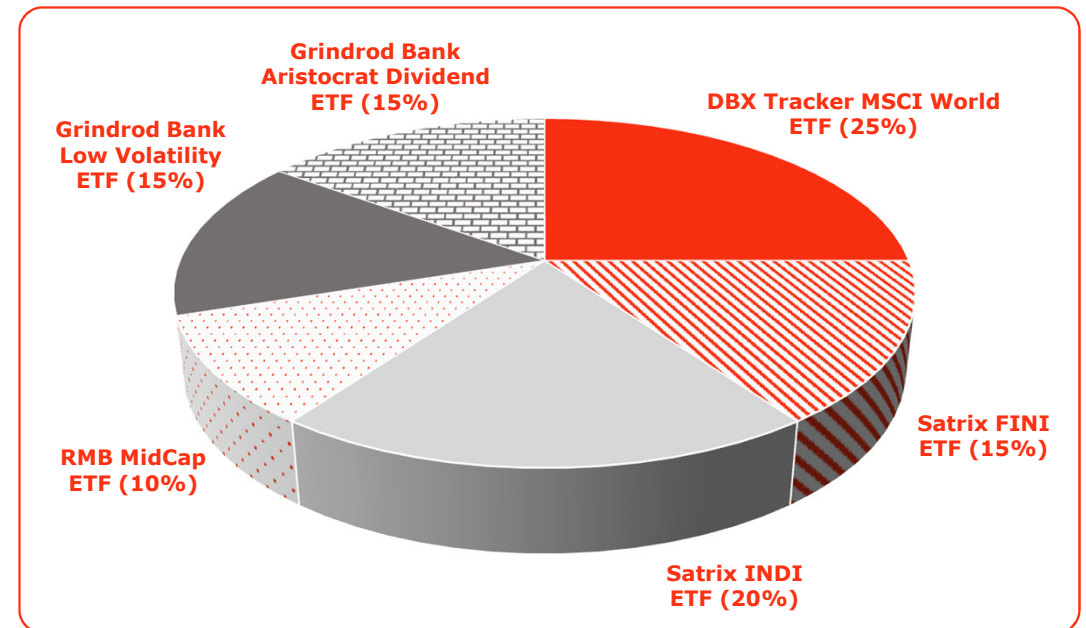
- Only invested in Collective Investment Scheme ETFs registered by the FSB and listed on the JSE.
- Offers the choice of two ETF portfolios.

ETF Tax Free Income Account



or

ETF Tax Free Equity Account



- Or a combination of both (50%/50%)

What Return Can I Expect?

R30 000 p.a. investment to a maximum of R500 000

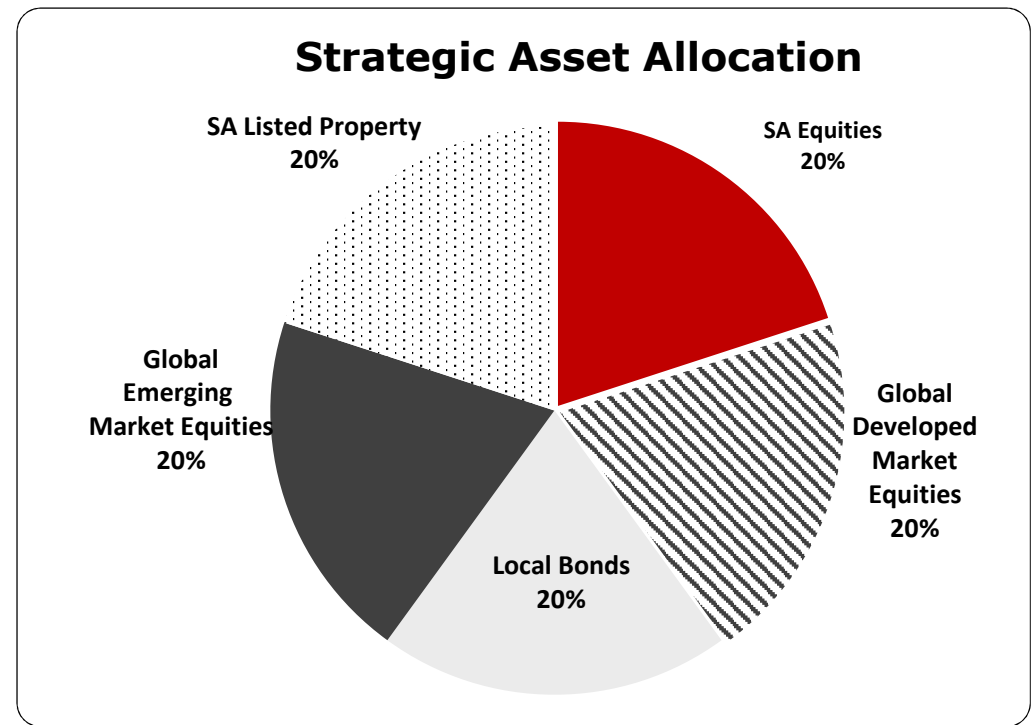
	1 Year	5 Years	17 Years
Cash (bank savings)	R31 740	R208 208	R899 796
SA Government Bonds	R33 120	R233 817	R1 413 647
ETFIA- Income Account	R34 110	R254 133	R1 979 479
JSE All Share Index	R35 640	R289 028	R3 375 777
ETFIA- Equity Account	R38 370	R363 169	R8 902 064

*Based on the average return of the last five years to February 2015.
The same return may not be achieved in future.*

Building Your Own Portfolio

Multi asset class strategic asset allocation strategies.

Building Blocks	
SA Equities	20%
Global Developed Market Equities	20%
Global Emerging Market Equities	20%
Local Bonds	20%
SA Listed Property	20%



Balanced Investment Portfolio

R5000 per month – R1000 in each ETF

	Amount Allocated		Current Value* After 3 Years (R)	Current Value* After 5 Years (R)	Weighted Average Annual Return (5 years)
	(%)	(R)			
SA Equities					
Satrix INDI 25 ETF	20%	1 000	50 780	112 660	22,91%
Foreign Assets					
DBX Tracker MSCI World ETF	20%	1 000	52 090	112 700	22,93%
DB China ETN	20%	1 000	52 380	107 700	21,38%
SA Bonds					
RMB Inflation-X ETF	20%	1 000	39 900	72 400	7,20%
Listed Property					
PropTrax Ten ETF	20%	1 000	48 030	95 500	17,23%
Total	100%	R5 000 (pm)	R243 180	R500 960	**18,33%
High Equity balanced Unit Trust average annual return					11,85%

* Current value of investment over 3 and 5 years periods in monthly debit orders.

** Weighted average annual return.

Source: etfSA/Profile Data (20/10/2015).

Note: Historical returns may not be repeated in future.

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Portfolio Management Service

- Personal ETP portfolios designed for your particular financial requirements, risk profile and income needs.
- Portfolio designs taken into account
 - Volatility
 - Concentration risk
 - Correlation coefficients
 - Tracking errors
 - Diversification
 - Performance targets.
- 1% per annum fee covers all brokerage, administration, custodianship, asset management and financial advice.
- Investment of R1 million or more to qualify.

Portfolio Management Service

011 274 6170 portfolios@etfsa.co.za

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Retirement Funds

- Preserve any retirement funds – preferably in a RA Fund to which you can make tax deductible contributions and not in a preservation fund.
- Look for maximum flexibility in:
 - Maturities
 - Portfolio changes
 - Transfer
 - Member choice
 - Transparency
- New Default Regulations, employer still chooses the manager, portfolios, costs, etc. – your own RA is superior.

Continued/...



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Retirement Funds (continued)

- Buy pure retirement funds and not RAs with the following tagged on:
 - Disability
 - Income protection
 - Dread disease
 - Life insurance
- Maximise the 27,5% tax deduction from next tax year.
- Pay particular attention to costs.



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Lump Sum R200k Investment

	10 Years	20 Years	30 Years	40 Years
Low cost, high return RA Fund (etfSA Wealth Enhancer Fund)	R1 042 200	R5 492 800	R28 295 730	R147 450 000
High cost RA Fund (2,5% per annum higher costs)	R805 000	R3 220 000	R12 880 000	R51 520 000
The "penalty" cost of underperformance	23%	41%	54%	65%

Do costs matter?
You bet they do!

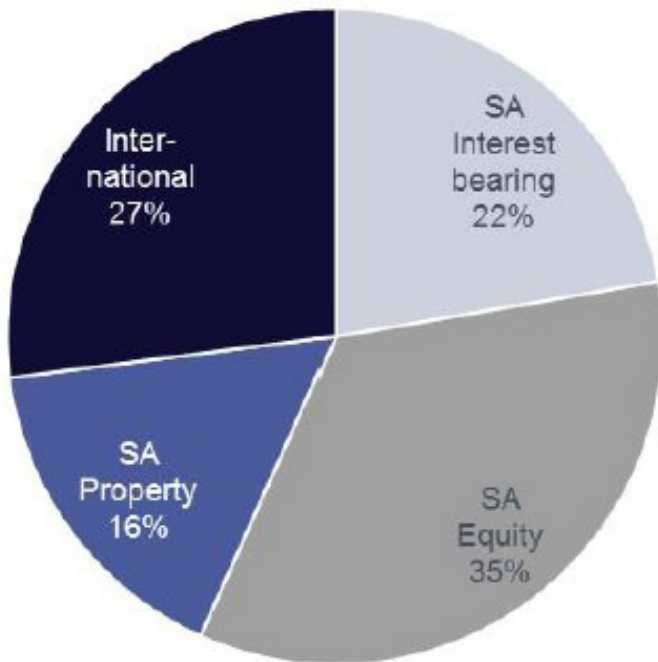


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Constructing Pension Fund Portfolios with ETFs

etfSA RA Fund (CPI +7%) Wealth Enhancer Fund

Benchmark Asset Allocation



Portfolio Investment Returns compared to Market Performance

(%)	6m	1yr	3yrs (pa)	5yrs (pa)	10yrs (pa)
Cash - ST Fixed Income Index (STeFI)	3.2	6.4	5.8	5.8	7.3
FTSE/JSE All Bond Index (ALBI)	1.5	4.8	6.0	7.7	8.3
FTSE/JSE All Share Index (ALSI)	0.4	11.6	16.6	15.5	15.9
FTSE/JSE SA Listed Property Index (SAPY)	1.7	20.2	19.4	19.0	19.4
MSCI World Index in ZAR (MXWR)	11.3	25.0	27.8	22.5	11.4
CPI+7%		12.1	12.9	13.1	13.8
etfSA Wealth Enhancer RA Fund	2.6	12.7			
CPI+7% Model Portfolio	2.0	12.7	14.4	14.2	14.6



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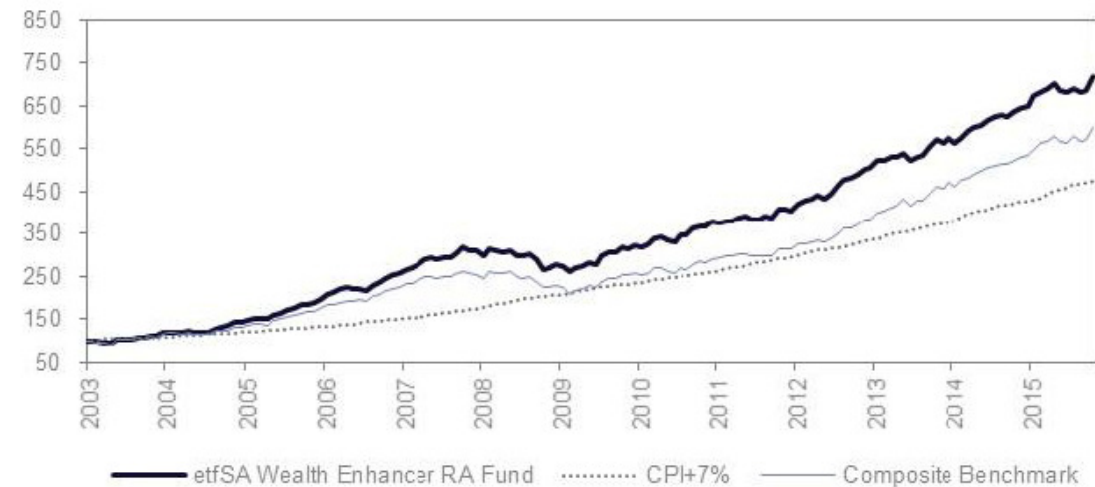
Constructing Pension Fund Portfolios with ETFs

etfSA RA Fund (CPI +7%) Wealth Enhancer Fund

Actual Portfolio Holdings

Asset class	Reg. 28 Category	Description	Weight (%)
SA Interest bearing	Cash (max 100%) Debt (max 75%)	Cash	3.5
		RMB Inflation-linked GOVI ETF	9.6
		New Funds GOVI ETF	9.2
SA Equity	Equities (max 75%)	BettaBeta Equally Weighted Top40 ETF	7.3
		New Funds GMI SA Top50 ETF	11.0
		New Funds Equity Momentum ETF	5.6
		RMB MidCap ETF	5.4
		Coreshares Dividend Aristocrats ETF	5.1
SA Property	Immovable Property (max 25%)	Proptrax Ten ETF	16.3
Offshore	Foreign exposure (max 25%)	dbx-Trackers World ETF	5.9
		BNP GURU World ETN	3.3
		dbx-Trackers Emerging Markets ETN	7.2
		Africa (max 5%)	StdBank Africa Equity ETN
Commodities	Physical (max 10%)	StdBank Africa Commodity ETN	4.9
	Other (max 5%)	New Gold Palladium ETF	1.5

Historical Performance



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Post-Retirement

Demographics – Ageing Populations

- Need to fund 20-30 years in retirement.
- Portfolio shifts to **equities** as the asset class providing the returns necessary to build up and preserve capital for extended periods of retirement.



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etfSA Living Annuity Fund

Four Portfolios Offered

CPI +3% - Wealth Conservator Fund

CPI +5% - Wealth Builder Fund

CPI +7% - Wealth Enhancer Fund

CPI +10% - Wealth Maximiser Fund (LA Funds only)

- Can mix allocation between portfolios.
- Switch between portfolios at no cost.
- Full transparency in portfolio holdings and investment performance.
- Fixed total cost structure (clean pricing) (0,75% - 1,25%, size dependent).



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Preserving Wealth in Retirement

Estate Management

- **Retirement Fund benefits** are exempt from estate duty (subject to certain limits on contributions).
- **Trusts** (if Davis Tax Committee (DTC) recommendations are implemented):
 - Will remove the conduit principle (donor or beneficiary will no longer be taxed at lower marginal rate)
 - Flat rate of tax in Trusts implies:
 - 41% tax rate for revenue
 - 27,3% for capital gains
 - Trusts are taxed as separate tax payers.



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Preserving Wealth in Retirement

(continued)

“It is not impossible to envisage a future where **Retirement Annuities** are the vehicle of choice for managing the inter-generational transfer of family wealth”

Prof. Matthew Lester (DTC Member)



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Preserving Wealth in Retirement

Hold Capital Outside of Living Annuities

- Consider operating **managed investment portfolios** alongside a Living Annuity.
- You can only draw income from an Annuity (taxed as income).
- You can draw capital at any time, plus Annuity sums on a regular basis, from a segregated investment portfolio (only Capital Gains Tax applicable).



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Advice worth taking home.....?

“My advice to the trustee could not be more simple: Put 10% of the cash in short-term government bonds and the rest in a very low-cost S&P 500 index fund. (I suggest Vanguard’s). I believe the trust’s long-term results from this policy will be superior to those attained by most investors – whether pension funds, institutions or individuals – who employ high-fee managers.”



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