



INVESTMENT STRUCTURING
IN A
HIGH TAX ENVIRONMENT

HW | Hewett
Wealth



UNDERSTANDING FINANCIAL PRODUCTS



RETIREMENT FUNDS

Introduction

- ◆ Pre-retirement funding investments in the form of Pension, Provident and Retirement Annuity funds which provide **near-term tax incentives** for long-term retirement saving

Asset Class Availability

- ◆ Access to all asset classes subject to Regulation 28 of the Pension Funds Act

Structure

- ◆ Contributions are tax deductible up to 27,5% of gross remuneration or taxable income limited to R350 000 per annum.
 - ◆ Underlying funds are untaxed thus providing enhanced investment returns
 - ◆ Cannot access funds tax efficiently or at all until age 55 (other than ill health)
 - ◆ Not included in estate for estate duty or executors fee purposes (exclusions apply)
 - ◆ Protected against creditors
 - ◆ Varying level of risk – investment structure dependent within Regulation 28
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LIVING ANNUITIES

Introduction

- ◆ Compulsory annuity purchased at retirement from a pension, provident, preservation or retirement annuity fund

Asset Class Availability

- ◆ Access to all asset classes subject to personal risk profile

Structure

- ◆ **Annuity is fully taxable at marginal tax rate**
 - ◆ **Must choose annuity level between 2.5% - 17.5% per annum**
 - ◆ **No tax levied inside living annuity fund**
 - ◆ Not included in estate for estate duty or executors fee purposes (subject to new legislation)
 - ◆ Protected against creditors
 - ◆ Varying level of risk – investment structure dependent
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ENDOWMENTS

Introduction

- ◆ Restricted period investment which is governed under section 54 of the long term insurance act

Asset Class Availability

- ◆ Access to all asset classes subject to personal risk profile

Structure

- ◆ **“New Generation”**
 - ◆ **Income taxed at 30%** and **Capital Gains at effective rate of 12%** within the fund
 - ◆ Tax efficient for trusts and individuals with high marginal rates
 - ◆ Minimum restricted period of 5 years
 - ◆ **Ultimate withdrawal of funds is tax free**
 - ◆ Can access the majority of your investment during the restricted period
 - ◆ Varying levels of risk – investment structure dependent
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SHARE PORTFOLIOS

Introduction

- ◆ Long term direct equity investment portfolio managed on a discretionary basis on behalf of investors with an above average tolerance for risk

Asset Class Availability

- ◆ Local and international equities, bonds, cash & property

Structure

- ◆ **Local, global, Regulation 28 or preference share portfolio**
 - ◆ Actively managed
 - ◆ **Dividend yield can be utilised to structure tax efficient income**
 - ◆ **Low fee structure** to maximise returns
 - ◆ Personalised management service
 - ◆ Moderate to high risk - term dependent
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STRUCTURED PRODUCTS

Introduction

- ◆ Fixed term investment that **provides guaranteed index or instrument linked returns** over a specified period

Asset Class Availability

- ◆ Subject to available derivative instruments
- ◆ Most asset types and classes available
- ◆ Asset backed instrument / balance sheet underwritten

Structure

- ◆ Various fixed term structures
 - ◆ Tax dependent on structure – **normally CGT**
 - ◆ **Can house within endowment to reduce tax impact**
 - ◆ **Returns linked to pre-defined indices / instruments**
 - ◆ Guarantee on initial investment structure can be set at independent levels
 - ◆ Varying levels of risk – investment structure dependent
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GUARANTEED INCOME PLANS

Introduction

- ◆ Fixed term investment that provides a **guaranteed monthly income** and the **repayment of the initial investment on maturity**

Asset Class Availability

- ◆ Asset backed instrument / balance sheet of insurance company
- ◆ **Yield at inception impacted by interest rate / bond yield levels**
- ◆ No flexibility

Structure

- ◆ Provides a stable and very tax efficient income
 - ◆ **Only approximately 11% of income is subject to income tax**
 - ◆ Can be structured to provide annual increases
 - ◆ 5 Year fixed term investment
 - ◆ Low Risk
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TAX FREE SAVINGS

Introduction

- ◆ Tax free account launched on 1 March 2015 to incentivise discretionary savings

Asset Class Availability

- ◆ Access to all asset classes subject to personal risk profile

Structure

- ◆ Allowable investment amount of R 33 000 per annum
 - ◆ **Maximum lifetime contribution limit of R 500 000**
 - ◆ **No CGT, DWT or Income Tax within the product**
 - ◆ **No tax on any withdrawals from the account**
 - ◆ Cannot replenish withdrawals
 - ◆ Varying levels of risk – investment structure dependant
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CORPORATE CASH MANAGER

Introduction

- ◆ An exclusive Investec cash management account which offers you **attractive investment returns based on top money market fund returns**

Asset Class Availability

- ◆ Cash

Structure

- ◆ Various fixed term deposit structures
 - ◆ Based on average of the top four eligible money market funds
 - ◆ **Funds are available on call or term – individual preference**
 - ◆ Risk based on Investec balance sheet
 - ◆ **Taxed at marginal tax rates but subject to interest exemptions**
 - ◆ Low risk
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ASSET CLASSES

SHARES

Returns

- Share price appreciation / depreciation
- Dividends

Tax

- Capital gains tax on share appreciation
- Dividend tax
- Income tax on offshore dividends

Risk

- Market risk
- Company risk
- Sovereign risk
- Liquidity risk
- Overall: High risk



PROPERTY

Returns

- Rental income
- Capital appreciation / depreciation

Tax

- Taxed at marginal tax rate with expenses on property deductible
- Capital gains tax on the appreciation of the property

Risk

- Occupation risk
 - Damages
 - Vacancy
 - Timely payments
- Tax increases
- Liquidity risk
- Costs
- Overall: medium to high risk



CASH AND BONDS

Returns

- Interest
- Coupons
- Capital appreciation / depreciation (bonds)

Tax

- Taxed at marginal tax rate subject to annual interest exemptions:
 - Persons under 65 years – R 23 800
 - Persons 65 years and older – R 34 500

Risk

- Inflation risk
- Institutional risk
- Overall: low risk investment





TAX EFFICIENT STRUCTURING



TAX EFFICIENT STRUCTURING

For a practical example of a tax efficient structure, Please contact us on:

e: enquiries@hewettwealth.co.za

t: 010 597 7506

We would gladly take you through the practical example in detail.



HEWETT WEALTH BENEFITS

- ◆ **FPI award winning planning capability**
- ◆ **Totally independent**
- ◆ **Specialist income and asset structuring capability**
- ◆ **Wide range of competitively priced financial solutions**
- ◆ **Salary based staff**
- ◆ **No upfront investment charges**
- ◆ **Competitive ongoing charges**
- ◆ **Rigid client and portfolio review process**

“Please feel free to sign the consent in your pack for a free high level review of your portfolio”

THANK YOU



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