

Endowments

WHAT IS AN ENDOWMENT?

An endowment is a tax efficient investment vehicle that is appropriate for investors who wish to invest large sums of money and who have generally high marginal rates of tax.

WHO CAN INVEST?

- ◆ Individuals
- ◆ Trusts where all beneficiaries are natural persons

KEY BENEFITS OF ENDOWMENTS

- ◆ All taxable income generated within an endowment is taxed at an effective rate of 30% and all capital gains are taxed at an effective rate of 12%.
- ◆ Individual interest and capital gains tax exemptions are not utilized and thus remain deductible for the investor.
- ◆ All income and capital gains taxes are excluded from the calculation of personal taxable income and there is no risk of increasing personal tax liability.
- ◆ Simplified tax administration as the tax is levied and recovered within the endowment.
- ◆ Avoidance of local probate requirements and the associated savings in executor's fees due to the option to nominate beneficiaries within the endowment.
- ◆ Liquidity is created for beneficiaries as payment of the death benefit does not depend on the winding up of the estate.
- ◆ Protection against creditors on the entire value of the policy 3 years after inception and until 5 years after the maturity, or termination of the policy.
- ◆ A wide range of underlying investment options are available and there are no restrictions on the underlying asset allocation.
- ◆ Withdrawals are generally tax free and all restrictions fall away after the initial 5 year restricted term.

KEY CONSTRAINTS

- ◆ Withdrawals are limited to 100% of the initial investment plus 6% compound interest during the first 5 years and multiple withdrawals are also possible.
- ◆ Contributions are limited no more than 120% of the previous 2 years' contributions and where this is breached, a new 5-year restricted term is initiated.

IMPLICATIONS ON DEATH

- ◆ Beneficiaries can be nominated to receive the proceeds.
- ◆ No CGT or Income Tax will be applicable on the transfer to a nominated beneficiary.
- ◆ No executor's fees will be payable where beneficiaries are nominated.
- ◆ The proceeds still form part of the estate for Estate Duty purposes.

You can obtain advice and more detailed information from Hewett Wealth directly by calling 010 597 7506 or by emailing enquiries@hewettwealth.co.za

+27 (0)10 597 7506

enquiries@hewettwealth.co.za

www.hewettwealth.co.za

Block 16 B | Willowbrook Office Park
Van Hoof Street | Ruimsig | Johannesburg | 1724

Hewett Wealth (Pty) Ltd is an authorised financial services provider | FSP 46645

Ver20190501

Disclaimer: The contents of this document is intended to provide a high-level overview of the basic characteristics of the relevant product. Although every effort is made to ensure the accuracy of the information contained herein, it should not be construed as financial advice as defined in the Financial Advisory and Intermediary Services Act.

