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Welcome to our Client Information Update

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Retirement Annuities & Tax Free Savings Account SEASON

Historically, the period including January and February of every year has been known as "RA Season", as the insurers and investment companies have campaigned for additional contributions from investors before the close of the financial year at the end of February. Certainly for those requiring tax relief together with additional funding toward retirement the timing is prudent and appropriate, particularly as they are able to estimate with reasonable accuracy what their final taxable income for the year will be.

What has changed in recent years is that the menu is no longer limited to retirement annuities (RAs), because of the introduction of the Tax Free Savings Account (TFSA). Don't get me wrong – there is without doubt merit in both types of product, on condition that they are structured through a specialist investment company (we recommend Allan Gray and Marriott), but all too often we find people making investment decisions and purchases based more on emotion than rational, quantitative assessment.

Where there can be no dispute is that the more capital one invests over their lifetime, the more wealth there will be to provide for retirement, as well as a legacy to leave to dependants and descendants. Both RAs and TFSAs can be very valuable tools in this regard.

BUT, what I experience more and more often when dealing with people reaching retirement, is that whilst there might be financial provision, because of the historical leaning toward retirement funds (pension funds, provident funds and RAs), and the subsequent taxation (up to 36%) on cash lump sums received from these mechanisms, people find themselves without adequate provision of discretionary capital to get through retirement.

For example – what if as a consequence of wood-borer you need to have all your roof beams re-built; or, your faithful old car has to be replaced – I cannot conceive of a pensioner having to take on finance from a bank at that stage of their lives.

The terms "tax free" and "tax deduction" need to be considered in quantifiable terms – exactly how much tax would you be saving/avoiding by investing into these products? We have found that "Discretionary Investment Accounts", which are not tax free or tax exempt, still provide extremely tax efficient returns (on average one would have to build up around R1,300,000 in a typical balanced fund before having to pay the first cent of tax on interest earned), whilst always having unrestricted access to capital. Ultimately though, these products also facilitate structured monthly withdrawals at no extra cost, and vitally, these withdrawals do not constitute taxable income! Certainly, depending upon total withdrawals made, Capital Gains Tax could come into play, but then again, if I am to cause CGT problems for my clients, I would expect them to thank me for the returns actually delivered!!

Ultimately there is no "perfect" investment product, and each has its role to play. SARS offers various aspects of tax relief, exemptions and thresholds, and it is wise to take advantage of each of these in a calculated manner.

For a more detailed explanation please feel free to contact either Myles White or Lee van Rensburg at our offices.

Don't Under Value Travel Insurance!

With the first of January already a distant memory, I'm am sure there are many of us who are looking forward at the year to come with excitement as holidays planned months ago draw nearer. There are also those businessmen who have a calendar full of jet setting travels pencilled their diaries.

Whenever I hear one of my clients is traveling abroad I always recommend they take the precaution of ensuring that suitable travel insurance is in place. Arguably the most valuable part of a travel insurance policy is the cover for emergency medical expenses. Hospital and medical care is expensive enough in our own country, but when compounded by our exchange rate, the costs of survival could be crippling.

A number of medical schemes already include an international travel benefit as part of their package, at no extra cost (this is in fact outsourced to specialist travel insurers), so it is strongly recommended that members take the time to consult their intermediaries or the medical schemes to establish whether or not such cover is in place, and then obtain the relevant documentation to take on their travels.

Travel insurance policies can offer anywhere from R 1,000,000 to R 100,000,000 sums insured for emergency medical expenses. Importantly, travel insurance only covers unanticipated medical situation such as accidents – scheduled medical procedures will definitely not be covered. Even on the most innocent leisurely holiday overseas you could find yourself or a loved one in the hospital following a car accident, sporting accident or even a misplaced step resulting in a trip to the hospital.

Travel insurance will pay for medical care and transport, including evacuations if adequate care is not available at a local hospital. This type of travel insurance is especially necessary if you’re traveling to a country where medical costs are high, such as the United States or Europe, or, where inadequate medical facilities are available, such as rural Africa.

Emergency medical expense is just one aspect covered by travel insurance policies.

You can take out a Travel Policy as soon as you have booked your holiday even if the holiday is only planned for several months’ time.

Please call us for a no obligation travel insurance quote for your next overseas holiday or business trip, or for confirmation of cover offered by your medical scheme.

Why it would be in everybody's interests to regulate cryptocurrencies

There are growing calls for regulation of the cryptocurrency market, which is rapidly approaching a market capitalisation of US$1trn. But there's little agreement about the forms this should take.

If the case for government regulation is strong, the case for a clear, coordinated regulatory approach is even stronger. It would increase the flow of institutional capital into cryptocurrency markets. And that would further strengthen corporate governance in cryptocurrency companies.

The trick for regulators is to balance investor protection and systemic stability with the need to protect innovation and encourage capital formation in different legal systems.

Read the full story here.

Without you, our loyal business partners, customers, suppliers and friends we would not have a business and for that we are eternally grateful. Don't hesitate to contact us if you have any queries or uncertainties.
The HOLBURN TEAM are here to assist you.

Billy, George, Myles & Staff