Post Retirement Savings In Foreign Currency

A Living Annuity is a flexible post-retirement investment that allows you to participate in the market during your retirement, with the added benefit of choosing a personalised drawdown rate.

As per the rules of a living annuity you can choose an income of between 2.5% and 17.5% per annum. This can be drawn on a monthly, quarterly, semi-annual or yearly basis. It is important to note that this can only be amended once a year on the anniversary date of the investment.

Upon further investigation we have discovered that it is possible to invest your post retirement savings directly offshore.

Offshore investing is a good way at allocating a portion of your investment in international markets which helps spreads your risk across different economies and geographic regions and opens up the possibility of earning returns under different conditions.

South Africa's stock market, Johannesburg Stock Exchange All Share Index, represents only around 1% of the world's total listed equity market capitalisation which means you are missing out on 99% of the available opportunities which are offered in the offshore markets.

It is now possible to offer you a living annuity which is invested directly in International Collective Schemes/Unit Trusts.

What does this mean?

You can have a living annuity which is directly invested in offshore funds which are foreign currency denominated i.e Rands, Euro's, Pounds and Dollars.

There is a wide range of fund options available through various asset management companies thereby diversifying the overall risk of your investment.

Benefits & Advantages

- No tax clearance is required, as the funds are allocated using the investment company's limits.
- Reporting in different currencies is available.
- Multi-currency investment.
- Your annual offshore allowance is not affected.
- You do not pay tax on interest or dividends earned.
- Living annuities are exempt from capital gains tax.

Restrictions

The only notable restriction is that you need to keep a certain amount in a local fund in order to pay your income and for fees. For example, if you choose to draw the minimum income of 2.5% at least 6% will need to be allocated to a Rand-Denominated fund. The remaining 94% can be invested directly offshore in either USD, GBP or EUR.

You will only pay tax on the income drawdown that will be deducted as per the SARS Income tax tables.

Risks

Since a portion of your investment will be placed in a foreign currency there is a risk of currency fluctuations that could have an impact on the returns of your investment.

Should you have any questions please contact Global & Local Investment Advisors on 011 486 2500.