UNDERSTANDING SAVINGS OPTIONS

Your savings and *investment options*

By investing and saving your money you are investing in your future. Investment planning needs careful thought before you choose the type of investment that will best suit your needs. Here is a six-step process for investment planning:

1

Assess your situation
Know what assets you have, how much time you have to reach your short-, medium- and long-term goals, your tax profile and income requirements. If you're married include your spouse's details here too.

2

Decide on asset allocation
Different asset classes will give you different returns over time. You can invest your money in these asset classes:

- Shares
- Bonds
- Property
- Cash

3

Choose your asset managers
You can choose many different asset managers to manage your investments on your behalf. Make sure you research their philosophy, process, portfolios and performance before making a decision.

4

Choose the right investment
Look to invest in a product that is tax-efficient, has low costs and is flexible.

5

Implement
Ask your financial adviser questions to make sure you understand the product and what to expect from it. Once the investment is made you will get your investment contract. Read and understand these terms and conditions before you sign.

6

Review your investment
Review your investment to make sure you're on track to reach your financial goals. Review it together with your overall plan to see if you need to make any changes.

Your savings options

There are many different ways you can save and invest your money. Before you decide which of these savings options to use, ask yourself these questions:

How much do I need to save to reach my goal?

How much can I afford to save each month?

When do I need access to the savings?

Here is a summary of the different savings options you can use to reach your financial goal:

Retirement savings			
Pension fund	Provident fund	Retirement annuity fund	Preservation fund
■ You can contribute up to 27.5% of your annual remuneration or taxable income tax free, subject to a maximum of R350 000 per year. ■ You will be taxed on any cash you take before retirement. Speak to a financial adviser on how you can preserve this money. ■ At retirement you must use two-thirds of your retirement savings to buy a pension. You can take a maximum of one-third as cash. ■ You can leave your savings in the fund when you retire from employer. You then choose to retire from the fund at a later date.	■ You can contribute up to 27.5% of your annual remuneration or taxable income tax free, subject to a maximum of R350 000 per year. ■ You will be taxed on any cash you take before retirement. Speak to a financial adviser on how you can preserve this money. ■ At retirement you must use two-thirds of your retirement savings to buy a pension. You can take a maximum of one-third in cash. Your vested rights (the pre-March 2021 money in your fund) can still be taken in cash at retirement. ■ You can leave your savings in the fund when you retire from employer. You then choose to retire from the fund at a later date.	■ You can contribute up to 27.5% of your annual remuneration or taxable income tax free, subject to a maximum of R350 000 per year ■ You can invest in a retirement annuity fund in your own name to boost your retirement savings. ■ You can make monthly, yearly or single contributions. ■ You must use two-thirds of your retirement savings to buy a pension. You can take a maximum of one-third in cash.	■ If you leave your employer before your retirement age you can transfer your savings to a preservation fund. ■ It is a tax-free transfer. ■ You can't make ongoing contributions. ■ You can make one cash withdrawal before your normal retirement age. ■ You will be taxed on the cash withdrawal. ■ At retirement you must use two-thirds of your retirement savings to buy a pension. You can take a maximum of one-third in cash. (If you are in a Preservation Provident Fund, the pre-1 March 2021 portion can be taken in cash).

Investment options			
Cash	Endowments	Unit trusts	Share portfolios
This is money you invest in the bank in a savings account, fixed deposit or money market account. You will have to pay tax on the interest you earn on larger amounts.	You must invest in an endowment for at least five years. It is tax-efficient for people who are in a higher tax bracket because all interest and income earned within the fund is taxed at a flat rate, that is lower than the maximum individual tax rate. Capital gains tax and dividend withholding tax will apply at the rate in that specific tax year.	This is a pooled investment that allows you to invest in expertly managed funds. You can have access to your money in 24 to 48 hours. You will be taxed on interest and REIT income earned each year. Also subject to dividend withholding tax and Capital Gains Tax at the rate in that specific tax year.	You can set up your own share portfolio by either managing your own portfolio or paying someone to manage it for you. There are minimum investment amounts and you will pay tax on any profits when you sell shares.
Property	Offshore investments	Tax-free savings accounts	
If you buy a house or flat you are investing in property. You can rent this property to tenants to earn an income every month. This income earned is subject to tax.	You can invest up to R10 million directly offshore per year with SARS tax clearance and R1 000 000 single allowance per year without SARS tax clearance.	You can save up to R36 000 a year without paying tax on this amount. Any amount that you save that is more than R36 000 a year will be taxed at 40%. There is a R500 000 lifetime contribution limit.	

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