Prudential Investment Managers
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4 great reasons to top up your tax-free investment

In our recent articles we've detailed how the tax breaks within tax-free investments result in accelerated growth. We've also discussed the flexibility they offer, including the ability to withdraw the funds if you really need to. Believe it or not, that's not where the good news ends. Read on for four more good reasons to top up your tax-free investments before the end of February.

1. Give your money wings

As an investor, you may have most of your capital tied up in a pension fund and/or Regulation 28-compliant RA's which prevent you from allocating more than 25% of your capital to offshore assets. However, an analysis of your overall portfolio may indicate that it would be a good idea to allocate a higher percentage of your capital offshore. If this is the case, you can still capitalise on the tax breaks in retirement funds and invest offshore using the appropriate tax-free fund. You could consider topping up by investing in Prudential's Dividend Maximiser Tax-Free fund which currently has a 27 % offshore allocation and has achieved a 15.4 % return over the last year (as at 31/12/17).

2. Get into the property market

Regulation 28 also places a 25% limit on the amount that pension funds and RA's can allocate to property. You may be young and not have the funds to invest directly in property yourself, yet still want to have some property in your portfolio. If this is the case, you can top up and effectively own property using Prudential’s Enhanced SA Property Tracker fund which has returned 14.5% in the last year (as at 31/12/17).

3. Sow the seeds of love
As a parent, there’s no greater motivation than the burning desire to provide for your children. Tax-free investment accounts are an excellent way of investing for school and university fees. If you have excess funds after you’ve topped up your own tax-free investment, you can open tax-free accounts in each of your children’s names and contribute up to R33,000 per year per account. If you have a large family, do remember that these contributions are regarded as donations, so you will be taxed at 20% on any contributions which exceed the annual donations limit of R100,000 per spouse.

4. Reduce your fees
One of the reasons why some investors prefer to invest in the stock market directly as opposed to using pooled investments such as unit trusts offered by Prudential is because they believe that fee structures (which include performance fees) are hard to understand. The good news is that the fee structures for tax-free investments are strictly legislated, and are generally lower than those on “normal” unit trust investments. This is the case for Prudential’s tax-free class of unit trusts.

Take the Top Up break
Do remember that regardless of *why* you’re topping up your tax-free account, there is a limit of R33,000 per year and a lifetime limit of R500,000 per account. If you exceed the annual and lifetime limits, you will be taxed at 40% on all amounts that exceed these limits. It’s so easy to get caught up in the hustle and bustle of everyday life that you end up overlooking the opportunity to top up your tax-free accounts. Why not put a regular reminder into your Outlook calendar to prompt you to top up consistently and timeously?

Speak to your financial adviser to discuss your tax-free top up or email us at query@prudential.co.za for more information on our tax-free investments.