

Table Talk:

Tax-free investing: a smart option for discretionary savings

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Hamilton van Breda
Global Liaison Officer

As we approach the end of the tax year, it's an opportune time to remind South Africans to take full advantage of this year's annual tax-free allowance and invest tax free before the end of February¹.

What is tax-free investing?

In a nation with such a challenging economic and social landscape, millions grapple with financial uncertainty. With South Africa having one of the lowest savings rates in the world, fostering a much-needed culture of savings is critical. To encourage people to save, the government introduced a tax-free investing initiative in March 2015, allowing residents to invest up to R36 000 tax free every year, with a lifetime limit of R500,000. At M&G Investments, we believe tax-free investments play a valuable role in helping South Africans grow their wealth over the long term and achieve financial independence.

When you invest tax free, for example in a tax-free unit trust fund, you won't pay any South African tax on the growth of your investment – whether it's interest, rental income, dividends tax or capital gains - while your money remains invested. You also won't be taxed when you withdraw your investment.

Note that your investment growth (including income distributions) doesn't count towards your maximum limits. If you contribute more than these limits, SARS will tax any excess contributions at a rate of 40%. You may also invest on behalf of your children or grandchildren, although this will reduce their individual annual and lifetime limits.

Can I withdraw my savings from a tax-free investment (TFI)?

Yes, you can withdraw from your TFI at any time without penalties. However, withdrawals defeat the objective of tax-free investing. We encourage you to leave your savings invested for the long term to maximise the benefits.

Also note that withdrawals are not taken into account when determining your annual or lifetime limits. This means that if you withdraw from your TFI you cannot replace it at a later stage.

Why is tax-free investing so powerful over the long-term?

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¹To meet our end February cut-off, please submit your completed instructions and all supporting documents by 1:30pm on 26 February for new investors or by 1:30 pm on 28 February for existing clients.

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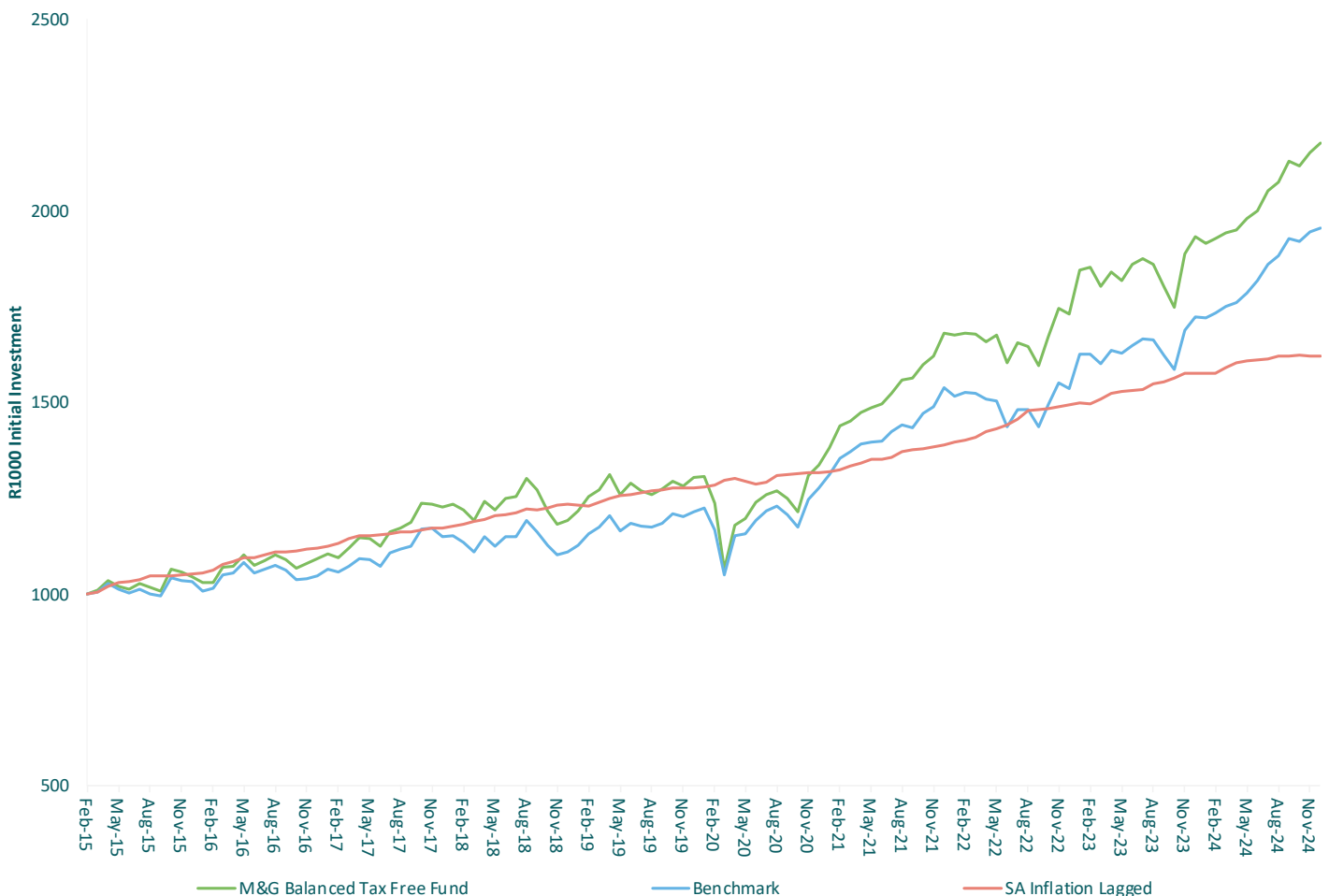
Also note that withdrawals are not taken into account when determining your annual or lifetime limits. This means that if you withdraw from your TFI you cannot replace it at a later stage. [Try our tax-free calculator](#) and follow five easy steps to see how much tax you could save by investing in one of our top-performing tax-free funds.

What is the best choice of fund?

At M&G Investments, we offer a range of [nine of our top unit trusts](#) for you to invest in tax free. These include our equity, multi-asset, property and rand-denominated global funds; all great options from which to build a well-diversified tax-free investment portfolio depending on your risk profile and investment time horizon.

For most investors, a growth-oriented multi-asset fund such as the [M&G Balanced Fund Tax Free](#) is an appropriate choice to get the maximum benefit from investing tax free and to successfully navigate market ups and downs over multiple decades. It's well-suited to investors seeking steady long-term growth of their capital and income from a diverse portfolio of actively managed South African and global assets. The added advantage is that all growth in your investment is fully exempt from any tax on interest, rental income, dividends or capital gains. The fund is Regulation 28 compliant, making it suitable for building up long-term retirement capital.

Since its inception in 2015, the M&G Balanced Fund Tax Free has delivered an annualised return of 8.23%, consistently outperforming inflation, which stands at 5.04% per year. (See chart below).



How do I invest tax free with M&G Investments?

If you're an existing tax-free investor and would like to add to your investment, you can do so through your online account or by completing the tax-free additional contribution form.

For new investors, simply complete the [10-minute application process online](#) or download the tax-free application form. You can start investing with us today from as little as R500 monthly via debit order or make lump-sum investments from R10 000 to R36 000 per year.

Remember that if you already have a tax-free savings account with a bank, you can switch it to an M&G Investments TFI at no cost.

If you haven't yet, it's not too late to start your tax-free journey.

TFIs are an ideal way to grow your discretionary savings over the long-term. To meet the cut-off for investing tax-free with us this tax year, please ensure we have your completed instructions and all supporting documents by 1:30pm on 26 February for new investors or by 1:30 pm on 28 February for existing clients.

To choose the funds that best meet your needs, speak to your financial adviser or [explore our tax-free funds here](#).

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