

Insights

Tax-free investing: Start early and commit for the long-term

February 2025

**M&G Investments**

This month, we're reminding South Africans to make the most of their annual tax-free allowance and invest tax free before the end of February. At M&G Investments, we believe tax-free investments play a valuable role in helping you grow your wealth over the long term and achieve financial independence.

Key takeaways so far:

- In March 2015, the government introduced a tax-free investing initiative to encourage South Africans to save. Residents can invest up to R36 000 tax free every year, with a lifetime limit of R500,000.
- When you invest tax free, for example in a tax-free unit trust fund, you don't pay any South African tax on the growth of your investment while your money remains invested. You are also not taxed when you withdraw your investment.

Why tax-free investing is best viewed as a long-term investment

Tax-free investments (TFIs) are an ideal way to grow your discretionary savings over the long-term thanks to the extraordinary power of compound interest. Essentially, the longer you stay invested, the greater the exponential growth potential of your savings (as any growth reinvested can also start to grow). When your investment compounds tax free over a long time, the results can be significant. To see how much you could save over the long term by investing in one of our top-performing tax-free funds, try our [tax-free calculator](#).

Due to the sheer power of the potential growth over time and the fact that your lifetime limit is capped at R500 000, it means that this precious opportunity to boost your long-term savings should ideally not be used to fund short- or medium-term goals. Withdrawals are not taken into account when determining your annual or lifetime limits. It means that if you withdraw from your TFI you cannot replace it at a later stage.

Note that you can withdraw from your TFI at any time without penalties. However, withdrawals defeat the objective of tax-free investing, and we encourage you to leave your savings invested for the long term. You may also invest on behalf of your children or grandchildren, although this will reduce their individual annual and lifetime limits.

TFIs are best used for building up a long-term retirement nest egg, and not cashed in to fund education or a deposit on a house for example. A normal unit trust could be used for reaching these shorter-term financial dreams.

So, the key to maximising your benefits of investing tax-free is to start investing in a TFI as early as possible in your life and stay invested for as long as possible.

Invest tax free before end February to take full advantage for this tax year

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.

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.

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.

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](#).

Disclaimer.

This document is for information purposes only and is not an offer to or solicitation for investors to invest in any of the capabilities or products offered by MandG Investment Managers (Pty) Ltd [M&G Investment Managers] (Registration no. 2013/051515/07) and MandG Investments (Namibia) (Pty) Ltd (Registration no. 1996/85) [M&G Namibia] or any of their associates, being MandG Investments Unit Trusts South Africa (RF) Ltd (Registration no 1999/005242/06) and MandG Investments Unit Trusts (Namibia) Ltd Registration no. 2007/609. M&G Investment Managers is an authorised discretionary financial services provider by the Financial Sector Conduct Authority of South Africa [FSP45199] in terms of the Financial Advisory and Intermediary Services Act, and has its registered offices at 5th Floor Protea Place, 30 Dreyer Street, Claremont, 7708. M&G Namibia is an approved person in terms of section 4 of Stock Exchanges Control Act and has its registered offices at 6 Feld Street, Windhoek, Namibia. Information given in this document has been obtained from, or based upon sources believed to be from an accurate and timely source but M&G Investment Managers and M&G Namibia make no representations or warranty, express or implied, with respect to the correctness, accuracy or completeness of the information and opinions. This information is not intended to constitute a basis for any specific investment decision. Investors are advised to familiarise themselves with the unique risks pertaining to their investment choices. Investors should seek the advice of a properly qualified financial consultant/adviser before investing. The value of an investment will fluctuate and past performance is not necessarily an indication of future returns.