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THE RETIREMENT INDUSTRY NEWSLETTER

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LOCAL NEWS

New stats reveal women are lagging in retirement savings and are debilitated by stress

Momentum Corporate statistics highlights key focus areas for employers to close the gender gap when it comes to insurance and retirement benefits for employees In a recent study of their client base, Momentum Corporate revealed that almost half (41%) of the employees on the FundsAtWork Umbrella Funds are women. With an almost 50/50 gender split across the client base, a one-size-fits-all approach to advice on employee benefits simply won't cut it. This is according to Shaeera Essop, Strategic Client Engagement Manager at Momentum Corporate, who says that employers should consider the balance of men and women making up the employee base, the unique challenges they face as well as the industries that they work in.

"When assessing which employee benefits are right for a specific company, it is important to understand the balance of men and women making up the employee base, the unique challenges they face as well as the industries that they work in order to build an effective employee benefit proposition that will not only retain key female talent but help to build a financial future that is right for them," says Essop.

Female-dominated creative and caring roles demand their place in the sun

There are certain industries where women make up most of the employee base – and this needs to be factored into the employee benefits packages these businesses provide, says Essop. Momentum Corporate's research showed that employees working in Social Services are 95% female and 73% in Health & Welfare. "What COVID-19 has brought to the fore, is just how important what a recent PWC study referred to as 'creative and caring roles' are in society. Generally speaking, female-dominated roles like nursing, childcare and teaching have been traditionally undervalued in terms of remuneration, yet these are critical for society to function effectively – and during the pandemic have been among the jobs most exposed to the virus," says Essop. "The remuneration and employee benefits packages offered by employers for these roles will need to reflect this."

Most working women are millennials

Momentum Corporate numbers show that Millennials make up over half of all women on the FundsAtWork Umbrella Funds. Millennials, or Generation Y, is defined as anyone born is defined as anyone born between 1980 and 1996, which is arguably the largest chunk of working professionals in any market. "Millennials, and female millennials specifically, may have different views on employee benefits to other generations. In addition to this, they have more time to save and – generally speaking – would have youth and health on their side, so this needs to be factored into investment choices, medical aid options and rewards programmes for female employees," says Essop.

Ability to retire is a concern and the added stress impacts work productivity

Women have been particularly hard hit by the lockdown because of the industries many of them work in. During the COVID-19 lockdowns, Momentum Corporate's research showed that around 40% of employees who were placed on temporary absence without pay, had their retirement savings contributions temporarily postponed or their pensionable salaries reduced by their employers, are women. Yet, Momentum Corporate's data as at June 2020 also shows that only 7% of women make additional voluntary contributions to their group retirement savings to make up for lost contributions.

Essop adds that Momentum Corporate's research on their client base revealed that out of all the female members in their retirement fund FundsAtWork, 88% are in the danger zone with an average retirement replacement ratio of 21%. "This means almost all female members would receive around only 20% of their current salary in retirement. When we start to look at things like longevity – and that women generally outlive men – the risk of female employees one day outlasting their money is a reality," says Essop. She adds that financial stress as a result of this has been shown to have significant impacts on employee productivity and employers should take steps to assist where they can.

Cancer and mental health are the top disability concerns for women

At Momentum Corporate, the top five causes of female disability include cancer (22%), neurological (14%), psychiatric (14%), medical issues (11%), and acute musculoskeletal (8%). Essop says it is interesting to note that women claim disability twice as much as men for cancer-related claims. This is due to the increased prevalence of breast cancer in women. As the stresses of the current COVID-19 context shine a much-needed light on the importance of mental health, Essop says 14% of female disability claims related to mental health. "The worst part is that this statistic is almost three times greater than psychiatric claims made by men.

It's abundantly clear that too many women are feeling stressed to the point where they can no longer perform their job and are put on permanent or long-term disability," says Essop. Echoing this trend, Momentum Corporate's income replacement claim statistics indicate that most claims by women occurred between the ages of 40 and 49 and related to mental illnesses such as major depression and anxiety. "This has a significant impact on business productivity and illustrates the great need for employers to ensure female employees have adequate cover with a provider that takes steps to help prevent disability claims before they occur."

The power of statistical analysis is key – especially when cost cutting

While the pressures on employers to cut costs will likely only increase as the effects of an extended lockdown start to unfold, it's crucial that every effort is made to keep cover in place to protect both female and male employees on their journey to success. "Working with an insurer that uses data-driven insights to provide adequate savings solutions as well as adapt cover levels for different types of businesses, industries and members is key to getting value in terms of the right cover in the right places," says Essop.

She concludes that employers should also ensure that their employee benefits provider guides them in terms of offering ongoing employee education programmes and access to advice through their scheme's benefit counsellors. “Employers who want to do more for their female employees can speak to their group scheme's financial adviser for tailored employee benefit and value proposition options available to them. Focusing on women shouldn't be limited to one month each year; it should be a continued commitment to empowering South African women on their journey to success and changing their lives for the better,” concludes Essop.

FA News | 17 September 2020

The demand for impact investing is outpacing supply

There is a significant opportunity for innovative fund managers able to offer relevant and credible solutions. At a webinar hosted by Sanlam Investments last week, there was a clear consensus that the Covid-19 pandemic is paving the way for a new era of collaboration between business, government and labour. ‘Never before have we seen this much collaboration between government and the private sector,’ said Elias Masilela, chairman of recently established Impact Investing South Africa (IISA) and of DNA Economics. ‘It is the first time since 1994 that a meaningful social compact is becoming a reality.’

This is most notably being expressed through a collective appreciation of the role that impact investing can play in supporting solutions to the country's social and economic challenges. ‘If you are not sure about what impact investing is about, then consider your answer to the following question,’ Masilela said. ‘What is the economy or world that you want to bequeath to your children and future generations?’

Engagement

There is no way that this can, or should, be left to government. As Arthur Kamp, investment economist at Sanlam Investments, noted: ‘The reality is that South Africa simply cannot recover through government's stimulus measures alone. Even though this makes up 10% of national GDP, it merely helps limit the downside.’ Meaningful engagement from institutional investors is therefore critical. And, as *Citywire* has reported, local pension funds are clearly expressing an appetite. It is notable that while South Africa has specific socioeconomic challenges, it is not alone in seeing a shift in attitudes around impact investing due to Covid-19. This same theme was picked up at the Global Steering Group for Impact Investing Summit held last week.

Conducive environment

‘Covid-19 has brought people's attention to the social factors in ESG,’ said Hiro Mizuno, an external board member at Tesla and former chief investment officer at Japan's Government Pension Investment fund. ‘These days the CEO talks a lot about social issues. Ten years ago or even five years ago, when the CEO made comments about social issues, investors didn't like it. These days if they don't make that kind of statement, investors are punishing them.' The environment, overall, is therefore becoming far more conducive for impact strategies. 'The demand for impact investing is coming from all segments, and is increasing rapidly,' said Prince Max of Liechtenstein, CEO of the LGT Group. 'Over the last three years we have really seen a strong increase in interest and demand. 'I would say the demand for impact investing is no longer the problem. The interest is there. The challenge and impediment for further growth, and I believe also the opportunity, is on the supply side of the market, where the product offering is largely still quite small, fragmented and not yet very obvious.' This, he suggested, was not unexpected from what is a young asset class.

Accelerated progress

'It takes time to build a track record and to build these great businesses that will correspond, eventually, to the demand,' Prince Max added. 'Some are already gaining traction and increasingly achieving good results, making excellent investments, attracting world class talent, and building increasingly scalable platforms with strong governance 'Do we have the Tesla of the impact investing world yet? Not quite. I think some organisations are on a very good trajectory with teams, investments, processes, ambition and vision, but I think everyone needs to be a bit more patient.'

There is, however, a chance that the pandemic will accelerate this process, as it has done with so much else. 'Of course, it would be very helpful if we could show that impact investing strategies are better performing than traditional strategies,' Prince Max said. 'At this point it's a little early to assess that. But there is more evidence that companies that are socially inclusive, and that are environmentally responsible are coming better through this crisis than others who are less so.'

Moneyweb | 18 September 2020

Record exit activity reported by VC fund managers in SA

The Southern African Venture Capital and Private Equity Association (SAVCA)

While South African venture capital (VC) investors may have seen a significant slowdown in deal activity this year as a result of COVID-19, the local VC landscape experienced record investment and exit activity in 2019. This is according to the newly released **SAVCA 2020 Venture Capital Industry Survey**, which shows that a total of 38 exits were reported for 2019 – more than double the previous record for annual exit activity, and just over triple the nine exits reported in 2018. Tanya van Lill, CEO of the Southern African Venture Capital and Private Equity Association (SAVCA), says that this record exit activity bodes well for the development of the industry. "Notably, of the 38 reported exits, 50% were reported as profitable, with a total amount of R830.5 million returned to investors. Trade sales remains the most prevalent exit route, followed by exiting to other investors," she adds.

In addition to the record exit activity, last year also proved significant when it came to investment activity, with 2019 VC investment showing the highest activity recorded to date, both by value and by number of deals. “This was the second consecutive year that the total value of VC deals exceeded R1 billion, with 2019 deals amounting to R1.23 billion – a notable increase of 14.8% on the 2018 deals reported (20.9% by number of deals).” This, van Lill says, continued the upward trend in investment activity that started after 2015, when changes were made to Section 12J. “Independent VC fund managers continue to comprise the largest share of active portfolios (38.1%), with Captive Government Funds and increasingly Captive Corporate funds playing a more significant role to fuel the growth of early stage investments in South Africa.”

It is important to note, however, that for this current survey, SAVCA introduced additional data attributes to more accurately differentiate between deals that involve secondary assets (e.g. investments into buildings and land) as well as deals defined as “Venture Leasing”. “In both instances, investors are able to hedge investment risk by relying on the underlying value of the asset, and even if the actual business seizes to operate, the original capital invested into such assets can be recovered. “For this reason, survey respondents were asked to reclassify their investment portfolio to ensure the SAVCA VC Survey captures traditional early stage investments. In future studies we may start reporting on these numbers given the significance is has in financing start-ups,” van Lill explains.

From a geographic perspective, the investment landscape remains dominated by activity in two provinces, namely Gauteng and the Western Cape. While funding into Western Cape-based businesses grew by 21.8% in 2019 compared to 2018, van Lill points out that Johannesburg was still listed as the head office location for most VC fund managers – marginally higher than Cape Town. In terms of funds under management on a sectoral level, Manufacturing accounted for the largest share of active deals (13.8% by value), followed by the Food and Beverage sector (12.7%) and Business Products and Services (10.9%), despite deals in the Food and Beverage sector receiving most of the investment in 2019 (14.2%), followed by Agriculture (10.9%).

Noting that agriculture does not typically feature amongst the top sectors of VC investments, van Lill explains that recent investment activity by a number of VC fund managers into an AgriTech business, has raised the profile of the sector. “This is an example of how sector-based preferences fluctuate from year to year, with Energy in 2019 making up a smaller share of VC focus due to the survey’s reclassification of deals involving asset leases.” While acutely aware of the challenges that the industry is currently facing due to COVID-19, van Lill says she is encouraged by the significant growth of VC investors and early-stage deal activity reported in 2019. “There is no doubt that the current health and subsequent economic crisis will reflect in next year’s results, however, we can find some solace in this year’s results, which suggest a strong foundation and an overall positive outlook of the VC industry,” she concludes.

FA News | 17 September 2020

READERS' QUESTIONS

Can I split my retirement savings into two living annuities without incurring tax?

It's not necessary – diversification can also be achieved within one vehicle.

I would like to split my pre-retirement savings when I go into retirement. All my pre-retirement savings are in retirement annuities, pension preservation funds and a provident preservation fund. Half would go to a local living annuity which would be enough to pay for my day-to-day expenses. The other half, about R2 million, would be invested in an offshore multi-asset fund also within a living annuity, as the goal is to grow the investment long-term (10 to 15 years) and hedge against rand depreciation. Is this possible to do without incurring any tax from Sars, as both investments would be housed in a living annuity? How would I go about it? How do I find a financial advisor who will accept a consulting fee rather than a fee based on the investment balance?

Dear reader,

Structuring the retirement phase of your life is one of the most important decisions you will ever make. It is imperative to ensure the strategy, as well as the vehicles you choose, are suitable for your income needs, as well as your risk profile and the investment term. Retirement represents roughly one third of our lifetimes. Therefore, we need to ensure that our funds will last as long as possible and that we won't deplete the capital too early into retirement. When structuring a retirement income plan, it is important to first define what your monthly income requirement is, keeping in mind that the proceeds from the living annuity will still be taxed. The tax payable on this income cannot be avoided if it is above the tax threshold (currently R122 300 if you are older than 65 years), as income received from retirement vehicles is still taxable.

The Association for Savings and Investment South Africa (Asisa) provides guidelines on how long your income will last in real terms at different growth and drawdown rates. This is important to keep in mind as drawing a higher percentage from your portfolio will lead to a shorter investment lifespan, as you will start depleting your capital sooner. The net return of the investment strategy does of course play a significant role here, as does inflation and experienced inflation (for example, the cost of your medical aid increase every year). I believe in diversifying your living annuity, and the investment approach you follow. It is, however, not necessary to structure two different vehicles. Diversification can also be achieved within one vehicle.

The underlying funds within a living annuity can be diversified by ensuring you diversify among asset classes (by including cash, bonds, property, local and also equity), but also diversifying with a multi-manager approach. By combining a few different investment styles and strategies, you enhance the resilience of your portfolio. You can also include a voluntary (accessible investment) component in your retirement planning: an option may be to reinvest the tax-free component (first R500 000 which is taxed at nil percent at retirement) into this investment. This can be seen as an emergency fund (as it is accessible) or used to supplement your monthly income from your living annuity. It is important to remember the income percentage on a living annuity can only be amended annually – so structuring an accessible emergency fund is advised. The annual income you will require in the short term (one to two years) can be structured – here you can combine cash (money market) funds, together with a multi-asset income fund. It is, however, important to be aware that interest rate changes can have an impact on the returns of these funds. So far, South African investors have seen rate cuts of 3% in 2020, and there may be more ahead.

The longer-term component of the living annuity can be structured in growth assets (equity exposure). This is imperative to ensure you will still earn a return that outperforms inflation in the longer term – especially when drawing an income. A combination of property and local and offshore equity exposure can be used here. This is very important to ensure you will not deplete the capital too soon. When you deplete assets from your income requirement, the investment can be rebalanced to ensure that you have sufficient funds in the income component again. This way you benefit in the longer term from having exposure to growth assets, but in the shorter term, you are protecting yourself from market volatility and cycles.

Fee structures usually consist of a few different components:

- The admin fee/platform fee – this will depend on the fund value, as well as the administrator you choose. It's worth comparing the options available in the market.
- The second fee will be the advisory or management fee. As managing an investment is an ongoing process for the rest of your retirement, these are usually structured as an annual fee rather than a once-off consulting fee. Structuring it as a once-off fee is not recommended, since you require ongoing advice. Bear in mind your wealth manager is likely to leverage a team of analysts, technical advisors, legal advisors and investment specialists to bring you the best advice on an ongoing basis.
- The last component is the fund manager fee. This will differ depending on what investment strategy you follow. For example, single versus multi-manager, or the underlying asset classes of the investment. Once equity and offshore exposure is included, the fees will be higher, but so will the potential return. These go hand in hand.

It might be a good option to request Effective Annual Cost (EAC) quotes when comparing proposals. This compares all the fees included – and is a transparent way of comparing different quotes. It is important to ensure you have an 'all-weather', well-diversified portfolio that aligns to your needs in place at retirement. Talk to a wealth advisor to ensure you are receiving appropriate advice and access to the necessary management skills. This will also help to protect your interests in the longer term so that your portfolio will be able to provide you with a sustainable income for as long as you are alive.

Moneyweb | 16 September 2020

What are the tax implications of transferring my RAs into a living annuity?

Transfers to a living annuity are done on a tax-neutral basis, but there are a few things to be aware of.
I am 58 years old and have R4.5 million in two retirement annuities. I wish to take R500 000 out tax-free, and then transfer the rest into a living annuity, which is not subject to Regulation 28. What are the tax implications, if any, of the transfer? Does Section 14 apply? Yes, in terms of the Income Tax (ITA) you may retire from your retirement annuities any time after reaching the age of 55, and you may access the R500 000 at nil-based tax on the retirement lump sum benefits tax tables. There are a few factors to consider though.

In terms of the act, any retirement fund lump sum benefit will be taxed according to the retirement tax table, after taking into account:

- Contributions to a retirement fund which did not previously rank for deductions or were not exempted from tax, and
- Pre-March 1998 public sector benefits.

You should be aware that when determining the tax on the current retirement fund lump sum, all previous lump sums received (withdrawal benefits received after March 2009, retirement fund lump sum benefits received after October 2007, and severance benefits received after March 2011) will also be taken into account. The balance that is transferred to a living annuity is transferred on a tax-neutral basis – including any disallowed contributions under Section 10C of the ITA that may be used to reduce tax on your living annuity income. The transfer of your retirement annuity as a result of retirement to a living annuity is not subject to Section 14 of the Pension Funds Act, which states that “a Section 14 transfer is the transfer of retirement fund benefits from one retirement fund to another”.

The living annuity is not subject to Regulation 28 of the Pension Funds Act as it is regulated by the Long-term Insurance Act. Sometimes the reason for someone retiring to a living annuity as soon as they hit the 55-age landmark is to avoid the limitation that Regulation 28 in retirement annuities imposes with regards to accessing various investment asset classes. It seems that after five to six years of very disappointing returns in most portfolios that have to adhere to Regulation 28 limitations, which only allow limited access to offshore asset classes, patience has worn thin.

The result is that some investors in retirement annuities are retiring from them and moving across to living annuities to have much higher access to offshore investment options through rand-based offshore funds in the living annuity. If there is capacity with the life company that owns the living annuity, you can actually have up to 100% offshore exposure. The word of caution I would give to investors taking this route is that while returns from offshore funds generally have been significantly higher over the last while and the access to some great global companies is always a benefit, one has to try to look forward and not backwards and the possibility of investing mainly in offshore markets that seem to be very expensive must be taken into account against the added volatility this may bring. If a person is retiring from a retirement annuity in their mid-50s, they must also take into account that, with longevity numbers going up and up, their capital will need to last a substantial length of time, so a well thought out income and asset allocation strategy needs to be put in place. Please note that the information provided above does not constitute financial advice. Generic information has been applied given the context of your question. We have limited details about you and your circumstances – such detail may impact any advice provided and we would recommend you discuss these issues a trusted financial advisor before making decisions.

Moneyweb | 17 September 2020

INTERNATIONA NEWS

U.S. regulators split with EU/U.K. over ESG investing – Fitch

Regulatory approaches to ESG investing by retirement funds are increasingly diverging between the U.S. and the European Union and U.K. and could affect fund returns at some point, Fitch Ratings said in a brief Friday. "While these differing approaches are not expected to immediately affect ratings assigned to investment managers, pension funds and/or the institutions sponsoring such plans, we anticipate they will translate into differing investment considerations, risks and potential returns over the longer term," Fitch said.

The brief also predicted that the diverging regulatory paths "are unlikely to converge in the near term given the U.S. Department of Labor's historical conservative stance amid the evolution of ESG investing in the EU/U.K." In June, the Labor Department proposed a rule for retirement plans governed by the Employee Retirement Income Security Act to prohibit using those assets for furthering ESG objectives. A second proposal in August would require plans to cast shareholder votes only on issues with a direct economic effect on a retirement plan.

"In contrast to the DOL's approach, regulation in the EU and U.K. promotes the integration of sustainability and ESG concepts into financial decision-making, which has become a more common and/or formalized consideration for pension fund managers. The European Commission's proposed amendment to Markets in Financial Instruments Directive II rules would mandate that investment firms consider the ESG preferences of their retail clients when providing investment advice," Fitch said.

The ESG investing trend is expected to persist, said Fitch, noting that the first half of 2020 saw global inflows of $59 billion, with total ESG assets under management reaching $2.2 trillion globally, according to Lipper. "The shift in social and political attitudes that has fueled demand for sustainable investing is accelerating as investors, public institutions and corporations increasingly prioritize ESG measures as part of their investment criteria," while market participants increasingly believe that ESG factors can have material impact on long-term investment returns, Fitch said.

Pensions & Investments | 11 September 2020

Retirement accounts at 'serious risk' as COVID-19 spurs bankruptcies

If there's one thing clients have always relied on in troubled times, it's that last bastion of savings, the retirement account — whether it be a 401(k) or an IRA. But we're now into the ninth month since COVID-19 hit our shores and nothing can be taken for granted. Business closures, bankruptcies and lawsuits from creditors have soared, calling into question even that formerly unassailable bulwark. That's why it's crucial that advisors know which accounts can be protected in bankruptcy and in non-bankruptcy lawsuits — and which cannot. Make no mistake: Not all possess the same safeguards. Retirement accounts carry a number of different protections.

These layers of defense shield IRA owners and company plan participants from bankruptcy and general (non-bankruptcy) creditors. In addition, levels of protection vary widely from state to state. In the current environment with so many small businesses on the brink of closing and struggling employees in limbo, increased bankruptcy filings are placing retirement savings at serious risk, especially when these might be the only funds available for a personal bailout. That's why it is imperative to understand which accounts hold what protections, and how retirement assets are shielded from those anxious to get a piece of their nest egg.

ERISA plans: The gold standard

Most employer-sponsored retirement plans, such as 401(k)s, fall under the Employee Retirement Income Security Act of 1974 guidelines and receive creditor protection at the federal level. ERISA offers the gold standard of protection up to an unlimited amount against both bankruptcy and non-bankruptcy general creditor claims. To illustrate, let's take the hypothetical example of "Mark," a successful contractor who flips houses. He has a 401(k) plan set up for himself and the employees of his sole proprietorship. Mark's current plan balance is $1,500,000.

Recently, however, there was an accident at one of his construction sites, and Mark is being sued personally. Even if Mark loses the lawsuit, the assets in his 401(k) remain protected by ERISA up to an unlimited amount. Additionally, if Mark were to declare bankruptcy, his 401(k) would be off limits to bankruptcy creditors.

Going solo = greater exposure

The same protections do not, however, hold for solo 401(k) plans. Often, business owners worried about potential lawsuits keep their retirement funds in their so-called solo-K because they believe it to be fully creditor proof, as opposed to an IRA. But*solo 401(k) plans are not covered by ERISA* and have no creditor (non-bankruptcy) protection under that law. Plan balances will only receive non-bankruptcy creditor protection available under applicable state law. These plans do, however, receive full bankruptcy protection under the bankruptcy code. This is also the case with other non-ERISA company plans such as SEP and SIMPLE IRAs, non-ERISA 403(b) plans and 457(b) governmental plans. **Full Report*:*** ***https://www.financial-planning.com/news/retirement-accounts-at-risk-as-coronavirus-spurs-bankruptcies***

Financial Planning | 10 September 2020

OUT OF INTEREST

Tax-Free Investments: The gift that keeps on giving

For many South Africans investing seems impossible because of the current socio-economic pressures we are all facing. Uncertainty over whether you will still have a job or if your business will be able to survive the current economic shutdown are amongst our biggest concerns. However, if there is one lesson the current economic environment has highlighted it is the need for long-term financial planning. South Africans do not have a strong savings culture, especially when it comes to retirement, which is why tax-free investments (TFIs) were launched in 2015 as part of the Government's initiative to encourage South Africans to save more. Unlike traditional investments, TFI returns are exempt from local income tax, dividends tax and capital gains tax making them an attractive investment vehicle for long-term, goal-driven investment.

TFIs have several investment benefits, most of which are best realised by staying focused on your long-term investment objectives and staying the course. While it is important to note that any funds withdrawn from TFIs cannot be replaced, when managed correctly TFIs can lead to a substantial cash injection for financing major life events. “Tax-free investments have become an important part of a well-rounded, diverse investment portfolio, they are a tax-efficient way to subsidise your long-term investments such as your retirement or saving for your children’s education” says Thandi Ngwane, Head of Investment Distribution at Standard Bank.

Tax-free Investments to subsidise your long-term investments

One important advantage of a TFI is that you can invest in more than one at a time, which makes it easy to set up a TFI for each investment objective. If you have more than one TFI you are still restricted to the annual contribution limits, so your R36 000 will have to be divided across all your TFIs. It is important not to exceed annual or life-time contribution limits as any excess will be subject to a penalty tax of 40%. Returns on your investment do not count towards these contribution limits.

You can also open a TFI account in the name of a minor and many parents or grandparents use them as an investment for their children or grandchildren without having to exceed their own investment threshold. It’s important to remember that if you invest in a TFI in your child's name and contributions reach the R500 000 threshold (as per current legislation) when they are 18, they would have made use of their personal lifetime limit and will not be able to continue their contributions or invest in a new TFI. It is however probable that the lifetime limit may be increased over time. As Ms Ngwane further noted: "TFIs are one of the most tax-efficient ways of providing your children with a kick-start later in life. The money you invest over time stands to benefit from the value of compounding with the added advantage of the proceeds being completely tax free."

Let compounding interest work for you

While there are limits on the contributions which you can make to your TFI you can leverage the returns your investment makes over time. Having the vision to plan long-term is important to ensure a secure financial future. In times of difficulty such as the one we are facing it's understandable for one to focus on short-term survival. However, for those who can still consider investing and saving for their family's future, a tax-free investment is an invaluable addition to any investor's portfolio. Through it, you're able to take advantage of great tax breaks and use it for your own benefit and to give your loved one a gift that keeps on giving.

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