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irfa dispatch

THE RETIREMENT INDUSTRY NEWSLETTER

TABLE OF CONTENT

LOCAL NEWS

- Should you be allowed to access a portion of your retirement fund to pay off debts?
- Providing for your loved ones in time of need through retirement funding
- Meeting savings goals does not mean you have to open multiple savings accounts
- The factors of providing for your loved ones in their time of need through retirement funding
- How you are taxed on your investments
- Venture capitalists say delinking private equity from hedge funds will boost economy

INTERNATIONAL NEWS

- UK DB pension schemes' surplus falls by £40bn
- State pension: Retirement age could increase to help UK recovery, official suggests

OUT OF INTEREST NEWS

- South Africans are not saving as much as they need to be, so what can be done?
- Tax exemption impact of Covid-19 travel ban
- The impact of Covid-19 on female professionals

LOCAL NEWS

Should you be allowed to access a portion of your retirement fund to pay off debts?

You could soon be able to access a portion of your retirement savings to help you out of a tight spot. Finance minister Tito Mboweni announced on Wednesday that Treasury was in talks to allow those who lost their income during the Covid-19 pandemic to withdraw from their retirement funds. “National Treasury is in discussions with Nedlac (National Economic Development and Labour Council) on a proposal for limited withdrawals from retirement funds for those losing part of their income during the Covid-19 pandemic,” he said. He admitted it had proven to be “a complex problem to solve, if we are to ensure preservation of savings”.

“Government continues to engage with trade unions, regulators and other stakeholders to discuss how to allow limited withdrawals linked to tightening preservation by closing current loopholes, and also to expand coverage so that all those employed or earning an income are required to put aside a small proportion for saving for their future,” he added. The move has drawn sharp debate on social media. Cosatu welcomed the decision, saying the minister should implement it as soon as possible. “We hope government will table this Bill in parliament as soon as possible so that it can be processed and finalised immediately.

“It is critical that workers be allowed access to their retirement savings because companies and the private sector in general has been offered various incentives and tax breaks to bail it out, while workers continue to struggle,” it said. It follows a proposal by the DA to allow pension fund members to take out loans using their pensions as security. Treasury rejected the proposal in March, pointing to the already high level of indebtedness and low level of savings in the country. “The biggest problem is that South Africans don’t save enough and are highly indebted,” Treasury deputy director-general Ismail Momoniat said, adding that too often pension fund members cash out their savings when they resign.

Sunday Times | 29 July 2021

Providing for your loved ones in time of need through retirement funding

It is human nature not to want to think about your death but it is important to know what will happen to your pension fund benefits when you are no more. Offering advice during National Savings Months, Naheem Essop, Senior Legal Advisor at the Office of the Pension Funds Ombudsman, said financial planning is important to ensure loved ones are taken care of after your death. He said generally pension benefits that become payable upon death do not form part of your estate and will not be distributed according to your Will or in terms of intestate succession (where you die without a Will). Instead, the trustees of the pension fund are tasked with the obligation of deciding how your pension benefit should be distributed amongst your beneficiaries and it is incumbent upon them to do so in a manner that is equitable.

"One must appreciate that the term equitable does not mean an equal distribution of your death benefits amongst your beneficiaries but rather, the trustees of the pension fund are required to look at distributing the death benefit in a manner that is fair, taking into account the individual circumstances of each beneficiary. "Before doing so, the trustees are required to investigate and identify the persons who should be considered to receive a benefit. Even then, it may happen that not every person identified will end up receiving a benefit. This will depend on the circumstances of each case and what the trustees consider to be equitable."

Essop said the Pension Funds Act defines who is a dependant and, broadly speaking, dependants are categorised as 'legal dependants' (i.e. someone who you were legally liable to maintain), 'factual dependants' (i.e. someone whom you were not legally liable to maintain, but was in receipt of regular financial support from you) and 'future dependants' (i.e. someone whom you would have become liable to maintain had you not died). Spouses, including your permanent life partner, civil union partner, or a spouse that you married in accordance with the tenets of your religion, are all considered to be dependants. Children, including adult children not financially dependent on you, are also considered as dependants in terms of the Act.

You may also nominate persons to receive a portion of your death benefit and such persons will be considered as nominees by the trustees and taken into consideration when deciding on an equitable distribution. Once all of the beneficiaries have been identified, the trustees must then make a decision about the allocation of your death benefit and the portions that each beneficiary should receive. The amount that becomes available for distribution is calculated in accordance with the rules of your fund and is subject to tax and any deductions that are permitted by law. "When deciding on an equitable distribution the trustees may consider any factor including, but not limited to, the age of the beneficiaries, their relationship with the

deceased, their extent of dependency, your wishes as may be contained in a nomination form and/or last Will, the financial affairs of the beneficiaries including their future earning capacity potential, and the amount available for distribution. “Benefits available for distribution may not be enough to cover the maintenance needs of all beneficiaries forcing the board to consider other factors when determining an equitable distribution. This may lead to awarding a benefit which is less than the maintenance needs of a beneficiary or a nil benefit in certain circumstances. “The trustees must also decide on the mode of payment which may include payment as a lump sum, partial p

Beneficiaries and/or their guardians (in the case of a minor) may also nominate a trust for the benefit to be paid into. In each instance, the trustees must be able to justify why they have opted for the mode of payment.” If your pension fund provides for a spouse’s or child’s pension, such benefit will be dealt with in accordance with the rules of your fund and will not be subject to the equitable distribution that trustees are required to decide on.

“It is important to note that if prior to your death you gave a valid instruction to your pension fund to pay out your benefit then such benefit will also not form part of the equitable distribution and will form part of your deceased estate to be distributed in accordance with your Will or in terms of intestate succession. “It is important to discuss your provisioning with your dependants so that they are also aware as to where to start looking after your demise,” said Essop.

FA News | 26 July 2021

Meeting savings goals does not mean you have to open multiple savings accounts

With a single saving offering embedded in the account, account holders can opt for a single investment that covers short-term, long-term, and wealth-building opportunities at the same time. A shift in thinking and services has accompanied increasing digitization and electronic delivery. The focus is now on reducing the want for different accounts and offering tailored solutions that achieve everyday needs while enjoying real benefits, says Jan Moganwa, Chief Executive Officer - Old Mutual Finance. “Transactional accounts have always been popular because of the low cost and convenience they offer.

By holding an account, users have been able to swipe for purchases, withdraw cash at ATMs, pay debit orders, transfer money, and satisfy most of their other financial needs. However, transactional accounts have not been traditionally associated with building up savings.” The market gap has been bridged with a transactional account that offers the best of both worlds –

an everyday account that also provides the financial returns found in a well-managed investment account. “Now,” says Moganwa, the Old Mutual Money Account offering lets users decide how much they want to save every month. This money is then paid directly into the ‘save’ portion of the account.” “The major advantage is that cash set aside for saving and investment is placed in an Old Mutual selected unit trust. This is a combination of income funds managed by professional market analysts and asset managers that offers the opportunity to increase returns above the levels offered by a traditional savings account.” Instead of placing savings in a time-linked deposit account (which can be for periods that range from a few months to five years), unit trusts offer an opportunity to diversify personal savings and investments.

Funds can be withdrawn or transferred between the Save and Swipe (transactional) account, whenever they are required happens in real-time and the balance remaining continues to grow. As money becomes available, it can be paid into the unit trust, where growth continues. “Once you have decided what you can afford to invest - it could be as little as R50 a month - Old Mutual automatically places the money in the unit trust. Your money, along with deposited funds from thousands of other investors, is then invested in a basket of selected shares of companies listed on the Johannesburg Stock Exchange on behalf of the unit trust. This allows small investors to participate in the growth of listed companies and opens opportunities that many might not have been able to afford if they were going it alone.”

“The unit trust offers the chance to benefit from the share price of listed companies. Historically, although these values can rise and fall, these returns have always exceeded interest rates on traditional transactional and savings accounts. As the value of the shares grows, so the value of the units held by individuals also increases.” The decision on whether to use the unit trust saving feature on the Money Account as a short-term home for savings, emergency funds, or even long-term benefits is up to the holder. Contributions can also be increased or decreased monthly to match personal cash flow. But, as is valid with all savings, the longer they are left in place, the better the returns.

“At Old Mutual, we believe that the Money Account offers real benefits for all. For people new to investing, the account provides opportunities to diversify and increase the chances of creating wealth. “For those who are seasoned investors looking for a well-managed, effective way to invest discretionary funds, it offers an opportunity to put excess funds in an everyday account to work while you get on with life,” says Moganwa. “The unit trust savings feature, when coupled with the functionality of a transaction account, makes the Money Account unique. Users can transfer funds between accounts, send money to anyone with an SA mobile number, pay other Money Account holders, tap and pay and save at the same time,” says. Moganwa.

FA News | 29 July 2021

The factors of providing for your loved ones in their time of need through retirement funding

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Personal Finance | 26 July 2021

How you are taxed on your investments

Three main taxes apply to investments: you are taxed on income earned from interest, there is a withholding tax on share dividends, and you are taxed on a capital gain when you trigger a capital gain event. These taxes are all lower than your marginal income tax rate, which is the highest bracket rate for your annual earnings level. However, different types of products incur different rates of tax, notes Kobus Kleyn, a Certified Financial Planner with the Financial Planning Institute of South Africa (FPI) and a tax practitioner with the South Africa Institute of Taxation.

For example, in an endowment policy, the life insurance company pays tax at a rate of 30% on certain portions of the fund's growth on your behalf, which is favourable for wealthier individuals earning at the 45% marginal bracket – or even at any rate above 30%. As for pension or provident fund investments or retirement annuities, any growth – whether it is interest, dividends, or capital gains – is not taxed while it is growing in the fund. And on withdrawal at pensionable age, it is taxed at a lower rate, because your income drops post-retirement. The further benefit is that your deductions for contributions to a retirement fund are deducted at your current marginal tax rate. "This means the South African Revenue Service (SARS) refunds you at your highest rate, which is why a retirement contribution is so effective," says Kleyn.

Comparing the three taxes

Comparing the taxes on investment growth, he says that the most favourable kind of tax is capital gains tax (CGT). "For individuals, this will not exceed the 'effective' rate of 18% per year. "The second most favourable tax rate is the 20% on share dividend distribution, known as dividend withholding tax. Both the effective rates of capital gains and dividends taxes are typically far lower than most people's marginal tax bracket rates, which is encouraging for the investment planner," he says. "After that, tax rates on local investment interest income (as accrued from cash investments), become less favourable.

After the annual R23 800 exemption (or R34 500 for over 65s), the individual is taxed at their 'marginal tax bracket rate'." From a tax perspective, Kleyn ranks Reit (real estate investment trust) income derived from property funds as least tax efficient, because there is no exemption available (unlike for bank interest), and you are taxed at your (highest) marginal tax bracket rate. With CGT, a R40 000 exclusion is available annually for individuals, which is a critical factor in tax planning. Equity-based investments – whether held in unit trust or ETF form, or as individual shares – allow greater flexibility than fixed real estate ownership, says Kleyn.

He emphasises that as an asset class, real estate is neither inferior nor superior to equity-based unit trusts or shares, as each serves a role in terms of risk profile and diversification of the portfolio. "I encourage investors who hold unit trusts, ETFs, or a share portfolio for long-term gain to rebalance their portfolios annually. Trigger a capital gain by switching or selling funds or shares that have done well, to use the annual R40 000 capital gains exclusion." He adds that even if your capital gain exceeds the R40 000 exclusion, and you a bit of capital gains tax, it means you've at least fully used this exemption.

By reinvesting it elsewhere, you create a new "base cost" for CGT calculation purposes. This is sound tax planning, he says. As a side note, he recommends that you keep your shares invested for at least three years before doing this, or you risk being taxed on the disinvestment on a speculative "income/revenue" basis. In contrast to your ability to minimise CGT on

equities, consider the situation if you sell an investment property (a second property that is not your primary residence). SARS only allows the R40 000 annual exclusion in the year of sale – it does not accumulate for each year that you own the property. For example, if you bought such a property in the early 2000s, at R300 000, and you sell it for R3.5 million today, you will have made a "paper" capital gain of R3.2 million, which means you face a sizeable CGT burden. Unfortunately, SARS does not truly consider the effects of inflation on your property, so the R300 000 acquisition cost is not converted to its present value. "If South Africa had zero inflation, keeping an asset for this length of time would not have been problematic," says Kleyn.

Personal Finance | 26 July 2021

Venture capitalists say delinking private equity from hedge funds will boost economy

The Southern African Venture Capital and Private Equity Association (Savca) wants regulation 28 of the Pension Fund Act to be amended so that private equity investment can be more proactive in supporting the country's economic recovery plan. John Gilmer, the head of private equity at law firm Cliffe Dekker Hofmeyr, said during a panel discussion this week that government should allow pension funds to increase their investments in unlisted businesses and, more specifically, private equity, as the South African government is severely constrained as to what it can do to provide stimulus to the economy.

Gilmer said the simple amendment proposed the delinking of private equity from hedge funds into separate asset classes and increases the investment limit for private equity from 10% to 15% of total assets of the pension fund, adding that the amendment will also increase the limits by which local pension funds can invest into South African and African infrastructure, "at 55% overall exposure across all asset classes". Gilmer said the amendment is especially important because the South African venture capital industry is one of the industries that weathered the negative impact of the Covid-19 pandemic, with private equity managers reacting quickly and effectively to the current economic crisis.

A private equity manager is closer to the business and management of a portfolio investment than a shareholder in a public company, and is arguably far better placed to recognise the difficulties that a business faces so to drive solutions. John Gilmer, the head of private equity at law firm Cliffe Dekker Hofmeyr Gilmer told the panellists that, according to the 2021 Savca venture capital industry survey, 74 fund managers invested R1.39 billion into 122 entities through 167 investment rounds in 2020 amid the Covid-19 crisis, up from the R1.23 billion invested in 69 funds in 2019. He said that, at the end of 2020, the South African venture capital

industry had R6.87 billion invested in 841 active deals, and added that, of those active deals, 53.4% were invested in seed or start-up businesses. “Even in the 2008 financial crisis, we were able to weather severe economic storms. “A private equity manager is closer to the business and management of a portfolio investment than a shareholder in a public company, and is arguably far better placed to recognise the difficulties that a business faces so to drive solutions.” He said the National Treasury has also made a similar proposal to amend regulation 28 of the act.

Should the proposed changes become effective, they will provide pension funds with a higher degree of diversification and greater access to sustainable and impact investing. In February, the Treasury published its draft amendments to regulation 28 of the Pension Funds Act for public comment. The move followed the 2021 national budget and 2020 medium-term budget policy statement announcements that government was in the process of reviewing the regulation to make it easier for retirement funds to encourage investment in infrastructure. Treasury said the draft amendment proposes the delinking of private equity funds and other assets.

“A number of studies document the attraction of investment in private equity and infrastructure projects. These studies find that private equity investments in infrastructure projects have a positive impact and help in sharing project risk between the project sponsors,” said Treasury. Tanya van Lill, Savca CEO, said they expected the changes to provide much-needed economic stimulus to South Africa’s struggling economy: “The proposed changes to regulation 28 provide retirement funds with an opportunity for a higher degree of diversification, greater access to sustainable and impact investing and improved overall financial security for pension fund savers in the long run.

“Savca’s 2020 venture-capital industry survey showed that investment in African infrastructure has been an emerging theme over the past decade. Active investment from funds in various regions were funnelled into projects in energy, transport and ICT [information and communications technology] sub-categories. “This serves as a catalyst for development on the continent, in a way that fosters the achievement of targeted and specified developmental goals. Furthermore, infrastructure investment opens up new opportunities for add-on or related investments,” she said.

But Anthea Jeffery, head of policy research at the Institute of Race Relations, said the proposal to amend regulation 28 of the pension act should be seen as “ANC-speak” for compelling pension funds to invest in government and state-owned enterprise (SOE) bonds, along with capital projects financed by the Land Bank and the country’s other development finance institutions. Jeffery said the pensions pot is particularly attractive because its value stands at

some R4 trillion. “And regulation 28 can easily be used to the state’s advantage because it already allows the government to set binding parameters for pension fund investments by limiting the extent of the equity or foreign exposure they may have,” said Jeffery. However, Van Lill reiterated that the proposed amendments to regulation 28 include increasing the limits by which local pension funds can invest in South African and African infrastructure at 55% overall exposure across all asset classes.

City Press | 29 July 2021

INTERNATIONAL NEWS

UK DB pension schemes' surplus falls by £40bn

The funding surplus of the UK’s 5,300 corporate defined benefit pension schemes dropped from £50bn to £10bn in July, according to PricewaterhouseCoopers (PwC). The firm’s Pension Funding Index showed that the drop was driven by growth in liability values, which increased by £80bn from June's reading to £1,840bn amid falling gilt yields. This was partially offset by asset values increasing by £40bn to £1,850bn. The index has now avoided showing a deficit for six months straight, having gone into surplus for the first time in May following two months of a neutral funding position.

Meanwhile, PwC’s Adjusted Funding Index, which incorporates strategic changes available for most pension funds, including a move away from low-yielding gilt investments to higher-return, income-generating assets showed a £190bn surplus for July, down from £230bn in June. It added that the index had also used a different, more realistic approach for the longevity assumption, noting that The Pensions Regulator had stated in its Annual Funding Statement that assumptions for life expectancy would need careful consideration as a result of the uncertainty brought by Covid-19.

PwC partner and global head of pensions, Raj Mody, explained that leaving longevity assumptions unchanged at the next valuation “could do more harm than good” as it would mean failing to take into account “the latest data”. He continued: “Where part of the assumptions relate to future long-term forecasting and where it’s as much an estimate as informed by data, it’s even more important not to settle for ‘what you did last time’. “If trustees and sponsors approached all their actuarial assumptions like that, then pension scheme strategies would end up wildly out of kilter with real-life needs.

It’s crucial to make the most informed decision you can at any given time. “The risk with just sticking with old forecasts is that it could require excess money being paid irreversibly into schemes in the short term, to fund prospective life expectancy improvements which are decades out and may not even happen. This might be appropriate for some schemes, but it’s unlikely to be right for the majority.”

PensionsAge | 29 July 2021

State pension: Retirement age could increase to help UK recovery, official suggests

INCREASING retirement age could be a solution to help the UK recover post-pandemic, one top official has suggested. The State Pension age currently stands at 66 for most people, after changes recently. Historically, the state pension age stood at 60 for women and 65 for men, but changed by late 2018 in a process of equalisation. It is set to rise to 67 between 2026 and 2028, and once again to 68 from 2037 onwards. But one policymaker has floated the idea of Britons working for longer to help the economy recover from the hit it took due to COVID-19. Gertjan Vlieghe, a member of the Monetary Policy Committee (MPC) of the Bank of England, has analysed ways the country can recover and fight any subsequent recessions.

An increase to retirement ages, he suggested, could be a potential solution, but a last-ditch measure as funding options run out. In a speech which marks the end of his time as a member of the MPC, Mr Vlieghe outlined the impact of such a measure. He said: “Many countries, including the UK, are already slowly raising their retirement age, though it is by no means keeping up with the increase in longevity. “The question is whether it can be increased more, sooner.” More individuals in the workforce could provide a boost to the economy which would help Britain get back on its feet in the coming years. However, there would undoubtedly be major implications were a policy like this to be implemented.

Mr Vlieghe went on to acknowledge there would have to be nuances when considering a retirement age increase. He pointed out poorer workers are often recorded as having a lower life expectancy than their wealthier counterparts. This has been an argument which has surfaced in the past when it comes to increasing retirement age. Some have argued it would be unfair on those who are predicted to have a shorter life expectancy, as they would not be able to enjoy retirement in the same way. Similarly, Mr Vlieghe also said not all roles can be performed by older workers - another strand of the argument.

But he did go on to state that a shift towards older workers remaining in the workforce is already occurring. More part-time work and the flexibility to work from home, he added, could help older people to stay in work for longer. State pension age is already increasing due to the average life expectancy across the country increasing. Now, Britons are thought to spend more of their adult lives in retirement than ever before.

But whether a rise to retirement age would be supported or not, is yet to be seen. The Bank of England outgoing official also stated there are other ways to boost the economy further. He said the central bank could cut its base rate even further from 0.1 percent to below zero. In March 2020, the Bank took a major decision to reduce its base rate to 0.1 percent - the lowest in its history. Negative interest rates, which have never before been implemented in the UK, would have significant implications for savings and mortgage rates.

Express | 29 July 2021

OUT OF INTEREST NEWS

South Africans are not saving as much as they need to be, so what can be done?

Between lockdowns and reduced working hours, it's no surprise that the average South African is struggling to put away some savings. Saving is an undertaking with responsibility attached to it. Multi-management is an investment approach that can help make the savings journey simpler, smoother and safer for many investors. Are you looking to invest your savings and convert those savings into wealth over time? Riccardo Fontanella, head of technical marketing at Alexander Forbes Investments, says that South Africans should consider the following:

1. Diversification Invest in different investments such as equities, property and cash, across different sectors, currencies and regions. This helps reduce the overall investment risk that your savings may be exposed to and smooths short-term fluctuations in your investment returns. It is unlikely that all investments move in the same direction, at the same time in response to a specific market event.

2. Solid portfolio construction Spread investments in a way that minimises short-term investment risk without reducing long-term return potential. Portfolio construction techniques and principles will increase the potential for performance to be in line with investment objectives and risk constraint.

3. Compound interest Get to a point when the interest you are earning on your investments is earning interest. The key is to start investing as soon as possible as much as you can afford. When time is on your side, compound interest can play a big role in fuelling long-term savings growth.

4. Provider selection Find service providers that apply their investment philosophies reliably over time. Investing with asset managers with dependable investment styles can:

• produce repeatable outcomes

• help build portfolios with reliable investment performance, aligned to your expectations

5. Minimise behaviour bias Stay appropriately invested throughout market cycles by remaining committed to long-term savings goals. Extreme ups and downs in the market can cause South Africans to react emotionally rather than investing rationally. Are you facing short-term pressures that will undermine sound investment principles? A relationship with a trusted, and accredited, financial adviser can help investors rededicate themselves to their long-term goals.

6. Making better choices As the numbers of saving choices grow, more consideration is required in weighing up the choices South Africans are faced with. The answer is not having more savings options to choose from but rather being better at choosing. Think about how confident and comfortable you are when it comes to making decisions around your savings and investments. For most South Africans, delegating investment decisions to professionals is one way their savings are prioritised when everything else seems to be a priority.

7. Dotting your i's and crossing your t's Good governance means having the right people, processes and systems behind your savings. Investors stand a much better chance of realising better investment outcomes through well-managed savings.

8. Time in the market Time spent invested in the market is much more important than trying to time the market. Changing an investment strategy that is designed with the long term in mind because of short-term volatility often ends in missed opportunities or even losses.

9. Fees Ongoing charges can affect how much investment return investors are actually pocketing on their investment, so cost containment is critical to the long-term success of any investment strategy. Consider investment solutions from providers who have leading positions to negotiate and push down investment fees to ensure you are getting the best deal.

Transparency of fee disclosures and an understanding of how they are structured in your best interests are also important. With a multi-management approach, multiple and complementary asset managers are blended across different assets, styles of investments, and even regions within one overall portfolio. The scale of multi-managers typically means that they have the time, resources and expertise to conduct asset manager research, portfolio construction and risk management on behalf of investors. All this acumen can help take the hard work out of the savings management function and build well-diversified, high-quality and cost-effective portfolios so that investors do not have to. “The times may have changed, but sound

investment principles haven't and still apply today," says Fontanella. Investors who remain calm, stay invested and rededicate themselves to their long-term goals are better positioned to achieve future investment success. "We were pleased to see that most of our clients invested in our portfolio solutions during February and March 2020 remained committed and invested through the turbulence. Less than a per cent of investors across our broad-based membership elected to abandon their positions when the market crashed at the start of the Covid-19 pandemic," explains Fontanella. "Having access to the right professional advice at the right time and a multi-management investment approach that links the management of savings to comfort levels was key over this period."

FA News | 26 July 2021

Tax exemption impact of Covid-19 travel ban

Some temporary relief has been provided by the South African Revenue Service (SARS) for the 2020 and 2021 years of assessment. With tax filing season in full swing, many taxpayers will be weighing the tax impact of the travel restrictions imposed during the hard lockdown in South Africa. The good news is some temporary relief has been provided by the South African Revenue Service (SARS) for the 2020 and 2021 years of assessment. "Covid-19 has cut a swathe of destruction through the economy and the health sector, affecting life and livelihoods. Among the consequences, the severe lockdown Level 5 impacted the travel arrangements of many individuals.

Fortunately, there has been some relaxation in this regard to cater for these undesired outcomes," says Megan Landers, Manager: International Tax at specialist tax and transaction advisers, AJM Tax. "To accommodate the fact many people were not able to travel, the 183-day exemption requirement has been reduced to 117 days, although the 60 consecutive day requirement remains intact. This is still for a given 12-month period," she explains. These changes relate to section 10(1)(o)(ii) of the Income Tax Act, which provides a tax exemption for residents who render services outside South Africa for more than 183 full days in a given 12-month period, of which 60 of those days need be continuous.

Landers points out that South African tax residents are taxed on their worldwide income, which inherently includes income procured abroad. "But provided the above two requirements are met, the first R1.25 million of foreign employment income is now exempt from tax liability, based on recent tax amendments. Any income earned above the threshold will then be taxed based on the normal income tax tables and rules." Landers says the monetary limit applies from 1 March 2020, and before that time, the entire portion of income for services rendered

abroad was exempt. “The relaxation is not permanent in nature and merely finds application for the 12-month period commencing on or after 29 February 2020 and ending on or before 28 February 2021 – therefore implying that only the 2021 year of assessment returns can be based on the aforementioned. Fortunately, the fiscus realises the need for positive intervention,” concludes Landers.

FA News | 26 July 2021

The impact of Covid-19 on female professionals

The repercussions of the COVID-19 pandemic have been felt by all. As much as one must acknowledge the immense impact on all and sundry, some of the hardest-hit must be women, and especially female professionals. The recent research by the National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM) painted a grim picture of the impact the virus has had on women within the first month of national lockdown. Although women occupied about 47% of employment in February 2020, they accounted for approximately 67% of the job losses between February and April 2020, and the number remained unchanged by June 2020.

Thus, of the three million jobs lost in this period, approximately two million were held by women. Although the subsequent NIDS-CRAM-reports showed that this has stabilised, there still no end in sight in terms of the pandemic, there is no question that the pressure on female professionals remains. As we celebrate Women's Month, this got me thinking about professional women and the difficulties we experience during these challenging times.

Burnout is real

The COVID-19 pandemic has set back women and their seats at the corporate table in two respects. Women are struggling to juggle their lives and strive for some semblance of balance. According to **PwC’s Women in Work Index 2021**, the COVID-19 pandemic caused a “secession” in many companies. The index, which measures female economic empowerment across 33 Organisation for Economic Cooperation and Development (OECD) countries, shows that “the damage from COVID-19 and government response and recovery policies, is disproportionately being felt by women”. PwC’s researchers predict that to undo the damage caused by COVID-19 to women in work – even by 2030 – progress towards gender equality needs to be twice as fast as its historical rate.

“Women carry a heavier burden than men of unpaid care and domestic work. This has increased during the pandemic, and it is limiting women's time and options to contribute to the economy. In the labour market, more women work in hard-hit human contact-intensive service sectors – such as accommodation and food services, and retail trade. With social distancing and lockdowns, these sectors have seen unprecedented job losses,” says Bhushan Sethi, Joint Global Leader, People and Organisation at PwC.

Although this study does not include South Africa, I agree with PwC South Africa’s Chief Economist, Lullu Krugel’s statement that “there are similar patterns in South Africa… where the COVID-19 pandemic has disrupted hundreds of thousands of women’s lives, as well as putting a damper on years of progress around gender equality. As a woman working as a Wealth Manager in a male-dominated industry, is challenging, I know this all too well. The shift to remote work for women has been a significant change, as we attempt to balance our responsibilities around the virtual office, children’s needs, holding the household together and provide a lovely healthy meal on the table every night.

What to do What keeps me sane is the way I have structured my life such that there is balance between work and home. I also prioritise “me time” when I switch off and focus on activities that make me happy.
Some key financial factors to keep in mind To women contemplating resignation and aiming for a life with more peace and balance – I have the utmost respect. My cautionary would be to consider your financial plan in this contemplation by taking the following into account

• Retirement: Never take it for granted that your spouse is your Retirement Plan. In my experience, women need to remain in charge of their wealth and preserve their retirement savings accordingly.
• Will: Ensure that your Will is updated and in place so that your dependents are looked after, especially with regard as to who will look after your children when you and your husband are no longer here. If you do have minor children and would like to leave them a legacy, you can choose between a Testamentary Trust with a later age in mind or a Beneficiary Trust that will pay out at the age of 18.
• Insurance: Update your Life Insurance and your Disability and Critical Illness Cover, ensuring that the beneficiary is wisely chosen. If a minor child is a beneficiary on a Life policy and there is no provision for a Testamentary Trust or Beneficiary Trust in your Will, this could lead to the proceeds going to the Guardian. This is most likely not the outcome that you had in mind.
• Savings and Investments: When it comes to Discretionary Investments, planning and investing in a diversified portfolio is important. You need to spread your risk between different Investment vehicles, such as Property, Offshore Investments and Local Investments.

It is never too late or too soon to start saving. And then to those, like me, who want a seat at the table. If they do not give you a seat at the table, bring a folding chair. Out-source the things that are not that important (my friends always refer to me as the Outsource Queen) so that you can focus on what is important to you. Benjamin Franklin once said that “if you want something done, ask a busy person”. Well then, who better than a woman living a balanced life amid keeping fit and healthy, being a good mother, a compassionate partner, running a home, and being career-driven through it all. We need more professional women in management positions, so during this Women’s Month, ladies, remember that behind every successful woman is herself.

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