BRENTHURST
THE HOME OF WEALTH

INVEST BETTER with BRENTHURST

IN THIS ISSUE

South African investors can benefit from offshore investments by diversifying their portfolios, accessing international markets, and protecting their wealth from local economic fluctuations. However, understanding the different investment options, regulatory requirements, and potential risks is essential to making informed decisions and maximizing long-term returns.

JHB (HQ)	+27 (0) 11 799 8100
JHB (SANDTON)	+27 (0) 10 035 1391
PTA	+27 (0) 12 347 8240
CAPE TOWN	+27 (0) 21 418 1236
BELLVILLE	+27 (0) 21 914 9646
CLAREMONT	+27 (0) 21 100 3901
STELLENBOSCH	+27 (0) 21 882 8706
PAARL (VAL DE VIE)	+27 (0) 21 100 3901
GEORGE	+27 (0) 44 050 6057
MAURITIUS	+ 230 5843 5215

INVESTING OFFSHORE
A BRIEF GUIDE

KIM DOOLAN | TAX PRACTITIONER, BRENTHURST VAL DE VIE, PAARL

An increasing number of South African investors are seeking better returns elsewhere, yet are uncertain as to how to go about it.

In view of the recent GDP figures released for the SA economy (0.6% in the fourth quarter of 2024) and a range of uncertainties affecting the investment outlook for the local market, an increasing number of South African investors are seeking better returns elsewhere, yet are uncertain as to how to go about it.

Investing offshore doesn't have to be complicated, especially when an investor decides to take money offshore for various reasons.
Taking money offshore is basically the process of investing in what's called hard currency. Hard currency is any offshore currency, with the most prominent currencies being the US dollar, the euro and the pound, to a lesser extent.

Taking money offshore is probably the most complicated step of the investment process, but investors have several different options. The quickest and easiest way of taking money offshore is making use of the single discretionary allowance (SDA), or as it's also referred to, making use of your travel allowance. Each South African citizen can take R1 million out per calendar year, and if you are married, couples can jointly move R2 million offshore per calendar year.

Should you wish to take out an amount larger than that, then you will have to apply to the South African Reserve Bank (SARB) and SARS to do so. You are allowed to apply for up to R10 million per calendar year, per person. Effectively, married couples can move up to R22 million a year. This application process (to take an amount above your annual SDA offshore) is referred to as obtaining a tax clearance for which investors are issued a tax clearance certificate by the SARB and SARS.

As the years have gone by, the dollar amount has decreased as a result of the weakening rand (see below), and the complexity of applying and obtaining a tax clearance certificate has increased tenfold, due to compliance and South Africa being greylisted. Once completed, it's a question of where and how to invest.

2010 – SDA first introduced: R1 million = $135 000 (ZAR/USD: R7.31 average)
2015: R1 million = $64 000
2025: R1 million = $54 000 (ZAR/USD: R18.38 spot rate)
This equates to 6% less in dollar terms per annum since 2010, or a total of 60%!

Endowments are slightly more complicated and have limitations – one being a five-year term – but have several benefits that discretionary investments do not provide. Some of these benefits include a flat tax rate and lower effective capital gains tax, and they allow investors to bypass Situs tax in the case of direct equity exposure, such as share portfolios. All capital placed in an endowment does not trigger executor's fees on death, and some platforms allow for joint investment options in endowments as well.

When it comes to investing, both options mentioned above allow for investments in unit trust funds and share portfolios. Unit trust funds vary in terms of the risk profile and underlying assets, but they can also target specific sectors of the global economy – healthcare, technology and demographics, for example.
Share portfolios are direct equity exposure in the hands of the investor, which are either managed or can be structured in accordance with the investor's wishes – if you want to buy a certain amount of shares in Nvidia, for example. These options provide better exposure to a broader market and from a geographical point of view as well.

There will always be tax implications, but depending on your investment structure and tax rate, a suitable investment structure will always be available.

Fixed investments are also provided offshore. These structures typically expire after five years, but provide certain elements of capital assurance. They are typically aimed more at investors who want to limit drawdown and risk. Fixed investments also have performance caps, but they're the best example of having low downside risk and moderate market performance participation.

Alternatively, investors can invest in South African domiciled funds, which have offshore exposure. These are typically referred to as feeder funds and asset swaps. A feeder fund is a ZAR-based fund of an already existing offshore fund, and an asset swap is a ZAR-only fund that has underlying offshore assets. The main difference is that any withdrawals from these funds will always be distributed in ZAR terms, although the underlying assets are offshore. You still benefit when the offshore markets grow and the rand weakens, but you will not be able to redeem your capital into an offshore bank account, for example.

Asset swaps and feeder funds are available in retirement annuities, living annuities, local endowments and local discretionary investments, including tax-free savings accounts, subject to certain limitations, such as Regulation 28. Some platforms have offshore caps in living annuities due to SARB limitations.

It's important to understand the difference between offshore exposure, which is ZAR-based, and direct offshore exposure – buying USD and investing.

Investors can further beef up their financial aptitude by opening an offshore bank account, so that any capital withdrawals can remain offshore.

Understanding where to invest is more important than actually getting the capital overseas. The main point of investing offshore is to get exposure to different markets and assets and broaden an investor's scope outside of South Africa.

It is always advisable to consult an experienced, qualified advisor to guide you.

MAGS HEYSTEK | CERTIFIED FINANCIAL PLANNER®, BWM BELLVILLE

MAGS is the head of the Sandton office, and also serves as the key individual for Johannesburg. Mags has been in the financial services industry for over ten years and qualified as a CERTIFIED FINANCIAL PLANNER® Professional in November 2012. Mags also acts as a representative and key individual for Brenthurst Capital (Pty) Ltd and a member of the investment committee dealing with investment and asset allocation decisions. Mags is a CERTIFIED FINANCIAL PLANNER® professional, a member of the Financial Planning Institute of South Africa and is fully qualified to give advice on all investment matters.

Phone: +27 (0) 21 914 9646 | **Email:** mags@brenthurstwealth.co.za

HOW TO CHOOSE THE
BEST INVESTMENT
VEHICLE FOR YOUR GOALS

MARIA SMIT | CERTIFIED FINANCIAL PLANNER®, BWM PRETORIA

>> READ MORE

Johannesburg	+27 (0) 11 799 8100	**Claremont**	+27 (0) 21 100 3901	**SATELLITE OFFICES:**
Sandton	+27 (0) 10 035 1391	**Bellville**	+27 (0) 21 914 9646	**KZN: Arin Ruttenberg** +27 84 582 8581
Pretoria	+27 (0) 12 347 8240	**Stellenbosch**	+27 (0) 21 882 8706	**FREE STATE: Iniel Van Zyl** +27 72 298 3212
CPT Waterfront	+27 (0) 21 418 1236	**Val de Vie Estate**	+27 (0) 21 100 3901	**NORTH WEST: Maria Smit** +27 79 696 6860
George	+27 (0) 44 050 6057	**Mauritius**	00 230 5843 5215	**MPUMALANGA: Marise Reinach** +27 72 795 3604