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BUILDING WEALTH SINCE 2004

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The higher TFSA limit gives investors a valuable chance to grow tax-free savings faster.

Contributing early boosts long-term compounding, but it is important to stay disciplined, avoid withdrawals, invest for growth, and remain within the contribution limits.

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HOW TO MAKE THE MOST OF THE TFSA LIMIT INCREASE

RONÉ VAN DER MERWE | PARAPLANNER, BRENTHURST TYGER VALLEY

The finance minister's latest budget speech brought some welcome news for South African savers. From 1 March 2026, your annual tax-free savings account (TFSA) contribution limit was increased to R46,000, while the lifetime limit remains capped at R500,000.

At first glance, this might not seem like a major shift. However, if used strategically, it could present an opportunity to grow your money without paying tax on those higher returns.

TIMING MAKES ALL THE DIFFERENCE

A TFSA remains one of the most effective long-term investment tools available to you.

That's because any growth in qualifying accounts and investments is exempt from taxes you pay on regular investments. So, when you earn interest, dividends or sell investments at a profit, you pay no tax.

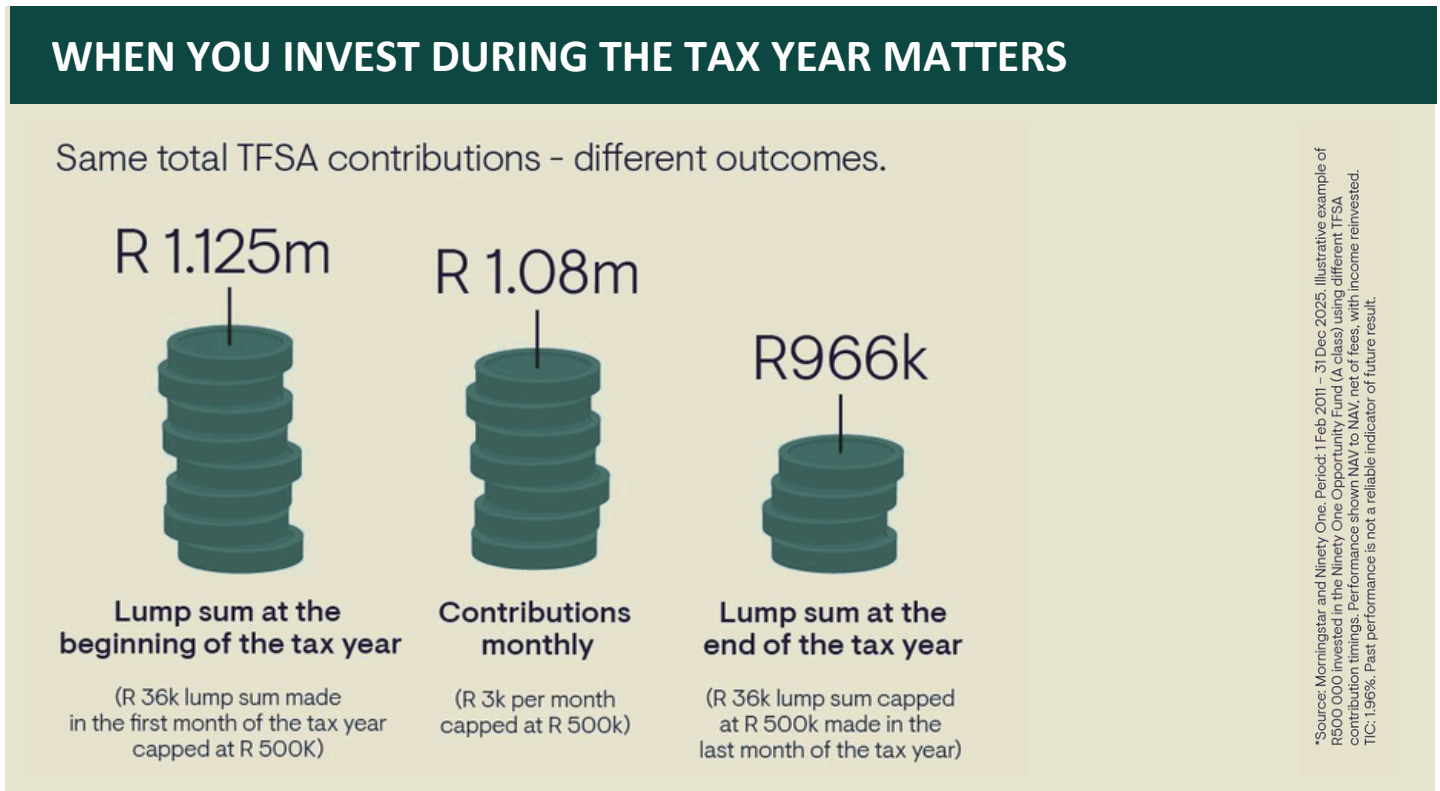
Over time, that combination creates powerful compounding. However, there's one way that you can gain even greater returns by adopting a simple strategy.

If your contribution is invested early in the tax year, it has more time in the market. That means more time to earn returns, and more time for those returns to compound.

If, on the other hand, your contributions are delayed or spread out later in the year, part of your money simply doesn't get the same opportunity to grow.

It's a subtle difference at first, but as with most things in investing, small differences tend to become more meaningful over time.

Have a look at this graphic:



It confirms that by doing nothing more than investing at the start of each year produced roughly 4% greater returns than monthly contributions. More importantly, this strategy increases your returns by more than 16% compared to waiting until the end of the tax year before investing your lump sum amount.

The reason is simple: more money was invested for longer, which is beneficial from the compounding perspective.

MONTHLY CONTRIBUTIONS VERSUS GETTING IN EARLY

Of course, not everyone's in a position to invest a full lump sum at the start of the tax year. For most people, monthly investing is the most practical approach, especially as it builds consistency, creates discipline, and makes investing manageable alongside everyday expenses.

And there's nothing wrong with that.

However, if you can invest earlier in the year, even partially, that's a strategy worth considering because it allows a portion of your investment to start working sooner.

Over time, that earlier start can make a noticeable difference without needing to change your behaviour.

POSITIONING YOUR TFSA WITHIN YOUR BROADER PLAN

While it's tempting to look at a TFSA in isolation, it's rarely how it should be approached in practice. In our experience, the real value comes from how a TFSA fits into your broader financial plan. It's not about opening an account and contributing in isolation, but rather about using it alongside other structures to improve your overall outcome.

Your retirement annuity, for example, provides tax relief upfront, helping to reduce your taxable income today. Your TFSA, in contrast, offers tax-free growth and withdrawals, which becomes particularly valuable later on. Together, they serve different but complementary roles.

This becomes especially important during retirement, where flexibility matters. Having access to a pool of tax-free capital allows you to manage your income more efficiently and avoid unnecessary tax.

In that sense, a TFSA isn't a standalone solution – it's one piece of a well-structured, long-term plan.



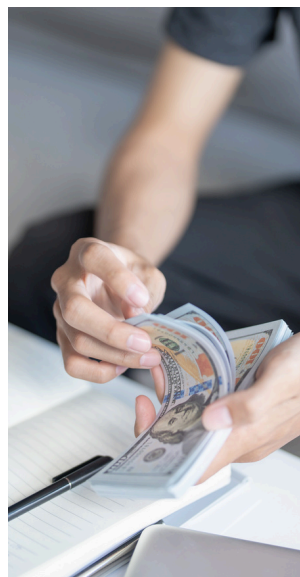
A SIMPLE WAY TO APPROACH YOUR TFSA

If you're unsure how to make the most of your TFSA, it helps to focus on a few key principles.

Start by making sure you use your annual contribution allowance each year, as unused allowances can't be carried forward. Missing a year means permanent loss of that opportunity for tax-free growth. From there, consider contributing as early in the tax year as possible, even if it's only part of the total allowance.

It's also important to ensure that your investment strategy aligns with long-term growth. Given the time horizon of a TFSA, exposure to growth assets, such as equities, is typically appropriate.

Finally, avoid withdrawing funds unless absolutely necessary. Once money is withdrawn, the contribution room is lost, which reduces the long-term benefit of the account.



CREATING A LONG-TERM ADVANTAGE FOR YOUR CHILDREN

At the same time, a TFSA can also be a powerful tool when used for your children. Starting early allows their investments to benefit from decades of compounding, all within a tax-free environment. Even relatively small contributions can grow into meaningful amounts over time.

This can help fund future expenses such as education or a first property, but it also does something equally important. It introduces them to the habit of long-term saving and investing, which is often the foundation of financial independence.



MAKE THIS YEAR COUNT

The increase in the annual TFSA limit is a positive development. It gives you more capacity to grow your wealth in a tax-efficient way.

If you're already contributing, this is a good opportunity to review your approach and consider whether your TFSA is working alongside your other investments as effectively as possible.

And if you haven't started yet, it may be worth stepping back and asking how it fits into your overall strategy, rather than treating it as a once-off decision. Because in the end, building wealth isn't about individual products, it's about how everything works together over time.

RONÉ VAN DER MERWE | PARAPLANNER, BRENTHURST TYGER VALLEY



Roné joined Brenthurst Wealth in March 2021 as an administrative assistant to André Basson in the Val de Vie (Paarl) office. In 2022, she relocated to the Tyger Valley office, where she progressed into a paraplanner role.

She currently supports Suzean Haumann, CFP® (Head of Brenthurst Tyger Valley), André Basson, CFP® (Head of Brenthurst Val de Vie), as well as Aidan Freswick.

Roné has completed an Advanced Certificate in Financial Planning (NQF6) and is currently pursuing her Postgraduate Diploma in Financial Planning. She is passionate about educating younger individuals on investing, saving, and the long-term impact that financial decisions made today can have on their future

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