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Investing for a  
world of change

# Assistants' Masterclass 2023

Module 4: Offshore Investing  
Albert Coetzee  
15 June 2023



# Assessments

Date	Module	Topic	Presenter
4 May	Module 1	Ninety One IP Products	Jocelyn Morgan
18 May	Module 2	Tax matters	Janine Langenhoven
1 June	Module 3	Web tips	Candice Wilson-Moore
<b>15 June</b>	<b>Module 4</b>	<b>Offshore</b>	<b>Albert Coetzee</b>
29 June	Module 5	Transfers made easy	Noelene Pillay
13 July	Module 6	General Practice management	Jean Nasser

- One hour sessions, every second Thursday
- Assessments will be available till 2 weeks after the last module
- Pass rate = 80%; 91%+ will be a distinction

# What if I have questions ?

- **Module specific questions can be typed in the Q&A section of the call**
- Dedicated mail support: [masterclass@ninetyone.com](mailto:masterclass@ninetyone.com)
- Ask your Sales Manager



# Our offshore reach is your investment power

1,208

Full time employees

21

offices

14

countries

251

Investment professionals globally

Global AUM

R2.8 trillion

Clients in

104 countries

128<sup>th</sup>

Top 500 world's largest asset manager<sup>1</sup>

Dual listed

JSE



London Stock Exchange

<sup>1</sup>Source: Willis Towers Watson Largest Asset Management report 2022.

Source: All figures shown are as at 31 March 2023



Why offshore?



# All about diversification

Diversification – **Global opportunity** set in terms of number of stocks is exponentially larger

Diversification – Offshore provides access to **sectors not available in South Africa**

Diversification – against **political risk** and poor policy choices

Diversification – **against the Rand**





# And once you have made the decision to go offshore

Choosing the correct structure for your needs is of critical importance

What are you investing for?

Tactical opportunities?

Succession planning?

To maximize tax efficiency?

How do you want to contribute?

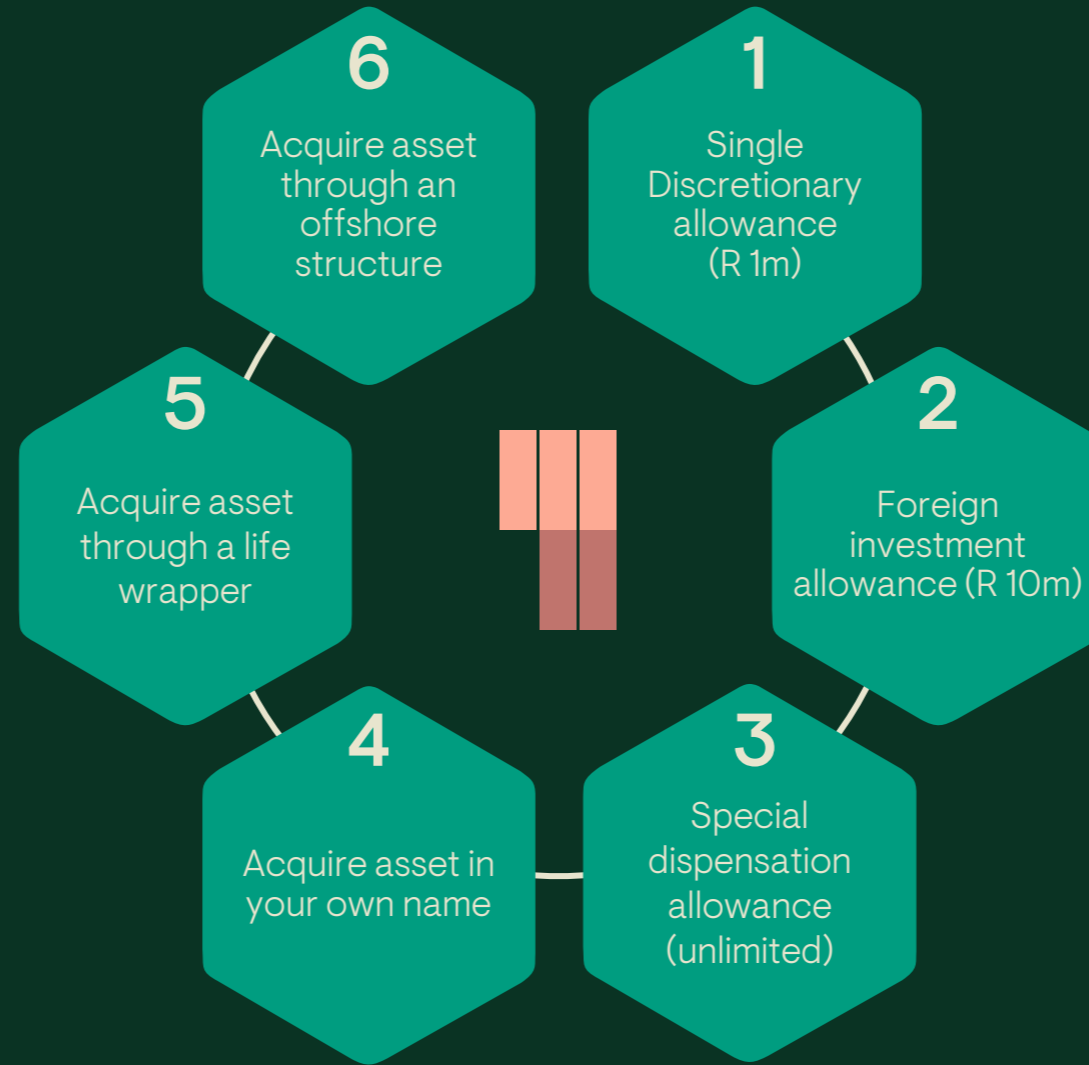
One off lump sum or regular contributions?

Do you require access to your funds?

How frequently?



# Available options when taking money offshore







# SARS tax clearances and further recent developments:

An insight into the admin process and timelines

- **SARS** processing time of **21 working days**
- 21-day **period commences** as soon as the **tax clearance application** has been submitted and the **supporting documents uploaded**
- BUT!!! The **days between 15 December and 15 January do not count** as part of the 21-day period...
- ... Meaning **investors need to take this into account** when trying to use their allowance before 31 December
- What happens if I **received clearance but didn't use it?**



South African Revenue Service



# Who can Invest?

Products were designed with SA Tax Residents in mind:

## Natural Persons

**Minor** = May not invest directly, but may retain the investment offshore if inherited **subject to SARB approval**

**SA Trust** = May not invest directly, but may retain the investment offshore if inherited **subject to SARB approval**

**Offshore Trust** = May invest subject to legislation in resident country

**Legal Entities** = Yes for Global Investment Portfolio where specifically permitted under the exchange control regulations. Not for Global Life Portfolio





# Assessing the offshore product landscape

Key considerations and their implications

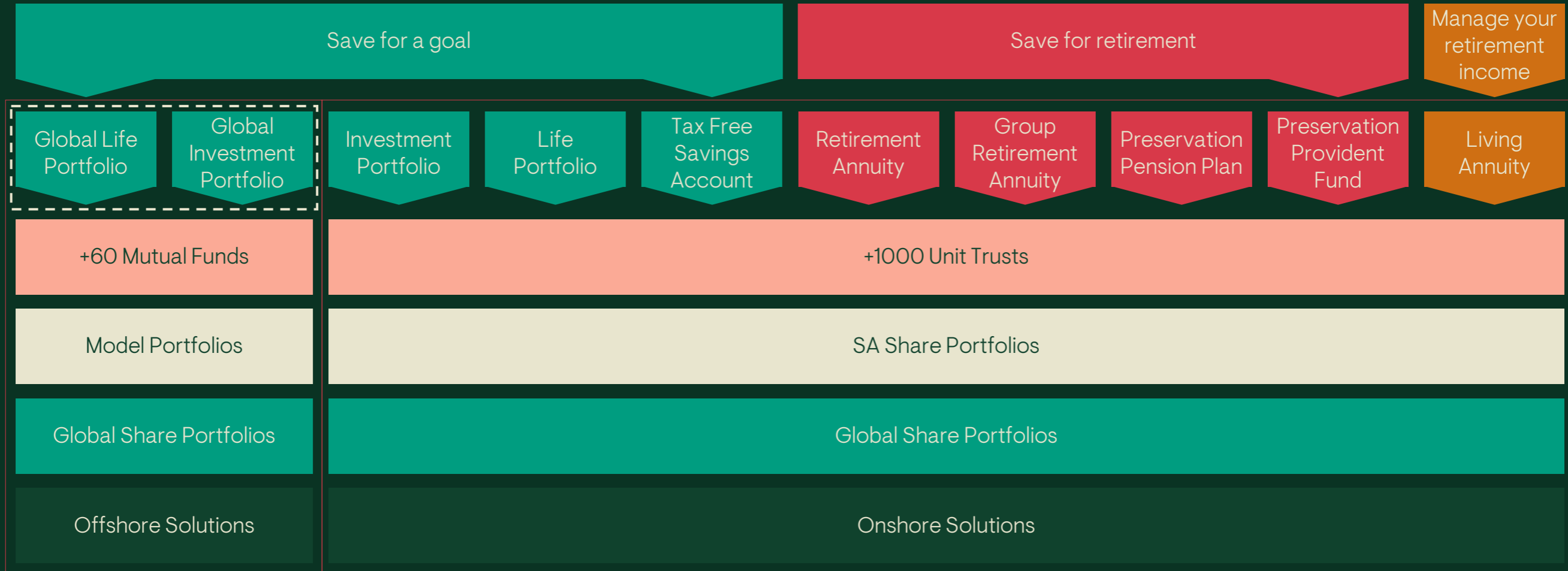
	Cost	Liquidity	Tax treatment	Flexibility/ control	Succession / Estate Planning?
Direct UT / Investment Portfolio	✓✓	✓✓✓	✓✓	✓✓✓	✓✓
Direct Shares	✓✓	✓✓✓	✓	✓✓✓	✓
Policy wrapper / Global Life Portfolio	✓✓	✓✓	✓✓✓	✓✓	✓✓✓
Offshore Trust	✓	✓✓	✓✓	✓	✓✓✓
Offshore Pension	✓	✓	✓✓✓	✓	✓✓✓

The background features a dark teal color with three overlapping, light orange geometric shapes on the right side. These shapes are trapezoidal and arranged in a descending staircase pattern from top-right to bottom-right. The text 'Ninety One offering' is positioned on the left side of the image.

Ninety One offering

# Integrated investment platform

A one stop shop for advisors offshore and domestic needs



**A broad product set, quality reporting, web access and client level pricing removes the need to split client assets**



# Building an offshore platform for a SA Tax Resident

## Key factors

**Establish certainty** about the consequences of your functionality/structure

**Fully integrated** with local platform

Reward families who **save** together with **discounted fees**

Online functionality and ease of transactions

A **choice** of product wrappers

Sufficient investment options across unit trusts

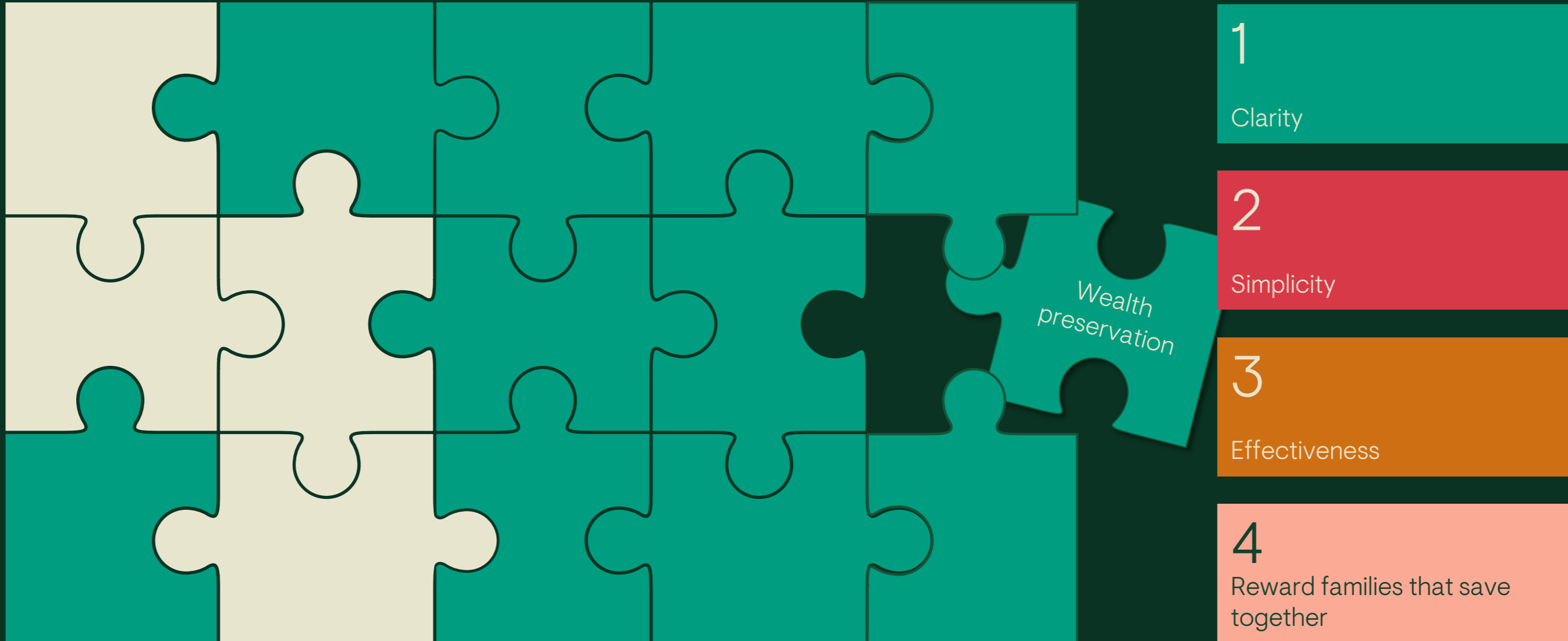
**Simplified** tax reporting





# Offshore investing

The wealth preservation piece of the financial planning puzzle





# Ninety One Family Office

One year on

> R 26bn AUA

Heavily used in offshore space

>2,500 fee families

Transfer assets building steadily





Ninety One offering when  
investing offshore



# Clarity around product mechanics and functionality

Helps provide certainty around financial advice given

No hidden surprises or unexpected outcomes

Understanding the competitor landscape

Understanding the merits of different structures

Extensive documentation

Solving financial planning issues and avoiding unintended consequences



# The Ninety One product suite

Delivering enhanced reporting and fee aggregation

Global  
Investment  
Portfolio

Global  
Life  
Portfolio



# Policy wrapper: The product structure is important

Things to look out for

Sinking Fund or Endowment?

What happens on death?

Roll up funds or distributing?

Where is the administration done?

Are joint holders allowed?

Does the product allow for loans?

Does the product allow for alternative beneficiaries?

Percentage of capital available during first 5 years?

What is the jurisdiction?

Charging structure, any penalties involved?



# Policy wrapper: The product structure is important

Things to look out for

Beneficiary for ownership or proceeds?

Are CGT losses carried over?

120% rule after 5 years or after death

Ease of transactions

Family reporting and fees

Protection against creditors?

Does the product allow for loans?

Is there interest charged on a loan?

Do loans carry over on death?

Linked license vs Full license



# Global Policy Wrapper vs other global investment structures



# Offshore wall of worry

... Aside from performance

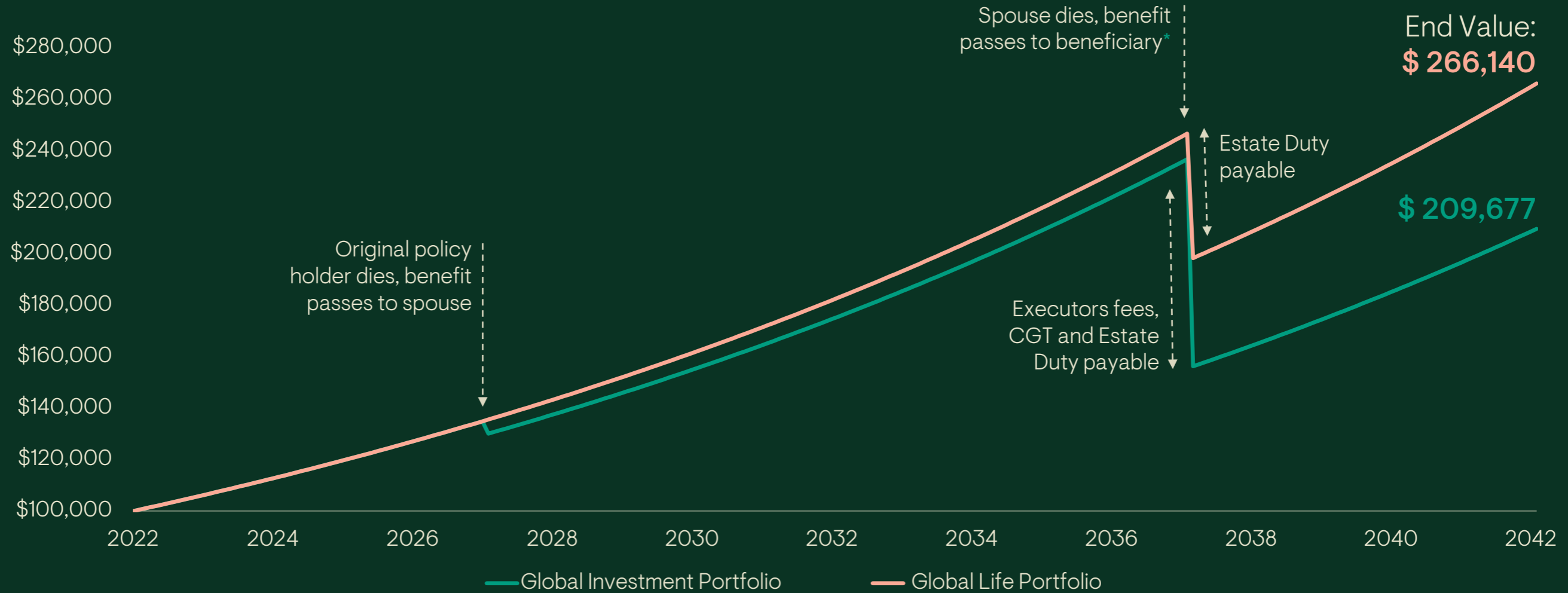
	Global Life Portfolio	Married (Discretionary)	Single/Widow/er (Discretionary)
Income Tax	N/A	45%	45%
CGT on disposal	12%	18%	18%
Protect from Probate	✓	?	?
Protect from estate duty	✓ ***	✓ ***	✗ 20/25%
CGT on death	N/A	N/A **	18%
Save executors fees	✓	✗	✗
Liquid on death	✓	✗	✗
Flexible ben options	✓	✗	✗
Protect from Situs	✓	✗ *	✗ *

\*Where situs assets held \*\* Where benefit is passed to spouse \*\*\* Where benefit passed to spouse



# Global Life Portfolio

## Tax benefit and efficiency of succession



### Allowing for preservation of wealth across generations





# Help me create the most efficient beneficiary nomination

Alternative beneficiaries protect against un-intended consequences



Sinking Fund or Endowment?



Roll up funds or distributing?



Are joint holders allowed?

Local and Global Life Portfolio

Paid out to estate

CGT deducted

12% growth lost to tax

Probate applicable to Global Life Portfolio

| Allowing for tax-efficient and cost neutral transfer of wealth



# How do I create liquidity on my death?

Ninety One local and Global Life Portfolio – Providing succession planning across generations

For Owner?	Tying in the next generation?	For Beneficiary?
Managed liquidity to provide for emergencies	Beneficiary nomination	Can take ownership quickly on death
30% Income tax (local only) 12% effective CGT		Retains tax efficient structure
Provide liquidity for loved ones on death (avoid masters office)		CGT Rollover
		Term falls away allowing for regular incomes
		Loan value is transferable to beneficiary

# The importance of structure

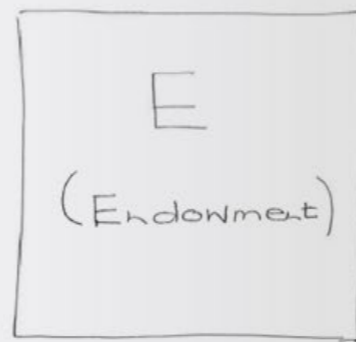
## Offshore - Structure is everything!!!

- a) Family Office removes the need for joint accounts

Scenario 2:

H (Plan holder)

H + W (Joint Life Assureds)

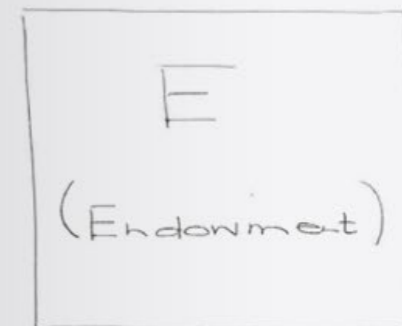


S + D (Beneficiaries)

Scenario 2 Continues:

~~H~~ (Plan holder)

~~H~~ + W (Joint Life Assureds)



S + D (Beneficiaries)

# The importance of structure

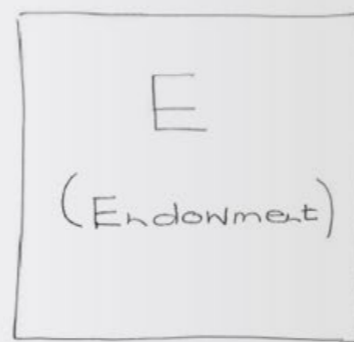
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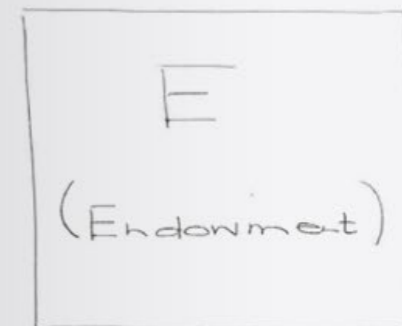


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S + D (Beneficiaries)



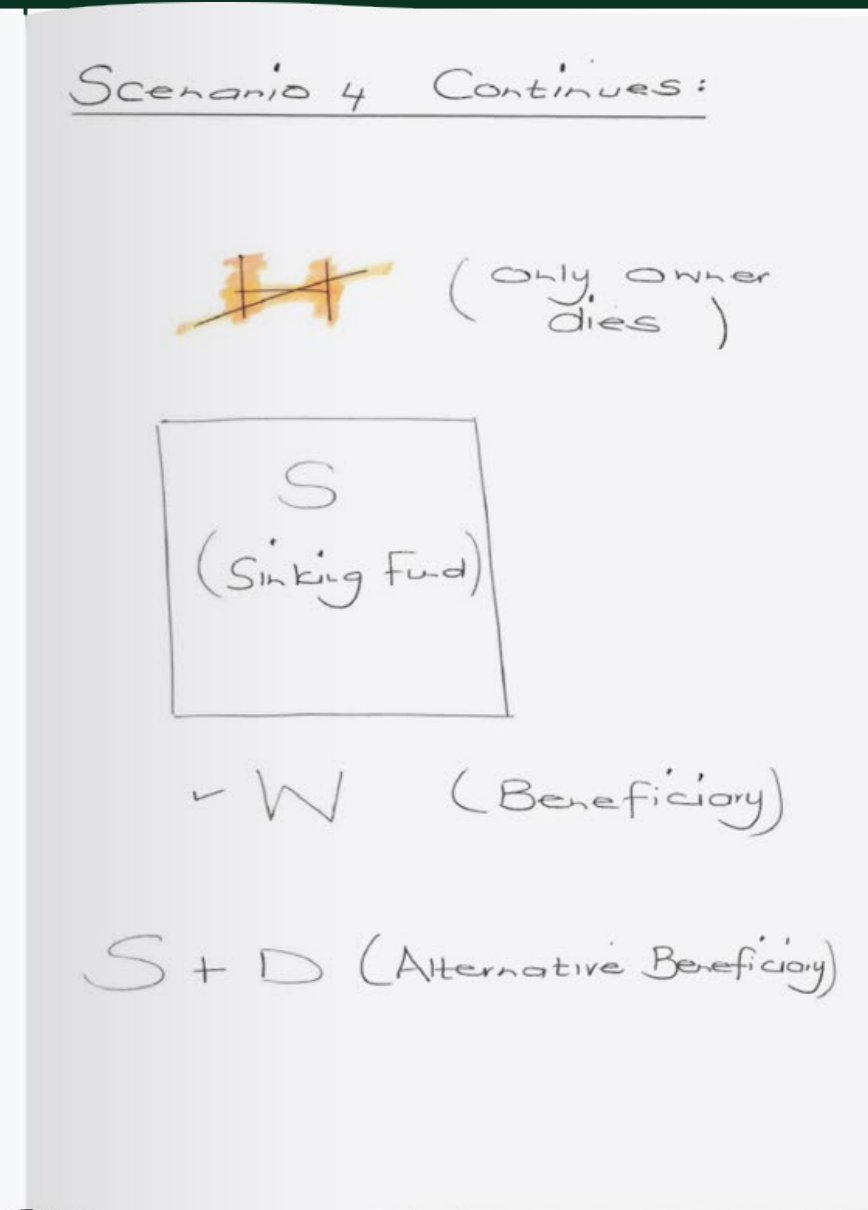
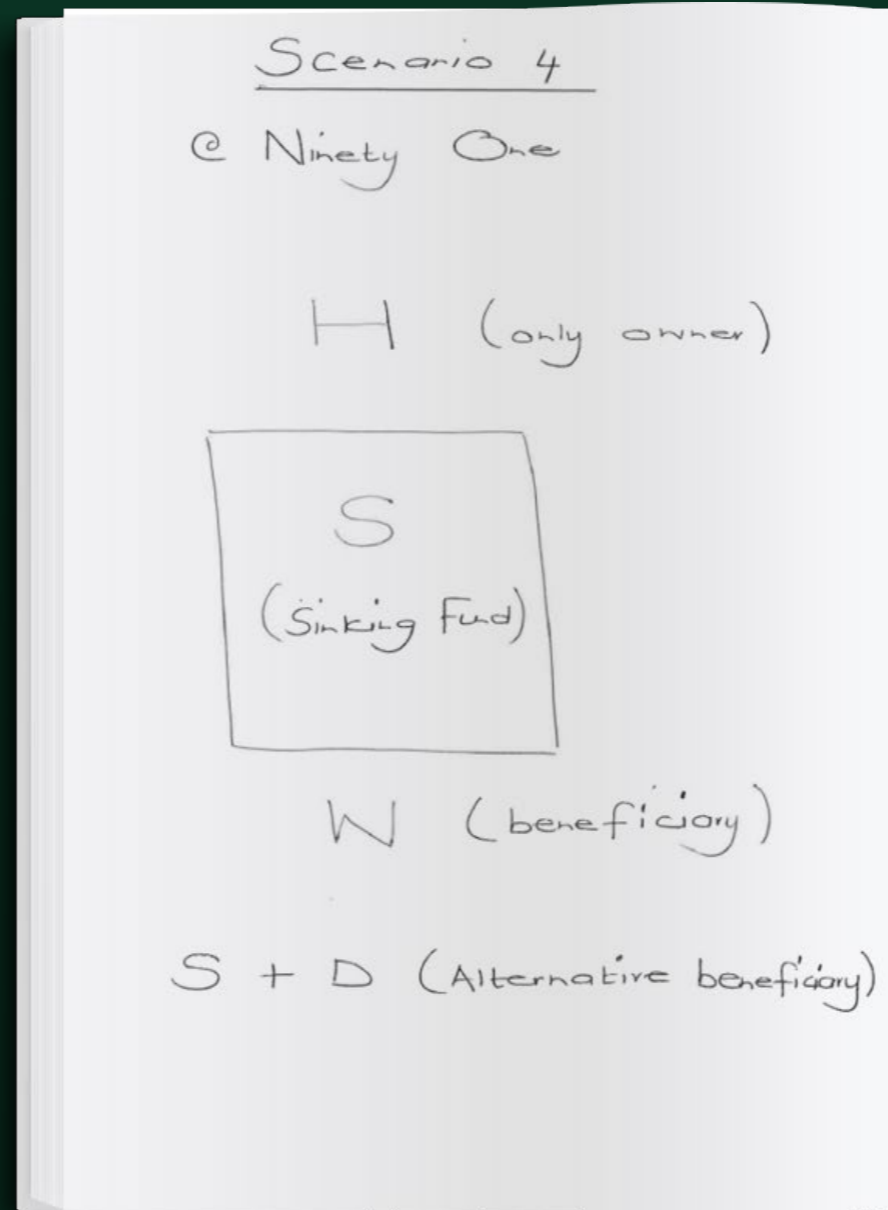
# Why Ninety One do things differently

The advantages of sinking fund policies

## Offshore - Structure is everything!!!

- a) Family Office removes the need for joint accounts

Avoiding unintended consequences



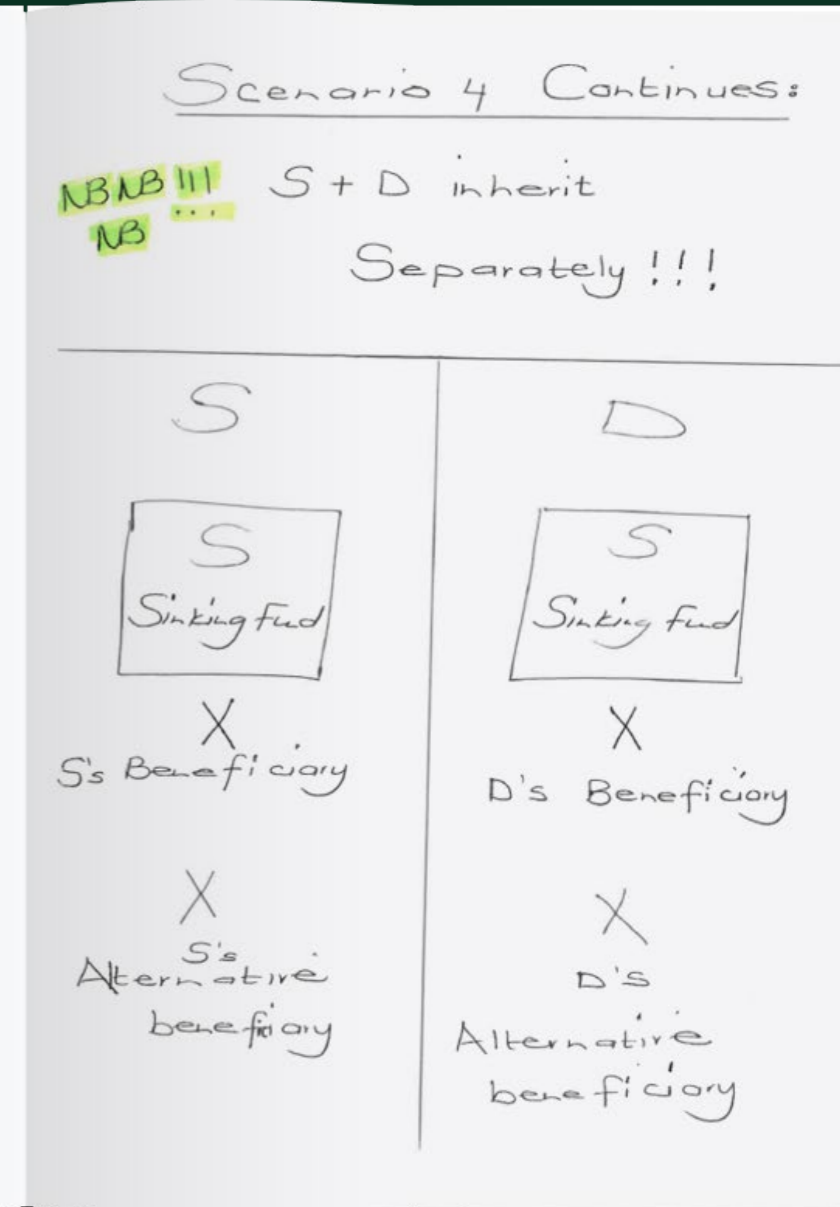
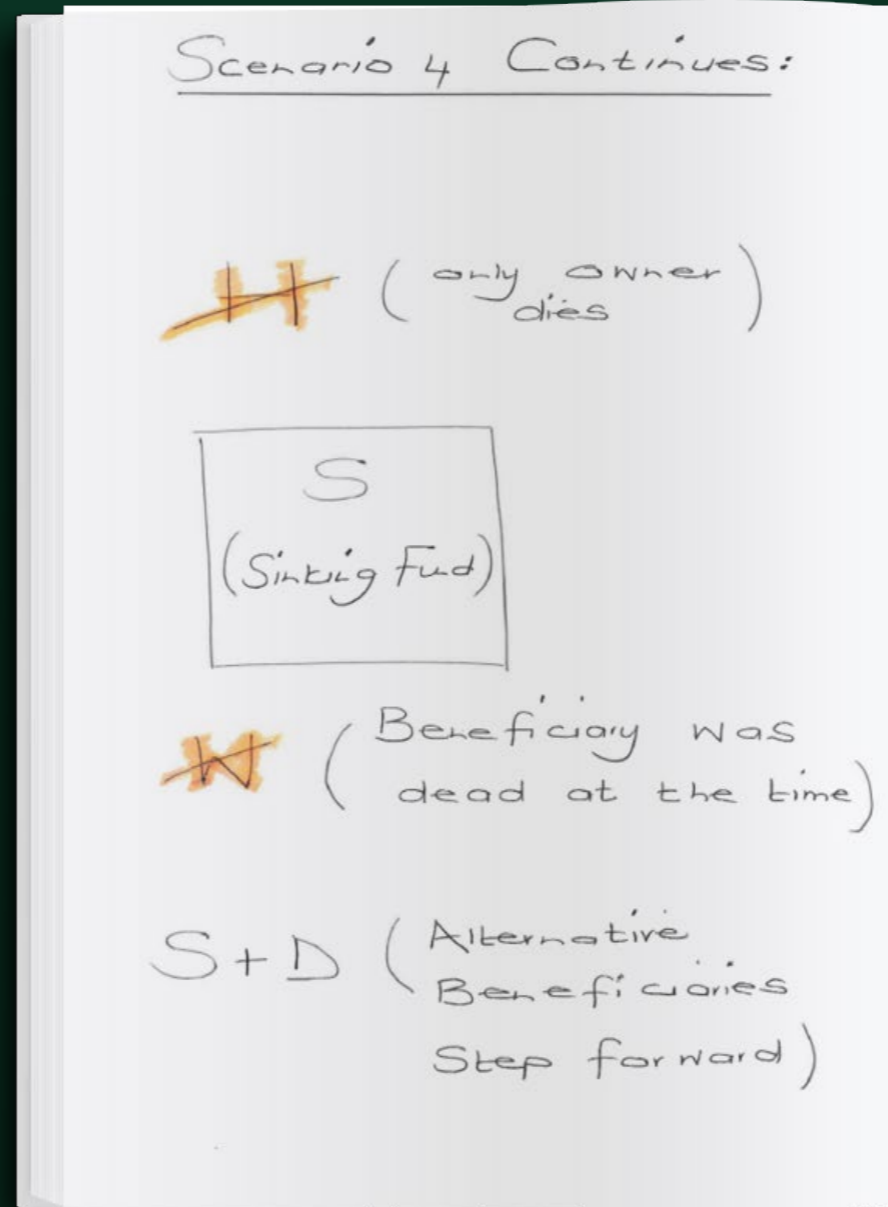
# Why Ninety One do things differently


## The advantages of sinking fund policies

### Offshore - Structure is everything!!!

- a) Family Office removes the need for joint accounts
- b) Beneficiaries inherit separately
  - i. Removes need to agree with other beneficiaries
  - ii. Removes vulnerability to CGT where one takes cash
  - iii. More efficient in managing who receives what on death

Avoiding unintended consequences



The background features a dark green field on the left and a light orange field on the right. The two fields are separated by a jagged, diagonal boundary that creates several irregular, overlapping shapes. The text is positioned in the dark green area.

How can I transition  
wealth while I am alive



# To reduce fees and taxes when I pass away?

## Outright cessions

- a) Ninety One Global Life Portfolio
  - How do I let go of assets to the next generation without incurring CGT?
  - Reserve bank relaxation means SA residents can donate/lend to ANY other SA resident (used to be spouses only)
  - But how does Ninety One product structure and functionality make it feasible?
  - Ninety One structure vs 999 policies?



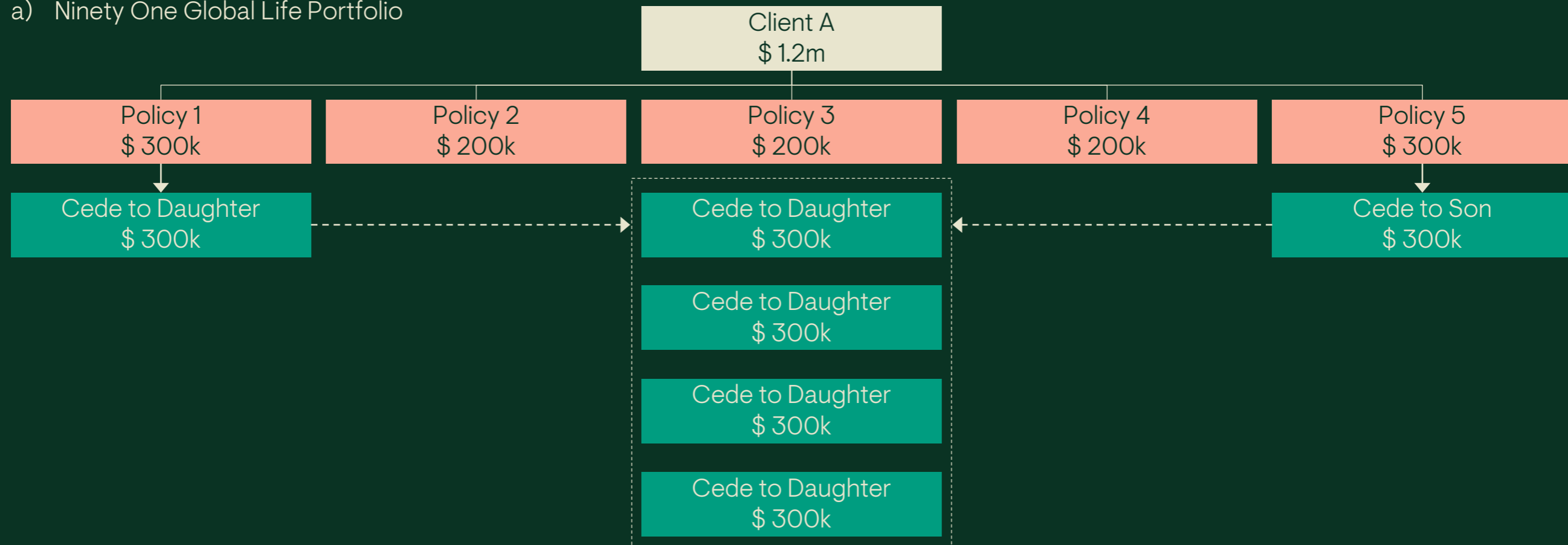


# Outright cessions can be incredibly powerful

Bringing in the next generation

## Outright cessions

a) Ninety One Global Life Portfolio



# Roll up funds vs Distributing



## Roll up funds vs Distributing

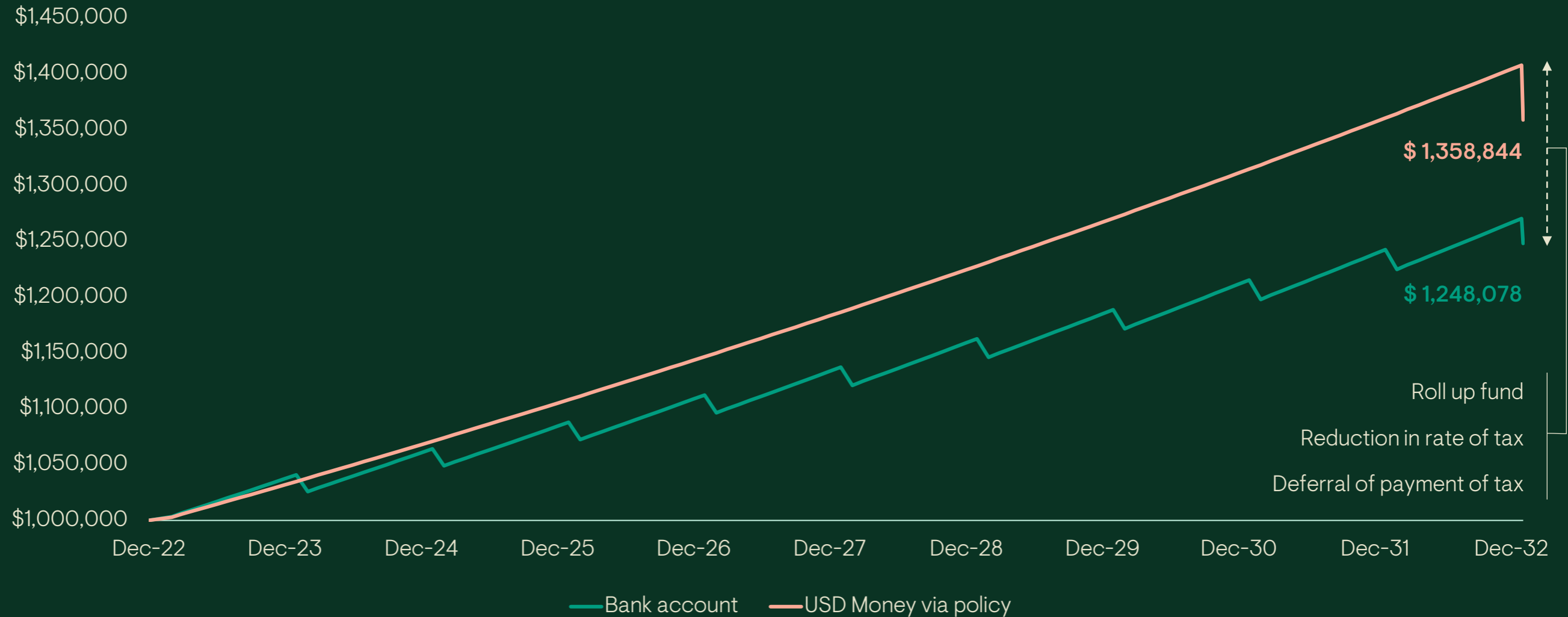
Unit trusts in **South Africa** are all based on a “**distributing class basis**”. This effectively means that **all interest and dividends** received by the assets in the unit trust fund are **paid out to investors** either quarterly, half yearly or yearly. **Investors become liable** for far more **onerous foreign interest** as an example up to the **individual/trust tax rate of 45% Income tax**

**Internationally, both options** are **available to investors** where commonly in South Africa (and most of the world), the “**roll up/accumulation**” class version is used. This effectively means that **any interest or dividend** received by the fund, **pushes up the unit price** of the unit trust accordingly. The benefit to this route is that **income tax** is **converted to capital gains tax**, which **gives the investor** in the long run a much more **simplified** and **better effective after-tax return**



# What is the most efficient solution

## For cash in Offshore bank accounts?



Source Ninety One, for illustrative purposes only. Yield on offer will fluctuate over time. Assumed growth of 4% assumed in both scenarios. 0.33% platform fee and 0.25% advice fee deducted from policy wrapper example. 45% income tax deducted annually from bank account example, CGT of 12% deducted at end of illustration from policy example

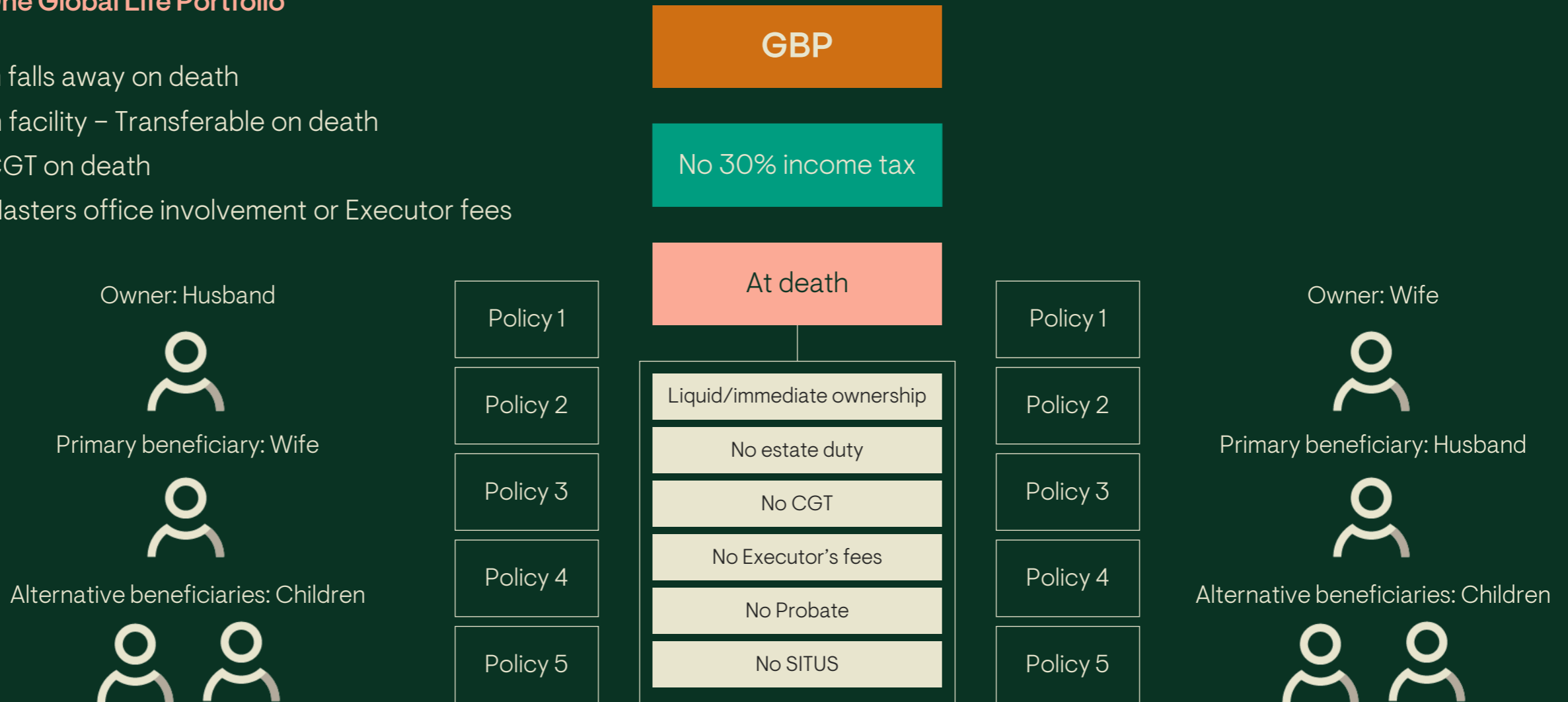


# Does offshore cash present an opportunity for advisors?

Highlighting the importance of structure

## Ninety One Global Life Portfolio

- a) Term falls away on death
- b) Loan facility – Transferable on death
- c) No CGT on death
- d) No Masters office involvement or Executor fees



The background features a dark green field on the left and a light orange field on the right, separated by a diagonal boundary. The orange field contains several overlapping, angular shapes that create a layered, architectural effect.

New developments



# The cherry on the inter-generational cake

... Pure offshore platform

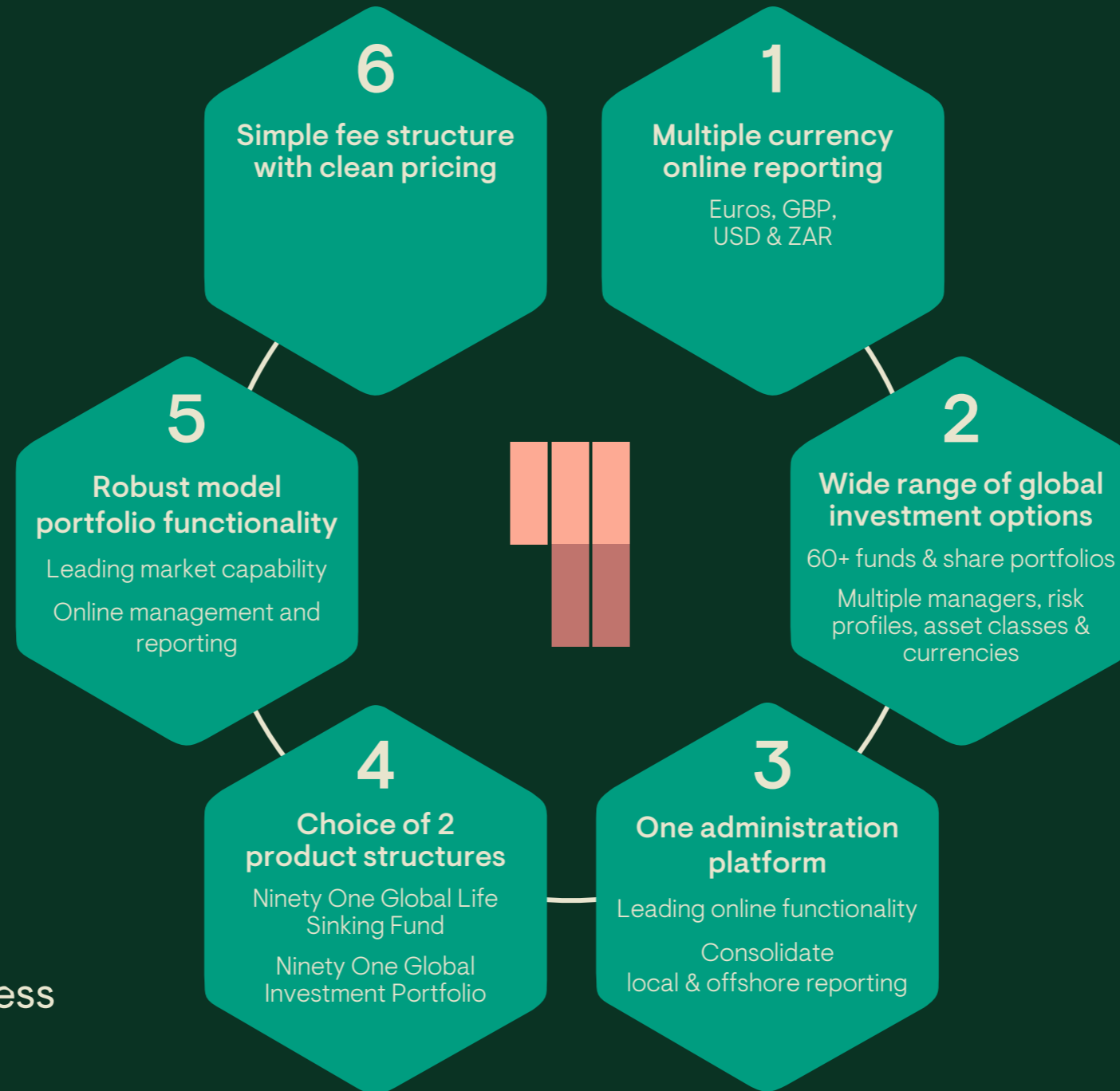
- Will help **tackle the VAT issue** for new and existing **offshore trusts** and non **SA residents**
- Deals with **estate planning issues** of products designed for **SA tax residents**
- Provides “**safe**” **tax neutral vehicle** for **clients** or **beneficiaries living abroad** or with **no tax residency**
  - **Closes the loop** for **Ninety One IP product solution**
  - Allows **Global Investment Portfolio** assets to **migrate** to “**pure**” **offshore** as **circumstances change**
  - Allows **offshore trust/person** (as beneficiary of GAPU) to **receive assets offshore**
  - **Receptacle for local assets** when **tax residence changes**
  - **Facilitates intergenerational transfer of wealth**



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Why Ninety One  
for offshore?



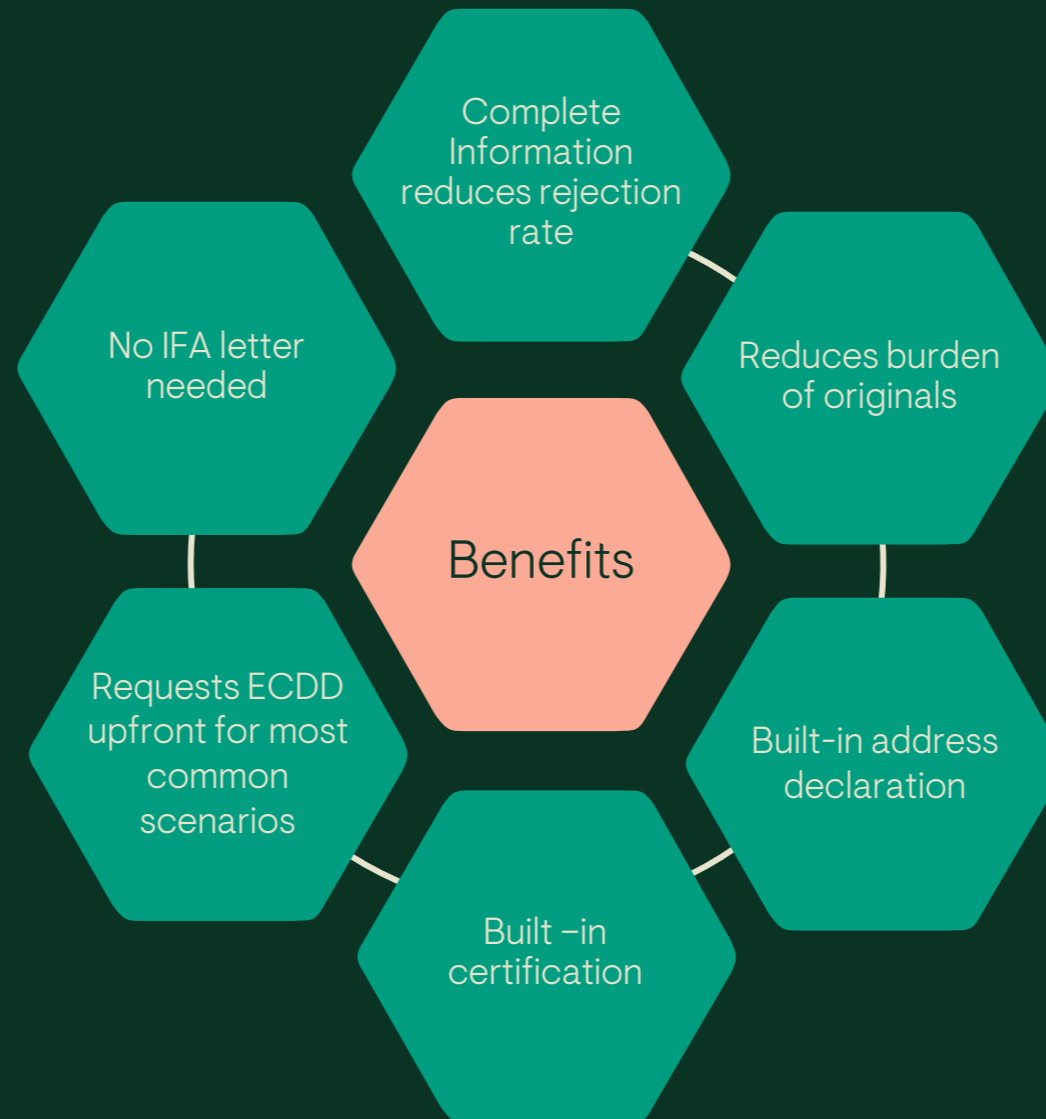


Simplified, flexible access to offshore markets



# Online Functionality

Benefits of using online functionality for new applications





# Join us on 29 June

Remember to Register

## Transfers made easy

This session will cover various types of transfers including Tax-free Savings Accounts, Section 14, Living Annuity, voluntary and offshore transfers.

We will break down each transfer and explore their requirements and processes, along with tips and best practices to simplify and manage the transfer process.

## Noelene Pillay

Estate Late Team Leader

15 years industry experience





Thank you

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