

Various options make light work of investing

OFFSHORE investing has never been easier with a wide range of options open to today's savvy investors and a legal allowance that allows people to build up their offshore exposure.

Gerhard Lampen, head of Sanlam iTrade, says it is extremely easy these days to invest offshore.

For people who do not plan any overseas trips, they can use all of their R1m annual allowance without having to go through much in the way of red tape.

Taking advantage of the R10m offshore investment allowance does involve more paperwork but very often service providers will help to facilitate this process. In addition, investors have a range of local companies — so-called rand hedge stocks that they can buy on the JSE.

Furthermore, there are many rand denominated funds that South Africans can use to gain offshore exposure without needing to move any money out of the country.

Lampen says iTrades recently launched its iTrade Global which allows investors to engage in online trading across global markets and using the R1m annual allowance means that investors can set up their accounts, shift funds and begin trading in a short space of time.

“People just need to fill in a form at the bank and they can transfer up to R1m overseas (if they are not planning an overseas trip). They can always use the funds overseas if they want to travel or transfer less than R1m.

“Opening account takes a few days and then you can begin

investing, though it is often wise to go for the well-known blue chip brands that people are using themselves. They need to do their research, examine valuations and buy shares when they offer value,” Lampen says.

He adds that when investors do not know offshore markets and companies one good way to get their offshore investment feet wet is to consider some of the wide range of exchange traded funds and managed exchange traded funds.

Magnus Heystek, investment strategist and director of Brenthurst Wealth, says South Africans have come a long way from the days when they were not legally permitted to take money out of SA and were not able to diversify their portfolio by adding offshore exposure.

Today, not only can South Africans invest their R1m annual allowance but they also have their

R10m offshore investment allowance that can even be increased.

“If you have a good motivation, you may be granted more than the R10m investment allowance,” Heystek says.

There are also a range of rand denominated funds as well as locally listed rand hedge stocks.

“South Africans have become comfortable with offshore diversification and this trend has also been supported by the rand's weakness over the past five years and the returns have vindicated their decision to gain more exposure to offshore assets.

“We do warn people that it is not a one-way street and there will be periods of dollar underperformance. We spend a lot of time educating people so that once their money is invested offshore in dollars, they need to price their assets in dollars.

“We strongly recommend that people do not convert back to rand. People do not always follow this advice as there is always the temptation to convert when markets shift,” Heystek says.

Another recommendation is that people invest for the long term and consider a five to 10-year time horizon as a minimum. Also, if people have any income requirements that they will need from those assets in the next five years, they should not think of taking that money offshore.

“Not only is there a lot of paperwork involved in having money repatriated to SA, but there are often significant transaction costs involved as well, making moving money to and from a costly exercise,” Heystek says.



Gerhard Lampen ... global markets.