

Getting money offshore

PRACTICALITIES: FOUR THOUGHT-PROVOKING WAYS TO INVEST OUTSIDE SA

➤ Investing offshore provides investors with an opportunity to reduce their exposure to local risk.

Renee Eagar

With local markets providing historically low returns, there has been an increased interest in investing offshore.

We unpack some of the practicalities of investing offshore.

Opening a bank account

Probably the most straightforward option is opening a bank account in a foreign country. It does not even need to be in an interest-bearing account.

When considering opening a bank account offshore it is important to consult a foreign-exchange expert.

There are several factors to take into consideration, including minimum deposits, tax requirements (both in South Africa and offshore), which countries to consider and, of course, the fee structures these accounts may incur.

If you are a South African working overseas, this would be an ideal starting point, especially if you are being paid in a foreign currency.

Foreign earnings above R1 million will no longer be tax exempt for South African tax residents from next year (March 2020).

Investing offshore

A second option is to invest directly into an investment product that is not rand denominated. These investments are typically housed offshore through offices in countries such as Mauritius or Bermuda.



CHANCE. Investing offshore allows investors to access the vast investment opportunities available globally.

Picture: Shutterstock

The options offshore are endless, especially in comparison to the local JSE.

The balance of investments needs to suit the investor's risk profile and a longer-term view needs to be taken.

With these investments, the investment is made in a foreign currency, which means there may be exchange controls to consider, should the investor want to bring the money back to South Africa.

These investments typically have larger minimum lump sums in dollars and are not very flexible when it comes to ongoing contributions unless the investor can meet a high enough monthly deposit amount.

Buying property

An often-overlooked option is to buy a property in a foreign country.

Property can be a volatile asset

and it is advisable to consult with experts in the property industry in the area you wish to purchase.

While there has been an increasing trend of South Africans purchasing properties in countries such as Mauritius and Malta to acquire residency in those countries, others are considering it purely for diversification and attractive returns.

Before making a property purchase, investors should make sure they understand property trends prevalent in the selected region, as well as any local laws relating to property ownership.

Also note, if you are still a South African tax resident, you need to be mindful of capital gains tax and estate duty.

Local funds that invest off-shore

Another option is a local fund that

invests in international assets.

The investment is still made by the investor in rand, however the investment is made into offshore products.

These are called rand-denominated offshore asset swaps funds or one can also make use of ETFs, for example.

The major benefit is that the investor is transferring risk offshore and removing local market risk from their investment.

These international funds typically have a global mandate, so speak to your financial advisor if this is something you would like to consider.

This option is often not considered as many investors are under the impression you must invest in foreign currencies in order to have offshore exposure.

► *Renee Eagar is a financial advisor at Brenthurst Wealth*