



THE POWER
OF INDEPENDENT ADVICE

IN THIS ISSUE

“ Investors who added offshore diversification to their portfolios are today considerably better off than those who did not.

Offshore investing has evolved from a recommendation to a requirement. ”

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HOW-TO GUIDE TO INVESTING OFFSHORE

By Mags L Heystek, Certified Financial Planner at Brenthurst Wealth Management

With local markets providing historically low returns, there has been an increased interest in [investing offshore](#). Many articles have been written over the last few years about why protecting your wealth by investing offshore is a good idea, along with the potential for greater returns on investments. The professionals have provided sufficient proof attesting to that fact.

What many reports fail to address is the practical side of investing offshore, the paperwork, the red tape and costs involved.

From a practical point of view, the first step to investing money offshore is converting your current capital from rand to US dollars. It is the preferred currency because it is still the most traded in the world and is always available. There are also, unit trust funds priced in Sterling and Euro, for a wider offering. Forex consultants will assist in this process, but as with everything in life there are costs involved.

In terms of current regulations of the Reserve Bank investors can use their SINGLE DISCRETIONARY ALLOWANCE, which is commonly referred to as a travel allowance, and allows individuals to take an R1-million rand offshore without having to apply for a tax clearance certificate. Married couples can jointly take out R2 million per calendar year. This allowance applies to all South African residents over the age of 18 years and resets every calendar year.

This requires the completion of a few forms, to be approved by the Reserve Bank as they keep track of money going out of the country. A forex consultant can assist with the required paperwork. That is the easy part.

If the amounts exceed a million rand you must apply for formal tax clearance certificate.

This process takes a bit longer and it is highly advised that an investor's tax profile is up to date before doing so, to avoid raising any red flags with SARS.

There is also the R10 million foreign investment allowance which may be invested into offshore investment portfolios, property, bank accounts or other investments. The allowance has not always been this high, but on 1 April 2015, the foreign investment allowance increased from R4 million to R10 million per person per calendar year and R20 million per family unit, reducing the amount of time you will have to wait for your certificate.

Should you wish to exceed this R11 million amount, you need to apply for a Letter of Compliance from SARS. Once this letter has been delivered, it must also be sent to the SARB for approval. Once approved, you will be able to externalise your funds.

In terms of the investment platforms, some do have minimum amounts, but the average amount between different platforms is between \$20 000-\$25 000, which amounts to about +/- (R350-R450k), at the current exchange rate. Some notable offshore platforms available include (but are not limited to) Momentum Wealth International, Ninety One, and Glacier. This is probably the biggest hurdle that many investors face; "where do I invest offshore?" There are plenty of options, but it is recommended to understand each investment offering.

There are other options for people who do not meet the minimum investment criteria but still want to take their money out in hard currency. **There are a few fund managers overseas that allow direct unit trust investments, for instance, Franklin Templeton, that allows for investments of as little as \$5 000.** It is a more direct route and limits choice as one can only select from Franklin Templeton funds, for example, but still an option.

Before you explore how to move money offshore you should speak to an expert. At Brenthurst we pride ourselves with our in-house knowledge base and experience. Offshore investing has evolved from a recommendation to a requirement, as can be seen by the asset class returns in ZAR as well as USD.

LOCAL AND OFFSHORE ASSET CLASSES' RETURNS (%)

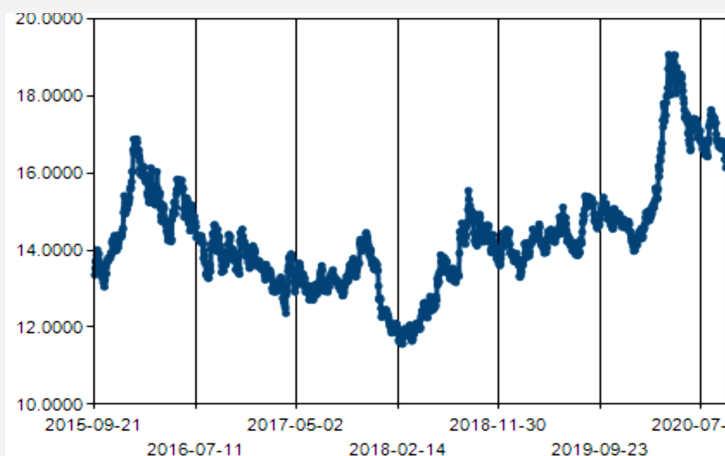
Annualised Returns

ZAR	ALSI	ALBI	SA CASH	SA LISTED PROPERTY	OFFSHORE EQUITIES	OFFSHORE CASH	OFFSHORE BONDS	OFFSHORE PROPERTY
1 year	3.9	4.2	6.5	-44.2	30.0	12.6	17.8	0.4
3 years	2.6	7.7	7.0	-23.8	19.1	11.0	13.6	9.7
5 years	5.3	7.6	7.1	-14.3	15.7	6.3	9.4	9.9
10 years	10.7	7.7	6.4	1.6	19.4	9.4	11.0	16.3

USD	ALSI	ALBI	SA CASH	SA LISTED PROPERTY	OFFSHORE EQUITIES	OFFSHORE CASH	OFFSHORE BONDS	OFFSHORE PROPERTY
1 year	-6.9	-6.6	-4.6	-50.0	16.5	0.9	5.6	-10.0
3 years	-6.0	-1.4	-2.0	-30.2	9.0	1.6	4.0	0.4
5 years	0.3	2.4	2.0	-18.4	10.2	1.2	4.2	4.6
10 years	1.9	-0.9	-2.0	-6.5	9.9	0.7	2.1	7.0

Source: Morningstar as at 31 August 2020

ZAR - USD EXCHANGE RATE 2015 – 2020



SEPTEMBER 2015
R13.35 – 1 USD

SEPTEMBER 2020
R17.00 – 1 USD

But the bottom line is even though South Africa's exchange control regime seem cumbersome, onerous, and greatly complicating the transfer of funds abroad, is not that complicated. And it is about to get even easier with the modernisation of the foreign exchange system and over the next 12 months, a new capital flow management system will be put in place, that was announced in the 2020 budget.

Individuals who transfer more than R10 million offshore, which is what is currently allowed under the foreign investment allowance, will be subjected to a more stringent verification process.

Such transfers will also trigger a risk management test that will include certification of tax status and the source of funds, and assurance that the individual complies with anti-money laundering and countering terror financing requirements prescribed in the Financial Intelligence Centre Act (2001). These changes will be phased in by 1 March 2021.

The concept of emigration as recognised by the SARB will be phased out and replaced by a verification process. Tax residency for individuals will continue to be determined by the ordinarily resident and physically present tests as set out in the Act.

It is advisable to consult an experienced, qualified advisor for guidance.
Read more about [offshore investing](#).

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AS WITH ANY INVESTMENT DECISION, CHANGES TO PORTFOLIOS OR ASSET CLASS SELECTION MUST FIT THE INDIVIDUAL INVESTOR'S RISK PROFILE, INVESTMENT GOALS AND LONG-TERM FINANCIAL PLANNING STRATEGY. Find the office and advisor closest to you here: >> [WEALTH MANAGERS](#)

BRENTHURST AWARDED **TOP** WEALTH MANAGER IN SA 2020

Brenthurst wealth was voted Top Boutique Wealth Manager in the country in the 2020 Intellidex Wealth Manager and Private Banks Survey, and ranked in the top 5 in 5 other categories.

Click here to read more >> [Brenthurst-voted-Top-Wealth-Manager-in-SA](#)

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