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IN THIS ISSUE

"One structure that is not only affordable, tax-friendly, easily inheritable and liquid, and widely regarded as the holy grail for investment structures offshore, is an INTERNATIONAL ENDOWMENT OPTION."

INVESTING WITH SA'S LEADING BOUTIQUE WEALTH MANAGER 2021 WINNER 2020 & 2017

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THE HOLY GRAIL OF DIRECT OFFSHORE INVESTMENT

AN INTERNATIONAL ENDOWMENT OPTION IS AFFORDABLE, TAX-FRIENDLY, EASILY INHERITABLE AND LIQUID.

By Gustav Reinach, Financial Advisor at Brenthurst Wealth Pretoria

Direct offshore investing has gained popularity in the past decade as investors started seeking the superior returns offered by international markets against the backdrop of a struggling local economy. Many tried to invest directly offshore and unfortunately had a bad experience in doing so, thanks to either unforeseen fees, taxes or estate problems which emerged.

Globalisation has changed many things in our world, including the way we invest. Offshore investing has also become more accessible than in the past. Nowadays an offshore account can be opened swiftly, which allows for investing in anything money can buy. BUT this may come at a much higher price than what one might initially have bargained for.

When investing directly offshore, it is important to not only know South Africa's regulations regarding taxes and estate duty, but to also be aware of the regulations and taxes applicable in the country in which your share/portfolio/ investment is held.

RED FLAGS TO TAKE NOTE OF WHEN INVESTING OFFSHORE:

1. SITUS TAX

⇒ **In the UK it is referred to as inheritance tax and in the US it is referred to as estate tax. Collectively it is known as "situs tax".**

⇒ If, at death, you own assets valued at over £325 000 in the UK, 40% situs tax will be levied on the situs assets exceeding the £325 000.

⇒ In the US situs tax is triggered at a dangerously low threshold of only $60 000.

⇒ This situs tax is payable even before SA estate duty is considered.

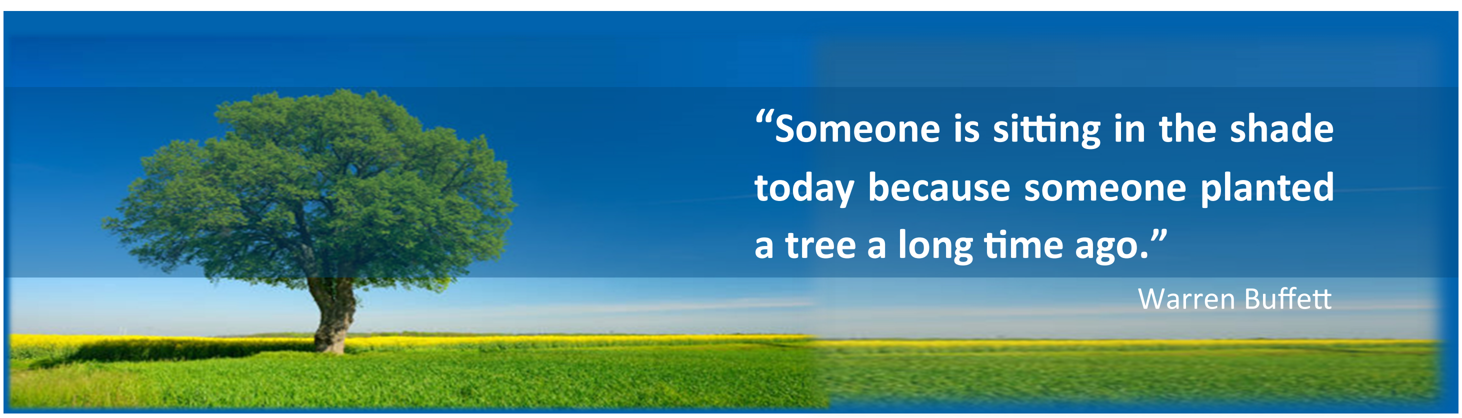
2. GRANT OF PROBATE

This can simply be described as a type of offshore executor that you would need to appoint to specifically manage all your assets outside of SA. Effectively accruing additional fees upon death.

An experienced, qualified financial advisor can guide investors through this process. They continuously research ways to invest individuals' money in the best way possible, taking into consideration the present and future risks and regulatory hurdles an investor could face.

One structure that is not only affordable, tax-friendly, easily inheritable and liquid, and widely regarded as the holy grail for investment structures offshore, is an international endowment option. It offers significant benefits in light of all the challenges mentioned:

1. **Investments and withdrawals can be made in USD/EUR/GBP/ZAR.**
2. **There is no VAT (currently at 15% in SA) on investment management or administration fees, as the structure is set up in Guernsey.**
3. **At Brenthurst Wealth we invest in global roll-up funds, which means all dividends and interest earned gets incorporated in the unit price rather than it being paid out, thus yearly tax on dividends and interest reduces to 0%.**
4. **Capital gains tax is only applicable on withdrawal by a top tax bracket individual, which effectively reduces from 18% to 12%.**
5. **ZERO capital gains tax is payable on death when the investment is inherited by a spouse or children, as the assets are not sold. This enables the investment to accumulate greater returns over time, effectively creating more wealth.**
6. **Capital gains are calculated in USD terms and do not include gains from the weakening of the ZAR.**



DRAWBACKS OF THIS STRUCTURE:

- ⇒ Within the first five years, the investor can make only one loan and/or one withdrawal against the investment. This can be a partial or full loan/withdrawal against the invested amount.
  (After five years it becomes an open structure, and additions and withdrawals are unlimited).
- ⇒ A withdrawal may take 15-20 working days to finalise.
- ⇒ This investment can only be made in the personal name of the investor, or offshore company and offshore trust.
- ⇒ For investments made with SA companies and SA trust capital, there are different beneficial structures to help invest with offshore exposure and benefits.
- ⇒ The minimum investment amount is $18 000.

Utilising the correct structure to invest offshore will not only pave the road to wealth generation for you and generations thereafter, but it will save your loved ones a lot of frustration and costs when you pass away and the built-up legacy is handed over to them.

As with all investment options, it is best navigated with the guidance of a professional and qualified financial advisor.

TO BUILD, PROTECT AND GROW WEALTH REQUIRES A LONG-TERM FINANCIAL PLAN AND INVESTMENT STRATEGY

ADVISOR PROFILE

GUSTAV REINACH | FINANCIAL PLANNER AT BRENTHURST WEALTH PRETORIA

Gustav joined Brenthurst Wealth in 2018 and is currently based in Pretoria (Gauteng) as a financial advisor.

He obtained a BCom Economics degree from the University of the Free State with a focus on key subjects such as Investment Management and International Economics.

Gustav successfully completed his First Level Regulatory Examination for Representatives, which enables him to furnish advice to clients on all investment-related matters.

Gustav's previous experience includes the analysis of white label and hedge funds, as well as financial planning for individual clients focusing on their investment portfolios.

He is qualified to advise clients on all investment-related matters, focusing on investment planning, retirement planning as well as offshore investments.

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CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR 8 OFFICES COUNTRYWIDE TO DISCUSS YOUR INVESTMENT STRATEGY

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