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 BUILDING WEALTH SINCE 2004

IN THIS ISSUE

Building lasting family wealth takes more than simply growing assets.

The right mix of diversification, ownership structures and succession planning can help protect wealth from tax and poor decisions.

With sound advice and careful planning, it can benefit generations to come.

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CREATING LASTING FAMILY WEALTH WITH APPROPRIATE STRUCTURING

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If you've built up meaningful assets and do not have substantial debt, the next challenge is making sure that wealth benefits your children and grandchildren, instead of being eaten away by tax or poor structuring.

The right financial structures can make a huge difference in your estate value. Long-term family wealth doesn't happen by accident; it needs intentional planning and the correct legal and tax vehicles.

Below are the key principles to focus on when structuring multigenerational wealth.

1. SPREAD YOUR ASSET RISK

Avoid putting all your money into one type of asset. A well-balanced portfolio, with global exposure, especially from a South African perspective, will give you the best opportunity set to grow capital.

It's also important to diversify geographically. Holding roughly **25%–45% of assets offshore** can protect against currency weakness and political risk while adding global exposure. In most cases, even a bigger allocation would suffice.

2. USE THE RIGHT OWNERSHIP STRUCTURES

Owning everything in your personal name is rarely the most efficient approach. Different structures can reduce tax, simplify inheritance and protect beneficiaries - but each comes with trade-offs.

TRUSTS

Trusts are commonly used for family wealth planning because they continue to exist after your death and can hold growth assets long term.

However:

- Trusts are often taxed at higher rates than individuals
- You give up direct control — trustees must act together
- Poorly chosen trustees can create conflict

Clear trust deeds and letters of wishes are essential.



RETIREMENT STRUCTURES

Retirement structures (governed by the Pension Funds Act) are powerful tools for generational planning, especially when your goal is to provide ongoing income rather than a lump sum.

Key advantages:

- Assets remain outside your estate for estate duty purposes
- Growth inside the fund is tax-free
- Withdrawal limits help prevent money from being spent too quickly
- Liquidity in the estate upon death

They're especially useful when supporting children or grandchildren, over time.



SINKING FUNDS (INVESTMENT POLICIES)

Sinking funds offer excellent tax efficiency and flexibility.

Benefits include:

- Interest taxed at a flat 30%
- Effective capital gains tax of 12%
- No capital gains tax triggered on death within the structure
- Easy transfer of ownership to a spouse or children

They also work well for offshore investing and allow assets to continue growing without tax disruption upon death.



3. MAKE YOUR INTENTIONS CLEAR

Structures alone aren't enough. You need clear guidance on how and when beneficiaries should access wealth.

Tools to consider:

- Letters of wishes
- Trustee discretion
- Co-signatures or staged access

This is especially important if there's a risk of overspending, addiction, poor financial discipline, or external pressure from partners.

Good structures can say "not yet" — and that protection matters.

4. BUILD THE RIGHT ADVISORY TEAM

Strong planning requires experienced professionals working together:

- A wealth manager to manage investments and cash flow
- An estate attorney to draft effective wills and trust deeds
- A tax specialist to model outcomes before assets are moved

The cost of proper advice is small compared to the financial damage caused by poor structuring.

BOTTOM LINE

Lasting family wealth isn't just about how much you have, it's about how it's held, protected and passed on.

With diversification, the right structures, clear intentions and a capable advisory team, your wealth has a far better chance of supporting future generations instead of disappearing within one generation.

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