



What is it?

An RA is the most tax-efficient retirement savings investment structure available to South African individuals. Think of it as a one-person pension fund.

Who is it for?

- ◆ Individuals who wish to build up retirement savings in a secure and disciplined manner
 - ◆ Employed persons, when your employer does not offer (or does not make contributions to) a retirement fund structure

Key features:



RA contributions are 100% tax deductible (receive up to 45% of your contributions back as a tax refund every year)



No taxes on capital growth or income (rental income, dividends, interest) for the duration of the investment



Estate duty free (pay no taxes on the investment value upon death)

Restrictions:



Tax deductions on annual contributions are limited to the lesser of:
- 27.5% of your income
- R350 000 per annum



Limited liquidity (monies cannot be accessed before your age 55)



At retirement (after age 55), a maximum of one third of the investment value may be paid out in cash, subject to taxation

Invest Across:

Investment choice:



Asset classes (equities, property, fixed income, cash)



Geographies (local, offshore developed & emerging markets)



Investment styles (passively managed ETF's, actively managed unit trusts or custom made portfolios)



Check out Sterling Invest (our in-house investment manager) for more information regarding these model portfolios - www.sterling.za.com

Regulation 28:

The key elements of Regulation 28 impose the following asset class & geographical allocation limits to your RA to ensure widespread diversification

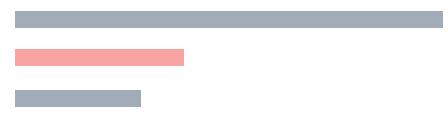
Allocation

Local & Offshore Equities
Offshore
Property

Percent

75%
30%
25%

Allocation Limits



Example:

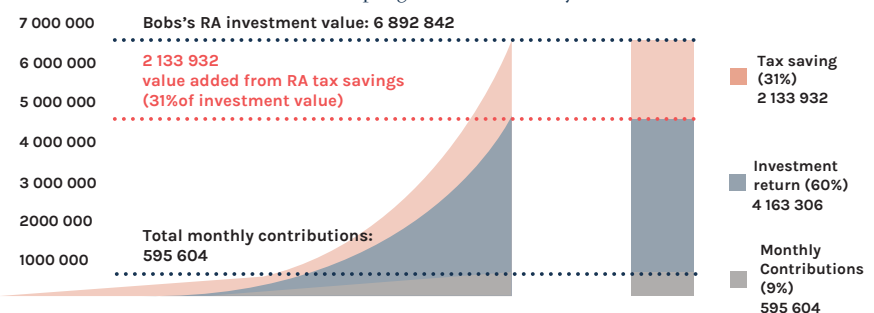
Bob invests R 5 000 per month over the next 30 years into a diversified investment portfolio within an RA that generates an annualised return of 12% per annum. He increases this contribution by 5% every year over the 30 years .

These 2 graphs dissect his RA's portfolio value into monthly contributions, investment returns & tax savings over the 30 year period

Assumptions:

12% annualised return = 6% capital growth + 3% property/interest income + 3% dividend income
Tax rates = effective CGT rate (14%), dividend withholding tax rate (20%), marginal income tax rate (35%)

Bob's RA progression over 30 years



Disclaimer:

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