



What is it?

A local endowment is an investment structure that:

- enables you to invest for long term goals
- incurs taxes on income returns and capital gains at specific rates

Who is it for?

Individuals or trusts, with effective income tax rates above 30%, that:

- wish to invest for long term goals in a tax-efficient manner
- have already made use of other tax-efficient structures (RA's, TFSA's, Section 12J)

Key Benefits



Pay taxes at specific rates on income returns and capital gains, this results in **substantial tax savings for high income earners** (check the example below for details on the specific tax rates)



You can nominate beneficiaries, this enables **efficient estate planning** and the timeous distribution of wealth to them upon the investor's death



You can progressively contribute towards the endowment via ad-hoc **lumpsums or monthly debit orders** (check out the contribution restrictions below though)



Taxes incurred from an endowment's investment returns are calculated and settled within the structure, this **reduces the tax-reporting burden for investors** when completing their yearly tax returns

Restrictions



You are **limited to either one or two withdrawals during the initial 5-year term** of an endowment (capped at your total contributions plus 5% per annum compounded growth). After year 5, the withdrawal restriction falls away and you can access your entire investment value



If you choose to disinvest before the end of the initial 5-year term, there may be **early termination fees** levied against your investment



From year 2 to year 5 of the initial 5-year term of an endowment, **contributions into the endowment are limited to 120% of the previous year's contribution**. You can contribute an unlimited amount in the first 12 months of the endowment term

Invest Across

Investment Choice



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



Geographies (local, offshore, developed & emerging markets)

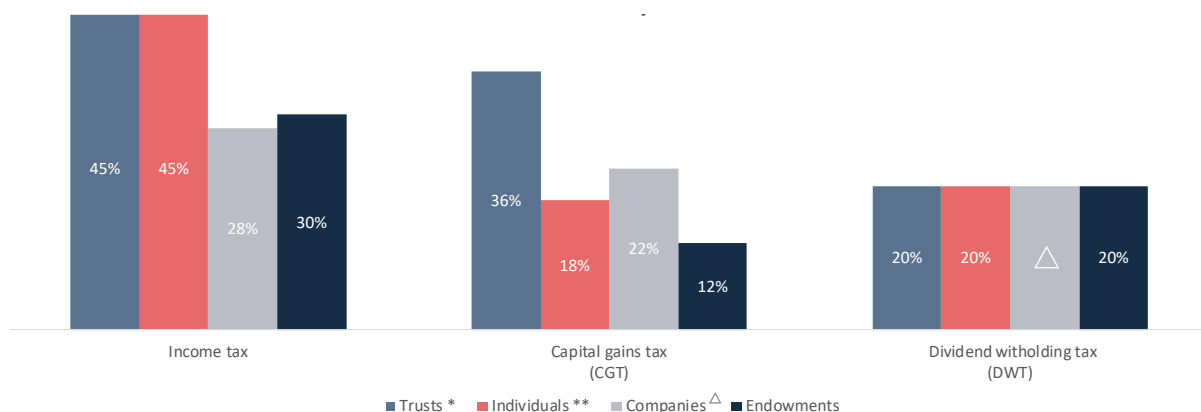


Investment styles (passively managed ETF's, actively managed unit trusts, individual shares or custom-made portfolios)

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

Tax Rates Comparison

Here is a breakdown of the tax rates incurred by different taxpayers in comparison to the endowment structure's tax rates:



Assumptions & notes:

* Trust returns (income and capital in nature) are not distributed to beneficiaries

** Individuals are in the top tax bracket (earning income of more than R 1.5 million per annum) and have used up their R 40 000 per annum capital gain allowance

Δ Companies do not incur dividends withholding taxes on dividends received

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