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WE ARE IN A WINDOW WHERE
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RETIREMENT – FROM A
YOUNGSTER'S PERSPECTIVE

MAKE THE MOST OF YOUR RETIREMENT
ANNUITY AND TAX-FREE SAVINGS ACCOUNT
FOR 2022/2023

COMRADES 2022 NO. 8 | THE
ULTIMATE HUMAN RACE

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A WORD FROM PIETER

Welcome to the last edition of our newsletter for 2022!

I am really excited and energised by the opportunity to lead the Private Wealth Management team as CEO effective 1 November 2022. I have been intrinsically involved in PWM over the past four years, both serving as a Board member and representing Old Mutual Wealth. My immediate focus is to ensure a seamless transition and continuity for our clients and business.

Having a culture of excellence and delivery is of utmost importance and I will have a renewed focus on how we enable and service you. Our clients have always been the most important asset of our business, and I will ensure that this continues and evolves.

We will constantly work to improve our client value proposition and ensure that we provide you with timeous reporting on and feedback about achieving your financial planning goals and investment returns.

Working closely with the PWM team, I will create a clear strategy of our goals for 2023 and will share more details with you in the next edition of our newsletter in March 2023.

Thank you for allowing us to be your trusted financial planning partner and for your continued loyalty to our business. We are excited to have you on this journey with us!

I would like to wish you and your family an enjoyable holiday season and every success in 2023.

Happy reading!

Pieter Bester
CEO



ECONOMIC AND MARKET OVERVIEW

INFLATION STILL THE KEY

By Izak Odendaal | Investment Strategist | Old Mutual Multi-Managers

The festive season is upon us, and so is the season of market commentators prognosticating about the year ahead. Most of these forecasts turn out to be wrong since the future is inherently unpredictable. However, the one thing that we can say with a high degree of certainty is that the evolution of the global inflation outlook will be crucial for how markets perform. More specifically, it is the outlook for inflation in the US that matters for all of us, because of the dollar's dominant role in the global financial system.

If global inflation recedes quietly in 2023, we can probably put the worst of the market turmoil behind us. If not, we're in for a scenario where interest rates will have to be higher for longer, which can tip major economies into recession and cause further market weakness.

DO YOU WANT THE GOOD NEWS OR THE BAD NEWS?

There is good news and bad news on the inflation front. First the good news: Commodity prices have eased, and snarled-up supply chains are gradually unclogging. Generally speaking, goods inflation has peaked and is declining. In some instances, we might even see goods prices decline. (This distinction is important. Falling inflation means prices are rising more slowly, while falling prices means something costs less than before.)

A FEW EXAMPLES:

- Shipping and logistics costs are normalising after spiking over the past two years. For example, the cost of shipping a container across the Pacific from Shanghai to Los Angeles averaged around US\$2 000 in the five years before the pandemic. It doubled in 2020, and then tripled to US\$12 000 by mid-2021. During the course of this year, it has fallen back to almost US\$2 000.
- Many retailers stocked up on goods over the past year, worried about a repeat of the shortages experienced in 2020 and 2021. However, in many instances they've gone too far. Therefore, expect big discounts ahead of Christmas this year as they try to get rid of unwanted inventory.
- Oil remains volatile but is well below the June peak of US\$130 per barrel. In fact, it has been below US\$100 since late August. If the price stays where it is now, at around US\$90 a barrel, the year-on-year rate of change will hit 0% by February and then fall sharply. Oil will still be expensive, but its inflation rate will be negative.
- Food prices are also off their peaks. The United Nations Food and Agriculture Organisation's global food price index was 135 at the start of the year. It spiked to 159 in March (40% year on year) but was back at 135 in October.

SERVICE INFLATION

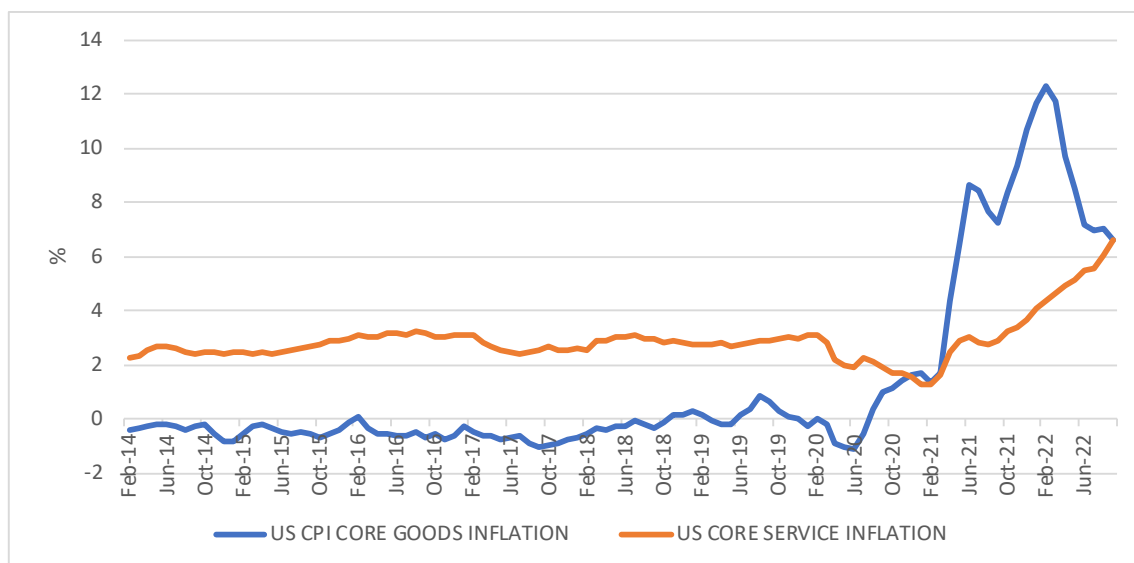
The bad news is that the inflation problem is stemming from the services sector, and service prices are a bigger portion of inflation baskets than goods prices in rich countries. Service inflation is also stickier, compared to more volatile goods inflation. Moreover, with most countries having put the lockdowns behind



them (China being the notable exception) demand for services such as leisure, travel and personal care is rising. Other services include housing (rent), medical care, financial services, communication, education and leisure.

One of the features of the current moment is that unemployment is very low across the developed world and, as a result, wage growth is solid. This forces companies to charge more to compensate for having to pay their workers more, putting upward pressure on service prices since services tend to be more labour intensive (think of a restaurant). But it also means households are earning enough income to keep spending.

CHART 1: US GOODS AND SERVICES INFLATION



SOURCE: REFINITIV DATASTREAM

The net result is that the battle against inflation is not yet won, and that the US Federal Reserve (the Fed) and other central banks are not done with raising interest rates. In the case of the Fed, it is likely to raise interest rates to somewhat above 5% by early next year. Once that level is reached, they are likely to pause for some time and reassess the situation.

The challenge is that interest rates take time to impact the economy. While the big rate increases have dampened demand in some instances, it is not broad-based. For instance, in the US, mortgage rates are typically fixed for the duration of the loan. If you bought a house last year, you have locked in low rates for the next 30 years provided you don't sell and buy elsewhere. In contrast, someone looking to buy today has to borrow at twice the rate compared to a year ago. Unsurprisingly, home sales have collapsed, but most existing homeowners are unaffected. In contrast, in South Africa, the increase in the prime rate from 7% to 10.5% this year is immediately felt by anyone with a home loan.

The big risk for next year is that central banks misread these lags. Today's interest rate increases affect future economic activity and inflation. If they keep hiking until current inflation returns to acceptable levels, they could overdo it completely and send their economies into recession. Indeed, some central banks, like the Bank of England, explicitly acknowledge that there will be a recession, but that it is a necessary pain to achieve the longer-term goal of low and stable inflation.

In many ways it is the equivalent of Canadian ice hockey great Wayne Gretzky's advice to skate to where the puck is going, not where it is. The problem is that it is always easier to see where a puck is going on a clean sheet of ice, than it is to know where a complex modern economy with millions of moving parts is headed.

MARKET IMPACT

This brings us to markets. Equities have already fallen this year and are pricing in the higher interest rates. The question is whether economic weakness and falling profits that are likely to result from the higher rates are fully priced in. Recessions have historically been bad for equity markets, so some caution is warranted. By the same token, we also know that markets turn long before the economy does, since markets are forward looking (in true Gretzkian fashion). Sitting on the sidelines until the dust settles can therefore also be detrimental to long-term wealth creation. A diversified approach remains important amid this uncertainty.

So, as you read the various prognostications about 2023, remember that the future really is unknown. Covid in 2020 and the Russian war of 2022 were not in anybody's forecasts. The best thing is not to get hung up on predictions, but rather to have a plan and a portfolio that can withstand several different scenarios. Sticking to the plan is often the hard part, but also the most important. That is where financial planners can provide incredible value.

On that note, I am happy to say that I am now also a client of Private Wealth Management. It has been a tough year for all of us, but we are in good hands.

Here's wishing you all the best for 2023.



WE ARE IN A WINDOW WHERE BAD NEWS IS GOOD NEWS

By Andrew Whitewood | Managing Director | PWM Wealth Management

I am sure you are all well aware of the challenges that the world is currently facing when it comes to inflation. It is strange to think that current inflation in the United States of America (US) or the United Kingdom (UK) is higher than here in South Africa. It is also strange that the Federal Reserve Bank (Fed) in the US might well need to hike interest rates more and for longer than here in South Africa. So, with all this noise and all this information floating across your desk on a daily basis, what should you be looking for?

The Fed has been hiking interest rates aggressively this year in order to counter inflation. In the US, we have had supply issues and demand challenges. The US economy is in a strong position, but not as strong as it was previously. House prices in the US have skyrocketed and unemployment is at record lows – until very recently, job openings were sitting at 12 million, equating to 12 million vacancies that need to be filled.

The first thing we need to see regarding the US economy is the decrease in house prices, and this is happening already. As interest rates increase it is more difficult for first-time buyers to get into the market, which naturally starts forcing down the demand. Hand in hand with US house prices, we need to see rental inflation declining, but this is going to be a challenge. Why? There is a lag in the data, of about one year or so. This means what is happening in the US economy today will probably only start reflecting come the middle of next year.

Together with house prices and rental inflation, we need to see pressure placed on the labour market in the US. We actually need to see unemployment in the US increasing. This is also starting to happen, as job openings have decreased of late from highs of 12 million to approximately 10 million. As pressure is placed on the labour market, this will filter into the rental market in the US. Why is rental inflation so important? It makes up a third of the inflation number in the US, and rental inflation is currently running at approximately 7% year on year.



The Fed is targeting an inflation figure of 2%. If rental inflation in the US is running at 7%, we are not getting to 2% anytime soon.

Taking the aforementioned into consideration, neither consumer confidence nor business confidence is good. People on the street are concerned but investment markets are forward looking. Investment markets will move in a positive direction well before the people on the street see things improving.

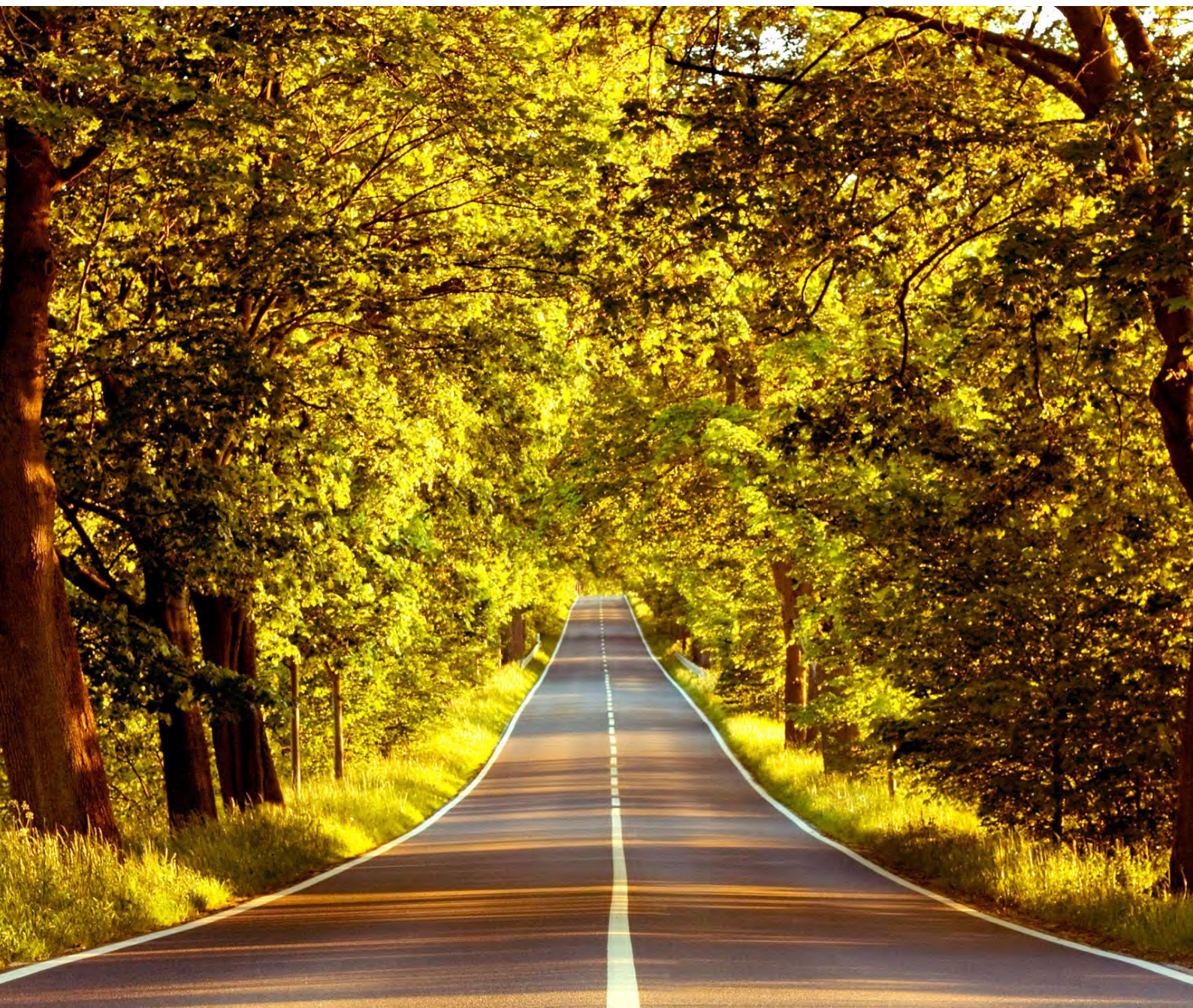
South African asset class returns are driven by what happens globally. The next four to six months are probably still going to be volatile. The Fed will hopefully pause its interest rate hiking cycle early in the new year, which will give us all some time to breathe. 2023 is not necessarily going to be a great year for equity returns but we do hope to see less volatility.

IN CLOSING

There are definitely some bamboo shoots and opportunities available. The key thing for investors is to stay committed to their investment strategy and stay focused on the long term. The worst thing an investor can do now after a volatile period of investment returns is to miss the good days!

Disclaimer:

Please note that the information provided in this article was in line with the market performance information and statistical data available on the date of producing the article.



RETIREMENT PLANNING

RETIREMENT – FROM A YOUNGSTER'S PERSPECTIVE

By Jurie de Kock | Financial Planner | PWM Cape Town

Contributions made by Kyle Janse van Rensburg | Financial Planner Intern | PWM Cape Town

On the surface, retirement planning hasn't changed all that much over the years. You work, you save and then you retire. But while the mechanics may be the same, today's savers are facing some challenges that previous generations didn't have to worry about. For one, life expectancy is longer, which means you'll need your money to last longer – potentially into your 90s.

HOW MUCH DO YOU NEED TO SAVE FOR RETIREMENT?

Naturally, this will depend on many situational factors, such as your expenses and the age when you plan to retire. One of the hardest parts about preparing for retirement as a youngster, is thinking about life as a 70-something-year-old. A lot of people get so overwhelmed about saving for an unknown future, that they end up not saving anything at all.

The first place to start is to think about what your life might look like in retirement. Think about how much everything will cost. We don't know what prices will be like in the future, but recently, inflation has run above the South African Reserve Bank (SARB)'s inflation target of 3%-6%. The easiest way to do this is to see what your general living expenses are now.

Here are some things you should factor into your current calculations for your retirement:

- Housing costs, including rent or a mortgage and maintenance
- Healthcare costs
- Day-to-day living, such as food and clothing
- Travel, including flights and hotels
- Possible life insurance

HOW TO START SAVING FOR RETIREMENT?

While starting early is always important – even R500 pm in your 20s is helpful – it's okay to set money aside for more immediate needs first and then start tackling saving for retirement. However, you don't want to wait much beyond that, because you'll need time to put money into a retirement fund, for the money invested to grow and work for you. You will get to a point where the growth on the investment is much more than what you can contribute. The longer you remain invested, the more you will benefit from compound interest, as it starts working in your favour over time. The great Albert Einstein once said, "Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it."

The three most common pre-retirement investment vehicles are **pension funds, provident funds and retirement annuities**. The most important aim of these savings vehicles is to encourage and enforce regular contributions towards a retirement income that will be accessed at retirement age.



The benefits provided by these pre-retirement investment vehicles:

- You reduce your taxable income and pay less income tax when you contribute towards these investment vehicles. (You will be able to claim a deduction in respect of up to 27.5% of the higher of taxable income or remuneration. Your deduction is limited to a maximum of R350 000 per year.)
- The returns on your retirement fund investments are not subject to any income, dividends or capital gains taxes. (You get tax-free compound growth.)
- It helps you save in a disciplined way for retirement, as there are certain restrictions on accessing these funds.

UNDERSTAND YOUR TIME HORIZON

Let's say you start investing for your retirement when you're young. You might have 20 or 30 years before you need to start drawing money from your investments. With time on your side, you may consider higher-risk fund exposure that can offer the chance of higher returns in exchange for an increased risk of losing your money.

As you get closer to retirement, you might sell off some of these riskier investments and move to safer options, with the aim of protecting your investments and the returns thereon. However, if you retire early with a life expectancy of another 30 years, having those riskier investments in retirement will help extend the longevity of your money.

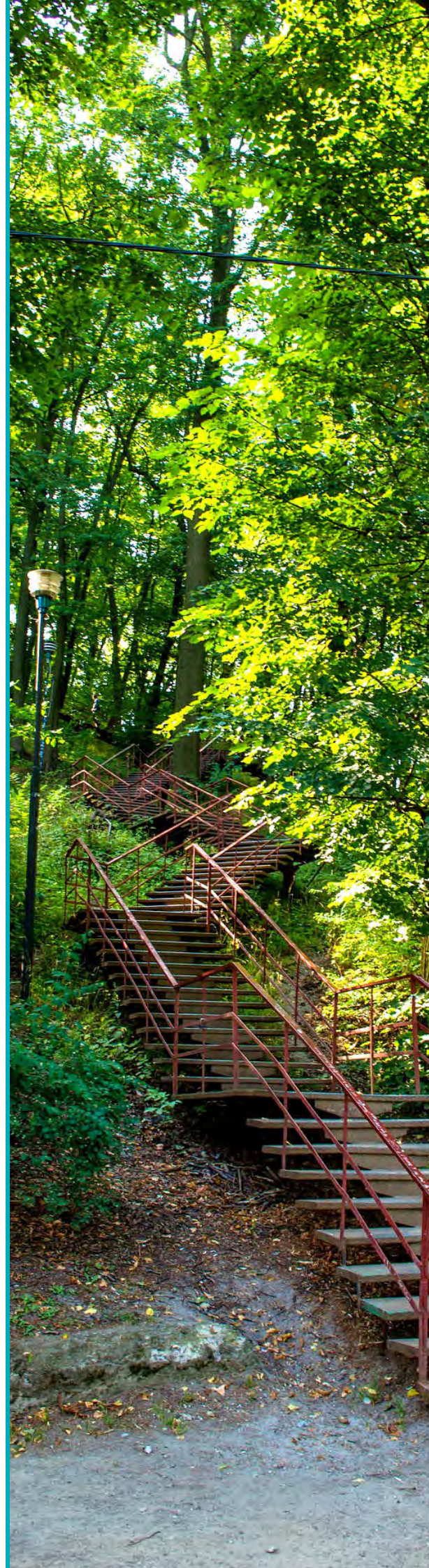
Your time horizon – i.e. how much time you've got left to work – will have a big impact on the decisions you make. Generally, the longer you hold investments, the better the chances that they'll outperform cash.

REGULATION 28

In 2022, Regulation 28 of the Pension Funds Act has been amended to increase the offshore limit to 45% for those who want to increase their exposure to markets outside South Africa – including Africa and developed markets such as the US, Europe and the UK.

Although 45% is a far cry from the 100% limit available through living annuities, the increase is certainly welcome. With most of the local JSE shares getting more than half their earnings from offshore sources even local equity has a global investment bias.

EXAMPLE – TIME IN THE MARKET MATTERS MOST



Monthly investment	R500 pm	R1 000 pm	R2 000 pm
Starting age	25	35	45
Age they stop investing	35 (10 years in total)	50 (15 years in total)	65 (20 years in total)
Total amount invested	R60 000	R180 000	R480 000
Investment balance at 65	*R2 048 727.46	*R1 861 401.08	*R1 531 393.82

* Assuming a growth rate of 10%

IN CONCLUSION

Money is a complicated topic. Those who have it struggle to keep it. Those who don't, strive to get it. It has been this way for years, and the story isn't likely to change anytime soon. As such, everybody needs help with their finances at some point in their life. The good news is that capable Financial Planners are available to assist you with this.

Disclaimer:

The name(s) and/or example(s) used in this article are for illustration purposes only. Each person's circumstances are unique and should be assessed on their own with the assistance of a financial planner before taking any financial steps.



MAKE THE MOST OF YOUR RETIREMENT ANNUITY AND TAX-FREE SAVINGS ACCOUNT FOR 2022/2023

Now is the perfect time to make sure your contributions towards your retirement annuity (RA) still meet your retirement goals, and to take full advantage of the current tax deduction regime.

The 2022/2023 year of assessment ends on 28 February 2023. This means you only have until the end of February 2023 to make additional (tax-deductible) contributions to your RA, or to make a lump sum (tax-deductible) contribution to a new RA if you don't already have one.

Don't miss out on this opportunity to maximise your tax deductions and boost your retirement savings.

WHAT IS A RETIREMENT ANNUITY?

A retirement annuity is a type of private pension fund funded by individual policies.

Retirement annuities (RAs) offer you an opportunity to provide for a shortfall in retirement savings while obtaining tax deductions at the same time. Retirement from a retirement annuity is allowed from age 55 onwards (with no maximum retirement age), which encourages disciplined savings. Tax is only payable on the cash lump sum elected or on the pension income received in retirement, as an investment in an RA does not attract tax on its growth during the investment period.

RAs have a number of significant benefits, including:

- A tax deduction (discussed below) for contributions, within certain limits.
- Contributions in excess of the allowable tax deduction are carried forward to future years and contributions not yet allowed as a deduction may be utilised to decrease the taxable lump sum at retirement, or as an exemption against the annuity income (received in retirement).
- Compound growth and build-up of capital without incurring capital gains tax (CGT) or income tax or dividend tax before retirement.

The first R1 050 000 cash lump sum taken at retirement is effectively only taxed at 12.43%, and no CGT is payable. It is important to bear in mind that tax tables are cumulative and, therefore, each band can only be used once in your lifetime. Cash lump sums are restricted to one-third of the RA's value, unless the total retirement benefit in the fund is less than R247 500.

- No estate duty is payable on the investment value of an RA upon the member's death (estate duty is levied at a rate of 20% on the first R30 000 000 of the dutiable estate, and 25% on the dutiable estate exceeding R30 000 000). If the deceased member had made contributions that were not yet allowed as a tax deduction, estate duty may be payable, but only in respect of the amount of contributions not allowed as a tax deduction where the beneficiaries or dependants opt for the payment of a lump sum benefit.

- Protection against creditors and insolvency in terms of the Pension Funds Act.
- A choice of investment portfolios.

ALLOWABLE DEDUCTION

With effect from 1 March 2016, all contributions to retirement funds – i.e. approved pension, provident and retirement annuity funds – are treated the same way for tax purposes, with one allowable deduction totalling 27.5% of the greater of “remuneration” or “taxable income” (as defined in the Income Tax Act). The 27.5% deduction is limited to the amount of taxable income excluding any taxable capital gain and subject to an annual maximum of R350 000. In addition, employer contributions to a retirement fund will be treated as a fringe benefit for the employee and deemed to be contributions made by the employee for purposes of the above deduction.

PRACTICAL EXAMPLE

Let's say you earn an annual salary of R750 000, a bonus of R150 000, and your employer is making a monthly contribution of R4 600 to your pension fund (in addition to your contribution).

If you are currently contributing R1 200 per month to your RA and R4 600 per month to your pension fund, you may consider making a lump sum contribution before the end of the tax year to obtain the maximum allowable tax deduction for the year of assessment.



Here is an example of the tax payable with and without an additional RA contribution:

CALCULATION OF TAX PAYABLE		
	TOTAL AMOUNT	SUBTOTAL
Remuneration/Taxable income	R955 200	
Salary		R750 000
Bonus		R150 000
Fringe benefit employer contribution to pension fund.		R55 200
(Less): Allowable deductions.	(R124 800)*	
RA: own contribution (R1200 x 12).		R14 400
Pension fund: own contribution (R4 600 x 12).		R55 200
Pension fund: employer contribution (R4 600 x 12).		R55 200
Taxable income.	R830 400	
Tax payable as per the tax tables applicable to individuals for the 2022/2023 year of assessment.	R228 275	
	TOTAL AMOUNT	SUBTOTAL
*Maximum deduction: 27.5% x the higher of remuneration or taxable Income. Remuneration and taxable income are the same in this example, i.e. R955 200.		R262 680
Subject to maximum of R350 000. Therefore, the total contributions can be deducted as they are less than the maximum above.		
Additional allowable RA deduction (R262 680 – R124 800).	R137 880	

Revised taxable income (R830 400 – R137 880)		
	R692 520	
Tax payable as per the tax tables applicable to individuals for the 2022/2023 year of assessment.	R174 245.80	
Tax saved due to additional RA contributions (R228 275 – R174 245.80).	R54 029.20	

To maximise the tax saving by utilising your full retirement fund tax allowance, consider a lump sum top-up prior to the end of the 2022/2023 tax year as per the calculation above. The additional RA contribution of R137 880 will result in a tax saving of R54 029.20.

This example is purely for illustration purposes. Each individual’s financial plan should be based on their unique circumstances, taking into account applicable legislation at the time. Furthermore, tax savings should not be the sole reason for contributing to an RA, and a full needs analysis is important.

TAX AT RETIREMENT

At retirement, annuity income (purchased with your compulsory two-thirds portion) is taxed at your marginal tax rate (an exemption will be applicable to contributions made that were not allowed as a tax deduction). A maximum of one-third may be taken in cash, which would be taxed as follows:

TAXABLE INCOME FROM LUMP SUM BENEFITS AT RETIREMENT	
TAXABLE INCOME BRACKET	TAX RATE
R0 – R500 000	0% of taxable income
R500 001 – R700 000	R0 plus 18% of taxable income > R500 000
R700 001 – R1 050 000	R36 000 plus 27% of taxable income > R700 000
R1 050 001 and above	R130 500 plus 36% of taxable income > R1 050 000



Please note that prior lump sums taken upon withdrawal or retirement as well as severance benefits taken or received on or after the following dates are taken into account when the tax on the lump sum is calculated:

- i. Lump sums that accrued upon retirement from a pension, provident, retirement annuity or preservation fund on or after 1 October 2007; and
- ii. Lump sums that accrued upon withdrawal (before retirement) from a pension, provident, retirement annuity or preservation fund on or after 1 March 2009; and
- iii. Severance benefits received from an employer upon retrenchment or disability, or on or after reaching the age of 55, if such severance benefit accrued on or after 1 March 2011.

TAX-FREE SAVINGS ACCOUNTS

Tax-free savings accounts were introduced in South Africa on 1 March 2015, to encourage South Africans to save more. They offer a very low pricing structure, plus growth is free of dividends tax, income tax on interest and capital gains tax. A further benefit is that you can access these funds at any time.

Currently, you are permitted to contribute a maximum of R36 000 per tax year with a maximum contribution of R500 000 over your lifetime – if you exceed either of these two parameters, tax will be levied at 40% on the amount of contributions exceeding these limits. The deadline for contributions for the 2022/2023 tax year is 28 February 2023.

The benefits can grow to a considerable amount over time and a tax-free savings account can make a valuable and flexible addition to your retirement income.

Your PWM financial planner is best placed to conduct a personal lifestyle financial needs analysis to help you meet your retirement goals.

Disclaimer:

This document is for information purposes only and does not constitute financial advice in any way or form. It is important to consult a financial planner to receive financial advice before acting on any information contained herein. PWM and its directors, officers and employees shall not be responsible and disclaim all liability for any loss, damage (whether direct, indirect, special or consequential) and/or expense of any nature whatsoever, which may be suffered as a result of, or which may be attributable, directly or indirectly, to the use of, or reliance upon any information contained in this document.



TAX IMPLICATIONS FOR RESIDENT BENEFICIARIES OF A FOREIGN PENSION TRUST

By Carl Muller | PWM Legal Executive

INTRODUCTION

The tax and estate duty treatment of offshore pension trust schemes has been a contentious issue for several years, because of uncertainty and different opinions on this subject. SARS Binding Class Ruling 080, dated 12 August 2022, now provides more clarity in this regard.

SARS BINDING CLASS RULING 080

Description of the operation of a Foreign Pension Trust (FPT)

The Ruling relates to Foreign Pension Trusts operating on the following basis:

- a. A South African resident Investor will make a once-off contribution or periodic contributions to the FPT.
- b. The investor will contribute on the premises of becoming a beneficiary or member of the FPT and will receive retirement benefits (such as lump sum payments and/or annuities) at the discretion of the trustees of the FPT as per the scheme rules.
- c. The investor will be a single member of the offshore retirement arrangement.
- d. Each investor's retirement benefits will be determined in accordance with the contribution made.
- e. The investor will be entitled to receive retirement benefits upon reaching the "normal retirement date".
- f. Prior to the normal retirement date, an investor will be eligible to receive –
 - (i) "discretionary distributions" of income or capital in the event of disability; and
 - (ii) retirement benefits from the age of fifty years, subject to approval by the trustees of the FPT.
- g. The retirement benefits will be funded first from the capital contributed by the investor to the FPT and the growth on that contribution, and then from any income earned as a result of the contribution. Income earned before the investor reaches the normal retirement date will vest in the investor at the trustees' discretion only and will be subject to the scheme rules.
- h. If the investor dies before reaching the normal retirement date, the designated dependants of the deceased may become beneficiaries of the FPT. These beneficiaries may receive annuity or lump sum payments from the FPT at the discretion of the trustees as per the scheme rules.
- i. The investor will remain a beneficiary/member of the FPT if he/she changes country of residence.
- j. The FPT will provide protection from creditors and will not form part of the investor's personal assets.
- k. The contributions and growth thereon will not at any time be burdened by liabilities of other investors.



- l. Investment choices would include most asset classes.
- m. There will be no obligation on an investor to purchase an annuity and there will be no prescribed drawdown limit.
- n. Investors are allowed to take a loan of up to 50% of the fund value before the normal retirement date.
- o. An investor's assets may be passed to any nominated beneficiary or a trust on death.

SARS RULING

My interpretation of SARS Binding Ruling 080 in relation to the tax and estate duty consequences of an investment by a South African investor in an FPT is as follows:

1. Income Tax

a) Before retirement:

- i. No tax deduction will be allowed for contributions made by a South African investor to an FPT.
- ii. Income earned within the FPT (i.e. before retirement of the investor) will be included in the gross income of a South African investor.

b) After retirement:

Annuity income received by a retired South African investor will be included in the gross income of such investor.

2. Capital Gains Tax

a) Before retirement:

Although not specifically discussed in the Ruling, mention is made of the base cost of the investor's personal right to the capital of the FPT, as well as a deemed disposal of this right on death. If a South African investor receives a lump sum payment before retirement, it begs the question as to whether this should not be regarded as a disposal, or part disposal, of this right for capital gains tax purposes. If SARS takes this view and the FPT does not provide similar benefits under similar conditions to a South African retirement fund, the payment of a lump sum could trigger a capital gains tax liability.

b) Upon retirement:

The issue of a lump sum payment on retirement is likewise not dealt with explicitly. However, the same principles as set out in the previous paragraph could be applicable: If the FPT does not provide similar benefits under similar conditions to a South African retirement fund, SARS could treat the payment of a lump sum as a disposal of a South African investor's personal right (or a part disposal thereof) for capital gains tax purposes, thus triggering capital gains tax.

c) Death before retirement:

A South African investor would be deemed to have disposed of his/her vested right in the FPT. The difference between the value of this right and the base cost would constitute a capital gain. The only instance where this gain would not be subject to capital gains tax is if the FPT provides similar benefits under similar conditions to a South African retirement fund.

d) Death after retirement:

The Ruling provides that a retired South African resident investor will be deemed to have disposed of his/her right to an annuity at market value on death, thus indicating that a capital gains tax liability could be triggered on death. In the event of a lump sum becoming payable on death, it could likewise lead to capital gains tax being levied.

3. Estate Duty

a) Death before retirement:

The vested right of a South African investor in the FPT will be included as property in his/her estate for estate duty purposes.

b) Death after retirement:

The right to an annuity will be included as property in the estate of the investor for estate duty purposes.

IN CLOSING

The above synopsis is based on my interpretation of SARS Binding Class Ruling 080, read with the relevant legislation quoted therein. It will be interesting to see how the principles highlighted in the Ruling are applied by SARS in practice. It must further be borne in mind that this SARS Ruling only pertains to Foreign Pension Trusts, as discussed above, and not to all foreign pension structures. The ruling will, for example, not be applicable to a South African resident contributing to a bona fide retirement fund of a foreign employer whilst working abroad.



GLOBAL & LOCAL EQUITIES

By Michelle Matthews | Portfolio Manager | Old Mutual Wealth Private Client Securities



In its 2022 full year results, global consulting firm Accenture reported record revenue growth of 26% in local currency (to US\$61.6bn) driven by strong demand for the group's expertise pertaining to technologies such as artificial intelligence, migration to the cloud and digital security. Consulting services comprised 55% of total revenue and grew 29% in local currency while Outsourcing services revenue grew 22% in local currency, an acceleration on the prior period's performance. Adjusted diluted earnings per share were up 22% driven by the strong operational performance, partially offset by the disposal of the Russian operations. Accenture continued to return excess capital to shareholders during the year in the form of dividends (US\$2.5bn) and share buybacks (US\$4.1bn). Cash generation remained strong, supporting the board's ability to increase the quarterly dividend by 15% and increase the share buyback authority by US\$3bn (to US\$6.1bn). Management has a cautious outlook on full year 2023 given deteriorating macroeconomic conditions across Europe and potentially slower growth in the US and emerging markets. Given this backdrop, management have guided for 2023 revenue growth of between 8% and 11% and earnings growth of 4% to 7%.



RMI RAND MERCHANT
INVESTMENTS

The full year results reported by financial services holding company RMI Holdings for the period ending June 2022 were largely in line with expectations. The group's largest contributor to continuing operations, OUTsurance, experienced a decline in profits on the back of increased claims that arose from higher non-motor claims, the extensive damage caused by the flooding in KwaZulu-Natal and the normalisation of motor claims as consumers reverted to pre-Covid travelling patterns. The decline in OUTsurance's earnings resulted in RMI's normalised earnings falling 4% over the period. Including the performance of discontinued operations – i.e. Discovery, Hastings and Momentum, which were all unbundled during the year – earnings for the group were down 17% for the period. However, the group's results were overshadowed by the details of how RMI will soon be transitioning to the OUTsurance listing. With RMI having earlier this year concluded the unbundling of Discovery, Momentum Metropolitan and Hastings, OUTsurance now contributes over 95% of profit from continuing operations. The balance is derived from RMI Investment Managers and AlphaCode investments. Along with the results release, RMI's management disclosed that RMI Holdings will be renamed OUTsurance Group Limited. RMI Investment Managers and the AlphaCode fintech portfolio will be housed under RMI Treasury. Most of these investments will soon be sold to Momentum Metropolitan and Royal Bafokeng Holdings, part shareholders in the investments. The name change is expected to be completed by early December 2022, with the rest of the transactions – including the winding down of the RMI head office – expected to be completed in the first quarter of 2023. Once complete, the transaction will provide shareholders with direct access to OUTsurance, a business we have always regarded as one of the crown jewels within the RMI Holdings stable.

COMRADES 2022 NO. 8 | THE ULTIMATE HUMAN RACE

By Stanley Tordiffe | Financial Planner | PWM Cape Town

Ultra-running and investing have many parallels, including having a workable strategy, committing to it, and sticking to the plan.

It's been a hiatus of three years of not running an ultra, my last being the 2019 run – it also means one is three years older!

This year, Comrades was pushed out to late August from the usual June run due to Covid-19, so the training mileage in the extremely challenging Cape Town cold winter months was far less than before. Starting on the morning in the cold Pietermaritzburg starting pens, for the first time ever I decided to run with my watch off, which meant I would have to feel the run with my body and synchronise this, to run in harmony within the time limits.

I therefore took it easy for the first 20 kilometres, which stood me in good stead. It has been the first run since Covid-19, over a lengthy period where we all had ample chance to reflect on our priorities in life. It provided a new perspective on the privilege of being able to do so. Similarly, the fantastic crowd support also had a 3-year break, which meant the supporters were very excited, which was evident in the incredible vibe on the road.

One of the lesser-known aspects of ultra-running and “why we do it” (and which some runners like me have substantial guilt about) is that we do it simply “because we can” – when so many others don't have the opportunity to, for whatever reason. Add the natural ageing process (“how long can we still do it?”) and it then becomes “therefore we must do it while we can!”

Considering this background, one of the more emotional moments at Comrades comes shortly after passing the questionably smelling chicken farms of Camperdown, at around the 32-kilometre mark, when passing the Ethembeni School for the disabled in the dry, dusty and desolate industrial-looking area of Cato Ridge.

Feeling a little tired and maybe a little sorry for yourself, you reach the young primary school-aged disabled children lining up, right against us on the road. Cheering us on, on top of their voices, screaming encouragement whilst dancing with the biggest smiles and laughs you have ever seen, one needs to hold back the tears when you see their jubilation – notwithstanding their missing arms, legs and other limbs, which we all take so for granted.

Knowing they will never have the opportunity I have, passing them, it's time to chin up and buckle down to the monster climb that is Inchanga. The legs changed from “heavy” to “aching” as I needed to keep pushing to get to Drummond at halfway, where I would time a one-minute stop to greet my wife, Liesl, supporting me.





Getting to the halfway mark in 5 hours 35 minutes is the slowest I have ever done, but I was feeling good and strong on the coolest Comrades I have run.

The second half of the race is where most of the downhill sections come on the down run, with big sweeps on the national road blocked off for the race. Keeping the pace respectfully easy in negotiating a safe finish, that for me would be a great result. The crowds get fuller at around the 60-kilometre mark going through the leafy suburbs of Kearnsey and Hillcrest. Reaching Kearnsey, I had to ask a spectator where I was, as I had arranged to meet Liesl again at Kloof. Yet to try and make head or tail of the order of the water points, where Pinetown actually is, 8 Comrades later, still remained a large mystery to me, especially considering that each year the race also alternates directions – nowhere in the world, other than Comrades, does this happen!

We kept dropping on the increasing descents that pressurise one's quads and reached Kloof at the 65-kilometre mark, when Liesl called me out from the crowd of runners. Over her shoulder, I saw a couple seated at their camping table. But, there was one open chair – which I promptly decided looked like the perfect place for a 1-minute rest with Liesl! The honour

they felt being able to offer a runner battling through a race of this magnitude this rest stop, which may help him to the finish, was a joy to experience as they encouraged me to keep strong.

I now had around 28 kilometres to the finish with 4 hours to the cut-off, meaning a soft, gentle run of 8.5 minutes per kilometre was needed, although you also know you don't want to use up all the time either in making it too tight. You do want a little bit of time in hand, just in case of cramps – keeping in mind that my training was a tad short, increasing this possibility. Just like financial planning, you want to keep the percentages in your favour on a “risk-adjusted” basis.

It's not unlike financial planning, where the highs and lows of the run play on your mind and increase to mental stamina to stay on course. Much like the emotional ups and downs of an investment strategy, we need to stick to the plan and have the confidence of our previous convictions when embarking on our journey.

After this came the big descent down the 3 kilometres of Fields Hill, and without overdoing it, the opportunity to make up some time where I could not let the mind drift and possibly start walking without realising it. This is where the mind games kick in, and the self-negotiations are at their highest levels.

Pushing down, then came another monster, Cowies Hill, at 75 kilometres. It's time for a well-earned 5-minute walk after a good few hours of shuffling.

Mentally, it's quite tough to try and run 91 kilometres. It's so much easier to break it down into bite-sized chunks and give yourself short-term goals and rewards for shorter spurts of say 3-5 kilometres, and have a matching reward like a good 2-minute walk with something to eat where there's much on offer at the well-stocked water points. This is another metaphor we apply in financial planning, where short-term goals should be part of a long-term retirement plan, making the end goal easier to achieve.

Going over Cowies Hill, it was another few kilometres down until we got to the iconic Tollgate Bridge at the 85-kilometre mark, and I had a full hour to do the last 6 kilometres. Cresting under the bridge, I felt magnificent seeing Durban below, feeling on top of the world. From there, it's a 6-kilometre shuffle down to the finish at the well-lit Moses Mabhida Stadium as the sun started its early Durban sunset. Things could still go wrong. For some, they do, but in my mind, this was where I mentally conquered this Comrades. For the most part, it's now done. The rest was a formality – I needed to keep my shuffle calm and, most importantly, focused.



Coming into the stadium with hundreds of fellow runners and thousands of wildly cheering supporters, I finished my 8th Comrades 8 minutes before the 12-hour cut-off time. My second worst time, but probably my best Comrades run, considering everything.

However, it still wasn't over yet! Seeing the simultaneous joy and sheer relief in my facial expression when crossing the finishing line of this gruelling hilly 91 kilometres, former Springbok rugby prop Toks van der Linde then called me out for a TV interview. Talk about always needing to be prepared! He asked me what makes this race so special. I replied: "No matter how fit you are, how strong you are, it's always gonna test you."



While being an ultra-runner gives me an added understanding needed as a financial planner, on this day, it certainly was more a case of being a financial planner helping me to be a runner in conquering one of the world's most enthralling running experiences. A fantastic day out on the "ultimate human race", as Comrades is known, I was reminded about being true to a realistic personal tailored plan, working it, sticking to it, and then seeing the privilege within this.



Private Wealth Management would like to wish you an enjoyable and memorable holiday season and a New Year full of happiness, success and wealth.

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