% WHY CONSIDER TAX-FREE SAVING?

If you have a little extra money to save, then taking advantage of a tax-free savings account is a great way to supplement your existing retirement plan. However, it is important to understand that there are several factors that are unique to tax-free products.

Understanding how these accounts work will help you to make the most of this wonderful saving opportunity.

1 CONTRIBUTION LIMITS

There is a maximum limit of R33 000 per tax year that South Africans may contribute towards a tax-free savings account. Even if you have two or three accounts, the limit does not change – it is a limit per person and NOT per account.

A total limit of up to R500 000 can be contributed to a tax-free savings account in your lifetime. Any interest/returns earned from this will be tax free, no matter how much these may be.

Note: *If you break these rules, you will be taxed!*

2 TAX-FREE TRANSFERS

When tax-free savings accounts were first introduced in 2015, transfer of funds between tax free accounts was not allowed. However, as of 1 March 2018, regulations have changed to allow customers to transfer between tax free accounts without the risk of being penalised.

Note: *The maximum limits of contribution per person still apply.*

3 IMPACT OF WITHDRAWING

The real benefit of investing in a tax-free product can only be felt by taking a long-term approach. However, some people may decide to make withdrawals, without realising that their limit remains the same. So, if you contribute R 25 000 this year and then withdraw R20 000, you can still only contribute R8 000 more within the tax year into a tax-free savings account (maximum limit of R33 000 per tax year).

Note: *Withdrawing from your tax-free savings account also means that you miss out on compound interest and therefore you will earn lower returns in the long run.*

4 SAVING FOR A MINOR

Parents or grandparents may open a tax-free account in the name of a child. However, it is important to note that once the R500 000 lifetime contribution is reached, their child or grandchild will not be able to contribute further to any tax-free account.

! ***As is with any investment you make, it's important to understand your options before making any decisions.***

Speak to your Financial Service Provider or Financial Advisor for more information about tax-free savings and investments.

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InSite Innovative Education Solutions (Pty) Ltd 2019