STANLIB

Unit Trust Tax-Free Savings Account

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What is a Tax-Free Savings Account?

The South African government aims to promote savings through the National Savings Scheme. In line with this, STANLIB is offering a convenient investment vehicle through a tax-free savings account on the Unit Trust Platform. This is available to new and existing clients.

How does it work?

- This account is exempt from tax on all returns
- The account allows a maximum of R33 000 annual contribution and a maximum of R500 000 lifetime contribution
- A minimum lump sum of R5 000 is allowed with a minimum debit order of R500 or a maximum of R 2 750 per month
- Investors can withdraw from the account at any time. However, investments returned to the account will be subject to the annual contribution limits
- You can switch between different STANLIB funds in the account which will not impact you annual contribution limits

What are the benefits?

- No Capital Gains Tax (CGT) - on a switch within this account or on withdrawal
- No tax on dividends - your account will earn the gross dividend, which will be reinvested
- You will not pay tax on income - all interest and other income will be reinvested tax-free
- No performance fees or initial fees. However, advisers will be able to charge an initial adviser fee as agreed with the client
- Service fees - no additional fees will be charged except the annual service fee of the fund selected. This may include a trail fee to the adviser
- Even though the amount of contributions has a lifetime limit, there are no limits on the size that this account can grow to

Key features of the STANLIB Unit Trust Tax-Free Savings Account

- Easy access to funds at any time
- You have a wide choice of funds to invest in
- No lock-in period
- Transparent in terms of fees and funds invested in
- You can use it to tailor a tax-free cash flow plan in retirement

Planning for the rest of your life with STANLIB's flexible Unit Trust Tax-Free Savings Account

Pre-Retirement | Post-Retirement

The traditional method of saving for retirement by investing in a retirement fund, provides you with income while you are in retirement, however this income is taxed.

Pre-Retirement

Retirement Annuity and/or Retirement Fund

Contributions are tax deductible. Limited to the lesser of R350 000 and 27.5% per annum of the higher remuneration or taxable income

Once this threshold is reached, further retirement savings can be made into a Tax-Free Savings Account to enhance retirement savings outcomes.

Post-Retirement

For example: Linked Life Annuity
Taxed monthly in the hands of the pensioner

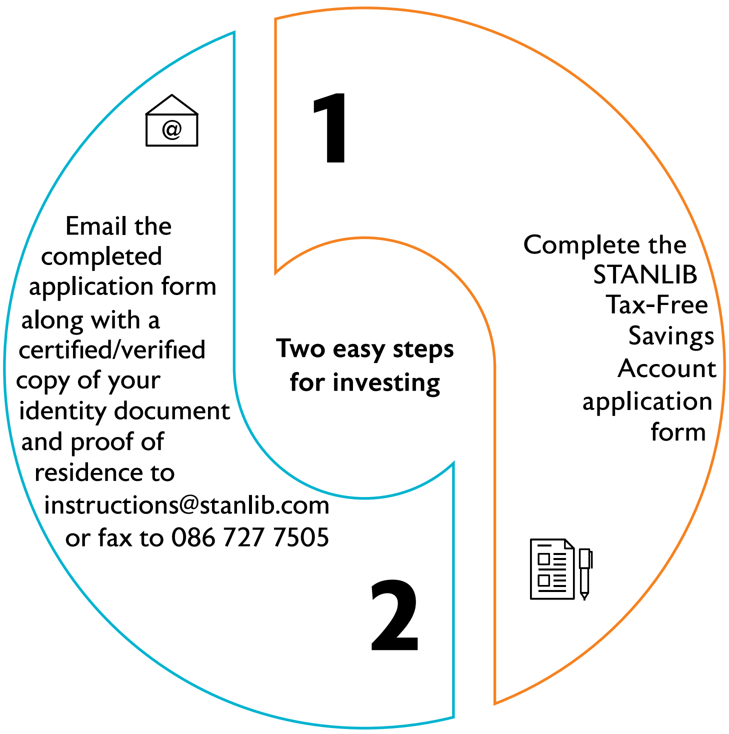
You manage your living annuity in retirement depending on your lifestyle needs

What if your retirement savings runs out while you are still in retirement? This risk can be reduced by having a tax-free savings account to add to your cash flow in retirement.

If the above retirement vehicle is combined with a STANLIB Tax-Free Savings Account, the investor will save in tax as the cash flow from the Tax-Free Account is tax-free.

The Tax-Free Savings Account will afford you the flexibility to save for retirement or access your funds before retirement if necessary. While your contributions in a Tax-Free Savings Account are not tax deductible, your returns are. Over the long-term, this tax saving can be substantial.

Your Tax-Free Savings Account can continue at retirement, therefore it can be used for discretionary savings post-retirement. You pay income tax on annuity payouts but your tax-free savings withdrawals are tax-free. Therefore, you can structure your monthly income from your annuity and tax-free pay outs to collectively reduce your income tax liability.



POST-RETIREMENT EXAMPLE:

Pension withdrawal from a linked life annuity ONLY:

Investor A withdraws a pension from a living annuity of R20 000 per month and is then taxed annually on R240 000.

Annual tax on R240 000 = **R47 209**

To calculate the net monthly income from the linked life annuity:

- Annual tax before rebate R47 209
- Less: Primary rebate (R13 635)
- Less: Secondary rebate (R 7 479)
- Annual tax after rebate R26 095

(R26 095/12 months = R2 175 monthly tax amount)

Net payment from linked life annuity per month is (R20 000 - R2 175) R17 825

Pension withdrawal from a linked life annuity AND a Tax-Free Savings Account:

Investor B withdraws a living annuity of R15 000 per month and R5 000 per month from a tax-free savings account. He/she is then taxed annually on R180 000.

Annual tax on R180 000 = **R32 400**

To calculate the net monthly income from the linked life annuity:

- Annual tax before rebate R32 400
- Less: Primary rebate (R13 635)
- Less: Secondary rebate (R 7 479)
- Annual tax after rebate R11 286

(R11 286/12 months = R940 monthly tax amount)

Net payment from linked life annuity per month is (15 000 - R940) = R14 060
Net payment from linked life annuity and tax-free investment is (R14 060 + R5 000) = R19 060

THEREFORE THE TOTAL TAX SAVINGS PER MONTH, IF AN INVESTOR SUPPLEMENTS THEIR RETIREMENT ANNUITY WITH A TAX-FREE SAVINGS VEHICLE IS (R19 060 - R17 825) R1 234 PER MONTH OR R14 809 PER ANNUM.

Assumptions:
This calculation is based on a pension of R20 000 per month / R15 000 per month from a living annuity at the applicable tax rate for a pensioner over the age of 65 but under the age of 75 at the 2016 tax tables rates. This calculation does not take into account any allowable deductions. The withdrawal from the tax-free savings account is on the assumption that the pensioner has accumulated enough funds in the tax-free savings account to support a monthly withdrawal of R5 000.

Please note: The limit of R33 000 per annum contributions applies to ALL your Tax-Free Saving plans in total, with STANLIB and other providers. If investors exceed this limit, this will be considered a contravention of the law, which SARS will be monitoring on an annual basis. Any amounts exceeding the R33 000 per annum limit will be taxed at a rate of 40%.