



% 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.

ONE | 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!*

TWO | 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.*

THREE | 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.*

FOUR | 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.

IMPORTANT

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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