

WHAT TO DO WITH YOUR FOREIGN CURRENCY MONEY

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MART-MARIE DE JONGH
FINANCIAL ADVISOR

In this snippet we will be focusing on what to do with your foreign currency money.

AFTER YOU HAVE CONVERTED YOUR RANDS TO FOREIGN CURRENCY, WHAT DO YOU DO WITH IT?

Let's start at the beginning – when you choose how your investments will be structured, there are two components that need to be addressed –

1. What type of product you will be utilising; and
2. What type of underlying instrument / asset class you will be investing in.

WHAT IS AN INVESTMENT PRODUCT?

The investment product is basically the basket in which your investments are held. This basket determines the accessibility & flexibility of your investment, the tax implications on your investment and how your investment is treated in your estate.

Examples of offshore investment products include –

OFFSHORE
UNIT TRUSTS

EXCHANGE
TRADED FUNDS

OFFSHORE SHARE
PORTFOLIOS

OFFSHORE LIFE
WRAPPERS

STRUCTURED
PRODUCTS



EN AVANT

A French ballet term describing a dance step requiring dancers to move **forward** and **onwards**.

Let's look at each product option in more detail:

OFFSHORE UNIT TRUSTS

Firstly, an offshore unit trust works the same as a local unit trust, where investors pool their funds together and purchase units in a portfolio consisting of a single or various underlying asset classes. The unit trusts you choose can either be actively or passively managed and the cost thereof varies.

EXCHANGE TRADED FUNDS

Similar to unit trusts, are Exchange Traded Funds (commonly known as "ETF's"). The main difference being that ETF's are bought and sold via a stock exchange like a share. However, unlike a share, which focuses on one company, an ETF tracks a basket of shares, or an index, or a specific asset class.

OFFSHORE SHARE PORTFOLIO

An offshore share portfolio works the same as a local share portfolio but instead of only having access to shares listed on the JSE, investors now have access to the full spectrum of globally listed companies.

Important to note, is that from a taxation and estate planning point of view, offshore share portfolios can be extremely expensive and ineffective if accessed directly. An offshore Life Wrapper can help to negate these problems.

OFFSHORE LIFE WRAPPER

An offshore Life Wrapper works very much the same way as a local endowment or sinking fund and you can still access offshore shares, unit trusts and ETF's via the Life Wrapper. The Life Wrapper provides you with a fixed tax rate within the product on the growth and proceeds generated. The Life Wrapper also assists with effective succession planning as it provides protection against offshore inheritance taxes and executor fees at death.

What one should keep in mind, is that there is less flexibility with a Life Wrapper as there are limitations and restrictions when making additions to or withdrawals from your Life Wrapper.

STRUCTURED PRODUCTS

A structured product is an investment product innovation that has gained increased traction over the last few years as a supplement to traditional unit trusts, etf's and share portfolios. These products are a pre-packaged, fixed-term investment that offers investors easy access to equity markets, but with the added benefit of a pre-defined and pre-packaged risk and return profile.

**ONCE YOU HAVE DECIDED WHICH INVESTMENT PRODUCT TO UTILISE,
HOW DO YOU DECIDE WHAT TO PUT IN IT?**

As part of our investment consulting and advisory services, we assist clients to construct an underlying investment that is suited to their personal investment goals and risk profile. The most important component of your underlying investment, is that it must be well diversified.

Diversification can be done in various ways – across different currencies (like US Dollars or Euros), across various geographical areas (both developed and emerging markets), across different investment funds (different unit trusts / ETF's), as well as various asset classes (like shares, bonds, property, and cash) and investment themes, like Megatrends and Disruption portfolios.

We encourage you to engage with our team of experts in structuring your own offshore investment. If you have questions on our research or want to invest offshore, contact us today!



TANIA THERON
Head of Wealth
tania@grayswan.co.za



GREGOIRE THERON
Head of Manager Research
greg@grayswan.co.za



MART-MARIE DE JONGH
Financial Advisor
martmarie@grayswan.co.za



BRAAM BREDEKAMP
Financial Advisor
braam@grayswan.co.za