



Practical guide to offshore investments

Part 2



GRAYSWAN

MART-MARIE DE JONGH
June 2022

June 2022

Practical guide to offshore investments – Part 2



In this series on offshore investments, we focus on which options are available to investors, how South Africans can access such offshore investment opportunities and the impact product choice can have on offshore portfolios.

In case you missed part 1 of our series and would like to find out more about the different offshore investment options available to South Africans, you can read it [here](#) .

In part 2 of our practical guide, we look at how to access these investment options and what to consider when structuring a diversified investment portfolio.

DIRECT INVESTMENT

An investor can make a direct investment either by opening a direct offshore unit trust or a direct offshore stock broking portfolio. The process is quite simple as there are multiple platforms that provide direct offshore investments.

What is however important to remember, is that both Situs Taxes and Probate may be applicable on direct offshore investments and can have a significant impact on the investment portfolio's value upon transfer at your death.

OFFSHORE INVESTMENT WRAPPER

An appropriate investment product can help to avoid the complexity and cost of offshore inheritance taxes. An offshore investment wrapper offers such a solution. These products are structured with either an underlying endowment policy or an underlying sinking fund holding the assets. The result of this, is that the investments are taxed within the product itself, resulting in no ongoing taxes being payable in the hands of the investor.





Offshore Investment Wrapper

vs

Offshore Unit Trust

Taxation

<ul style="list-style-type: none"> Capital Gains Tax (CGT) at a rate of 12% for individuals, is applicable on all realised gains from switches, share trading and withdrawals. 	<ul style="list-style-type: none"> CGT at a rate of 18% for individuals, is applicable on all realised gains from switches, share trading and withdrawals.
<ul style="list-style-type: none"> Administrator takes care of tax administration (calculation, collection and payment to SARS) - no personal liability. 	<ul style="list-style-type: none"> Client is responsible for declaring and paying income tax and CGT.
<ul style="list-style-type: none"> Income tax, at a rate of 30%, is applicable on any income (rental and interest) received. 	<ul style="list-style-type: none"> Income tax, at a rate of up to 45%, is applicable on any income (rental and interest) received.
<ul style="list-style-type: none"> Foreign dividends tax, at a rate of 20% for individuals, is applicable net of the tax withheld at source. 	<ul style="list-style-type: none"> Foreign dividends tax, at a rate of 20% for individuals, is applicable net of the tax withheld at source.

Insolvency Protection

<ul style="list-style-type: none"> Insolvency protection after three years. 	<ul style="list-style-type: none"> No insolvency protection.
--	---

Estate Planning

<ul style="list-style-type: none"> Estate planning benefits: beneficiaries for ownership or for proceeds can be appointed for efficient estate planning purposes. No executor fees. No international probate liability. 	<ul style="list-style-type: none"> Probate risk: Complications could arise from having part of an estate located offshore. In some countries, strict procedures may need to be followed to identify and appraise the assets of an estate as well as pay outstanding debts and taxes. Most countries don't recognise a South African will, which can cause problems for heirs. If you draw up an offshore will, an offshore executor may need to be appointed in addition to a local one, with the additional costs and complications involved.
<ul style="list-style-type: none"> Subject to SA estate duty at 20%*. 	<ul style="list-style-type: none"> Subject to inheritance tax in foreign jurisdiction.



STRUCTURING A DIVERSIFIED INVESTMENT PORTFOLIO

The most important components of your offshore investment portfolio are that it is structured in a sustainable, cost-efficient (including tax) manner and that the underlying investments are well diversified. As part of our investment consulting and advisory services, we assist clients to construct a tailor-made offshore portfolio, consisting of the following key elements -

Choosing the most suitable administrative platform to utilise, based on a client's investment needs and requirements as well as the administrative platforms fees and product offering.

Choosing the most suitable investment product(s) to utilise, based on a client's tax considerations, liquidity requirements and long-term investment needs.

Constructing an underlying investment that is suited to the client's personal investment goals and risk profile.

Other diversification mechanisms to consider -

- Diversifying your currency exposure (e.g. combining more than one currency in your portfolio);
- Diversifying your geographical exposure by including both developed markets and emerging markets (other than SA);
- Diversifying your asset class allocation based on your risk profile and investment horizon (allocation to shares, bonds, property, cash and alternatives); and
- Diversifying your fund allocation across various investment managers, passive tracker funds and different investment themes, like Megatrends and Disruption portfolios.

Technological disruption, urbanisation and climate change are redefining the investment landscape, creating new opportunities for wealth generation .

Investors who have existing offshore portfolios and wish to diversify further through these Megatrend and Disruption portfolios, can either do so by consulting with one of our investment experts or by simply purchasing the ETN's through an existing offshore stock broking platform. You can find out more about these portfolios, through our [website](#).

Should you wish to gain more insight into the offshore investment possibilities available, we encourage you to engage with our team of experts in structuring your own offshore investment.

FIND YOUR FREEDOM



GRAYSWAN

Find your Freedom at: www.grayswan.co.za

Johannesburg	(011) 431 0141
Somerset West	(021) 852 9092
Stellenbosch	(082) 336 8615

Investment advice and wealth management solutions through a global megatrend lens to institutional, corporate family office and private client investors. Gray Swan Financial Services (Pty) Ltd is a registered Financial Services Provider (FSP no. 42290)