

Offshore investing and estate planning

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Neal Sinclair, business development manager at Glacier by Sanlam, recently explored the vehicles for offshore investing in a complex SA market environment, and with a special focus on estate planning, particularly in terms of tax efficiency.

There are two questions that clients start with before they decide to go global:

1. "Why should I invest offshore?"
2. "How do I invest offshore correctly?"

Most discretionary offshore investors probably invest via a feeder fund, and this is being done against a backdrop of the current global economy, therefore hedging against rand depreciation is important.

The local investable universe

In answer to investors' first question, there are limited companies that can be accessed in the local market. The large global brands form a massive opportunity set offshore and yet clients seem to have all of their eggs in one local investing basket, and most of it is tied to the SA economy.

As South African investors, we tend to fixate on the rand/US\$ exchange rate, which tends to influence the decision to invest offshore. The rand should be a factor in this decision, but other factors are also important. When this decision is made, estate planning must be taken into account.

What should we consider when investing offshore around estate planning?

1. There are different jurisdictions around the world governed by different sets of legislation. Knowledge of [probate](#) therefore is essential.
2. In common law, the deceased's estate is wound up through a will. However, on the other side of this is succession. In some countries, in terms of civil law, a deceased's estate goes to

their children automatically, and bypasses the spouse. Therefore, civil law could put financial and estate planning at risk.

3. An offshore will may not necessarily be recognised by the jurisdiction in which the will was drafted.

What are the simplest, most tax-efficient ways to invest offshore?

It's really simple – ensure that solutions are wrapped. The administration and [estate planning benefits](#) of this cannot be over-emphasised, especially at death. And this is where the [Glacier International Global Life Plan](#) proves its mettle.

For tax efficiency, it makes sense to place a basket of offshore funds in an endowment or a sinking fund. Endowments are suited to affluent individuals while sinking funds work for trusts and entities. Most offshore funds are 'roll-up' funds which do not declare interest and dividends, making them more tax-efficient as the tax triggered would be CGT at 12%. On the local side, feeder funds declare interest and dividends, which could trigger a tax event at a marginal income tax rate of 30%.

Wrappers avert complexities at multiple levels for investors, including the amount of tax that is triggered at death, which is lower in SA than many other countries.

The [Glacier Offshore Investment Plan](#) is ideal for investors seeking easy, low-administration access to global markets. The Glacier Offshore Investment Plan also has a recurring investment option, catering for monthly investments at a minimum of R5000.

Glacier does the SARS heavy lifting for your client

All tax administration in Glacier's offshore wrappers is taken care of by Glacier on behalf of the client. Also, because of the structure of the wrappers, the client may need to pay no more 12% CGT as opposed to marginal income tax of 30% or more.

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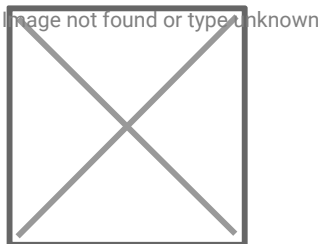
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The Glacier Offshore Investment Plan is a flexible, discretionary savings vehicle which offers investors the opportunity to invest offshore, accessing different markets and currencies.

The Glacier Offshore Investment Plan is administered by Glacier Financial Solutions (Pty) Ltd.

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Neal Sinclair

Neal Sinclair joined Glacier as a business development manager in June 2011. In his portfolio, he is the custodian for broker services in the Johannesburg region. His role involves engaging intermediaries on all aspects of the Glacier value proposition and to create opportunities to help them and enhance the services they provide through holistic financial advice. Neal's career in financial services kicked off in 1997 when he joined Fedsure. He later moved to Momentum and then Sanlam. Neal holds an Advanced Certificate in Financial Planning (NQF Level 6).

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