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Investing for a
world of change

Intergenerational Transfer of Wealth

Albert Coetzee
November 2025



Important information

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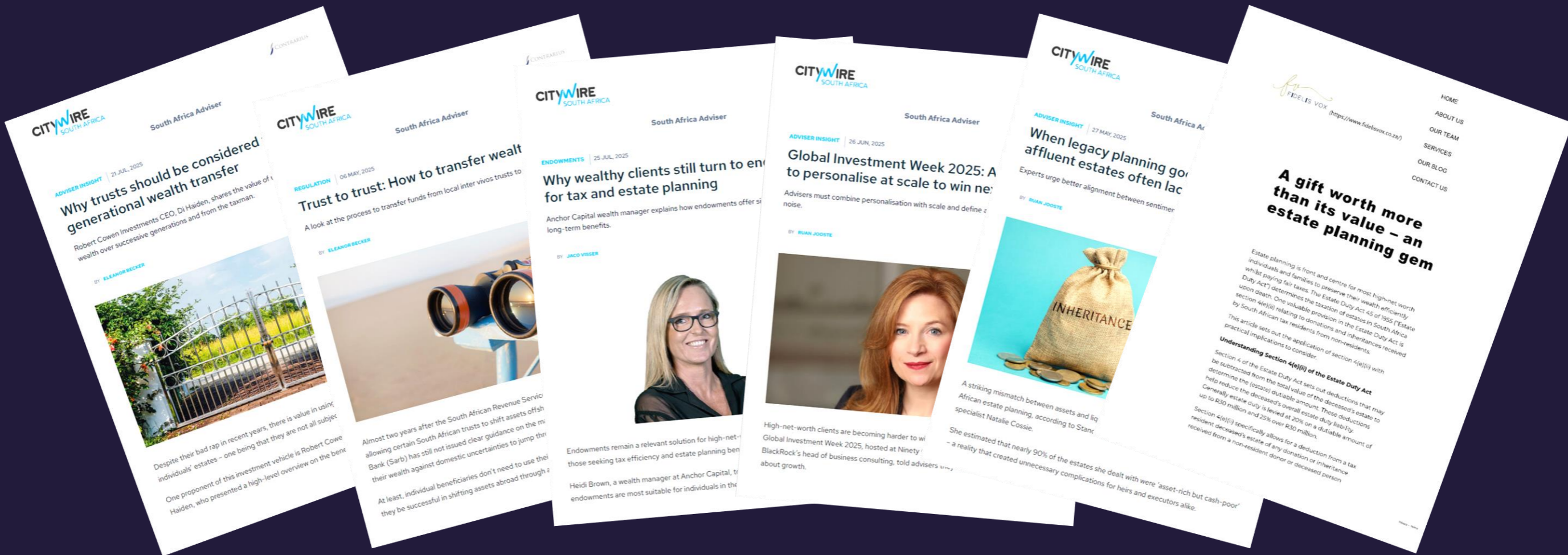
What is concerning clients?

- 1 Creating **liquidity on my death**
- 2 Providing the **most tax efficient solution** for the **lazy cash**
- 3 Create **tax-efficient income** and **manipulate Estate Duty** regardless of my age
- 4 Achieve **inter-generational transfer of wealth** & cost and tax efficiency **making use of Family Office**
- 5 Transfer **assets from SA trust** to non-resident children or offshore **via SA Trust to Trust**
- 6 Shield the impact of **foreign estate taxes (SITUS)** and **Probate**
- 7 Ensure most **efficient beneficiary nomination** to avoid un-intended consequences
- 8 Most efficient solution for funds in **offshore bank account**
- 9 Select the correct **offshore solution** for my **own tax residency status**
- 10 Alternatives to **loan accounts to offshore Trusts**



Giving advisors the inside track on financial planning themes

And the market is catching on



ADVISER INSIGHT | 21 JUL, 2025
Why trusts should be considered for generational wealth transfer
Robert Cowen Investments CEO, Di Haiden, shares the value of wealth over successive generations and from the taxman.



Despite their bad rap in recent years, there is value in using individuals' estates – one being that they are not all subject to estate duty. One proponent of this investment vehicle is Robert Cowen Haiden, who presented a high-level overview on the benefits of trusts.

REGULATION | 06 MAY, 2025
Trust to trust: How to transfer wealth
A look at the process to transfer funds from local inter vivos trusts to trusts in other jurisdictions.



Almost two years after the South African Revenue Service (SARS) issued guidance on the use of trusts, the SARS Bank (Sarb) has still not issued clear guidance on the use of trusts to transfer wealth against domestic uncertainties to jump through the cracks. At least, individual beneficiaries don't need to use trusts to be successful in shifting assets abroad through trusts.

ENDOWMENTS | 25 JUL, 2025
Why wealthy clients still turn to endowments for tax and estate planning
Anchor Capital wealth manager explains how endowments offer significant long-term benefits.



Endowments remain a relevant solution for high-net-worth individuals those seeking tax efficiency and estate planning benefits. Heidi Brown, a wealth manager at Anchor Capital, explains why endowments are most suitable for individuals in the current market.

ADVISER INSIGHT | 26 JUN, 2025
Global Investment Week 2025: A to personalise at scale to win new clients
Advisers must combine personalisation with scale and define their niche.



High-net-worth clients are becoming harder to win. BlackRock's head of business consulting, told advisers they need to be more personal about growth.

ADVISER INSIGHT | 27 MAY, 2025
When legacy planning goes wrong, affluent estates often lack
Experts urge better alignment between sentiment and strategy.



A striking mismatch between assets and liabilities is hindering African estate planning, according to Standard Bank specialist Natalie Cossie.

She estimated that nearly 90% of the estates she dealt with were 'asset-rich but cash-poor' – a reality that created unnecessary complications for heirs and executors alike.



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A gift worth more than its value – an estate planning gem

Estate planning is front and centre for most high-net-worth individuals and families to preserve their wealth efficiently whilst paying fair taxes. The Estate Duty Act 45 of 1955 (the Estate Duty Act) determines the taxation of estates in South Africa upon death. One valuable provision in the Estate Duty Act is section 4(e)(ii) relating to donations and inheritances received by South African tax residents from non-residents. This article sets out the application of section 4(e)(ii) with practical implications to consider.

Understanding Section 4(e)(ii) of the Estate Duty Act

Section 4 of the Estate Duty Act sets out deductions that may be subtracted from the total value of the deceased's estate to help reduce the deceased's overall estate duty liability. Generally, estate duty is levied at 20% on a dutiable amount of up to R30 million and 25% over R30 million.

Section 4(e)(ii) specifically allows for a deduction from a tax resident deceased's estate of any donation or inheritance received from a non-resident donor or deceased person.



Mental capacity and the validity of power of attorney's (POA's)

SA legislation

- 1** A POA can only be valid if the principal (the investor) has mental capacity
- 2** If the principle does not have capacity to bind himself/contract, then the principle cannot authorize another person to act on his behalf
- 3** If a POA was granted by a principal who did not have contractual capacity at that time, that POA is not valid
- 4** If the principal becomes incapacitated/loses capacity to act on his own due to injury or illness or old age (at any time after having signed a POA), that POA will cease to be valid/it automatically terminates. An administrator or curator will have to be appointed to act on his behalf



What is happening?

- 1 Susan case very wealth Stellenbosch widow with a R70m local share portfolio, 80 years old,
- 2 Yvonne from Pretoria, divorcee, refuses to leave cash, 70 years old
- 3 Durban, terminally ill client
- 4 PE case, entrepreneur
- 5 Durban case, elderly lady with 4 children not speaking
- 6 93 year old man from Constantia
- 7 84 year old man in Pretoria, wife has Dementia, just sold a business making a large contribution to a RA
- 8 77 year old JHB man, 2nd wife, 15 years younger, his and her children
- 9 81 year old CTN widow with a R6,6m loan account to her SA trust
- 10 VHNW CTN man, over 70 years old want to restructure very large portfolio to avoid SITUS



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Looking at discretionary

Where there's a will, there's a (long) way... or wait!!!

Will

Master's office

Executor

Executors fee

CGT?

Delays


Beneficiary





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The background of the slide is a dark, stormy night sky filled with numerous bright, jagged lightning bolts. In the bottom right corner, there are several overlapping, semi-transparent yellow geometric shapes, including triangles and trapezoids, which create a modern, abstract design element.

Can policy wrapper
guarantee the flow of
funds on my death?



Policy wrapper: The product structure is important

Things to look out for

Sinking Fund or Endowment?

Roll up funds or distributing?

Are joint holders allowed?

Does the product allow for alternative beneficiaries?

What is the jurisdiction?

What happens on death?

Where is the administration done?

Does the beneficiaries inherit separate?

Percentage of capital available during first 5 years?

Charging structure, any penalties involved?



Policy wrapper: The product structure is important

Things to look out for

Beneficiary for ownership or proceeds?

120% rule after 5 years or after death

Family reporting and fees

Does the product allow for loans?

Does the loan facility carries over on death?

Are CGT losses carried over?

Ease of transactions

Protection against creditors?

Is there interest charged on a loan?

Linked license vs Full license

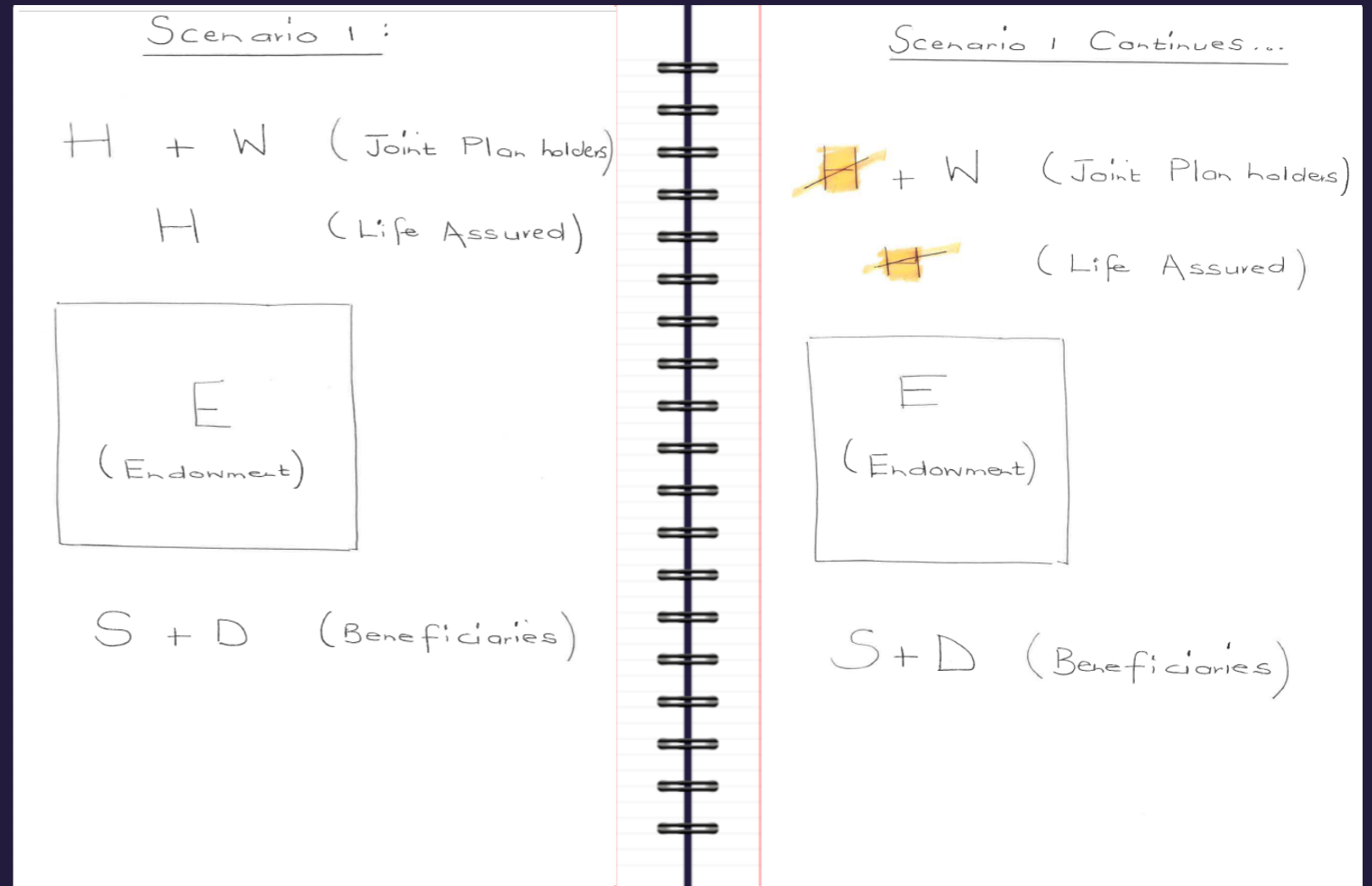


I want certainty on who receives my offshore funds when I die

Structure is everything!!!

Offshore - Structure is everything!!!

- a) Family Office removes the need for joint accounts

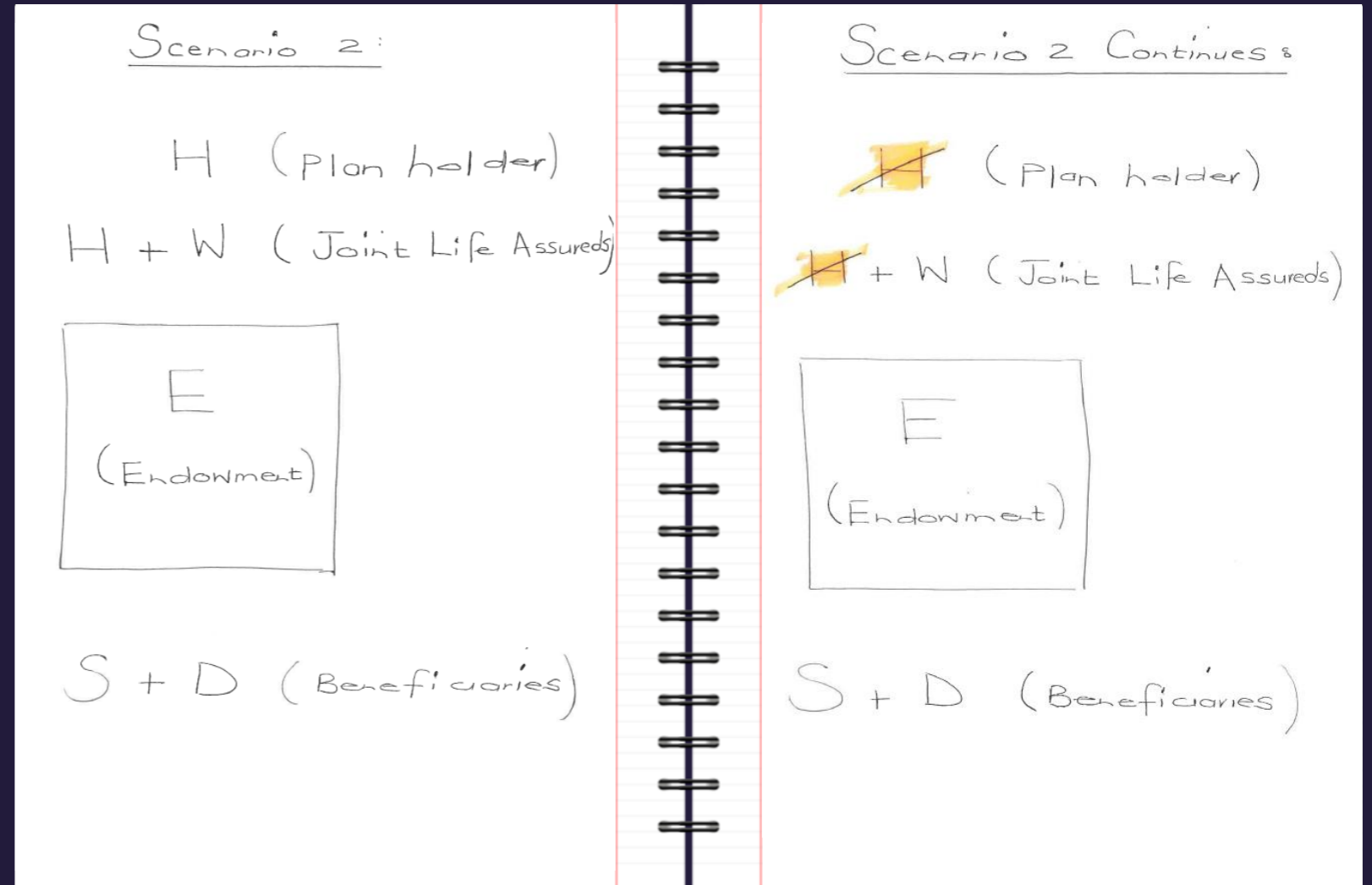


The importance of structure

The problem with joint accounts

Offshore - Structure is everything!!!

- a) Family Office removes the need for joint accounts



The importance of structure

The problem with joint beneficiaries

Offshore - Structure is everything!!!

- a) Family Office removes the need for joint accounts
- b) Beneficiaries inherit separately
 - i. Removes need to agree with other beneficiaries
 - ii. Removes vulnerability to CGT where one takes cash
 - iii. More efficient in managing who receives what on death

Scenario 3
(Joint Beneficiaries become Joint Plan Holders)

S + D (NEW Joint Plan Holders)

S + D Life Assureds

E
(Endowments)

Beneficiaries of
S + D

Scenario 3 Continues:
Consequences!! of Joint Ownership

①

S + D

Must sign / agree at all times going forward

②

S + D

What if "S" wants the money? Will he incur a CGT for his sister as well?

③

S + ~~D~~

If "D" dies. What will happen to her portion? Will "S" the joint plan holder gets it or will "D's" family/ beneficiaries gets it?



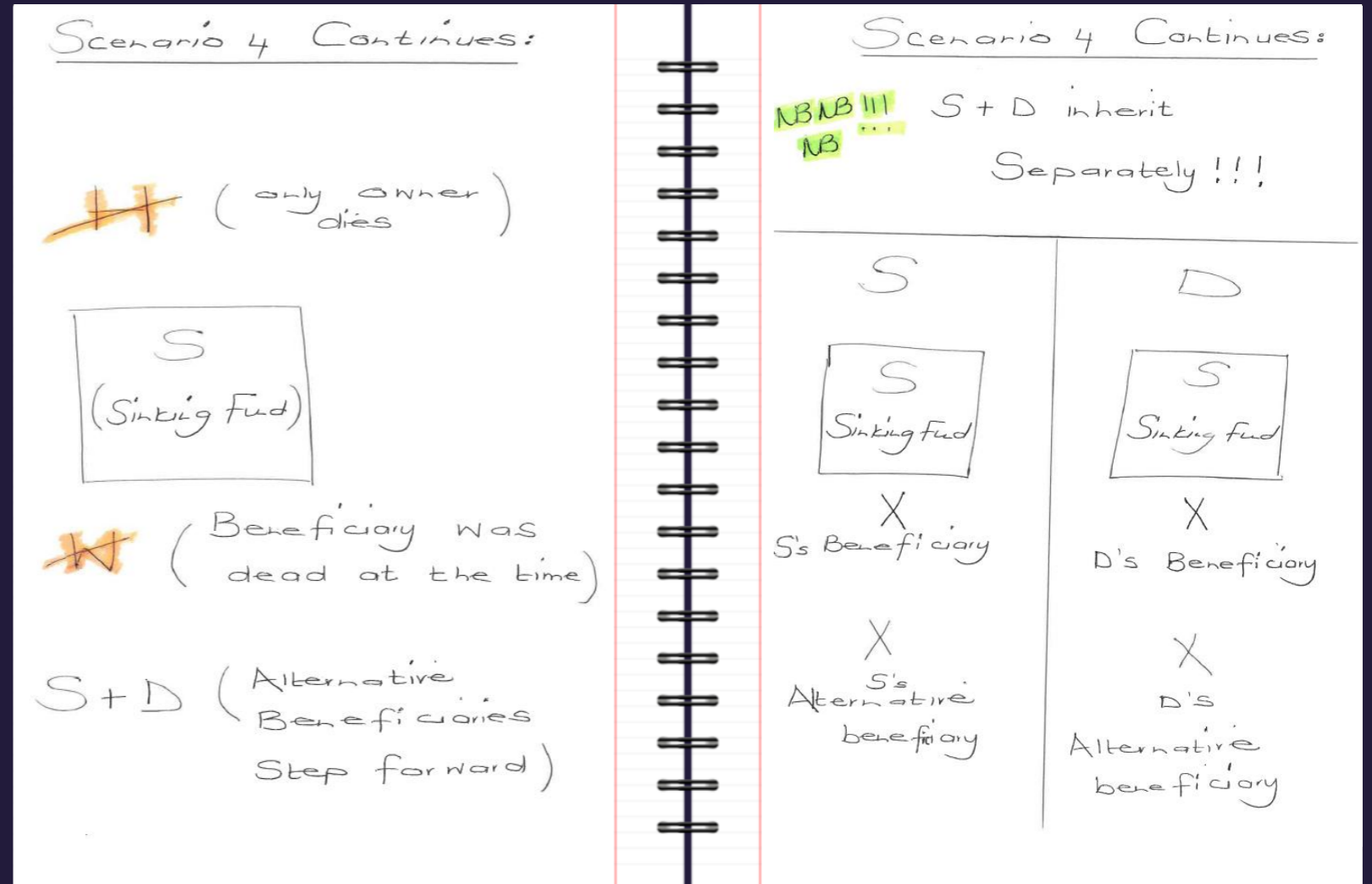
Why Ninety One do things differently


The advantages of sinking fund policies

Offshore - Structure is everything!!!

- a) Family Office removes the need for joint accounts
- b) Beneficiaries inherit separately
 - i. Removes need to agree with other beneficiaries
 - ii. Removes vulnerability to CGT where one takes cash
 - iii. More efficient in managing who receives what on death

Avoiding unintended consequences





**The importance of
beneficiary nominations!**

Beneficiary nominations:

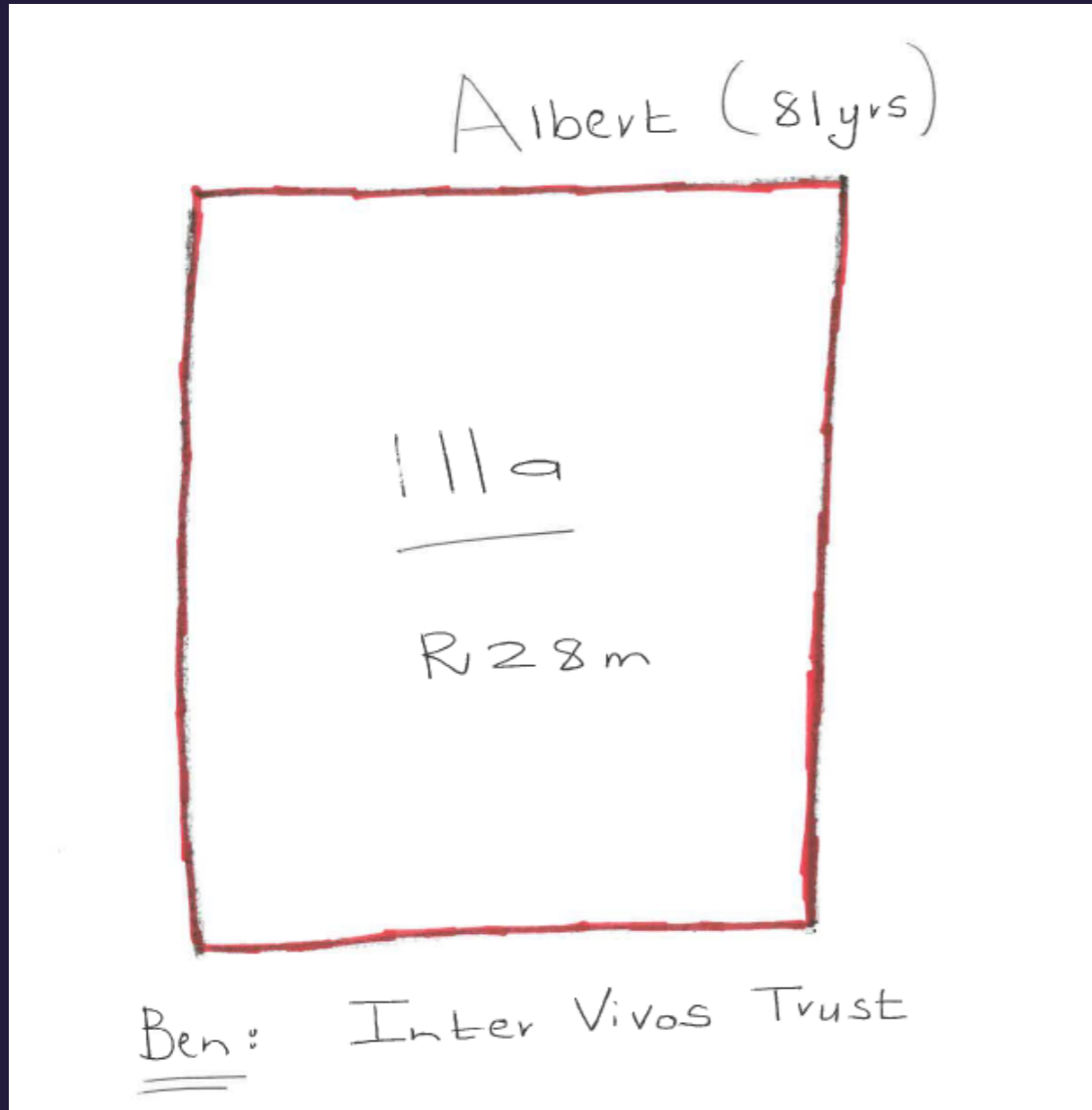
Albert owns a living annuity, who can be his beneficiary?

- Spouse (normal, Alzheimer's, not good with money, much younger, 2nd spouse with her own children)
- Children (normal, addiction, not good with money, foreign)
- “Estate”
- Blank
- Testamentary Trust or Inter Vivos Trust
- Offshore Trust
- Registered PBO
- Alternative / Secondary beneficiaries



Example: Beneficiary nominations

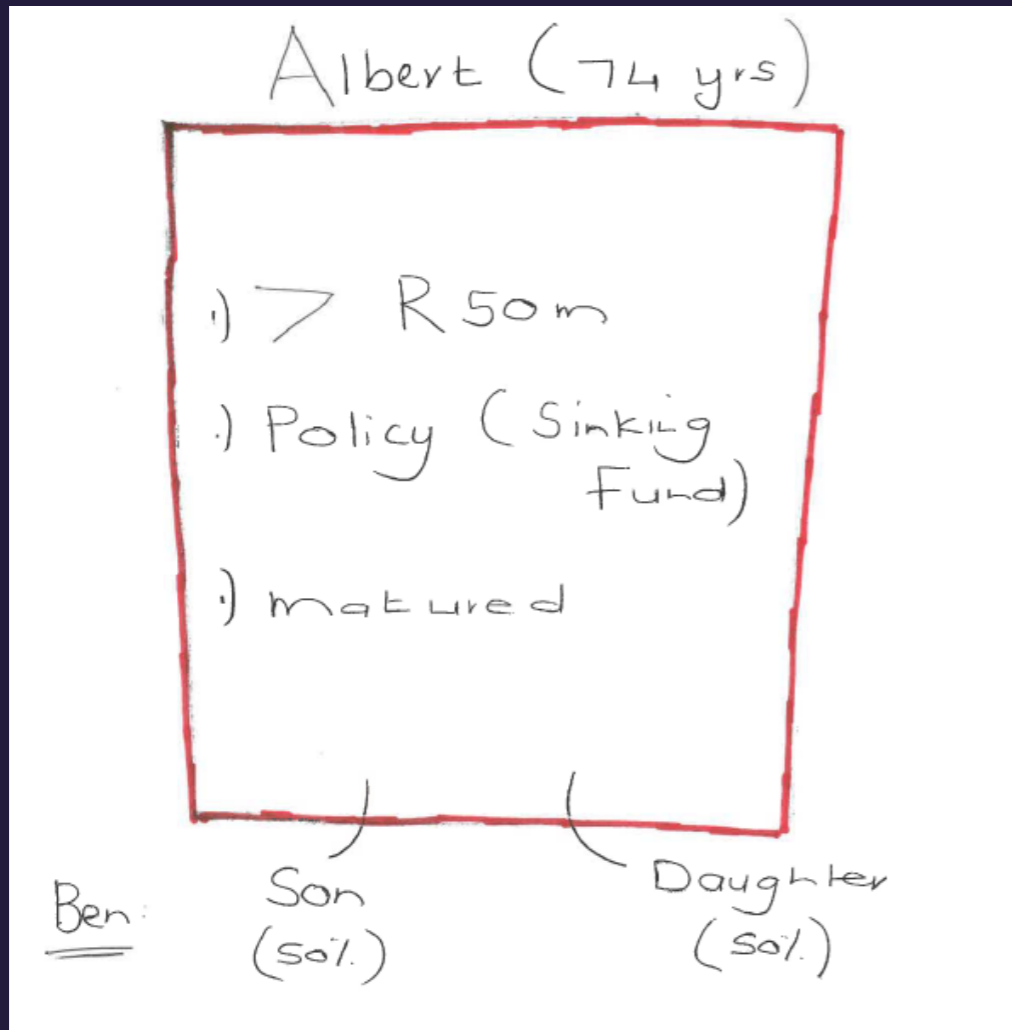
R28m ILLA, Inter Vivos Trust as nominated beneficiary





Example: Beneficiary nomination

Elderly father, large local matured policy wrapper with his 2 children as nominated beneficiaries





Offshore wall of worry

... aside from performance

| | Married (Discretionary) | Single/Widow/er (Discretionary) | Single/Widow/er (Policy) |
|--------------------------|-------------------------|---------------------------------|--------------------------|
| Income Tax | 45% | 45% | N/A |
| CGT on disposal | 18% | 18% | 12% |
| Protect from Probate | ? | ? | ✓ |
| Protect from estate duty | ✓ *** | ✗ 20/25% | ✗ 20/25% |
| CGT on death | N/A** | 18% | N/A* |
| Save executors fees | ✗ | ✗ | ✓ |
| Liquid on death | ✗ | ✗ | ✓ |
| Flexible ben options | ✗ | ✗ | ✓ |
| Protect from Situs | ✗* | ✗* | ✓ |

*Where situs assets held ** Where benefit is passed to spouse *** Where benefit passed to spouse



Building the puzzle
including T-2-T!

■ Distribution to foreign trust

Implications of a trust (SA)-to-trust (offshore) distributions

SA Trusts do not qualify for AIT (Approved International Transfers)

SARS and SARB recently announced that they would consider applications by South African trusts to make distributions to offshore trusts

Trust must apply to SARS and then SARB for approval to distribute, application subject to:

- a) Offshore Trust must be a beneficiary of the South African Trust
- b) Rules of South African Trust must allow for such a distribution
- c) All tax liabilities related to the distribution must be met by the SA Trust

SARB has not released a formal circular:

- a) No explicit regulation governing the permissibility of these transfers
- b) Applications are currently handled on a case-by-case basis

While **tax is payable by SA trust** this can be **mitigated** where **trust owns a policy** (12% vs 36%) and transaction **does not create a loan account** for the offshore trust



Susan...

Client circumstances

Age: 82 and health is not great

Marital status:
Widow

Children: one adult son
(age 52, SA tax resident, married
with children)

Son (Michael) is a CA and has own
investments with advisor

Current assets

Living annuity:
R 11,000,000

Cash in bank account:
R 15,000,000

Local Share Portfolio:
R 70,000,000

Ninety One Global Life Portfolio:
R 6,000,000

Needs and objectives

Income needs:
R 65,000 p.m. before tax

To take money offshore that her son
can inherit quickly and cost
efficiently

Primary Succession plan:
To provide for her son on her death
and for his family thereafter

To tackle material estate duty issues

...And a R 350k p.a. contribution to a retirement annuity (4 February 2024)



Looking at discretionary

Where there's a will, there's a (long) way... or wait!!!

Will

Master's office

Executor

Executors fee

CGT?

Delays

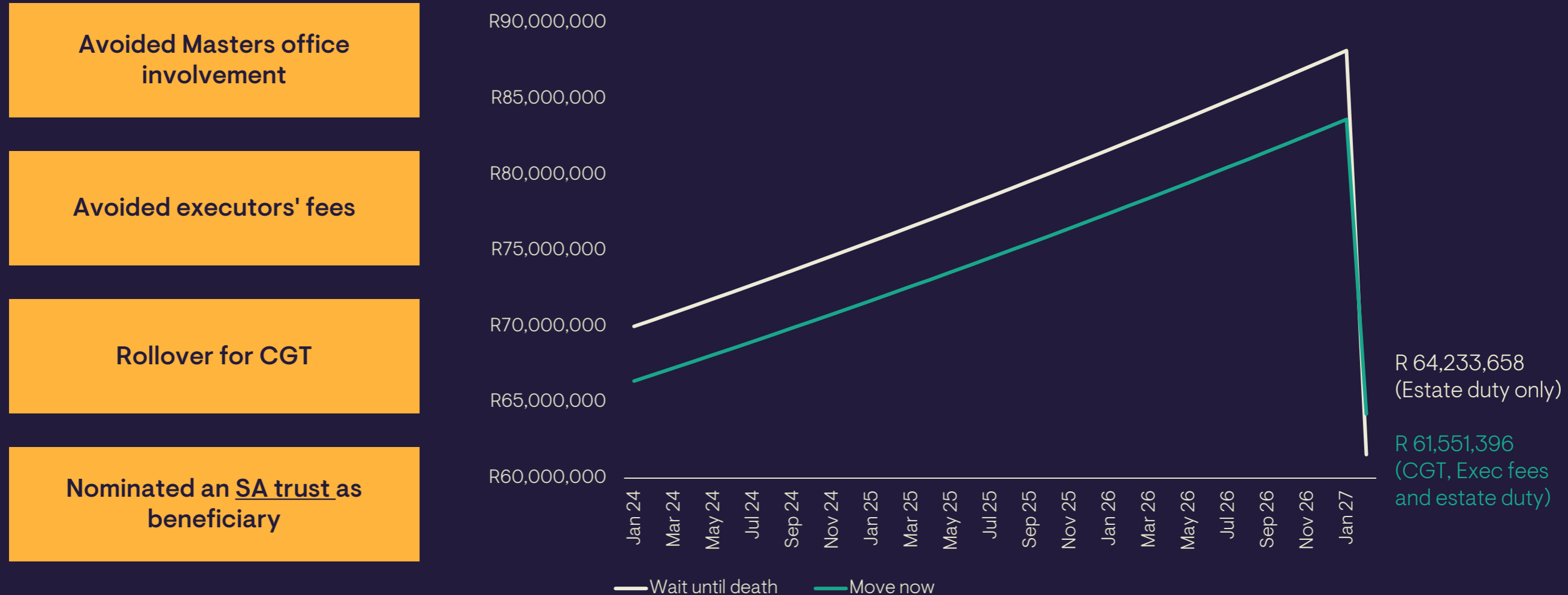
Beneficiary





Susan took the R 3.6m CGT hit to move to a SA policy wrapper

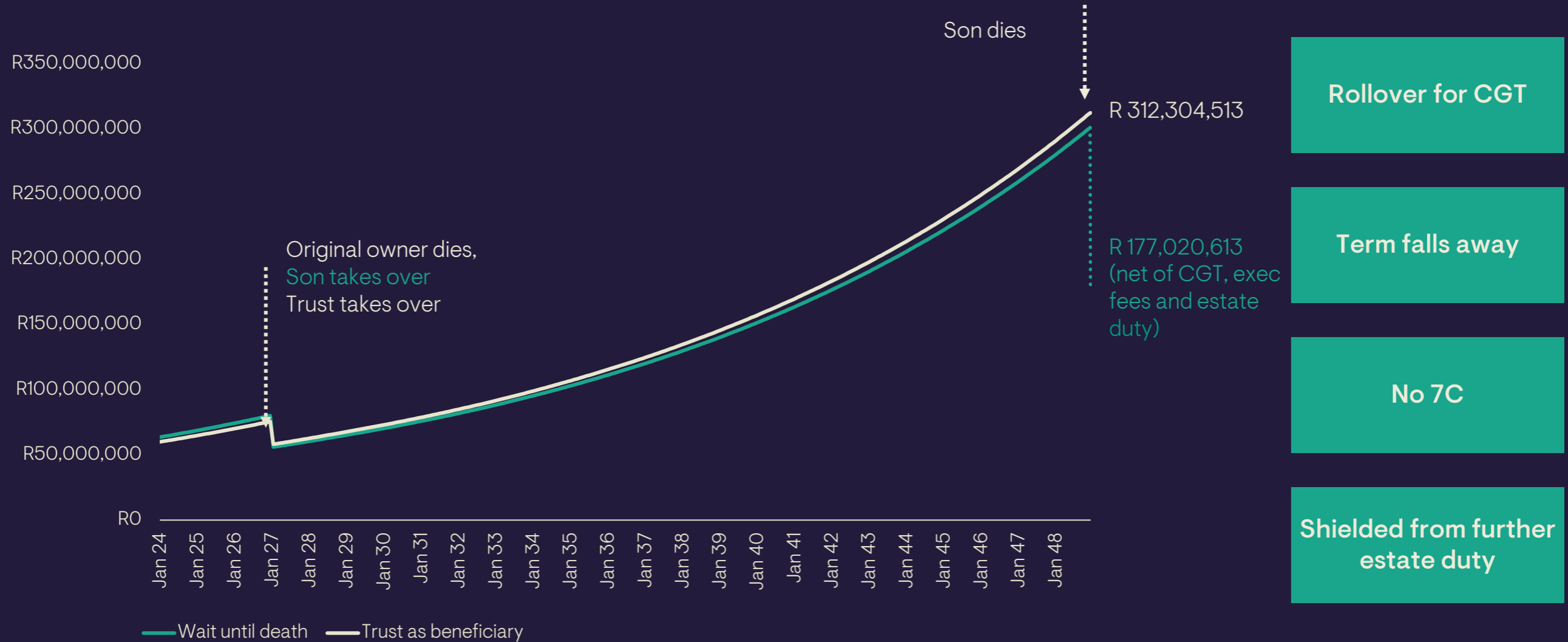
Creating liquidity on her death and saving on fees and taxes





And nominating a trust as a beneficiary

Demonstrated massive potential multi-generational estate planning benefits



Source: Ninety One. For illustrative purposes only. Growth assumed to be 8% p.a. Higher rate tax applied to discretionary example and executors' fees of 2%. Estate duty deducted at 25% on death of son

Exploring the four potential courses of action

To obtain offshore exposure for the family/beneficiaries

1 SA trust as owner – via Feeder fund (within policy) or via asset swap (direct with stockbroker or via offshore policy): Point 16

2 Via distribution from SA trust to Michael (as an SA tax resident)
a) Take out AIT offshore investment in his own name
b) Fund offshore trust via loan account

3 Via distribution from SA trust to an offshore trust: Trust-trust-distribution:

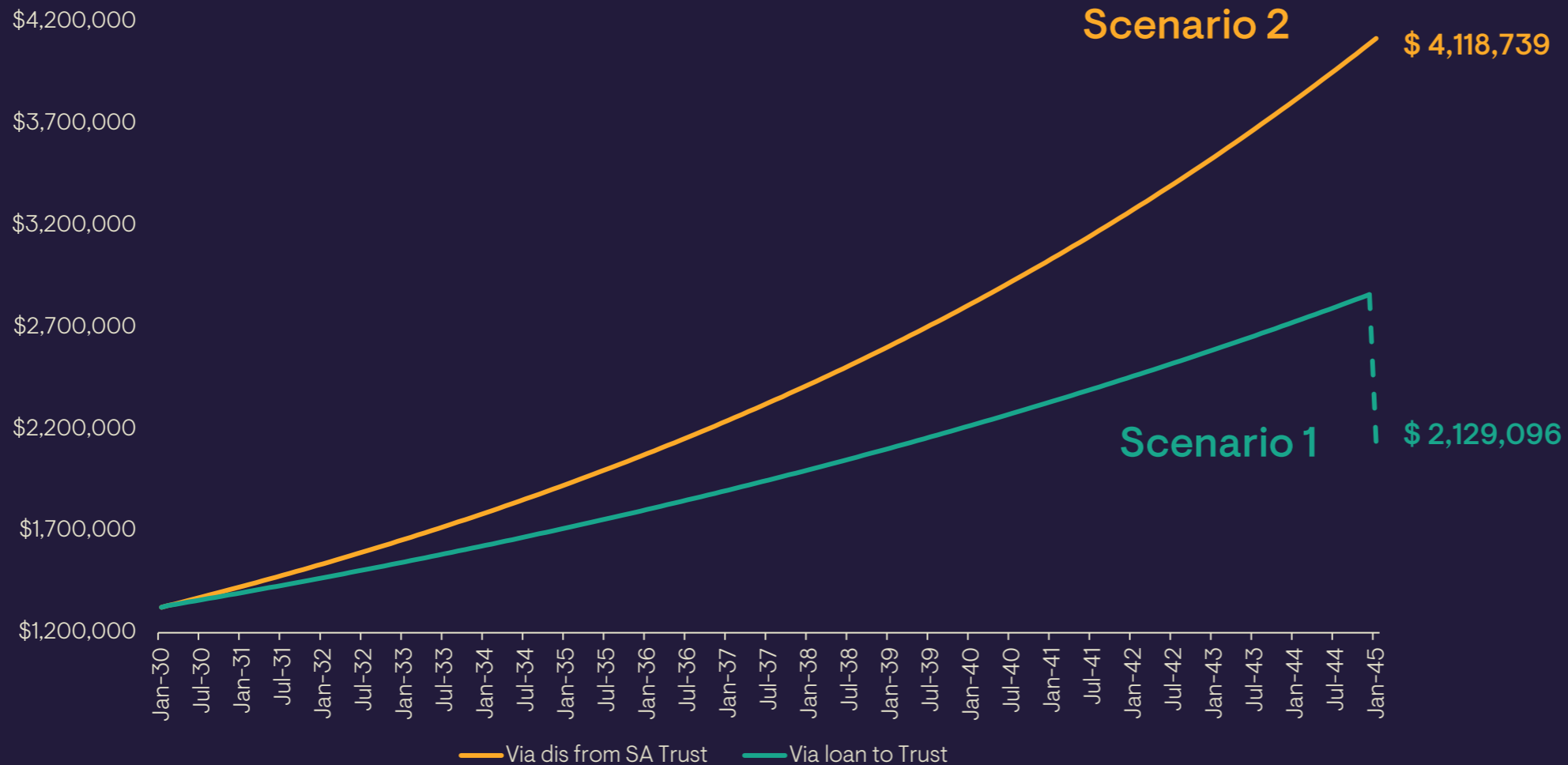
4 Via distribution from SA Trust to Michael (as a non-SA Tax resident):

| How would an investment amount of R25m vary?



The benefit of avoiding a loan account is significant

Comparison of scenario 1 and scenario 2



- Distribution from SA trust means no loan account (no interest, tax or estate duty)
- Interest payable on loan account
- Value adjusted to reflect tax liability on interest levied
- Assumed interest is not paid but accrued to loan account
- Balance of loan account subject to estate duty on death of settlor

Elimination of certain costs/taxes related to offshore trusts make the strategy accessible to a wider audience



The power of donations



Making donations

And using beneficiary nominations

- **Donations of less than R 100k p.a. are free of donations tax**
- **Where a policy wrapper is used and the donation is executed by way of a cession, there will be no CGT applicable**
- For estates larger than R 30m there is an opportunity to pay donations tax now in order to save on estate duty later
- Allows for growth to take place in the hands of beneficiary which can reduce estate duty implications further
- Circular 7/2022 allows for donation of offshore allowance to someone other than a spouse



Demonstrating the financial benefit

Making donations

| | Principal Only | Principal (R100k p.a. donation) | Children combined value | Family value |
|----------------------|-----------------------|--|------------------------------------|---------------------------|
| Starting Value | R 5,000,000 | R 5,000,000 | 0 | R 5,000,000 |
| Value after 10 years | R 11,172,189 | R 9,580,770 | R 1,691,419 | R 11,272,189 |
| Executor fees | R 450,239 | R 382,075 | N/A | R 382,075 |
| CGT on death | R 1,110,994 | R 942,795 | N/A | R 942,795 |
| Estate Duty | R 1,922,191 | R 1,651,180 | N/A | R 1,631,180 |
| End value | R 7,688,765 | R 6,604,721 | R 1,691,419 | <u>R 8,296,139</u> |



Demonstrating the financial benefit

Making donations...Via Policy wrapper

| | Principal Only | Principal (R100k p.a. donation) | Children combined value | Family value |
|----------------------|-----------------------|--|------------------------------------|---------------------------|
| Starting Value | R 5,000,000 | R 5,000,000 | 0 | R 5,000,000 |
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| Executor fees | R 450,239 | R 382,075 | N/A | R 382,075 |
| CGT on death | R 1,110,994 | R 942,795 | N/A | R 942,795 |
| Estate Duty | R 1,922,191 | R 1,916,154 | N/A | R 1,631,180 |
| End value | R 7,688,765 | R 7,664,616 | R 1,691,419 | <u>R 9,356,035</u> |



The power of mathematics

Creates an arbitrage opportunity

| | Donation | Inheritance |
|-------------------------------|-------------|-------------|
| Value of asset | R 1,000,000 | |
| Tax due | R 200,000 | |
| Value received by beneficiary | R 1,000,000 | |
| Cost to wealth creator | R 1,200,000 | |

The power of mathematics

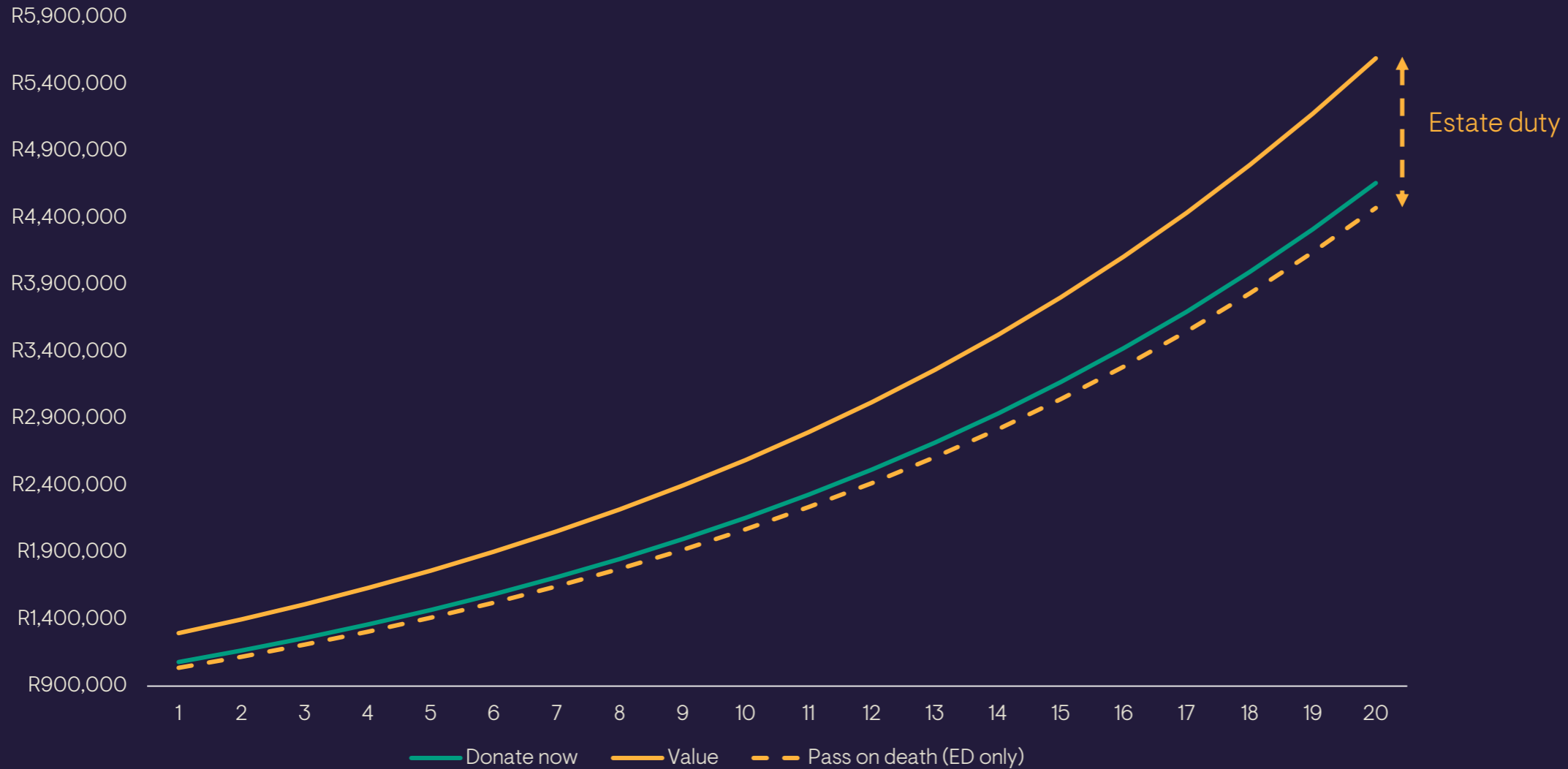
Creates an arbitrage opportunity

| | Donation | Inheritance |
|-------------------------------|-------------|-------------|
| Value of asset | R 1,000,000 | R 1,200,000 |
| Tax due (20%) | R 200,000 | R 240,000 |
| Value received by beneficiary | R 1,000,000 | R 960,000 |
| Cost to wealth creator | R 1,200,000 | R 1,200,000 |

The same value transitioned and same rate of tax means 4% more capital in the hands of the beneficiary

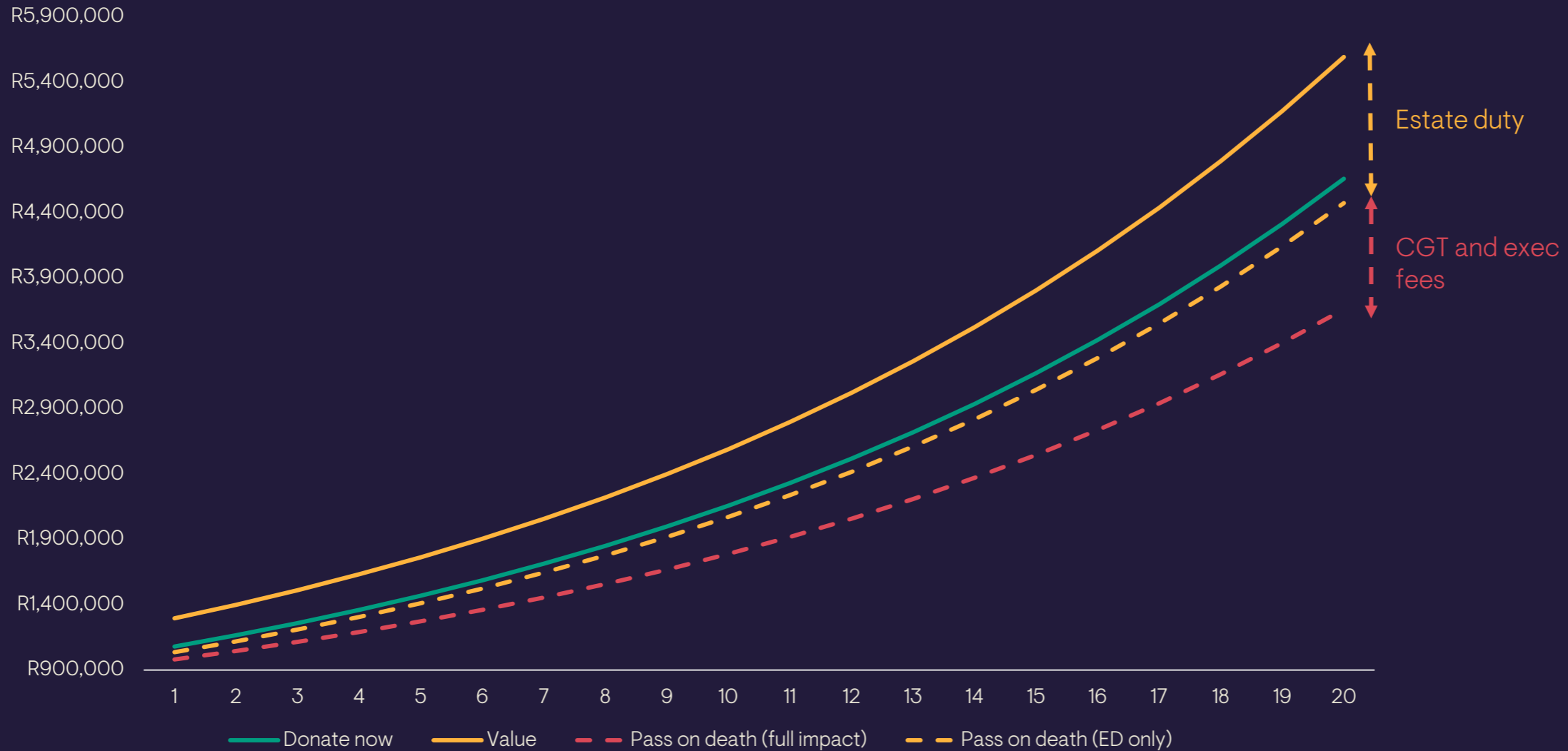
The benefit of donations

Estate duty only



The benefit of donations

Extends beyond estate duty



Source: Ninety One, for illustrative purposes only. Growth assumed to be 8% in both scenarios. Donations tax and estate duty assumed to be 20%. Executors fees assumed to be 4.03% and CGT at an effective rate of 18%



Taking donations to the
next level...



Change in legislation that makes it possible

Exchange control – Circular 7/2022

Prior to 23 February 2022 – Section B.17(G)(i) Disposal of legal foreign assets held (prior to 23 February 2022)

Residents with legally held foreign assets may not dispose of such assets to other residents, whether settlement takes place in Rand or foreign currency, without the specific prior written approval of the Financial Surveillance Department.

Post 23 February 2022 – renamed B.17 (F)(i)

(i) Residents with authorized foreign assets may donate, lend and/or dispose of such assets to other residents without the specific prior written approval of the Financial Surveillance Department subject to local tax disclosure and compliance by both parties.

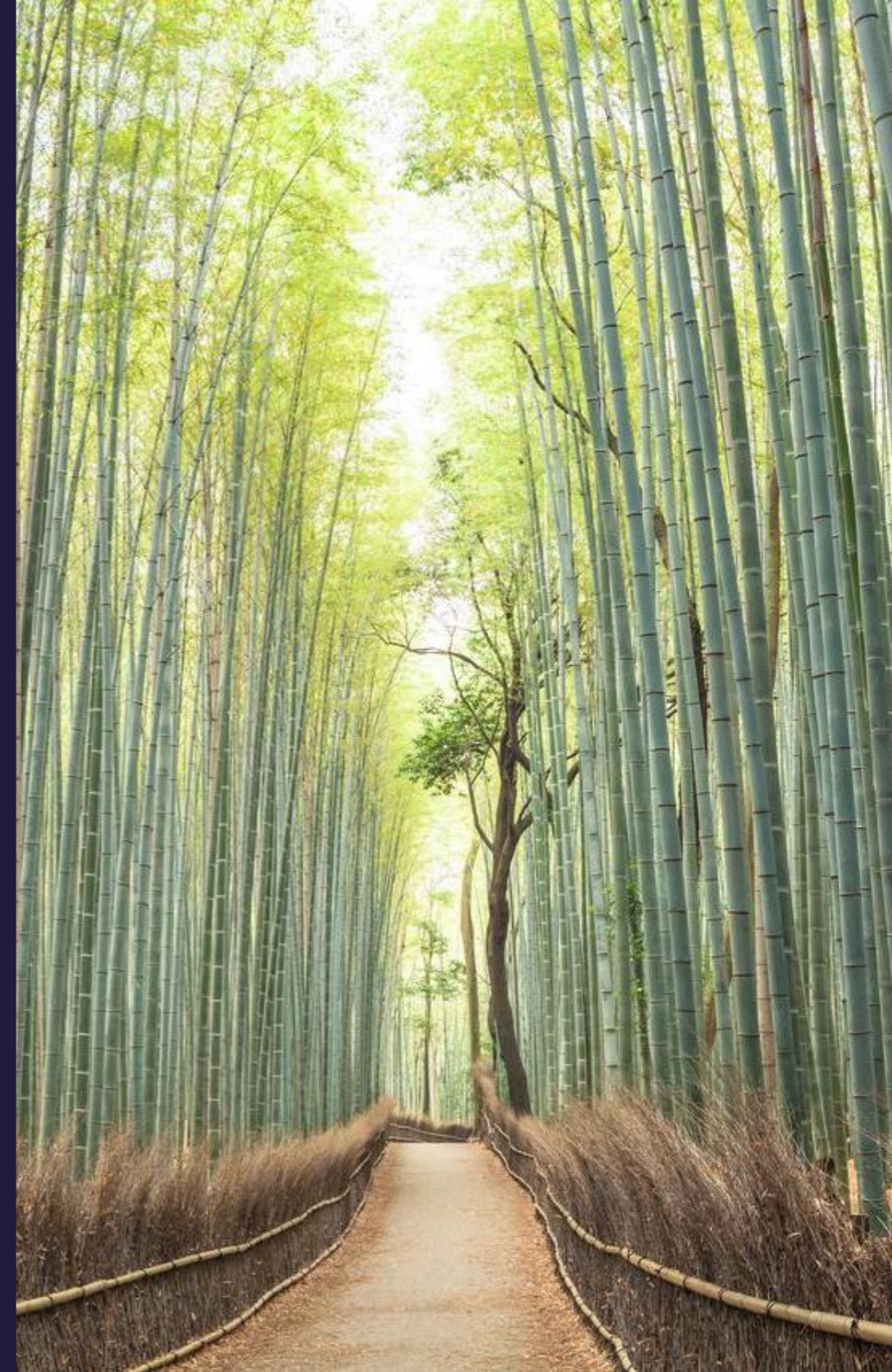
Provides the opportunity for individuals to transition their offshore assets while alive to take advantage of financial planning opportunities that it presents. How can Ninety One structure and functionality assist with this?



Case study

For client reaching advanced age or with health issues

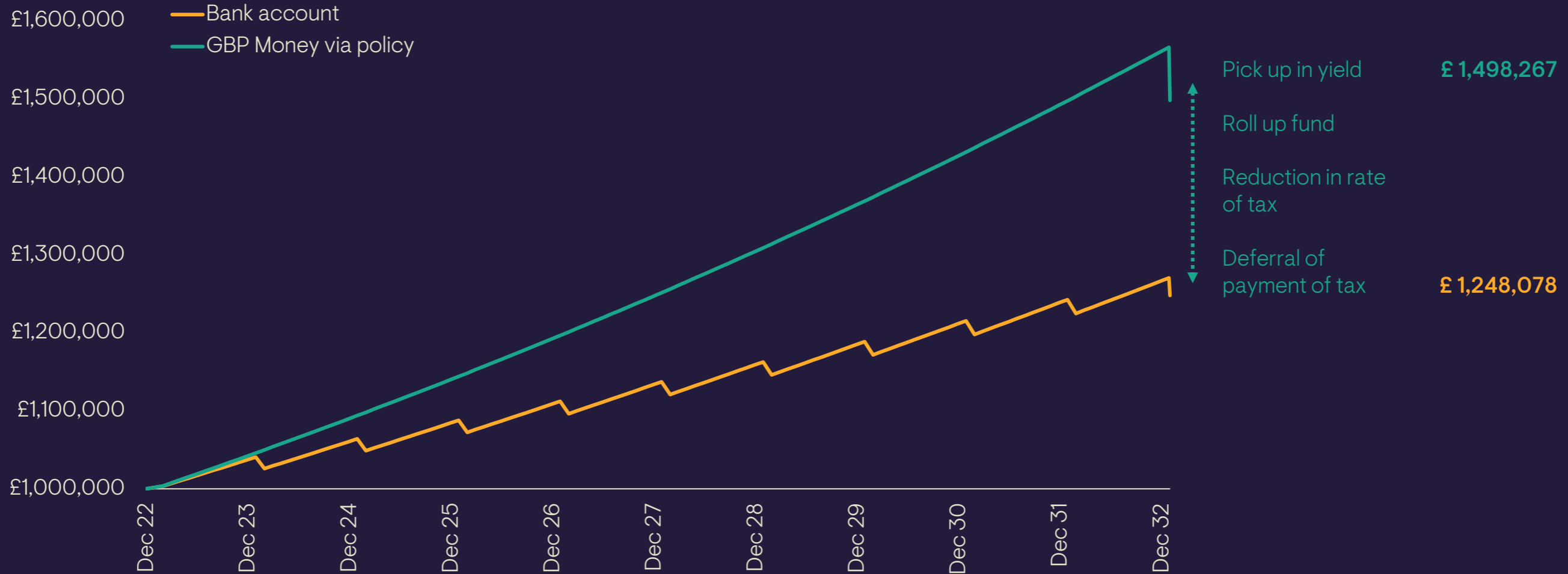
- Yvonne is a **70 year old divorcee**
- **Estate** including physical property well **in excess of R 30 million**
- Wants to **reduce the impact of Estate Duty** on passing
- Has a **living annuity** on the Ninety One platform which is **sufficient to meet her monthly obligations**
- Is reviewing structure of **£ 1 million in a UK bank account** due to **lack of liquidity on death, situs implications, tax efficiency**
- **2 adult children** with **retirement annuities on another platform**
- Wants to explore the potential benefit of **creating structures that allow for tax efficient donations** should she wish to do so
- Advisor and client looking to utilize **policy wrappers** for this purpose
- Assumption that Yvonne lives for 15 years after investment





What is the most efficient solution

For cash in Offshore bank accounts?



Source Ninety One, for illustrative purposes only. Yield on offer will fluctuate over time. Assumed growth of 4% assumed for bank account and 5.07% for USD Money. Platform fee and 0.25% advice fee deducted from policy wrapper example. 45% income tax deducted annually from bank account example, CGT of 12% deducted at end of illustration from policy example



Use of donations

Can be incredibly powerful

Yvonne
£ 1,000,000

Ninety One Global Life
Portfolio

Policy 1
£ 250,000

Policy 2
£ 250,000

Policy 3
£ 250,000

Policy 4
£ 250,000

Son 1

Son 1

Son 2


Son 2

Freezer Trust

Freezer Trust

Child 1 of Son 2

Child 2 of Son 2


Primary
beneficiary


Alternative
beneficiary

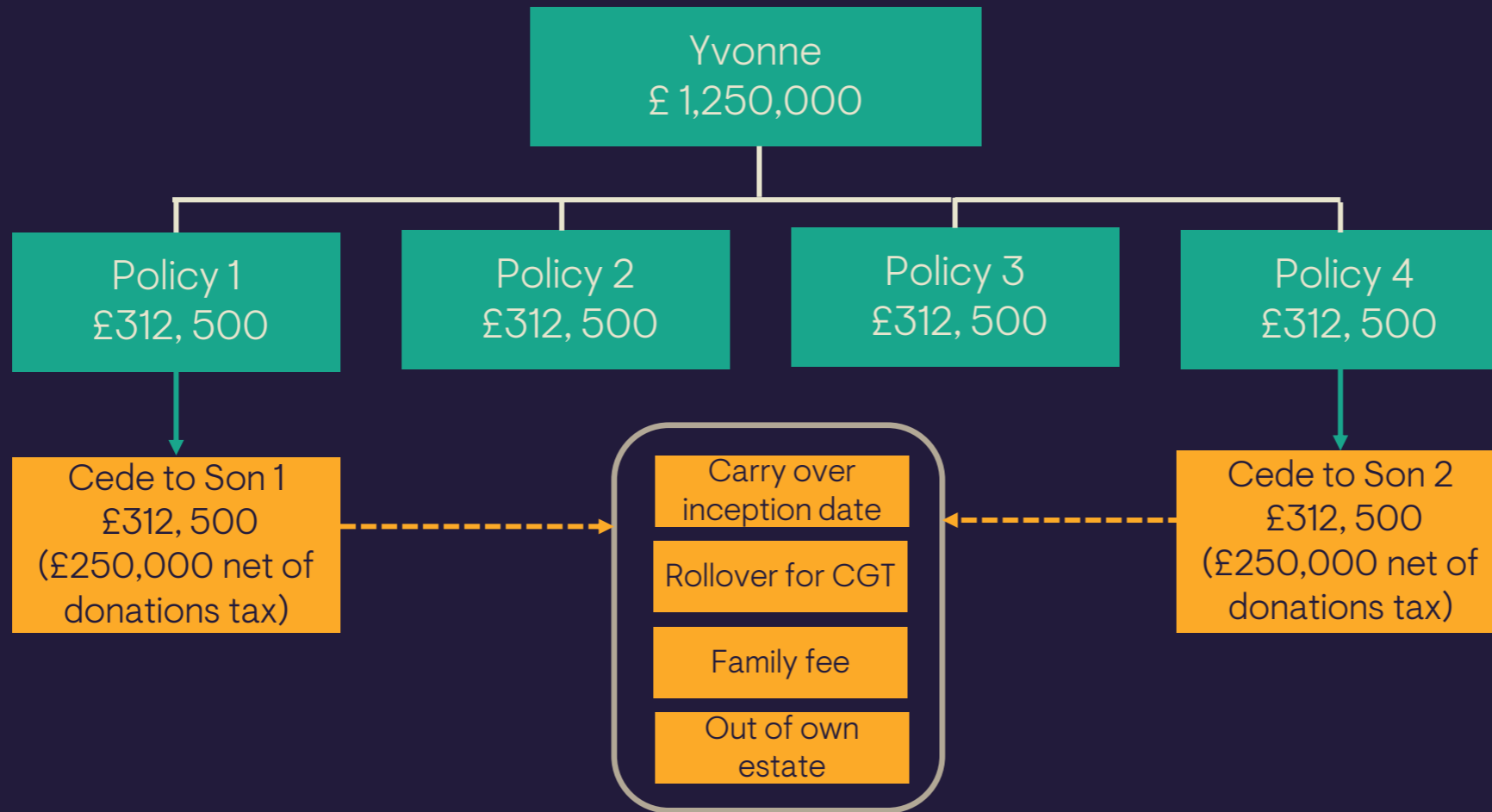
Tax efficient succession planning

- No Income tax
- CGT at 12%
- Efficiency of succession (liquid on death)
- Ability to nominate beneficiaries
- Opportunity to cede without CGT
 - Pay donations tax at time to save on estate duty later
- Multiple contracts allow for flexibility;
 - Letting go of wealth
 - Family scenario
 - Investment needs
 - Avoiding 2nd hand policy
- No CGT on death
- No executors fees



5 years after initial investment – Opportunity to cede

The power of cessions in managing the transfer of wealth





Help me to achieve inter-generational transfer of wealth

Ninety One Family Office – Creating reporting, cost and tax efficiency within families

| | Keep in own hands (Bank account) |
|---------------------------------|---|
| Starting Value | £1,000,000 |
| Value after 15 years (on death) | £1,394,321 |
| Executor fees | £57,199 |
| CGT on death | N/A |
| Estate Duty (SA and situs) | £494,930 |
| End value | £843,199 |

Source: Ninety One, growth assumed to be 4% p.a. for bank account and 5% for policy wrapper. Platform fees deducted from policy wrapper and advice fees of 0.25%. Tax of 45% deducted annually from bank account. Executors fees applied at 4.03%, Donations tax applied at 20% on cession to children. Estate duty applied to dutiable estate value at 25%



Help me to achieve inter-generational transfer of wealth

Ninety One Family Office – Creating reporting, cost and tax efficiency within families

| | Keep in own hands (Bank account) | Own hands (Policy) after donation/cession | Value in Children's hands (Policy) | Combined family value (Policy) |
|--|-------------------------------------|---|---------------------------------------|-----------------------------------|
| Starting Value | £1,000,000 | £1,000,000 | £0 | £1,000,000 |
| Value 5 years (before cession) | £1,117,174 | £1,248,682 | £0 | £1,248,682 |
| Value 5 years (1 month after cession) | £1,120,898 | £626,656 | £501,325 | £1,127,981 |
| Value after 15 years (on death) | £1,394,321 | | | |
| Executor fees | £57,199 | | | |
| CGT on death | N/A | | | |
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| Value 5 years (before cession) | £1,117,174 | £1,248,682 | £0 | £1,248,682 |
| Value 5 years (1 month after cession) | £1,120,898 | £626,656 | £501,325 | £1,127,981 |
| Value after 15 years (on death) | £1,394,321 | £973,476 | £778,781 | £1,752,257 |
| Executor fees | £57,199 | N/A | N/A | N/A |
| CGT on death | N/A | N/A | N/A | N/A |
| Estate Duty (SA and situs) | £494,930 | £243,369 | N/A | £243,369 |
| End value | £843,199 | £730,107 | £778,781 | £1,508,888 |

Source: Ninety One, growth assumed to be 4% p.a. for bank account and 5% for policy wrapper. Platform fees deducted from policy wrapper and advice fees of 0.25%. Tax of 45% deducted annually from bank account. Executors fees applied at 4.03%, Donations tax applied at 20% on cession to children. Estate duty applied to dutiable estate value at 25%



Help me to achieve inter-generational transfer of wealth

Ninety One Family Office – Creating reporting, cost and tax efficiency within families

| | Keep in own hands (Bank account) | Own hands (Policy) after donation/cession | Value in Children's hands (Policy) | Combined family value (Policy) |
|--|-------------------------------------|---|---------------------------------------|-----------------------------------|
| Starting Value | £1,000,000 | £1,000,000 | £0 | £1,000,000 |
| Value 5 years (before cession) | £1,117,174 | £1,248,682 | £0 | £1,248,682 |
| Value 5 years (1 month after cession) | £1,120,898 | £626,656 | £501,325 | £1,127,981 |
| Value after 15 years (on death) | £1,394,321 | £973,476 | £778,781 | £1,752,257 |
| Executor fees | £57,199 | N/A | N/A | N/A |
| CGT on death | N/A | N/A | N/A | N/A |
| Estate Duty (SA and situs) | £494,930 | £243,369 | N/A | £243,369 |
| End value | £843,199 | £730,107 | £778,781 | £1,508,888 |

Source: Ninety One, growth assumed to be 4% p.a. for bank account and 5% for policy wrapper. Platform fees deducted from policy wrapper and advice fees of 0.25%. Tax of 45% deducted annually from bank account. Executors fees applied at 4.03%, Donations tax applied at 20% on cession to children. Estate duty applied to dutiable estate value at 25%

The background of the slide is a dark, stormy sky with several bright white lightning bolts striking across it. In the bottom right corner, there are three overlapping yellow geometric shapes, possibly representing a stylized sun or abstract design.

Peter's investment choices being dictated by his beneficiaries



The Ninety One Offshore Product Suite

Is built around Guernsey as a jurisdiction

A presence in Guernsey since 1998

Global Investment Portfolio

SA Nominee Structure

SA Executor can instruct

No Probate or Situs

FICA / SA CDD

International Investment Portfolio

Guernsey Domicile

No SA tax reporting

Platform AML

Global Life Portfolio

Guernsey Domicile

No Probate

No Situs

Platform AML



Meet Peter

Personal circumstances and assets

- Aged 57
- Single – never married and does not have children of his own
- Higher rate tax payer
- Is godfather to his 2 nieces and nephew (children of his brother) who will inherit from him
- One is 23 and lives in the UK, one is 19 and lives in SA and the other is 15 and planning to study overseas
- His father lives in SA and has a living annuity and a £ 1m in a UK bank account
- Has a \$500k global share portfolio which he has held for years. The source of this investment was an inheritance from a non-resident family member



Meet Peter

Personal circumstances and assets

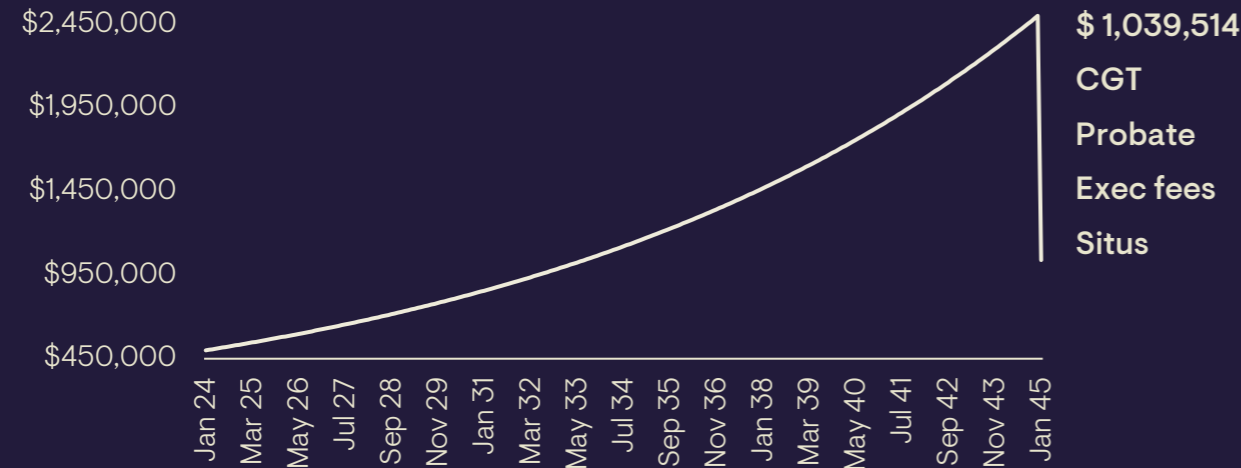
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- **Has a \$500k global share portfolio which he has held for years. The source of this investment was an inheritance from a non-resident family member**



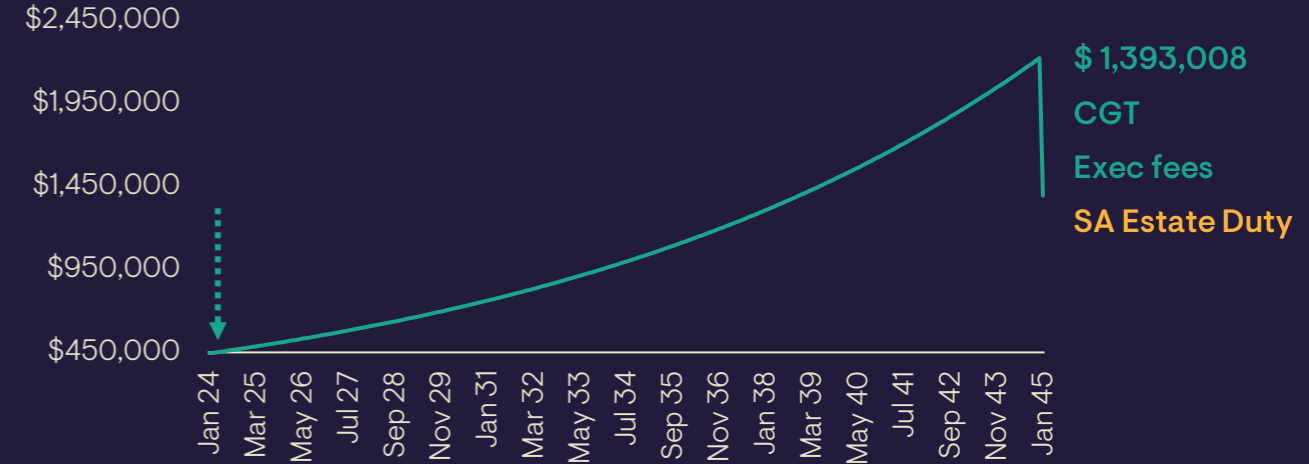
Assessing the financial impact of death

But is it about more than the numbers?

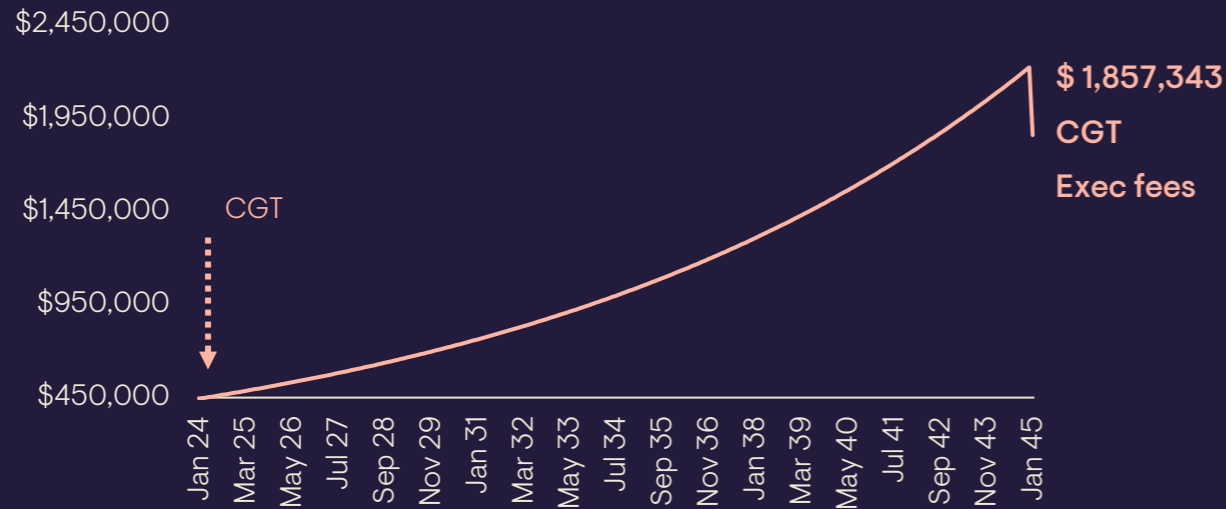
Current PSP



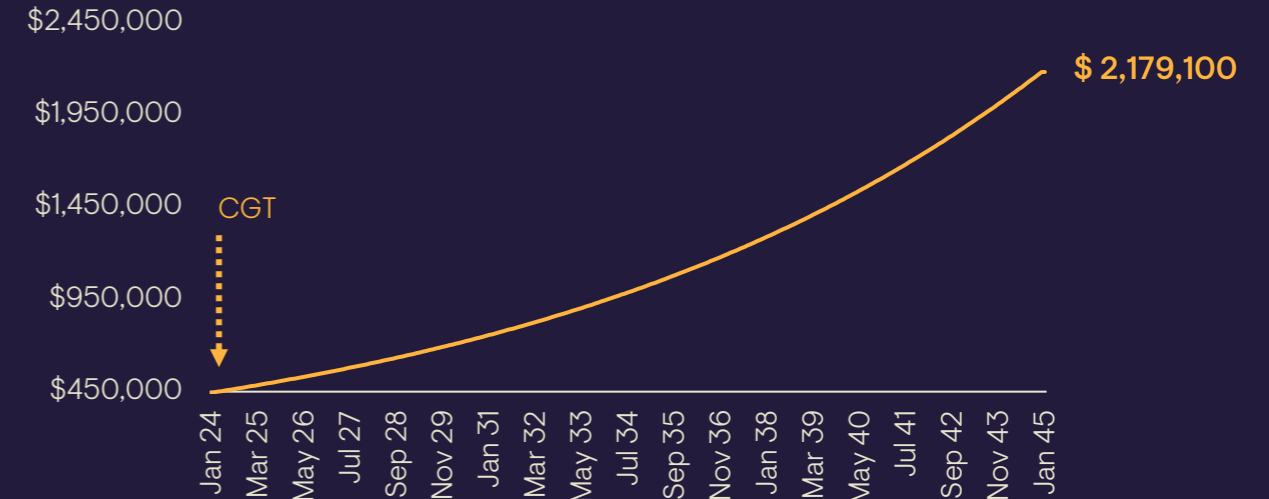
Move to Global Inv Portfolio



Move to International Inv Portfolio



Move to Global Life Portfolio





SITUS



*“It is important that the titling include the words **“joint tenants with rights of survivorship”** or **“tenants by the entirety.”** In each case, upon the death of the first spouse, the surviving spouse becomes the sole owner of the entire account by operation of law, which does mean that probate is not required in order for the surviving spouse to take title to the account. But the titling of assets that way does not have the same effect on the situs tax (United States estate tax). One-half of the account will be subject to tax on the death of the first spouse. If the surviving spouse continues to hold the account at his or her death, then the account is taxed again (the whole account). There is a credit for the tax paid in the first spouse’s death but it phases out over a 10 year period”*

David R. Elwell

Elwell Law Group PC



Situs

Taking the CGT hit now to save on Estate Tax later

Case study

- Client holds a PSP (70% US equities) in their own name (marginal rate 45%) with a current value of \$ 1m and a base cost of \$ 500k
- To minimize estate planning issues, the advisor consider transferring the shares to a policy wrapper

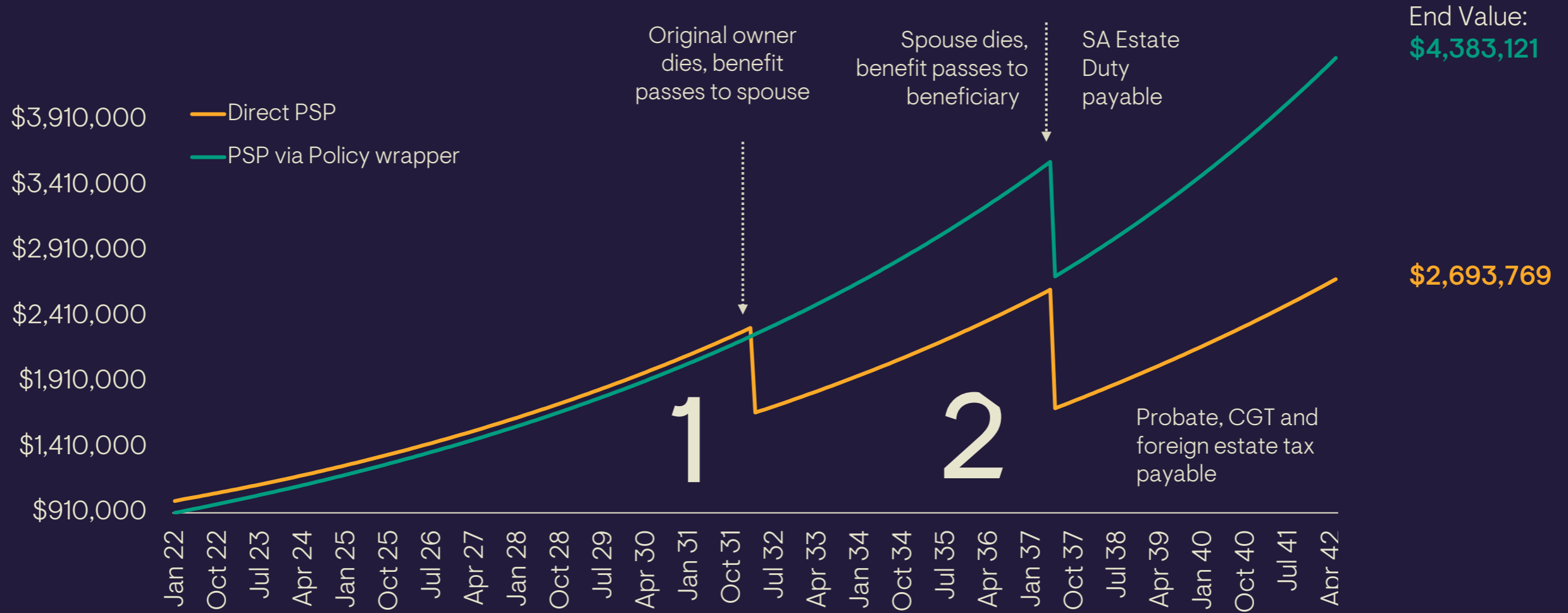
But very NB... approx. \$90,000 CGT liability

- Gross performance same in both scenarios
- 25% turnover of PSP with gains taxed at 18% for direct shares and 12% within wrapper
- Platform fee deducted from value of PSP held via policy wrapper. Adjusted as value changes. All other costs assumed to be the same
- 20-year time horizon with benefit changing twice on death. Once to SA resident spouse and then to children
- Assess the impact of CGT, fee differentials, probate and inheritances taxes on relative value



How policy wrappers can avoid Situs

Impact of paying CGT now versus situs later





The myth of CGT

Misconception – That the CGT liability belongs to you



Reality – That portion belongs to SARS, can never be realized and spent



Misconception – That when moving to a new product, the product needs to recover the full CGT outlay



Reality – The new product needs to produce a realizable value that exceeds the realizable value from the current investment





Case study

- Current investment value of approx \$ 1.7m
- Base cost of \$ 1.3m
- But illiquid on death – moving to a policy wrapper will create liquidity on death via beneficiary nomination
- Higher rate tax-payer: \$ 80k CGT to move structure (effective rate of 18%)
- Beneficiary nomination creates certainty of succession on death
- 52% exposure to US shares means situs implications on death



Short term pain for long term gain?

There may be other benefits received in return...

- Chance for better returns

- **Chance for a saving in fees and taxes?**

- Creating an immediate better outcome – higher value that can be extracted after tax in the future...

- **Creating liquidity on death...**

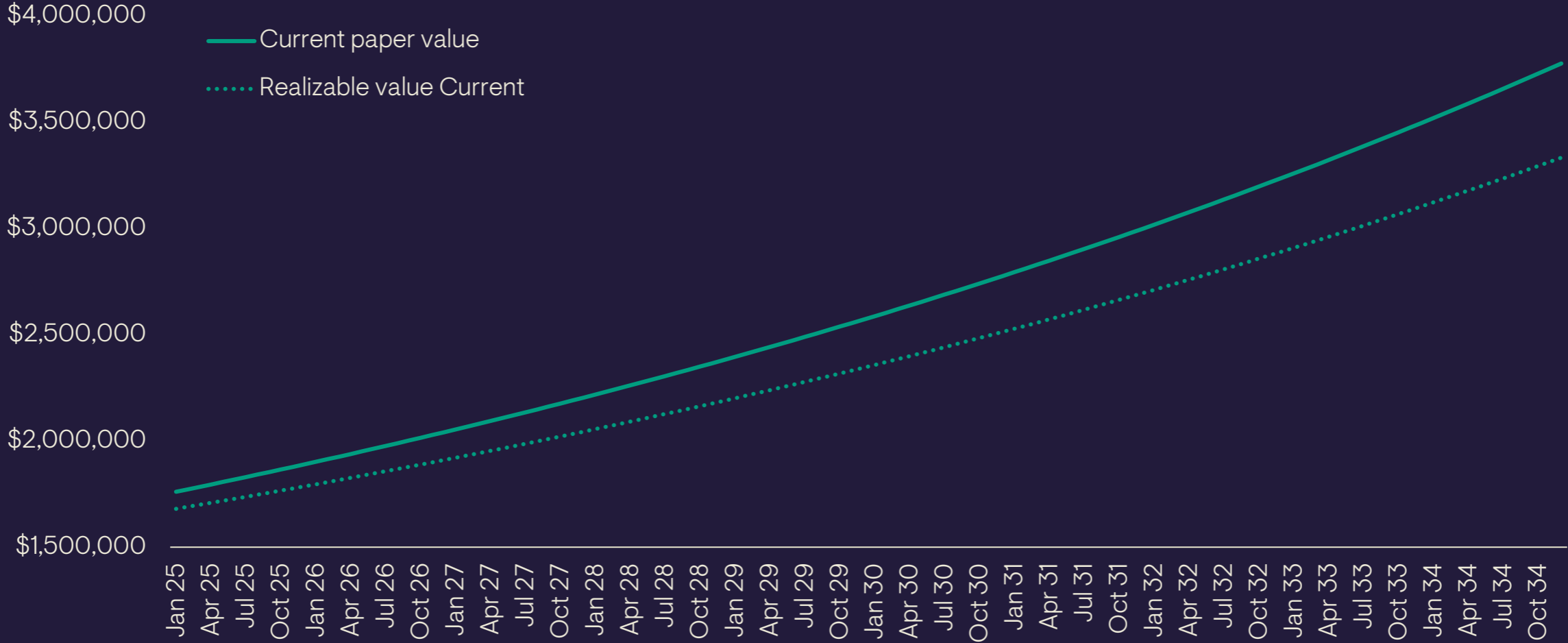
- Saving on fees on death...

- Providing savings on taxes on death...particularly offshore where situs tax could be involved



Analysis of current vs proposed structure

Realizable value net of CGT on full disposal

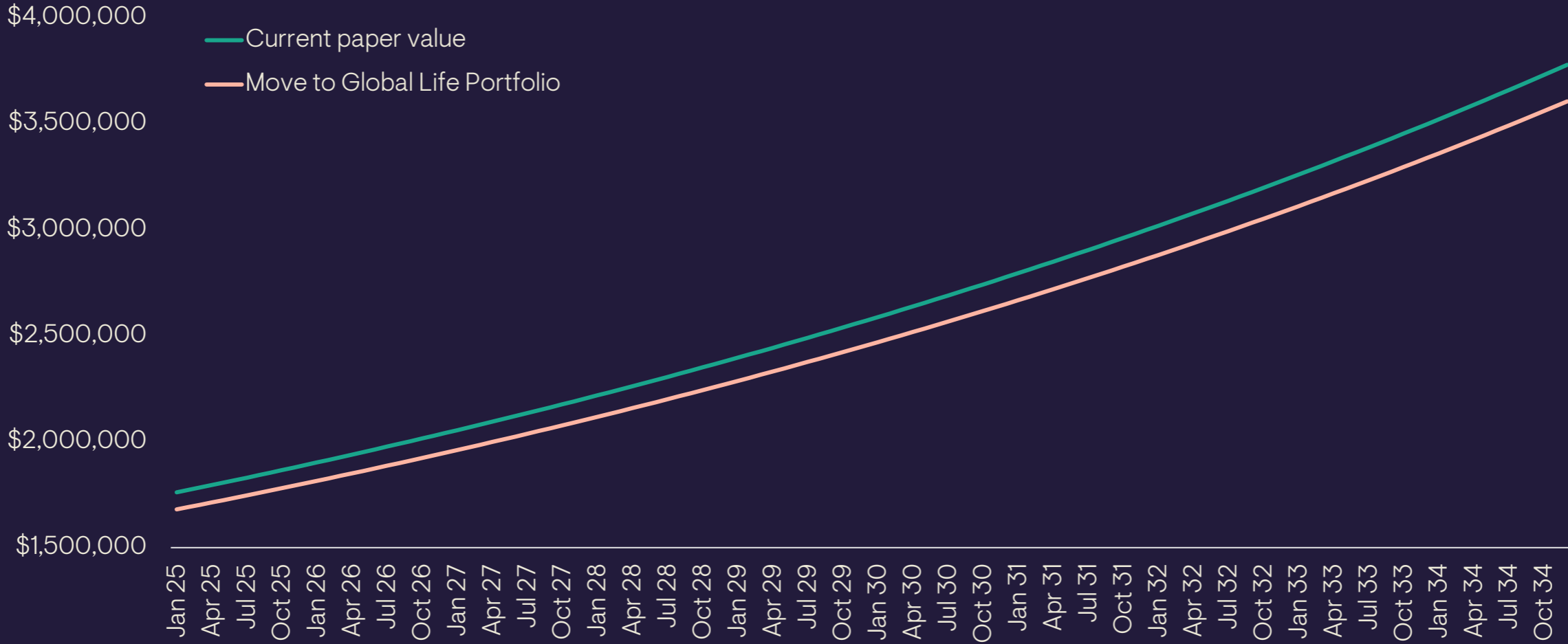


Source: Ninety One calculations. Growth assumed to be 8% in both scenarios.



Analysis of current vs proposed structure

Comparison of paper value

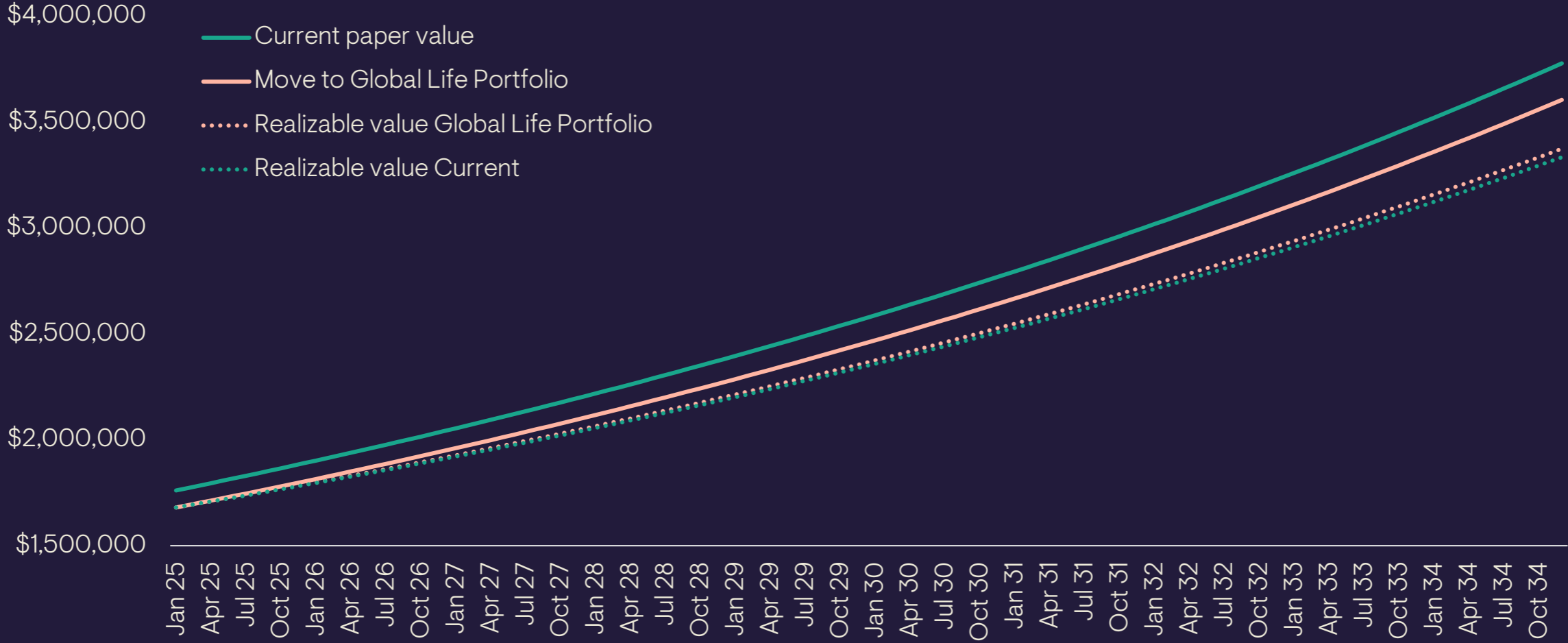


Source: Ninety One calculations. Growth assumed to be 8% in both scenarios.



Analysis of current vs proposed structure

Realizable value net of CGT on full disposal

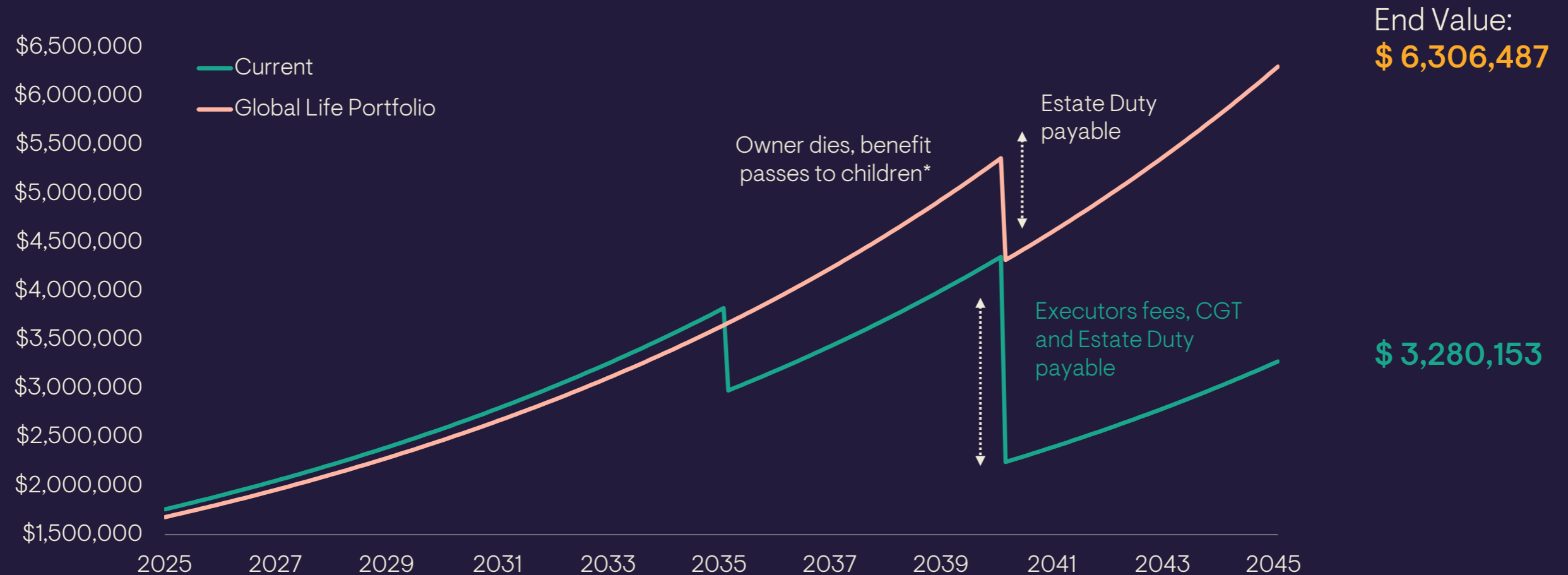


Source: Ninety One calculations. Growth assumed to be 8% in both scenarios.



A lower paper value while alive can increase value available on death

Allowing for preservation of wealth across generations



Dealing with Probate and Situs

May 2024



Investing for a world of change



Albert Coetzee
Head of the Global Investment Platform

Exploring the impact of situs on foreign inheritance tax

In recent years, South African residents have increasingly invested offshore due to the easing of foreign exchange control regulations. These investors often use offshore investments to safeguard wealth for future generations.

But preserving wealth isn't just about the returns you generate during your lifetime – it's also about setting up structures that minimise fees and taxes on death. As the world becomes more interconnected, offshore financial planning becomes more complex, exposing investors to costs and processes they may not be aware of. One of the most significant concerns in offshore investments, with implications that can severely reduce value upon death, is situs.

What is situs?

Preserving wealth isn't just about the returns you generate during your lifetime – it's also about setting up structures that minimise fees and taxes on death.

Situs, Latin for 'position' or 'site', refers to where an asset is legally considered to be located and determines which jurisdiction has the primary right to tax the asset upon the owner's death. Situs assets typically include cash, equity, immovable property, or companies incorporated in a jurisdiction or where the share register is maintained. Many countries levy situs taxes, but rates vary. For South African investors, exposure to UK cash, UK shares, and US shares is particularly problematic because the top inheritance tax rates in these jurisdictions at 40% are significantly higher than South Africa's 20-25%.

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South Africa Adviser

ADVISER INSIGHT | 23 APR, 2025

Situs tax: A hidden risk for offshore investors

In the US it usually takes two years to sort out a client's situs tax, whereas a South African estate could be finalised in nine to 12 months.

BY ELEANOR BECKER



While offshore investments may offer diversification and growth, they may also involve complex tax implications for clients – including situs tax, which can delay estate finalisation.

So said Hugo Bezuidenhout, head of retail investment distribution enablement at Momentum Investments, in a recent webinar.

Situs tax is imposed by foreign jurisdictions, based on where an asset is located, rather than

March 2024



Investing for a world of change



Albert Coetzee
Head of the Global Investment Platform

Dealing with probate

Many investors seek offshore exposure but may not know how their foreign investments may impact their estate on death. From a financial planning perspective, a key question is whether probate will be required when invested in offshore-domiciled products.

What is offshore probate?

Offshore probate refers to the process of applying for the right to deal with a deceased person's foreign assets and proving their will as a valid legal document in the foreign jurisdiction. The process may vary from one jurisdiction to another because of legislative differences, adding complexity. A Grant of Probate can be seen as the equivalent of a letter of executorship in South Africa and serves as the formal acknowledgement by the foreign court that a will is enforceable. It also confirms that the persons named as executors under the will have the authority to manage the estate.

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Summary

- 1 Alzheimer's / Dementia
- 2 You never too old to restructure?
- 3 SITUS tax is a reality = Executor takes on the responsibility
- 4 The importance of the “correct” policy wrapper structure
- 5 The creative way of using Trusts in your financial plan
- 6 intergenerational transfer of wealth remains key!
- 7 Donations / Cessions for the correct client?
- 8 Keep an eye on foreign children!



Thank you

—
Investing for a
world of change

