



OLDMUTUAL

# Offshore investing – Is it so straightforward?

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INTERNATIONAL



# Agenda

- Direct vs “Direct” Offshore
- Considerations when investing offshore?
- Unpacking an example?
- Is there a catch all offering?





# Direct offshore vs “Direct” offshore

	Direct offshore	Asset Swap fund / “Rand feeder funds”
Suitable for	Larger discretionary funds	Smaller discretionary funds
Investment amount	<u>Annual limits</u> R1m allowance SDA R10m Foreign Inv allowance R10m+ special clearance	No limit to investment amount
Priced in	US\$, £, € et al	South African Rand only
Available for	Discretionary funds only	Discretionary funds, Pension and living annuities.
Platforms available	Offshore currency platforms ONLY	Local currency platforms ONLY
Investment Range	“Limitless”	Only FSCA approved funds
Tax efficiency	More tax efficient - CGT only on US\$ growth	Less tax efficient – CGT on US\$ growth, Rand weakness and Income distribution



# Direct offshore vs "Direct" offshore

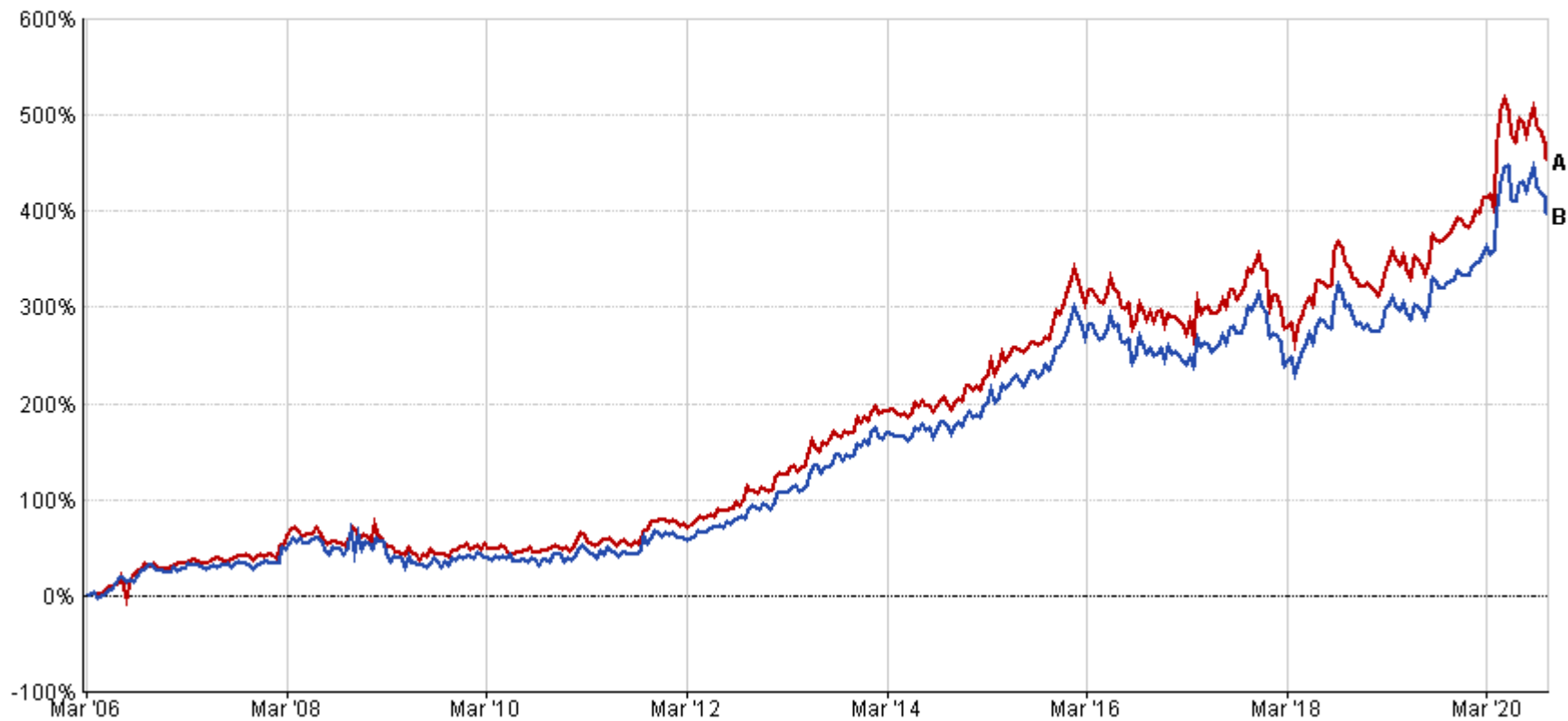
Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: US Dollars





# Direct offshore vs "Direct" offshore

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: South African Rand





# Direct vs “Direct” offshore

	Invest	ZAR/US\$ at start	US\$ amount	Growth over term in US\$	US\$ Amount at end	Gross Rand value at end	CGT 12%	ZAR/ US\$ CGT event	ZAR CGT payment	Net return in Rand
OMI	R5m	R15.00	\$333,333.33	25%	\$416,666.67	R8,750,000	\$10,000	R21	R210,000	R8,54m
Rand Tax endowment	R5m	R15.00	\$333,333.33	25%	\$416,666.67	R8,750,000	R450,000	R21	R450,000	R8,30m

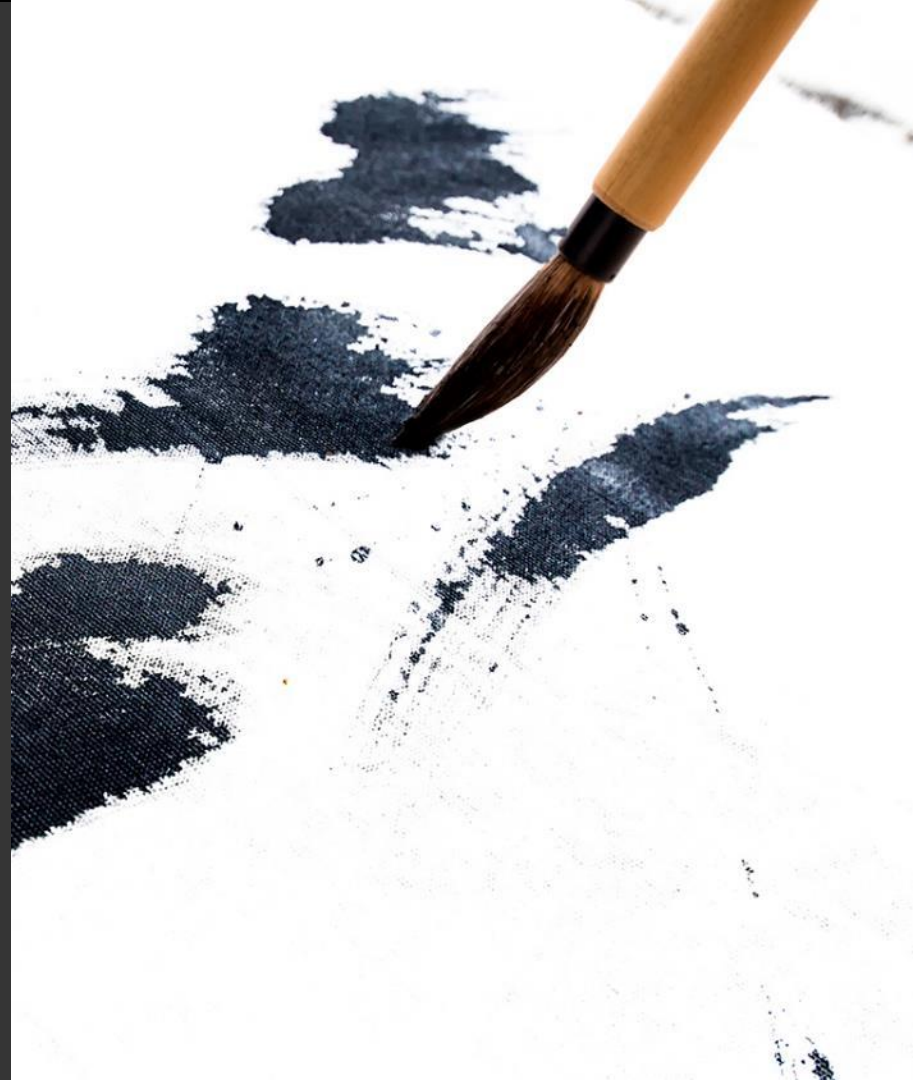


Considerations when investing offshore?



# Considerations when Investing Offshore

- Structure
- Jurisdiction of investment(s)
- Types of assets you want to buy?
- Tax
- Costs
- Access to funds / Liquidity
- Service & support
- Impact to you (reporting, Will etc)







# Considerations when Investing Offshore - Platform

	Platform 1	Platform 2	Platform 3	Platform 4	Platform 5	Platform 6
Jurisdiction	Guernsey	Isle of Man	South Africa	Guernsey	Isle of Man	Bermuda
Nominee	Local	Offshore	Local	Offshore	Offshore	Offshore & local
Tax	12% & >18%	12%	>18%	12% & >18%	>18%	12% & >18%
Joint Account	No	Yes	No	Yes	Yes	Yes
Beneficiaries	Yes, O & P	Yes, O	No	Yes, O & P	Yes, O	Yes, O & P
Cost – funds	Clean	Clean	Clean	Clean and retail	Retail (mostly) and clean.	Clean
Service	Local	Local & Offshore	Local	Local & offshore	Offshore	Local



# Considerations when Investing Offshore

## OMI INVESTMENT CHOICES LIST

AUTHORISED CUSTODIANS	
Anglorand Capital (Pty) Ltd	Julius Bär
Ashcourt Rowan (previously Savoy)	Lombard Odier
Banque Syz	Maitland Investment Services Ltd
BNP Paribas Securities	Nedbank Private Wealth
Brooks Macdonald (previously DPZ Capital Limited)	Old Mutual Wealth Private Client Securities
Cannacord Financial Inc	Peregrine Nominees Propriety Limited
Capital International Group (CIG)	Platform Securities
Credit Suisse Ag	PSG Konsult Financial Planning (Pty) Ltd
Credo Capital plc	Quilter Cheviot
Direct Market Access (DMA)	Ramsey Crookall
Goldman Sachs	Sanlam Private Wealth
Hargreaves Hale Ltd	Standard Bank (incl Melville Douglas)
Interactive Brokers (SA Stockbrokers)	Investec XO
Investec Wealth & Investment Ltd	Investec Zurich
Investec Global Leaders	



# Unpacking an example

## Dividend Withholding Tax Johnson & Johnson US listed share

It is not Income Tax or Capital Gains Tax. Separate source based tax.

### **Some considerations**

Who is holder of the asset – which jurisdiction?

Where is the asset that generates Dividend?

What is the structure being housed?

Is there then additional SA based DWT?

### **Example:**

SA resident Individual hold Johnson & Johnson from Isle of Man. DWT – 15 % which topped up to 20 % for SARS

Guernsey Trust holding same share – DWT is 30 %

OMI contract for Guernsey trust – DWT is 15 % topped to 20 %

Isle of Man unit trust fund – DWT 30%

**This could lead to a net dividend payout of 2.1% vs 2.4%**

**If correctly structured**



Is there a catch-all offering?



# Old Mutual International Offering

- Regulated and approved
- Lower Tax & Tax simplicity
- Certainty of Estate Asset transfer – primary & secondary beneficiaries
- Wide range of assets available globally
  - Direct shares, funds, ETFs, structured notes to name a few
- Cost effective
- Considerable liquidity due to multiple contract structure
- Local servicing support



## In summary

- Direct offshore investing is more cost and tax efficient than indirect
- Be aware of onerous offshore regulations
- Seek advice in choosing the right investment platform

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# THANK YOU



**INTERNATIONAL**

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