



**MARTIN RIEKERT**

Head: Retail Investments, Momentum Investments

The 1st of March announces the beginning of a new tax year, and our yearly contribution limit to tax-free savings solutions starts afresh. This typically follows a busy February where advisers and clients rush to make a final contribution before the end of the tax year. For us it was no different this year, and in February we observed a total contribution to tax-free products almost three times the average of the previous 11 months.

But how do you utilise this tax-efficient investment vehicle as part of your client's personal financial plan? As a savings vehicle for a short- to medium-term goal

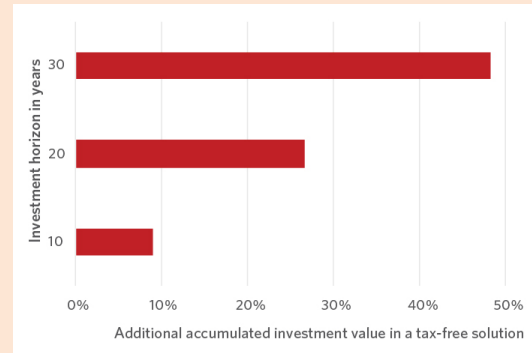
or to accumulate monies for a rainy day? The effect of tax-free growth, coupled with the wonder of compounding, can be quite material over the longer term.

As an example, over 10 years a tax-free product

**“Tax-free savings products also offer additional flexibility – most notably on asset allocation requirements”**

# How do you use tax-free products in your client's investment portfolio?

can offer almost 10% higher accumulated value if compared to a taxed investment vehicle, assuming a marginal tax rate of 30%. And this can increase to almost 50% higher accumulated value over a 30-year period.



\*Source: Momentum Investments

This begs the question: What is the most optimal use of your client's tax-free contribution limits? Although the effect on short- to medium-term investment goals are by no means something to ignore, the benefit is progressively more if a client remains invested for a longer investment horizon.

Tax-free savings products can be used as part of clients' retirement planning. This is especially relevant for clients who have already contributed the maximum of R350 000 per year to their retirement fund savings, by supplementing their retirement savings with a tax-free product.

Tax-free savings products also offer additional flexibility – most notably on asset allocation requirements. Unlike retirement fund solutions, a tax-free savings solution is not

restricted to Regulation 28 requirements. This solution can therefore be used to tweak the overall asset allocation of a client's investment portfolio, especially if there is a need for higher allocation to appropriate growth assets.

It is important to note that the effect on your clients will, as always, depend on their unique financial situation. We believe that financial advice plays a critical role in understanding these circumstances, and in developing an investment strategy that addresses your clients' personal investment goals.

And by partnering with a credible investment platform – like Momentum Wealth – you can get access to a personalised investment strategy. Momentum Wealth offers a wide range of underlying investment solutions – one of the widest ranges in the industry – that you can use to construct an investment portfolio that balances your client's risk tolerance and risk appetite.

Advisers will play an increasingly important role as 'financial coach' to their clients. This partnership will assist clients not only to start their investment journey to success, but also to stay the course when markets become volatile. By staying invested, a client can accumulate significant benefits in their tax-free savings solutions that will help them to achieve their personal investment goals – something we know is important to you, and is equally important to us.

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