

GLACIER TAX-FREE INVESTMENT PLAN FREQUENTLY ASKED QUESTIONS

Encouraging a savings culture



THINK WORLD CLASS

glacier
by Sanlam

ABOUT THE GLACIER TAX-FREE INVESTMENT PLAN

Tax-Free Savings Accounts (TFSA) are government's initiative to create a savings culture in South African households. It incentivises individuals to save, through tax exemptions. Via a TFSA, individuals can put their savings into suitable investments and not pay tax on the investment income and capital gains that they earn, or on withdrawals from the plan.

At Glacier, we are dedicated to improving the savings culture in the country, and in answer to government's initiative, we've introduced the Glacier Tax-Free Investment Plan.

What is the Glacier Tax-Free Investment Plan?

Glacier is an administrative financial services provider and is therefore an approved provider of the product introduced by National Treasury. The Glacier Tax-Free Investment Plan can be accessed with the help of a financial intermediary.

The minimum investment amount for the Glacier Tax-Free Investment Plan is either:

- a lump sum of R33 000; or
- a debit order of R2 750 per month.

Clients will have access to:

- zero initial fees on lump sum or recurring investments into the Tax-Free Investment Plan;
- a wide range of investment choices at competitive annual administration fees.

What are the benefits of a TFSA?

A TFSA allows individuals to set money aside and watch those savings grow, tax free, throughout their lifetime. They'll benefit from the effects of compounded growth, while interest, dividends and capital gains earned in a TFSA are tax free.

Who is eligible for a TFSA?

Only natural persons can invest in this product. Legal entities (e.g. companies) and trusts will not be eligible to invest in a TFSA.

A TFSA can be held in the name of any individual, including children. All account holders will need to have a bank account in their own name in order to transact in the TFSA once it has been opened.

The following list of service providers will be able to offer a TFSA:

- Licensed banks
- Long-term insurance companies
- Asset managers (managers of registered collective investment schemes)
- Authorised users
- Administrative financial services providers
- National government



How is the TFSA different from discretionary, endowment or contractual savings products?

The following table highlights the tax treatments for individuals across the various types of products:

| | Investment Plan | Endowment | RA, Preservation Funds, ILLA | Tax-Free Investment Plan |
|--------------------------|---|---------------------------|---|--------------------------|
| Dividends | 20% withholding tax | 20% withholding tax | Contractually up to retirement age, a client will be in the same tax position as a Tax-Free Investment Plan (0%), provided no withdrawals are made. Tax will apply when a withdrawal is made, including the payment of a lump sum at retirement. Specific tax tables are applicable. For more information, please refer to a tax guide. | 0% |
| Interest | Age < 65: first R23 800 is tax-free; Age > 65: first R34 500 is tax-free except for exclusions, taxed at marginal rate. | Fixed 30% withholding tax | | 0% |
| Capital gains tax | 40% of marginal tax rate; Annual exemption of R40 000 | Fixed 12% withholding tax | | 0% |



CONTRIBUTIONS

How much is an individual allowed to contribute?

The maximum TFSA contribution limit is currently R33 000 in any given tax year (1 March to the end of February). An annual lifetime limit also applies, and this is currently set at R500 000.

The minimum amount to access the Glacier Tax-Free Investment Plan is R33 000.

Can an individual use their existing discretionary savings to contribute to a TFSA?

Yes, but it is extremely important to understand that any realised gains from such investments will incur capital gains tax.

What happens if an individual over-contributes?

Any contributions exceeding the prescribed annual and lifetime limits will be taxed at 40%.

There is no limit on the number of Tax-Free Savings Accounts an individual can have across different service providers. However, they need to ensure that their annual

contributions across all their Tax-Free Savings Accounts (at Glacier and other providers) do not exceed the annual and lifetime contribution limits. It is the individual's responsibility to monitor their annual contributions.

What happens if an individual has not contributed the maximum of R33 000 in a given tax year? Will the allowed contribution for the next tax year be increased by the amount of the under-contribution ?

Unfortunately not. The maximum contribution in any given tax year is R33 000 regardless of whether the client has used his/her past contribution limits in full.

WITHDRAWALS

Are there limits on how much an individual is allowed to withdraw?

No, they can take out as much of their money as they want, whenever they want.

Can withdrawals be reinvested in a Tax-Free Investment Plan in future? What are the options?

An individual's TFSA savings can be withdrawn from their account at any time, for any reason, and **all withdrawals are tax free**. The full withdrawn amount can be put back into the TFSA, but this will be regarded as a contribution. It is the individual's responsibility to ensure that this does not breach their contribution limit within a tax year, as an over-contributed amount will be subject to a 40% penalty tax.

OTHER

What type of investments can an individual hold in a Glacier Tax-Free Investment Plan?

Individuals can select from a wide range of collective investment funds on Glacier's platform, including selected wrap funds. (Funds with performance-based fees, as well as personal share portfolios are excluded.)

How long can someone invest in a TFSA?

There is no restriction on how long an individual can invest their money into a TFSA.

What happens at death?

On death, the investment will form part of the estate and estate duty may be payable. While the investment is held within the estate, the returns on it will remain exempt from income tax, dividends tax and capital gains tax.

Note that when transferring the amounts in a Glacier Tax-Free Investment Plan to a beneficiary's tax-free investment, the transfer will be regarded as a contribution and is subject to the annual and lifetime contribution limits of the beneficiary.

Can a TFSA be used as security?

Legislation currently does not allow a TFSA to be used as any form of security.

IMPORTANT TO NOTE

It remains the investor's responsibility to monitor their TFSA contributions across all providers and to ensure that they do not exceed the legislated annual and lifetime limits of R33 000 and R500 000 respectively*.

Any excess amounts will be subject to a 40% penalty charge by SARS. Glacier will be responsible to report on all Tax-Free Investment Plans held on their platform to SARS.

Should contributions be received that exceed the maximum prescribed contribution limits, the over-contributions will either be invested in an existing Glacier Investment Plan of the investor or paid back to the investor's bank account on record. Only the maximum portion allowed will be invested in the Glacier Tax-Free Investment Plan.

Glacier reserves the right to charge an administration fee of up to R250.00 for the reimbursement which will be deducted from the amount before payment to the client.

**Subject to legislation changes*

THE MAXIMUM CONTRIBUTION INTO ANY TFSA IS CURRENTLY LEGISLATED TO BE R33 000 PER TAX YEAR AND R500 000 PER LIFETIME. ANY CONTRIBUTIONS EXCEEDING THESE LIMITS WILL BE TAXED AT 40%.

Contact us

This document is intended for use by intermediaries. For more information visit our website at www.glacier.co.za or contact our Communication Center on:

Tel: +27 21 917 9002 / 0860 452 364
Fax: +27 21 947 9210
Email: client.services@glacier.co.za
Twitter: @GlacierBySanlam