

TFSA holders can now move their money

By [René Grobler](#)

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Three years ago, tax-free savings accounts (TFSAs) were introduced as an incentive for South Africans to save more. To sweeten the pot further, the government has made provision for account holders to switch part of, or their entire, TFSA from one financial service provider to another at no cost - in fact, they will be able to do this twice a year. This will enable investors to re-evaluate their tax-free investments and adjust it to their personal circumstances, if required.



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With tax-free investments, investors are allowed to invest up to R33,000 per year with a lifetime limit of R500,000, taking advantage of the medium- to long-term benefits of compounding, without paying any tax on interest, dividends or capital gains tax (CGT). The additional tax savings these investments offer can also add up and compound over time growing into a substantial investment.

A 2017 survey by Intellidex among all major financial service providers titled *A Study of Tax-Free Savings Account Take-up in South Africa* indicated that investors had, in the two years ending 28 February 2017, opened almost 460,000 accounts. A total of R5,17bn had been invested until end of February last year, which is close to double the amount of R2,6bn from the previous year.

Proving popular

According to the survey, cash-based TFSAs (bank deposits) are proving the most popular in the market with 307,970 clients (125,017 of those opened in 2016/17) investing a total of R2,107bn in 2017. This averages out to R6,841 per account.

The survey also found that while 41% are new accounts, according to banking institutions, 31,769 (6%) of these clients are first-time investors. Investec, Capitec and African Bank offer fixed-term deposits while Standard Bank, FNB and Absa offer call accounts. A relatively small portion of these have invested the full amount allowed: 18,321 (6% of total accounts) invested R30,000 on opening the account and 21,413 (7,5% of total accounts) had invested that amount by tax year-end. Nearly a third of account holders (83,779) are paying through monthly debit orders.

Holders of TFSAs have the flexibility (as from 1 March 2018) to transfer their funds twice per year, partially or in total from one financial service provider to another.

To maximise the tax benefits and returns of a TFSA at a bank, investors are encouraged to keep their funds invested for as long as possible so as to benefit from compound interest over the investment period. Notice deposits normally have lower interest rates attached to them than fixed deposits, but allow for greater flexibility in terms of withdrawals.

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