

Commentators who think they know it all

A financial commentator who is my absolute pet hate, MH for anonymity reasons, was up to his old tricks last week with another article trashing South Africa in favour of offshore investing.

He is confident and outspoken in his view, which reminds me of the following quote: "It is not those who don't know, but those who don't know that they don't know who are the scary ones." But rather than start a mud-slinging contest, which I am sure to lose, I would like to question one of his recommendations.

MH is critical of the regulations governing retirement funds (Regulation 28) and, more specifically, the 30% limit placed on offshore investments. He fails to tell readers Regulation 28 allows for a further 10% invested in Africa and the fact that the average Regulation 28 fund has closer to 55% offshore, on a look-through basis, when you include the rand hedge exposure by investing in the many large global companies who just happen to be listed on the JSE.

There is a Regulation 28 fund that claims to have 90% invested offshore.

So much for the offshore cap,

but this is not what I am questioning.

MH recommends clients retire from their pre-retirement funds governed by Regulation 28 (retirement annuities, preservation and pension) and purchase a living annuity with the compulsory two-third portion of their retirement funds to invest 100% offshore. This is allowed within a post-retirement living annuity.

He makes a convincing argument using hindsight to his benefit by comparing historic 10-year offshore versus local returns to make his point.

Of course, if you go back another 10 years the story was the exact opposite, with South Africa the winner and I would argue the next 10 years could prove to be the same, but that is also not what I am questioning.

I am questioning the advice to purchase a living annuity for someone who is that pessimistic on South Africa that they may also be considering emigration. It is important to understand that once you have retired and purchased a living annuity, those funds are now stuck in South Africa for the rest of your life.

You can emigrate or simply live abroad, and have the



pension paid offshore, but you can never access the capital. Whereas pre-retirement funds can be accessed on withdrawal and the funds transferred offshore as a lump sum.

This is not a recommendation or a decision to be taken lightly, if one seriously bears in mind the punitive tax implications of a withdrawal.

My advice for anyone considering emigration or who has any ideas of retiring in another country, is to postpone their formal retirement date until they have made up their minds. – www.mwwealth.co.za