

COMPARISON BETWEEN A RETIREMENT ANNUITY AND A TAX FREE INVESTMENT

	Retirement Annuity	Tax Free Investment
The product is available to individuals only.	Yes	Yes
Any minimum or maximum age to invest in the product?	No	No
Are contributions deductible from income for income tax purposes?	Yes	No
Are annual contributions capped?	No. The amount allowed as a tax deduction may however be limited.	Yes, limited to R30 000 per individual per annum.
Are lifetime contributions capped?	No	Yes, limited to R500 000 per individual.
Is regulation 28, prescribing asset classes, applicable to this product?	Yes	No. Other investment limitations are however applicable. ¹
Are hedge funds allowed as underlying investments?	Yes. Maximum of 10%, as per Reg 28.	No
Is interest received in the product taxable?	No	No
Will dividend withholding tax be applied to dividends received in the product?	No	No
Are realised capital gains in the product taxable?	No	No
Is it possible to make a withdrawal from the product at any time?	Not usually, only at retirement from age 55.	Yes
Is there any limitation on the proceeds from the product?	Yes, a maximum of 1/3 can be taken as a lump sum at retirement, a minimum of 2/3 to be annuitised.	No
Are the proceeds taxable on exit/withdrawal from the product?	Yes. Lumps sums on retirement are taxed according to special tables. Annuity income is taxed at normal income tax scales.	No
Does the product form part of the deceased investor's dutiable estate?	No	Yes
Are executor's fees payable on this product on death of the investor?	Not usually.	Yes

¹ E.g. no direct share portfolios are allowed, limited use of derivatives, no investments containing performance fees.