

# ACRAVEST QUARTERLY BULLETIN

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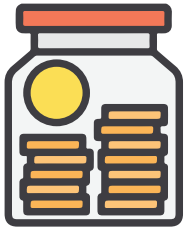


The Quarterly bulletin is established to provide a platform for Acravest to share news and views relating to long term savings, as well as to communicate news on solutions offered by Acravest to current and future investors.

It would be great to also publish relevant feedback and contributions from you, our readers. Please feel free to send us your thoughts at: [info@iretire.co.za](mailto:info@iretire.co.za)

## 2021 TAX LEGISLATION CHANGES ON RETIREMENT SAVINGS

### Provident Fund



Changes to the income tax act, effective 1 March 2021, aligning retirement benefits offered by Provident Funds to those of Pension Funds, eliminated outstanding differences between the concepts "Provident Funds" and "Pension Funds".

The opportunity now presents itself for service providers who offer both umbrella pension funds and umbrella provident funds to the market, to consolidate their pension funds into their provident funds, reducing complexity and cost drivers in an already complex industry.

From the above, Acravest set in motion a project to consolidate its umbrella pension funds into its umbrella provident funds, and to align all its provident funds under administration to be neutral towards transfers from pension funds.

Please take note of the name change of the iRetire Provident Fund to the **iRetire Retirement Fund**, to acknowledge that the consolidation of the funds removes the term "Provident Fund" from future terminology.

### Emigration

In terms of the Income Tax Act, members of retirement annuity funds that emigrate, have the option to liquidate their retirement annuity savings before retirement, subject to the formalities from the South African Reserve Bank. From 1 March 2021, the Income Tax Act requires the member to be a non-resident for 3 years before savings will be released from a retirement annuity fund.



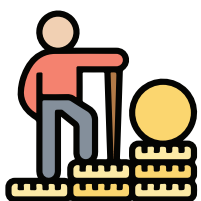
Members planning to emigrate need to take note of this change.

### Other



With regards to estate planning, investors need to take note that a relaxation is introduced to so-called loop structures. Loop structures allow for an individual to establish a foreign trust to own both foreign and local assets. These structures are complex and investors should engage their advisors for professional guidance.

## INVESTOR FOCUS... TALKING RETIREMENT SAVINGS PROJECT



Retirement savings is a mega-long term project and needs to start from a young age. Because of the long term nature of the strategy, it should be approached by the investor as a project: Define long term goal and decide on strategy. Implement, monitor and re-align at least annually.

The context is that an investor has multiple years, whilst working, to accumulate capital that needs to provide an income for multiple years, whilst retired. This broad statement needs to be broken down into manageable action steps and measurements...

## Key considerations

- How much capital to accumulate: Forecasting earnings need at retirement (current salary increased by inflation up to retirement) is a good starting point;
- You need sufficient capital at retirement to replace your salary at retirement. A good conservative plan would allow a withdrawal at an annual rate of 5% of your accumulated capital at retirement, to replace your salary. You therefore need roughly 20 times your expected salary in the form of capital at retirement.
- How to accumulate: Sacrifice a % of earnings whilst working and optimally utilise tax incentives in your savings strategy. 27.5% Of earnings (limited to R350 000 per annum) is deductible from taxable earnings, if saving in an approved retirement fund or retirement annuity fund;
- A suitable investment strategy is critical to ensure growth on your capital over the term of the strategy;
- Optimal utilisation of the money you commit is critical. In a retirement fund, you normally have life and disability risk insurance included. This insurance provides bridging finance for your dependants if something should happen to you. Over insurance is often an issue. Make sure that the quantum of insurance is aligned with your need. This may allow you to allocate more savings towards your investment strategy;

### **AcraVest Retirement annuity fund**

*Capital accumulation and living annuity in one! How do you access this solution?*

- Transfers at retirement from your pension or provident fund;
- Transfers when changing between employers;
- Start contributing towards your retirement from an early age, through regular contributions or as and when you have surplus capital available

*Cost effective, transparent, view daily updated investment account via Mobile app, plus many other features on the app, access to reputable investment managers... For more information, contact Henry Fouche on [retail@iretire.co.za](mailto:retail@iretire.co.za) or on 012 941 9927*

- Annual review of actual progress against long term plan.

*If you are an investor in one of the AcraVest products, the AcraVest Mobile APP provides access to daily updated financial information in an investor's accounts, plus a calculator that enables the monitoring of your saving strategy against your end goal.*

## MARKET COMMENTS FROM OUR MAY INVESTMENT COMMITTEE



### **Current key financial market drivers**

**GDP Growth:** Growth expectations is revised upward from previous quarter forecasts for all major global markets. Growth for South Africa is revised upward as well. Growth is based on amongst others, the following:

- Fiscal stimulus, mainly in the USA;
- Stimulation of liquidity in the financial markets and interest rates being kept low by central banks;
- Positive outcomes in the roll-out of the vaccine programs across the globe, although some pockets of risk exists.

**Interest rates:** On the back of signs of inflation, longer term interest rates in the USA shows some upward pressure, which is believed by many to be temporary. However, it could pose a risk for asset prices if this belief is proven wrong, leading to a re-price of assets;

**South Africa:** Country risk in South Africa remains high, and the following factors contribute:

- The country's fiscal deficit and continuous increase in lending by the SA Government, measured against the Country's Gross Domestic Product (GDP) is believed to be higher than what the capability of the local economy is to provide for a growth path out of the danger zone;
- Turmoil in the political landscape, partly due to Government's crackdown on corruption, although a much needed and positive development, provides for a healthy dose of uncertainty in what the ultimate outcome would look like for the country;
- Vaccine roll-out program in South Africa got off to a mediocre start whilst success here is crucial to protect the local economy, from further damage by the pandemic;
- High unemployment rate that introduces risks for destabilisation in the country.

On the positive side, better than expected exports and higher than expected tax collection, lead to a marginal slowdown in lending by the government, a strengthening of the local currency against the US\$ and other currencies, is providing some relief.

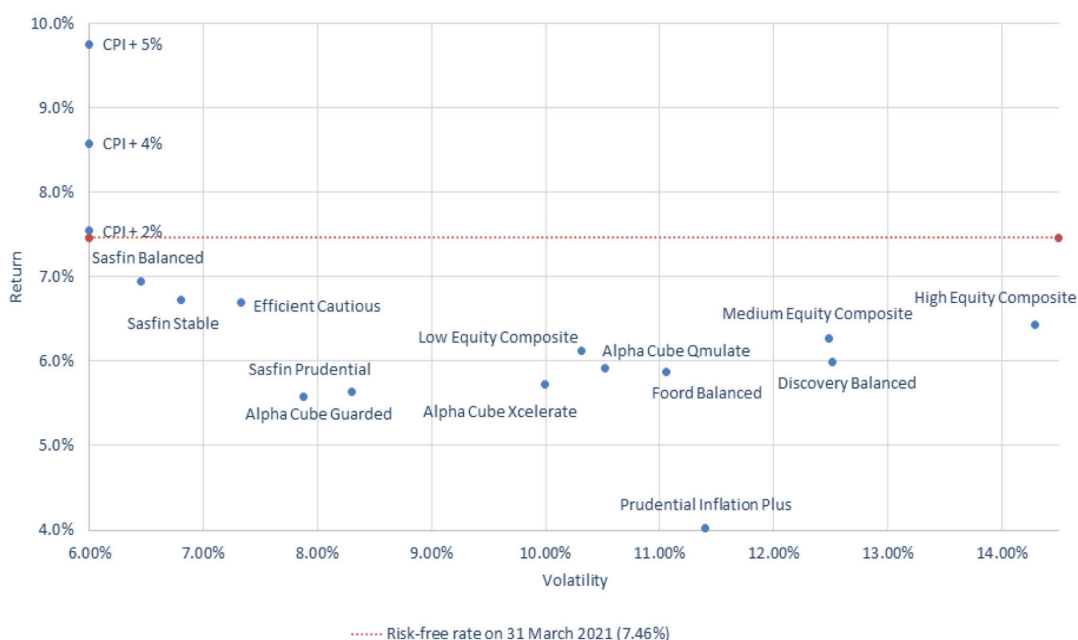
**Investment Strategy:** In the current environment, money managers need to be increasingly diligent to ensure they understand the value proposition available within in the different asset classes and be able to access those pockets of value available.

#### Prescribed investments:

A long term rumour that prescribed assets for retirement funds is a real prospect, has been proven wrong. The intention of the legislator, set out in the draft changes to Regulation 28 of the pension funds act only widens the opportunity set for trustees by defining the limits to infrastructure type investment allocations within current defined asset classes. Funds are therefore allowed to invest in these assets, but are not obliged.

## PERFORMANCE – RISK RETURN SCATTER PLOT – DISCUSSION/ EXPLAIN COMPOSITES

Risk / Return Graph 5 Years up to 31 March 2021



**Note:** The strategies reflected on this performance graph, have been administered on the Acravest platform for at least the five year reporting period.

Other accessible strategies have not been on the platform for that long and is therefore not reflected here. To find out more about other available strategies, please visit our website at [www.acravest.com](http://www.acravest.com).

The Investment managers in the program on the platform are all independent from Acravest/iRetire.

The performance and risk statistics are calculated, using the daily unit price calculated on the Acravest platform, which means that the growth reported here is the growth that you experience in your product. This graph provides you with a so-called “apples with apples” comparison between different independent money managers available in the market-place.

The tactical asset allocation decisions of the different managers are evident in the Risk/Return Graph: One would expect the lower target return portfolios to trend towards the left side of the graph, indicating a less volatile asset composition, whilst the higher target return portfolios to trend toward the right side of the graph, indicating a more volatile asset composition.

More volatility indicates more risk, which risk is normally rewarded with higher return. The investment committee’s composite indices (High Equity / low Equity / Medium Equity) are plotted correctly, although one would expect a bit wider distribution across the graph.

With regards to the actual portfolios, the Sasfin Prudential Fund stands out to have made the biggest tactical asset allocation calls over the last 5 years, with a high equity mandate, but with lower volatility and equal or better growth than its high equity peers.

#### **Change in Fees**

*Acravest platform fee for Institutional Funds (Pension and Provident Fund) is currently structured as follows:*

*A fee charge of 0.1% of assets (per annum) based on each investor's value invested, limited to R20.29 per investor account per month.*

*Change to be introduced from 1 July 2021: Introduction of a minimum fee to the above formula, at R2 per investor per month. The fee is designed to protect investors with low assets (the % based fee @ 0.1% of assets) and limit the cost for investors with high assets (the maximum charge of R20.29). The reason for the minimum fee is to ensure Acravest is compensated at a minimum, even at a very low base, for the value added through the platform provided for investors.*