

# Taking Action

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**JSE Ltd**  
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A ACTION  
C CHANGES  
T THINGS



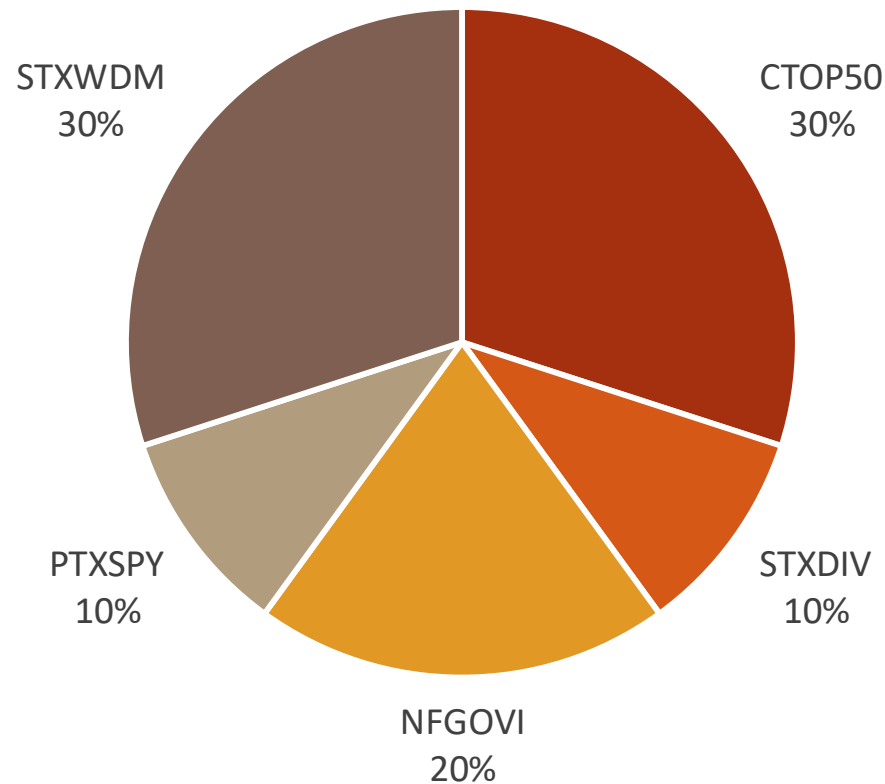
# Action Plan

- Investment **Club** / Stokvel
  - The One Million Rand – Five Year – Investment Plan
- **Individual** Investors
  - Retirement Annuity or Tax-Free Investment?
- Which Investment **Platform**?
  - Why “Bulking” Beats “No Admin Fees”

# The One Million Rand – Five Year – Investment Plan

- Five basic building blocks – One portfolio
  - SA Equity (broad-based): Coreshares SA Top50 ETF (**CTOP50**)
  - SA Equity (high dividends): Satrix DIVI ETF (**STXDIV**)
  - SA Bonds: NewFunds GOVI ETF (**NFGOVI**)
  - SA Property: Proptrax SAPY ETF (**PTXSPY**)
  - International: Satrix MSCI World ETF (**STXWDM**)

# The One Million Rand – Five Year – Investment Plan



# The One Million Rand – Five Year – Investment Plan

- Initial monthly debit order – R10,000
- Increase by 10% every year
- Re-invest all distributions
- Portfolio value after 5 years: R1,013,187\*

*\*etfSA.co.za calculations based on ProfileData ETF performance data, as at 24-Aug-18  
Past performance is no guarantee of future performance – this is just indicative*

# Individual Investors

## What to do first?

- Before you invest:
  - Get consumer **debt** under control
  - Build up a 3-6 month **emergency fund**
- **Start investing** once this is well underway



# Individual Investors

## What to do first?

- **Objective:** maximise tax savings
- **Tax-free** investment? or **Retirement** annuity?
  - Only available to individual investors, not groups
- Two deciding **factors:**
  - Age
  - Current tax status

# Individual Investors

## What to do first?

- If you are **younger than 40** and/or you **do not** currently **pay** (much) income **tax**:

- Priority **1**: Maximise **tax-free** investments (R33,000 p.a.)
- Priority **2**: Maximise **retirement** savings contributions (27.5% of taxable income)
- Priority **3**: **Discretionary** ("regular") investments



*Assume: 3-6m emergency fund in place; Consumer debt under control*

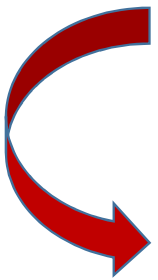
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# Individual Investors

## What to do first?

- If you are **older than 40** or you currently pay **a lot of income tax**:

- 
- Priority **1**: Maximise **retirement** savings contributions (27.5% of taxable income)
  - Priority **2**: Maximise **tax-free** investments (R33,000 p.a.)
  - Priority **3**: **Discretionary** ("regular") investments

**Wealth  
Enhancer  
portfolio**

**Equity  
portfolio**

*Assume: 3-6m emergency fund in place; Consumer debt under control*

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# Which Investment Platform?

- ETFs are **listed** securities (**JSE**)
  - It must be bought through a broker / investment platform
- **Transaction** costs
  - **Brokerage** + VAT (variable / negotiable)
  - **Strate** fees + levies (min of R11.73 per transaction, compulsory, non-negotiable)

# Which Investment Platform?

- Transaction cost example – lump sum

<b>R1,000 lump sum</b>	<b>Online broker</b>	<b>etfSA.co.za</b>
Brokerage rate	0.25%	0.08%
Brokerage cost (incl. VAT)	R2.88	R0.92
Strate settlement fees	R11.73	R11.73
<b>Total</b>	<b>R14.60</b>	<b>R12.65</b>
% of investment amount	1.46%	1.27%

Source: etfSA.co.za calculations

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# Which Investment Platform?

What is “bulking”?

- Administrators with a Cat III license may trade for multiple investors in one transaction, and then share the costs of that transaction between all the investors
  - e.g. AOS & Computershare, not online brokers

# Which Investment Platform?

- Transaction cost example – lump sum

*This is the benefit of bulking!*

R1,000 lump sum	Online broker	etfSA.co.za	
		1 investor	<b>100</b> investors
Brokerage rate	0.25%	0.08%	0.08%
Brokerage cost (incl. VAT)	R2.88	R0.92	R0.92
Strate settlement fees	R11.73	R11.73	R0.12
<b>Total</b>	<b>R14.60</b>	<b>R12.65</b>	<b>R1.04</b>
% of investment amount	1.46%	1.27%	0.10%

Source: etfSA.co.za calculations

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# Which Investment Platform?

- Transaction cost example – debit order

There are always multiple investors on debit order day

<b>R300 p.m. debit order</b>	<b>Online broker</b>	<b>etfSA.co.za</b>	
		1 investor	100 investors
Brokerage rate	0.25%	0.08%	0.08%
Brokerage cost (incl. VAT)	R10.35	R3.31	R3.31
Strate settlement fees	R140.74	R140.74	R1.41
<b>Total</b>	<b>R151.09</b>	<b>R144.05</b>	<b>R4.72</b>
% of investment amount	4.20%	4.00%	0.13%

Source: etfSA.co.za calculations

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# Which Investment Platform?

- Reinvesting dividends, e.g. 2% p.a. paid quarterly

*Dividend re-investments are done on the same day for all investors*

R10,000 investment ≡ R50 dividend/quarter	Online broker	etfSA.co.za	
		1 investor	100 investors
Brokerage rate	0.25%	0.08%	0.08%
Brokerage cost (incl. VAT)	R0.58	R0.18	R0.18
Strate settlement fees	R46.91	R46.91	R0.47
<b>Total</b>	<b>R47.49</b>	<b>R47.10</b>	<b>R0.65</b>
% of investment amount	0.47%	0.47%	0.01%

Source: etfSA.co.za calculations

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# Which Investment Platform?

- What about **admin fees**?

	<b>Online broker</b>	<b>etfSA.co.za</b>
Annual admin fee excl. VAT	---	0.65% max
Annual admin fee incl. VAT		
if portfolio value = R1,000	R0.00	R6.82
if portfolio value = R10,000	R0.00	R68.24
% of investment amount	<b>0.00%</b>	0.68%

This is the basis on which it is advertised as **cheap(er)**

Source: etfSA.co.za calculations

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# Which Investment Platform?

- **Total** transaction costs and admin fees **over 1 year**

<b>R1,000 lump sum</b>	<b>Online broker</b>	<b>etfSA.co.za</b>
Initial transaction costs	R14.60	R1.04
Admin fee for 1 year	R0.00	R6.82
Selling transaction costs	R14.60	R1.04
<b>Total</b>	<b>R29.20</b>	<b>R8.90</b>
% of investment amount	2.92%	0.89%

Not so **cheap** after all!

*Note: Assume total return ETF so no dividend reinvestment costs  
Source: etfSA.co.za calculations*

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# Which Investment Platform?

- Make sure you consider **ALL** costs before choosing an investment platform / broker
- etfSA.co.za are **registered financial advisors** – we are allowed to advise you, and we **don't charge** our clients for it

# Contact Details

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<b>RA Funds</b>	<b>010 446 0374</b>	<a href="mailto:rafunds@etfsa.co.za"><u>rafunds@etfsa.co.za</u></a>
<b>Living Annuity Funds</b>	<b>010 446 0374</b>	<a href="mailto:lafunds@etfsa.co.za"><u>lafunds@etfsa.co.za</u></a>
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