

TFSA OR RA?

Just received your bonus, a tax refund or other lump sum?
Tax-free savings account (TFSA) or retirement annuity (RA)?

Which is best for you?

What to do...



The rules













	TFSA	RA
 Contribution limit	Max R33 000 per tax year; 40% tax penalty on rest	No, but after 27.5% of income no longer tax-deductible
 Withdrawals	Allowed	Not before age 55
 Diversification	No limits	Max 75% in shares; 30% international; 10% Africa
 Funds with performance fees	Not allowed	Allowed
 Invest for minors (product in their name)	Yes, but parents have signing rights	Yes, and no one can touch it
 Protected against creditors	Only if wrapped in a life policy	Yes

FRIEND NOT FOE

Both products have benefits. Rather than competing, they can go hand-in-hand in your financial plan. Speak to your adviser to decide how much to invest in each.



The tax

	TFSA	RA
Tax penalty	 40% of excess if you invest > R33 000 per tax year	None 
Tax deductible contributions	 No tax deduction	Up to 27.5% of your total taxable income per year (R350 000 annual cap) 
Tax on interest and dividends	 None	None 
Tax on withdrawals	 None	First R500 000 of withdrawal on retirement tax-free; rest taxable up to 36% 
Tax on annuity income	 None	As per SARS personal income tax tables 
Estate duty	 If TFSA in a life policy with spouse as beneficiary - no estate duty	No estate duty on tax-deductible contributions 

A TFSA and an RA are a formidable team to reduce the amount of tax you pay over your lifetime



BE TAX-WISE



VISIT US FOR MORE INFORMATION
ON HOW TO REDUCE YOUR TAX WITH AN RA OR INVEST

TAX FREE