

# TFSA OR RA?

A tax-free savings account (TFSA) and a retirement annuity (RA) are great tools to reduce your yearly tax bill.

**Which is best for you?**

What to do...



## The rules

	TFSA	RA
 <b>Contribution limit</b>	Max R33 000 per tax year; 40% tax penalty on rest	None, but after 27.5% of income no longer tax-deductible
 <b>Withdrawals</b>	Allowed	Not before age 55
 <b>Diversification</b>	No limits	Max 75% in shares; 30% international; 10% Africa
 <b>Funds with performance fees</b>	Not allowed	Allowed
 <b>Invest for minors (product in their name)</b>	Yes, but parents have signing rights	Yes, and no one can touch it
 <b>Protected against creditors</b>	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
<b>Tax penalty</b>	 40% of excess if you invest > R33 000 per tax year	None 
<b>Tax deductible contributions</b>	 No tax deduction	Up to 27.5% of your total taxable income per year (R350 000 annual cap) 
<b>Tax on interest and dividends</b>	 None	None 
<b>Tax on withdrawals</b>	 None	First R500 000 of withdrawal on retirement tax-free; rest taxable up to 36% 
<b>Tax on annuity income</b>	 None	As per SARS personal income tax tables 
<b>Estate duty</b>	 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