



M&G Investments
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Tax-free investing: Act now

With the new tax year just underway, now's the best time to make the most of your annual tax-free investment allowance. Introduced in 2015 by the government to encourage people to save, a tax-free investment is an excellent tool to use to boost your long-term savings. You may invest up to R36,000 per year, up to a lifetime maximum of R500,000, and starting now will make it easier to take full advantage of your annual limit.

Why a debit order does it best

One of the best ways to keep momentum in your investment journey is to have a debit order all set up. You can have the best of intentions to transfer money every month into your savings account, but it can be tempting to spend it instead, or worse, simply forget to transfer it. This way it will happen automatically and you will gradually accept it as a fixed monthly cost, rather than a grudge expense that doesn't result in immediate gratification. It's a positive step in improving your investor behaviour.

Your monthly debit orders will add up over the year, making it much easier to reach the investment limit. If you don't manage to reach R36,000 in a tax year, your allowance doesn't carry over. This means that you lose out on maximising your tax benefits in that given year and have less time to earn interest. The sooner you can reach your R500,000 contribution limit, the longer your investment will have to

grow, tax-free. Be careful not to invest over the limits or the excess will be taxed at 40%.

Bite-sized chunks add up

Rand-cost averaging is the term given to regularly investing a monthly amount into your savings, instead of a once-off lump sum. By feeding money into the market over time, you effectively smooth out some of the price volatility. Your smaller amounts of money are buying units at different prices, depending on when you invest.

The point is that prices fluctuate and investing over time, such as through a debit order, will mean you are able to average out the cost of your investment and make the most of the best opportunities, instead of investing in one lump sum, at one single time, which might be when prices are higher, so you can afford fewer units.

Positive investor behaviour is reinforced through rand-cost averaging, particularly if you stay invested. Keep in mind that the value of your investment can be negatively impacted if you pause your debit order during times when markets are volatile. It is tempting to take a break when it feels risky, but it can end up costing you more to pause, as you could miss out on times of cheap asset prices and great performance. But take comfort that if you do have to pause for personal reasons, you are able to.

You can also top up your investment if you have some extra money, such as from a bonus later in the year. In other words, your debit order doesn't have to be R3,000 per month to get to your R36,000 limit for the year. You can invest R500 per month and then still do an extra contribution before the end of the tax year. But having a debit order in place does make it significantly easier to reach the maximum contribution limit.

It's easy to invest tax-free

Opening a tax-free investment with M&G Investments is a quick and easy process. You can complete an [online application](#) in under 10 minutes, or download the form right [here](#), fill in a few details and send it back to us with your FICA documents.

We have a wide [range of tax-free investments](#) to choose from, from local equities and property, to multi-asset funds and global funds. You will find something to suit your risk and return requirements, in line with your existing portfolio. Once you've signed up for your tax-free debit order, it's done and you can sit back and reap the rewards, tax-free, going forward.

Please contact us if you have any questions. Call our Client Services Team on 0860 105 775 or email info@mandg.co.za.