



OFFSHORE DIVERSIFICATION IN A GLOBAL UNIVERSE.

In building their legacy, many investors are looking offshore to bolster and diversify their investment portfolio. In the current volatile and protracted conditions of politics and economic growth in South Africa, investing offshore allows you to benefit from a broader global universe. You are not only limited to what the South African market offers, but you have more opportunities to invest in long-term growth sectors, such as technology.

According to PPS Chief Executive Officer Izak Smit, approximately 2 500 PPS clients with honours or higher qualifications have emigrated in the last year. They form part of an *estimated 9 000 taxpayers in the R750 000+ tax bracket that have left the country over the last two years.

While some South African skilled professionals remain undecided on whether to pursue emigration, others have opted to explore opportunities through offshore investments to diversify their portfolios. Sensible geographic diversification is wise, but the reality is that how much will depend on the investor. It is crucial that your overall portfolio is optimised for your investment goals and required outcomes.

HERE ARE THREE SCENARIOS. WHICH OF THEM RELATE TO YOU?

1. Believe the grass is greener on the other side

Are you planning to leave South Africa? If this is the case, you may want to start building and protecting your wealth in the currency you will retire in or live off one day. You could start moving your liquid funds as part of the annual allowance and seek exposure to as much offshore as is allowed within your retirement products. Therefore, it would not have a significant impact if the rand appreciates or depreciates, as your investments are domiciled in the currency you will be retiring in.

2. Wait and see

Unsure whether you will leave or stay in South Africa? You could start exploring the benefits of dual citizenship, which leaves the option open for any time in the future.

Regarding asset allocation and planning, you should typically have 50% of your assets offshore and 50% local – so that you hedge offsets in the movement of the currency. Allocation does not need to be held per product but rather on a holistic portfolio level.

3. #ImStaying

In this scenario, you do not need to hedge the currency exposure. Anything between 30% and 50% offshore exposure is attributed to a well-diversified and possibly tactical portfolio construction. Offshore allocation should be part of a holistic, diversified and long-term financial plan. Having considerable offshore exposure is not ideal because you do not want to hedge your retirement savings against the currency you will ultimately retire in and live off. It is also dangerous to presume that the rand will always depreciate to the dollar or any other currency. What if it holds steady or continues to appreciate against the dollar? The risk involved is just too high.

Whatever the decision, a crucial aspect that is often overlooked is estate planning and estate taxes. If you reside in South Africa, your estate and taxes will fall under South African law. If you have assets in a foreign country, your Will needs to consider the laws and tax requirements of that country.

It is essential to walk the path with professionals to assist you in navigating the offshore investment landscape. PPS Wealth Managers are here to help ensure your portfolio is structured in a tax-efficient manner, and the funds' allocation is optimal to meet your long-term goals.

For more information visit pps.co.za/plan/wealth-advisory or email wealthadvisory@pps.co.za

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*As quoted by Prof Jannie Rossouw, Professor at Wits Business School in BL Premium on 14.09.2021 - writer Lynley Donnelly.