# THE LIFE-CHANGING POWER OF LONG-TERM TAX-FREE INVESTMENTS

START

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Parents start investing in a taxfree investment for their child at birth.



At the child's 18th celebration party, instead of giving their teenager the keys to a BMW X5, the parents announce that their gift is a comfortable retirement!

I.e. they must stay invested and not withdraw anything

#### The parents invest

(or the maximum annual amount allowed in a tax-free vehicle).

## FAST FORWARD TO THE FUTURE...

Amazingly, by investing a relatively small amount early, not withdrawing and instead compounding over a long period of time, **by the time the child reaches retirement at 65, the balance would have grown in today's money to over...** 

### We assume our new parents continue to invest until their child turns 18 - by which time they will have invested about

(Note: The current life-time cap is R500 000 which they would reach in the child's 14th year, but we have made the reasonable assumption that government will increase this cap over time in line with global best practice.)

## This means the retiree child could withdraw



until they were 100.

Current life expectancies are in the mid 80's but we expect life expectancies to continue to increase with medical breakthroughs.

As a further bonus this amount would be tax-free, so the equivalent taxable salary or annuity is a monthly amount of more than R200,000!

This is a long-term investment, so our new parents decide to invest 100% in growth assets, predominantly South African and Global Equities (they accept the volatility).

We assume a net return of about 7% above inflation.

