

Comparison of endowment based investments			
Investment Type	Endowment Policy	Traded Endowment Policy	Tax-Free Investment
General Description	This is a fixed term contractual savings policy	An investment in an endowment policy where there is no longer a fixed investment term	Flexible tax-free option, or Tax-free My Savings Both are underpinned by an endowment policy Only available to natural persons
Applicable Legislation	Long Term Insurance Act Income Tax Act Estate Duty Act		
Investment Term	There is a minimum term of 5 years During the term one loan and one withdrawal can be made (limited to a maximum of premiums plus 5%) Premium increases are limited to 20% p.a. Excess increases will trigger a new 5 year term	There is no fixed term The investment is fully liquid. Surrenders, withdrawals and loans can be made at any time and as often as required. Where loans are made the investor can repay the loan if new investment capital is available.	No minimum term and no fixed investment term – fully liquid investment The restrictions applicable to endowment policies do not apply to tax-free investments
Investment Risk	The fund selection will dictate the investment risk		The fund selection dictates the investment risk The Regulations pertaining to tax free investments contain certain restrictions to limit risk
Protection against creditors	If the policyholder or life insured is declared insolvent, the Long Term Insurance Act provides for limited creditor protection. If the policy is in force for at least 3 years and it is payable to that person's spouse, children or parents, the protection would apply for a period of 5 years from the date upon which the benefits were provided.		
Income Tax Payable by the Insurer	The income earned in the policy is taxed at the insurer according to the five fund approach: - Individual Policyholder Fund 30% - Company Policyholder Fund 28%		No income tax is payable on the investment returns realised within the investment. Penalties may be payable where contributions in excess of the annual allowances are made.
Income Tax Payable by the Investor	No income tax payable by the investor		

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Capital Gains Tax Payable by the Insurer	<p>Capital gains in the policy are taxed in the hands of the insurer in terms of the five fund approach.</p> <p>No exclusions apply in the funds</p> <p>The inclusion rates are as follows:</p> <p>Individual Policyholder Fund – 40% (effective rate – 12%)</p> <p>Company Policyholder Fund – 80% (effective rate – 22.4%)</p>		Tax-free investments are exempt from capital gains tax
Capital Gains Tax Payable by the Investor	<p>No capital gains tax payable by the investor who is the original policyholder or that policyholder's spouse or nominee or beneficiary</p>	<p>If a capital gain is realised when the investor makes a full or part surrender or withdrawal, it will be subject to CGT</p> <p>Natural persons are entitled to an annual exclusion of R40 000 where after the inclusion rate is applied and it is included in taxable income:</p> <p>Natural person – 40% (maximum effective rate – 18%)</p> <p>Company/CC/Trusts – 80% (effective rate for Co/CC – 22.4%) (effective rate for Trusts – 36%)</p>	No CGT payable by the investor
Dividends Withholding Tax	DWT(20%) is applicable to dividends received in the individual policyholder fund		Tax-free investments are exempt from DWT
Estate Duty	<p>Long term insurance policies are included in the estate of the life insured as a deemed asset. If there are multiple lives insured it will be included in the estate of the last surviving of them. Where the policyholder dies and there are remaining lives insured (so the policy does not pay out), the policy's cash value will be an asset in the estate of the policyholder</p>		The cash value of the investment will be an asset in the estate of the investor and can be subject to estate duty