

Finance focus

South Africans face unique issues when living in the UK, which are compounded when they face the decision to go home, or simply have no choice but to go home. Sable and the *SA Times* will run a series of case studies that may provide the solutions to the most often-asked questions or the most common challenges faced by South Africans.



Moving back home requires sound financial planning

Brendon and Janet Caldicot are a South African couple who have been living in London for the last eight years. They originally planned on being in the UK for two years but have stayed longer due to solid career prospects, cheap travel and the ability to build up an offshore 'nest egg'. With a three-year-old and a second child on the way, they've decided it's now time to 'head back South' and make use of the open spaces, grandparents and consistent weather. They have accumulated a fair amount in cash from regular savings over the years and the proceeds from their recent house sale. Janet also has two pensions from previous employments.

The Caldicots ask ...

“ How best can we set ourselves up financially for our return? ”

“ Andrew and Doug, Sable's advisers, reply ... ”

Structure your assets correctly before you leave as there are many opportunities you can't make use of once you're back in SA.



Andrew: "The key for Brendon and Janet will be to balance sending hard earned pounds back to South Africa into a volatile currency against leaving it offshore as a stable nest egg. Having said that, South Africa is certainly not a cheap place anymore and as a rough rule of thumb they should plan on spending approximately 85% of their normal UK monthly expenditure".

Doug: "The decision on how much money to send back for a house purchase should ultimately be decided on what income they will be earning in South Africa for monthly mortgage payments. As there are exchange controls in SA, it pays to leave as much capital behind as possible. It can always be brought back later if

needed. Investing outside of SA is often cheaper and allows access to a broader range of investments."

Andrew: "Let's not forget Mr Taxman. To minimise UK tax, cash held outside of South Africa should either be in an offshore account or, if in a UK bank account, should have a declaration to stop interest being deducted at source. Cash interest is, however, taxed at your highest marginal rate in South Africa so it may be more profitable to invest in funds that are rather taxed as capital gains, thereby reducing the potential tax to about a quarter that it would be as income tax."

Doug: "Janet should consolidate her two legacy pensions into a single low cost pension. This should be structured so that the investments within the pension are in a well diversified portfolio that will provide growth over the long term. As it stands at the moment, foreign pension income brought into South Africa is not taxed, which is a big bonus for us Saffas!"

Andrew: "Most insurance policies are a rip off and much of it is unnecessary. However given that the Caldicots have children, they should certainly have some life insurance. The equivalent amount of life cover is much cheaper in the UK than in SA – mainly due to the lower SA life expectancy that is priced in. They should therefore probably look into taking out life cover before they return with a UK provider that allows for this. Careful note must be taken around the provisos on such policies though, especially as most require policies to have been in force for at least a year"



Next month, Ken and Claire ask about the implications of selling their SA property. Sable is a financial services firm focused specifically on South Africans based in the UK. Go to www.sablewealth.com for more information, ask your question and we'll publish it. Send a quick overview of yourself and your question to [SA Times at enquiries@satimes.co.uk](mailto:enquiries@satimes.co.uk).

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