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WHAT TO DO WITH YOUR LIFE SAVINGS, RETIREMENT AND INSURANCE POLICIES WHEN EMIGRATING

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With South Africans increasingly opting to live abroad, a hot topic is the issue of what to do with your life savings, retirement, and insurance policies when emigrating.

New legislation, coming into effect in March 2020, means that South African tax residents living and working abroad will be required to consider whether they should emigrate from South Africa in order to avoid having to potentially account for tax in two countries.

A new term known as “financial emigration” has crept into people’s vocabulary. This is no different from the term “emigration” and the rules which attach when a person takes the steps to emigrate. One needs to understand the consequences of emigrating to another country on one’s financial products, such as long-term insurance policies, investments and pre-retirement money.

Life cover – You have the option of cancelling your life cover. Depending on the policy of the particular insurer, you might have the right to continue with the cover depending on whether the risk has changed for the insurer. You should take advice on this aspect. If you can it might be worthwhile to keep the current cover especially if you were underwritten when much younger or healthier. Your premiums will still have to be paid from a South African bank account. Some South African insurers currently sell life insurance that pays out in dollar or pounds; or life policies that pay out in any country abroad. These products may well be worth looking into before emigrating.

Disability and Income Protection – Care must be taken here. Assuming the policy can be continued, there may be certain exclusions within the terms and conditions when moving abroad.

Retirement Annuities – The usual restrictions of not being allowed to withdraw before age 55, as well as the one third maximum cash lump sum withdrawal, with the rest to buy a pension, does not apply. When officially emigrating, a member of an RA may withdraw the full capital amount.

Preservation Funds – The same applies to members of pension and provident preservation funds - a full withdrawal is allowed upon emigration.

Employer pension or provident funds – there is no restriction on withdrawal out of an employer pension or provident fund if a person decides to emigrate before normal retirement age.

Unit trusts and shares – regardless of whether you make the financial decision to sell these, there will be a tax consequence on emigration, so it is important to take advice.

Living Annuities – With regards to living annuities, you are unable to withdraw the capital even if you have formally emigrated. The income will continue to be paid out into a South African bank account, and from there the annuitant can choose to transfer it offshore.

Before making the big move abroad it is always wise to consult your financial adviser, as well as a South African emigration specialist who can analyse and give advice on your unique and personal circumstances. One should also obtain tax advice to understand the tax treatment of financial products following emigration.

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