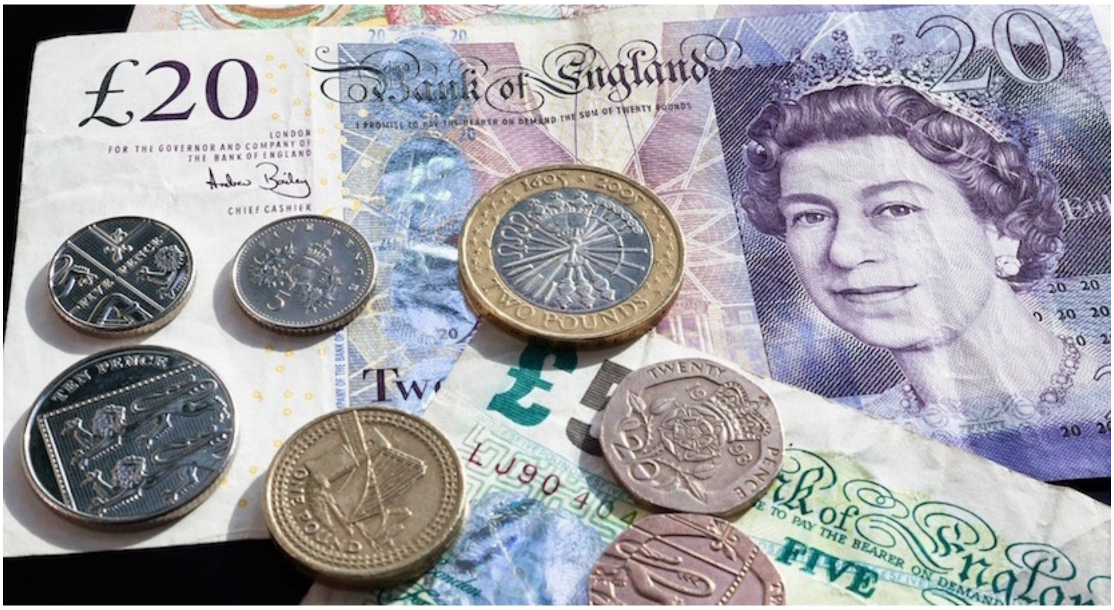
Users Guide for SA expats – Saving and investing in the UK

The decision to move to the UK is not an easy one, and as we explained in our previous Users Guide for SA expats – expat money matters sorted, the financial transition can be tricky. Once you've said your goodbyes, done the hard work and started to settle in, exploring and learning about life in your new country can be exciting, albeit perhaps also rather intimidating.



While getting your home set up, making new friends, perhaps some sightseeing and a bit of travel are all vital parts of a successful transition, it's equally important to prioritise your savings and investment goals. Your goals may be the same as in South Africa, for example – retirement, saving for a deposit on a house, travel, education etc, but your money now speaks in a different language. So whether you had a well-structured plan in South Africa, or are only now starting to think about one, you'll have many questions and a world of options available in the UK.

Where to start depends on what you have, and what you want

Popular expat questions:

- Should I sell my house in South Africa?
- What should I do with my retirement fund money?
- How do I transfer money between the UK and South Africa?

The answers are highly dependent on your personal circumstances, your preferences and your long-term plan, including whether you know you'll be staying in the UK or returning to SA. While general information is available, you don't have to figure it all out alone. It might be a good idea to speak to a financial adviser to help you make the right decisions for you.

When my wife and I moved over we had proceeds from a house sale, pensions that we had cashed in, and the profits (read losses) from a garage sale. We knew we needed to invest the lump sum, but we didn't know where to start. There are numerous differences between what is available in the UK and what is available in SA, and as in SA, each option has specific advantages, and potential disadvantages. Even as a qualified financial adviser, coming from SA, I was overwhelmed.

To invest as effectively as possible, you need to know the options available and all the implications of each option. You also need to realise that there is no one size fits all; everyone's financial journey is unique to their situation and life aspirations. This means that the most important starting point is knowing your own needs, priorities and preferences.

Before starting to look around at options, take the time to consider:

1. **Your objectives**: Start with your *lifestyle* needs and your goals for the future. These will determine your financial and investment objectives.
2. **Your time frames**: How long do you have to reach your goals? When might you need to access your money? How long will you be in the UK?
3. **Your personal investment experience**: Whether investing is old hat or completely new to you, think about your likely comfort level when seeing your investment go up and down.

These steps are critical to any long-term plan. A holistic investment strategy doesn't just help you make your initial investment decisions, it also determines what you do along the way, which can make or break your outcomes.

Confusing new terminology and a daunting array of options

> **Brit-speak decoded**
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> Many popular products' abbreviated names are acronyms, i.e. pronounced as words, rather than saying the individual letters. For example ISA is 'ice-uh', and SIPP is 'sip'.

Surveying the savings and investment landscape initially left me gobsmacked. A low effort search gave me 10 options in minutes, all promising the most exceptional service, transparent fees and best performance. The products on offer were completely different to those in SA. I came across things like 'ISAs', 'JISAs', 'UCITS', 'SIPPS', 'CIAs' and GIAs'.

The UK environment is diverse, with a variety of investment advisers, product providers, platforms, enterprises and institutes looking for new money. Some may be regulated, unregulated, open-ended, closed-ended, schemed and protected. In short, to navigate these unfamiliar waters, one needs a new compass.

Making sense of the UK product offering

Savings	• Bank account • Savings pocket • Fixed deposit • Stokvel	• Bank account • Savings pocket -interest linked • National savings and Investment savings products
For retirement	• Retirement annuity • Pension/provident fund • Preservation fund	• SIPP • Employer funded • Money purchase • Final salary
In retirement	• Living annuity • Life annuity	• Uncrystallised lump sum • Annuity • Flexi-access drawdown
Tax savings	• Tax-free savings account • Tax-free investments	• ISA • Junior ISA
General investing	• Unit trust • ETF	• Unit trust • ETF • Investment trust • Open-ended investment companies
Other investments	• Endowment • Government bonds • Stock exchange • Commodities • Property	• Endowments • Structured products • Government bonds • Stock exchange • Property • Hedge funds • Contracts for difference • Venture capital trusts • Enterprise investment schemes

Tax saving options

One of the biggest challenges is that even within some of these products, there are a range of options to choose from. For example, the UK's version of South Africa's Tax-Free Savings Account is called an Individual Savings Account (ISA). That seems simple enough until you learn that there are 6 different types:

1. **Cash** – Interest bearing, low risk.
2. **Stocks and Shares** – Higher risk, unit trusts, investment funds or direct share ownership.
3. **Junior** – For children, and known as JISAs, contribution made by parents or grandparents, limitations apply and may be either cash or stocks and shares types.
4. **Help-to-buy** – Aimed at prospective first-time home owners, limitations applicable, enhanced allocation (or bonuses).
5. **Lifetime** – Long term, known as LISAs, used for retirement or deposit on a house, limitations apply and enhanced allocations (or bonuses).
6. **Innovative Finance** – Peer to peer lending, start-up capital, etc.

To decide between ISA options, look at the contribution limits, the purpose and the benefits of each. Since each option may be useful to you, you could consider using a combination.

Your income, cash flow requirements and costs and benefits will help you decided between bank accounts and savings options.

Your retirement savings should be a top priority

Brit-speak decoded

While in South Africa a 'pension fund' is different to, for example, a 'retirement annuity fund', in the UK the various retirement schemes, both pre- and post-retirement are collectively known as **pensions,** or **pension schemes.**

Your accumulated retirement savings is commonly called your '**pension pot**'.

As in South Africa, there are many advantages of investing in a retirement fund: initial tax relief (up to certain limits) and virtually tax-free returns within the fund. While similar, the UK taxation of pensions is more complex than in SA, and depends on the type of pension you have and how you contribute to it.

In the UK it is a legal requirement that your employer has a facility in place allowing you to contribute to a retirement savings scheme. Employers offer 'workplace pensions' where a percentage of your pay is put into the pension scheme automatically every month. In many cases the employer also adds money into the scheme for you. Some employers offer personal pensions as their workplace scheme.

A **self-invested personal pension (SIPP)** is also a personal pension but, similar to most retirement annuities in South Africa, you are able to choose the underlying investments that suit you and create a mixed portfolio if you choose to.

Brit-speak decoded

'Salary sacrifice' is the term used when you have agreed, in writing, to your employer deducting a percentage of your gross salary to pay into your pension.

This lowers your stated gross salary, which then means you incur lower income tax.

Employers may also offer the option of deducting your contribution from your *after* tax salary instead.

You can top up your retirement savings by investing yourself into a personal pension. You can invest into your own private SIPP, available on various platforms, or directly into your workplace pension and claim tax back in your annual tax return.

The money you will get out of a pension, usually only after you reach 55 years of age, depends on how much you've paid into it, how the investments have performed and how you choose to take your money out. You can take up to 25% of your money as a tax-free lump sum (as opposed to the 1/3 in SA). The options for the remaining 75% differ between product providers. They include taking some or all of it in cash, buying a guaranteed income product (similar to a guaranteed annuity in SA, but just called an 'annuity'), or investing it to get a regular, adjustable income (similar to a living annuity in SA, but known as 'flexi-access drawdown'). Whichever option you choose, you'll pay income tax on the remaining 75% when you take it out.

Choose the platform that is the simplest and most cost-effective

Popular expat questions:

- Should I go for the salary sacrifice option?
- What percentage should I contribute?
- How do I maximise my tax savings?
- Should I choose the default underlying investment option?

Salary sacrifice may give you more tax savings, but since it lowers your stated gross salary, may affect your ability to get credit. While it's generally a good idea to save as much as possible and to get as much of a tax break as you can, the answers to all these questions depend on your personal circumstances, such as how long you have until you retire, whether you need short- or medium-term access to your money, etc. A financial adviser can help you work all this out.

Once you have chosen a product, you need to choose which platform, and provider to use. In South Africa the average investor has access directly, or through an adviser, to a limited number of platforms.

In the UK, there is a large variety of suppliers, product providers and investment platforms each with their own bells and whistles, pros and cons and fees and charges. It can take a long time to do the necessary research and due diligence, but it is worth the effort as some are significantly better than others. Investment platforms levy fees over and above the underlying investment charges, which means that all else aside, your choice of platform will affect your investment outcomes. Another important factor is the underlying investments available on each platform – and perhaps even more important is being able to make sense of them! Choose a platform, or invest directly with a provider whose products and investments you can actually understand so that you can feel comfortable that you know what you're getting.

Being able to access all this information would be a great help, more so if it is provided by someone whose job it is to perform this function, such as a financial professional.

Get professional help if you need it

Some investors find it easy to come up with their own strategy, and choose their own products. For those who don't have the time, expertise or appetite it is worthwhile getting a professional to look at, analyse and report on your financial circumstances. And even if you've developed your own plan, a professional can review it and either reinforce what you've decided on and reassure you, or show you possible weak areas that are at risk. You can then decide on any actions to take, and whether to implement the advice with the professional who gave the advice, or to implement it yourself.

It is important to consider the qualifications of the professional you engage with, always look for someone who has reached the required minimum qualification level (4). This means that they have taken the time to study their craft, test themselves against a standard and have passed based on an ethically and academically high standard. It also means that there is continuous professional development as this individual will have to ensure they log enough hours per year to stay professionally "knowledge fit".

Be sure to check the fees the adviser plans to charge you: advisers have to provide you with a description of their fees and charges in a summarised, easy to understand manner ahead of giving you any advice. These fees cover the hours of research, analysis, learning, and sometimes negotiation conducted on your behalf. It is your responsibility to assess, and make the final decision.

If you have questions on what to do with your retirement savings, tax-free savings and other South African investments when moving to the UK, consider approaching someone who has extensive knowledge on both South African and UK regulations and can give you a view from both sides of the fence.

Remember, your hardest choice is whether or not to leave South Africa and settle in the UK. There is assistance available for most other things – especially your financial future.

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https://www.biznews.com/sponsored/2018/10/15/sa-expats-uk-saving-investing