Unit trusts and stockbroking accounts

A place for both in your portfolio

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<tr><th></th><th>Unit trust</th><th>Stockbroking account</th></tr>
<tr><td rowspan="2">Key features</td><td>You determine what type of unit trust you want to invest in. Your money is pooled with other investors. The underlying fund investments can be made up of a combination of shares, cash, bonds, property, etc. These funds are managed by professional fund managers, thereby giving you access to experts by purchasing units within a specific fund. These funds are aligned with specific risk profiles and investment terms, to give you a defined allocation to each asset class for the goals you may have.
Suitable for voluntary, targeted saving towards a specific goal.
Access to a wide range of unit trusts, offshore and local investment opportunities, single manager and fund of funds.
Flexible payment methods.
Access to investment at any time, taking into consideration the time of the request to the product provider and in respect of the sale of units.
Access to expert fund managers.
Low minimum investment requirements.
Affordable way to get access to blue-chip shares.</td><td>You determine your involvement in your portfolio and the underlying instrument choices. Bespoke managed portfolios can be created to cater for an investor's specific needs and exclude certain stocks if required. You gain direct access to specific shares or other instruments, thereby buying stocks directly in a specific company and not within a specific grouped basket or pooled fund. You are also able to determine how involved you would prefer to be in your portfolio, as this will determine the type of management your portfolio will need.
Suitable for voluntary, targeted saving towards a specific goal.
Access to a wide range of instruments – direct equities and specific designed local and offshore notes.
Flexible payment methods.
Access to investment at any time, taking into consideration the time of the request to the product provider and instrument sale to be done.
Availability of different portfolio management types (self-service execution and managed portfolios).
Low minimum investment requirements depending on management type and capacity within portfolio. For execution, only clients there is no minimum, and for managed clients the minimum is R3 million.</td></tr>
<tr><td colspan="2">These investments are designed to add liquidity and flexibility within your portfolio, thereby allowing you access to your capital at any time.
If you are considering saving or investing towards a specific goal, these investment vehicles would be ideal. Both can provide you with flexible payment options, liquidity and low investment minimums.
Whether you need direct or local exposure, both of these vehicles can provide you with a variety of options. This exposure will be linked to diversification within your portfolio but also capital available for investing. Therefore, it is best to consult an expert.</td></tr>
<tr><td>Investment minimums</td><td colspan="2">Minimum investment amounts are determined per product provider specifically, which means they can differ across the industry.
Both these investment vehicles use several payment options to cater for your needs (debit order, lump sums, transfer between providers, etc).</td></tr>
<tr><td>What do I own within this investment?</td><td>Units within a unit trust. These units give you access to various types of securities such as shares, bonds, cash and property.
When you invest in a specific unit trust, you will own units in a fund that will give you exposure to a range of assets within that type of fund (so this could be a range of equities, cash instruments, bonds, property etc, depending on the fund in which you invest).</td><td>Shares in a company or a range of derivative options within the share market.
When you invest in a stockbroking account, you will own a stock or a derivative option (related to a specific company) directly on the share market. This means you will be exposed to share- and instrument-specific investment outcomes.</td></tr>
<tr><td>Withdrawals</td><td>Income earned can be withdrawn or reinvested and is taxed at your marginal rate of tax. Withdrawals are taxed as capital and therefore you are entitled to an annual exception of R40 000.
Dividends are taxed in terms of dividend withholding tax.
Ad hoc withdrawal requests: Standard settlement cycles apply, which may be influenced by the time of day the request was provided.</td><td>Stockbroking accounts may not be the best vehicle for a regular withdrawal need due to the holding within the investment.
Dividends or coupons and free cash in your stockbroking account can be withdrawn whenever needed. Income can be earned if you buy high-yielding stocks.
Ad hoc withdrawal requests: Standard settlement cycles apply, which may be influenced by the time of day the request was provided.
A stockbroking account can be used for regular withdrawals for income or ad hoc needs, but it should be considered that this is not the best suited investment for regular withdrawals.
When withdrawals are considered from this investment, the need and frequency can determine the use of other instruments such as coupons or other cash options to make the liquidity available.</td></tr>
<tr><td rowspan="2">Diversification</td><td>Can hold both local and offshore exposure within this investment.
A wide range of assets (securities) can be held in a single or FoF.
Fund risk profile can be matched against yours.
Limited overexposure to a specific asset class is possible.
This investment can assist in matching your risk profile to an appropriate fund to suit your goals and needs. It also gives you the option to reinvest your capital within itself. Dividend earnings within this investment are rolled up within the specific fund. Therefore, the dividend withholding tax (DWT) is paid on your behalf within the fund.</td><td>Can hold both local and offshore exposure within this investment.
Direct share ownership locally or internationally.
Hedging instruments are available locally or internationally.</td></tr>
<tr><td colspan="2">When making a regular or ad hoc withdrawal from this investment, you need to note that possible capital gains or income tax may be payable at your marginal tax rate.
Withdrawal amount can be influenced by the product or instruments.</td></tr>
<tr><td rowspan="2">Tax considerations</td><td colspan="2">Both are subject to estate duty.
If you bequeath your unit trust or stockbroking account to your spouse, estate duty deductions will apply.
If either of these investments are held in an endowment policy and there is a nominated beneficiary, no executor fees apply.
You cannot nominate a beneficiary(ies) unless the investment is held in an endowment policy.
If these investments are held within a wrapper or retirement product, a beneficiary nomination is available and therefore no executor fees apply.
If you are directly invested in a unit trust or tax-free investments, it will form part of your estate.
If the investment is held in a retirement annuity, then this qualifies for estate duty exemption (less any contributions than didn't qualify as a tax deduction).
We suggest that you consult with a fiduciary specialist if you require further detailed information on in-depth estate implications.</td></tr>
<tr><td colspan="2">Purchases and sales of underlying instruments by the fund manager of a unit trust are not taxable events. But trading of instruments in a stockbroking account is deemed to be income in nature and therefore taxed accordingly.
Any sales of units or shares are capital in nature and therefore capital gains tax (CGT) applies. If there is any income earned, then that portion is taxed as income.
There is also DWT on dividends earned. If you consider making regular or ad hoc withdrawals from either of these investments, you need to note that if any fund units or shares are sold, these will be seen as capital and therefore CGT may be payable. Income earnings, such as interest, will be taxed at your marginal income tax rate.
For the most tax-beneficial options to suit your needs, we suggest you get professional advice about holding these in a retirement product or other product wrapper.</td></tr>
<tr><td>Learn more and get advice</td><td>Contact a Nedbank financial planner or your Nedbank Private Wealth advisor to understand which unit trust options may be best for you and your needs.

They are also best placed to provide you with advice about the pros and cons of unit trusts and stockbroking accounts for you.</td><td>Online sharetrading:
Stockbroking (nedbank.co.za)

Bespoke stockbroking offering for high net worth clients:
Our stockbroking offering (nedbankprivatewealth.co.za)</td></tr>
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