

Great opportunity for face-to-face advice

While several proposals in the 2006/2007 budget mean good news for individuals, the great news for financial advisers is that their clients will have additional disposable income and scope to invest.

The upbeat financial prospects in light of the budget provide an ideal occasion for independent advisers to meet personally with all their clients to revise financial plans and provide good advice. By re-conducting a needs analysis and taking into account clients' financial goals, changes in their situation and tax, advisers can apply their skills to provide a professional service of the very highest standard to assist clients to create additional wealth, says Peter Dempsey, managing director of Masthead.

Begin to save

Although South Africans do not have a reputation for saving, the recently proposed tax cuts, exemptions and raised thresholds signify government's encouragement to foster a culture of saving in South Africa. The budget should result in individuals across the board having additional take-home money to invest.

Real income tax relief alone will result in individuals having an additional R13,5 billion in their pockets. As individuals will have more money than before, this is an excellent opportunity for them to begin saving, or increase the amount they save. They should be persuaded to invest their extra income before they become accustomed to spending at a higher level.

Purchase property

Other welcomed budget proposals are those that will have a positive effect on property buyers and sellers. The raised exemption thresholds for transfer duty make property more affordable. Stamp duties on leases have decreased, property rates have been zero-rated for tax, and the primary residence exclusion for capital gains tax has increased to R1,5 million. This makes it far easier and attractive for people, either individually or as a syndicate, to purchase property. Property makes a wonderful investment as its value increases over time, and property can be used as a source of rental income.

Invest offshore in foreign currencies

Individuals are also now able to invest more offshore in foreign currencies. Due to increased confidence in South Africa, government has relaxed exchange controls and has substantially raised the foreign investment allowance from R750 000 to R2 million.

A balanced investment portfolio should always include international exposure. By investing in economies, countries, currencies, asset classes and industries around the world, individuals obtain far greater diversification. This improves both the return and risk characteristics of a portfolio over the longer term. Furthermore, with the rand's current relative strength, the timing is opportune to invest offshore.

Investors, who would like to invest offshore for the first time, or increase their offshore exposure, could apply for the necessary tax clearance certificate, which is valid for one year from date of issue, to be prepared for good investment opportunities.