Building Generational Wealth in South Africa

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Getting Started with Generational Wealth Planning

South African families face mounting challenges: rising costs, poor pension performance, and limited economic mobility. Building generational wealth is no longer a luxury - it's a necessity.

Step 1: Use a Tax-Free Savings Account (TFSA) Effectively

- A government-approved savings vehicle.
- Contributions capped at R36 000 per year (lifetime cap of R500 000).
- Growth and withdrawals are tax-free.

Recommended ETFs for a TFSA:

- Satrix MSCI World ETF - Global exposure
- CoreShares Top 50 ETF - Local JSE-listed companies
- Ashburton Global 1200 ETF - Broad global diversification

Step 2: Offshore Investment Access

- Protects wealth against rand depreciation.
- Provides access to global markets and industries.

Popular platforms:

- EasyEquities USD Account
- SatrixNOW
- Revix

Popular Offshore ETFs:

- Vanguard S&P 500 (VOO)
- iShares MSCI Emerging Markets (EEM)
- Invesco QQQ Trust

Step 3: Establishing a Family Trust

Why a trust?

- Holds assets across generations.
- Avoids estate duty and executor delays.
- Enables strategic planning and tax control.

Key components:

- Founder, Trustees, Beneficiaries
- Setup cost: R5 000 - R25 000+, Annual: R3 000 - R10 000
- Providers: Capital Legacy, Glacier by Sanlam, PSG Wealth

Generational Wealth Timeline

Age 0-3: Open TFSA for child

Age 7: Begin teaching money basics

Age 18: Offshore account + first ETF

Age 25: Help buy income-generating asset

Age 30+: Involve them in family trust strategy

Real Family Example:

The Mokoena family opened a TFSA for each child in 2015. With monthly contributions, each account holds over R180 000 tax-free today, helping fund university costs.

Compound Interest Example:

R500/month for 20 years at 10% = R380 000+

Famous Quote:

"Compound interest is the eighth wonder of the world. He who understands it, earns it... he who doesn't, pays it." - Attributed to Einstein

Tools & Platforms:

EasyEquities, Revix, Capital Legacy, Glacier

Final Thoughts:

Retirement is no longer a personal journey - it's a family strategy. In 20 years, your kids will either inherit a burden or a head start. The time to choose which - is now.

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