

FAQs

PRODUCT CASH ACCOUNT

INN 8

WHAT IS A PRODUCT CASH ACCOUNT?

A product cash account (PCA) is a portion of each investment account that is held in cash. This cash forms part of the product and better facilitates the buying and selling of assets, receiving investment income, and paying fees.

HOW DOES A PCA WORK?

During the account opening process, after a client pays their money into the investment product bank account and it has been matched to their unique client record, the system retains 2% of their investment in cash before investing the remaining balance into the assets selected. From time to time, fees are paid from this cash and units are redeemed to 'top up' the cash back to the 2% level.



WHAT ARE THE BENEFITS OF A PCA?

Quick income and withdrawal payments

A PCA enables clients fast and easy access to their investment, offering a liquidity benefit. When clients want to make a withdrawal, if there is sufficient cash in the PCA, it will be paid first from the PCA and there is no need to disinvest from assets. This shortens the withdrawal process turnaround time and clients have faster access to their money because they do not have to wait for the units to be sold, settled and reconciled.

Easy payment of fees

On a monthly basis, the platform deducts ongoing fees from clients' accounts. Holding the target cash in the PCA allows easy cash processing of these fee payments without the need for disinvestments.

No trade calendars

Because the system can reserve units and can pay fees from the PCA, fee and income deduction processes do not disrupt other trading. Trade any day of the week; there are no restrictions. We don't have calendars that dictate which day an adviser should submit certain instructions.

Easy tax payment

Holding the target cash in a PCA enables the platform to make tax payments directly to SARS on clients' behalf on certain products, without the need to disinvest.

Reduction in CGT

Making use of the PCA for fee deductions reduces the frequency required to disinvest from assets for the payment of fees, which in turn reduces capital gains events within an account.

WHEN IS THE PCA TOPPED UP TO THE 2% LEVEL?

The PCA is automatically topped up through redemption of units from the assets in the account if it drops below the 1.5% threshold. This will trigger CGT, if applicable.

WHICH INVESTMENT PORTFOLIOS ARE SELECTED WHEN THE PCA HAS TO BE TOPPED UP?

The PCA is topped up by selling units proportionately across all investment portfolios in the account. Clients may instruct us to deduct from a specific unit trust if they prefer.

DOES THE PCA EARN INTEREST?

Any balance in the PCA attracts interest at the South African repo [short term lending] rate less 0.75%. Interest is calculated daily and paid monthly. This is a very competitive interest rate on a transactional account that has no term [i.e. no restriction to accessing your money].

HOW IS THE PCA IMPACTED WHEN A WITHDRAWAL IS SUBMITTED?

If a client wants to withdraw from their account, part of the cash available in the PCA will be utilised first. If there is not enough cash in the PCA, the remaining balance will be drawn through a sale of units from the investment portfolios selected.

After the cash has been drawn from the PCA, there will be an automatic process to top up the PCA back to 2% from the remaining investment value after the withdrawal.

CAN INCOME DISTRIBUTIONS BE PAID INTO THE PCA?

Yes, you may instruct us to retain dividends, interest, or income distributions from their assets to be paid directly into the PCA. As a default, we reinvest income distributions into the unit trusts that declared them; however, clients may elect to keep their income distributions as cash in their PCA.

CAN ALL THE CLIENT'S MONEY BE PLACED IN THE PCA?

Yes, a financial adviser may choose to have any portion of a client's account in cash. No more than 25% of a retirement annuity or preservation fund investment may be held in the PCA, in accordance with Regulation 28 limits.

HOW DO YOU RECONCILE ALL THE TRANSACTIONS IN THE PCA?

Our administration system provides an auditable transaction history - every transaction is tracked and accounted for. A reconciliation of all transactions in the PCA can be consolidated through our unit and cash reconciliation system, giving a complete view of the cash account.