CORPORATE SELECTION SUITE OF UMBRELLA FUNDS

Don't let the taxman get you down!
How to make the most of tax rebates and additional voluntary contributions.

LIBERTY

Did you know?

Saving money each month into your Employer's Pension or Provident Fund is an excellent way to ensure that you are financially prepared for retirement by saving for the future. However, with increasing inflation each year, and the cost of living becoming more and more expensive, there is a good chance that your minimum monthly contribution to your retirement fund may not be enough to counter these increases.

Contributing more to your retirement fund means that less of your income is taxed!

You can contribute up to **27.5%** of your taxable income (to an annual maximum of R350 000) to your pension, provident and/or retirement annuity fund and receive a tax rebate.

For example:

Thembi receives **R15 000** income in total per month; making her taxable income before retirement:

R15 000 x 12 = R180 000

But... she contributes **R1000** to her retirement fund (pension/ provident or retirement annuity fund) every month; making her retirement contributions:

R1000 x 12 = R12 000

Her taxable income will be reduced by **R12 000** each year, so she will only pay tax on **R168 000** and not the full **R180 000.**

However, she can contribute a total of **R49 500** per year (**R180 000 x 27.5%**) towards her retirement savings and be taxed even less.

Please note: You can roll over any contributions above **27.5%** or **R350 000** into future tax years.

Advantages of making an additional voluntary contribution (AVC)

Making an additional voluntary contribution (AVC) to your Retirement Fund is one of the best ways to fight inflation while simultaneously boosting your retirement savings growth. An AVC is a continuous or once-off contribution that you elect to make to your employer's Pension or Provident Fund (should the rules allow), over and above your minimum monthly contribution.

AVCs haves many benefits, including:

INCREASED TAX BENEFITS

By increasing your contribution to your retirement fund, you will be able to increase your monthly tax deductibility and effectively pay less tax.

Remember: as indicated above, contributions to approved retirement funds are tax deductible up to 27.5% of your annual taxable income or remuneration, but are capped an annual maximum of R350 000. The more you put in, the more you get out.

IMPROVED RETIREMENT FUND SAVINGS

The additional contribution you make to your retirement fund will improve your pension/ provident fund savings and thereby increase your share of fund, resulting in the amount you receive at retirement being higher so that you can maintain the required standard of living you may have become accustomed to.

FLEXIBILITY OVER THE CONTRIBUTION AMOUNT

When you decide to set up an AVC, you have absolute control over the amount and frequency of the AVC. This means that you can also increase or decrease the amount or temporarily cease an AVC without accruing any penalties or additional costs. For example, you may decide to set up an AVC of R300 per month in the month you receive your annual increase. Should you have an emergency and require extra money later in the year, you may decide to either decrease or cease your AVC. Once you have recovered financially, you can reinstitute your AVC again.

IT'S MORE COST EFFECTIVE

It may be more cost effective for you to pay an AVC into your current employer's retirement fund.

If you were to set up a separate private retirement savings product in addition to your employer's retirement fund, and make additional contributions to the new private fund, you will have to pay a fee for the management and administration of the new fund. However, paying an AVC on your existing retirement fund won't cost you any additional fees or fund set-up costs, because your employer's retirement fund is already up and running.

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