



MEMBER UPDATE

PENSION SCHEME AND PROVIDENT FUND

January 2016

RETIREMENT REFORM TAKES A BIG STEP FORWARD

There have been lots of press coverage and misleading/erroneous statements issued on Retirement Reform and this has caused unnecessary panic and confusion amongst members.

There is no need to panic!

Very simply, the aim of Retirement Reform is to make the retirement industry work better for members by:

- Improving governance;
- Reducing costs, and
- Making it easier for YOU, the member to save more.

The Tax Laws Amendment Bill was passed by the National Assembly on 26 November 2015 and by the National Council of Provinces the next day. The Bill has also been signed by President Zuma, so 'T-day' will become a part of our law with effect from 1 March 2016.

So, what changes will be implemented on 1 March 2016?

There are two changes that have been legislated and will come into effect on 1 March 2016:

The first change affects the tax on the money you contribute towards your retirement savings.

Currently, the amount of the tax deductions applicable to your contributions differs if you belong to a **Pension, Provident or Retirement Annuity Fund**.

With effect from 1 March 2016 **contributions and tax deductions for all retirement funds will be treated the same** and the amount that you can contribute tax-free is much more generous.

What does this mean for you?

You will be able to make a total tax-deductible retirement fund contribution of up to 27.5% of the greater of your salary, benefits or taxable income.

Your contributions will, however, be **subject to** an annual tax deduction limit of R350 000.

In a nutshell, from 1 March 2016 you can save more for your retirement, and enjoy the benefits of a bigger tax deduction.

The second change affects the options available to you at retirement

As a member of a pension fund, very little will change. You can still take a maximum of one-third of your retirement savings in cash and the balance must be used to purchase a pension.

However, with effect from 1 March 2016, **if you retire with R247 500 or less you do not have to buy a pension**, you can take your full benefit in cash.

Let's quickly recap on some of the changes that have already taken place:

- Premiums in respect of disability income policies are no longer tax deductible but the proceeds will be paid tax-free.
- A new tax-free savings vehicle has been made available.

It is important to remember that, if you resign from your employer, your options will stay exactly the same and you will still be able to access all your retirement savings in cash.

While the aim of the Retirement Reform is to encourage South Africans to save more, ultimately **the responsibility lies with YOU.....only YOU have the power to choose a comfortable retirement.**

