Retirement Funds

rate 10 out of 10!

For the average individual, investments are really complicated and can be terrifying. So many graphs and tables and charts, and so many big words! Hedging and tracking, indices and benchmarks, active versus passive… the list is endless.

That's one of the main reasons that a retirement fund is so fantastic. All the investment jargon becomes the problem of the experts that are hired by the fund to handle things. All you need to do is make your contribution each month, and leave your savings to grow.

But wait – there are more reasons to rate your fund as the best way to save!

- You receive a **tax deduction** on your contributions towards all retirement funding, up to 27.5% per annum, of remuneration/taxable income *(your total salary package, which includes for instance any rental income you receive on a property that you rent out)*. This is subject to a maximum deduction of R350 000 per year – any excess amount can be rolled over and deducted in future years. This means that increasing your monthly contributions result in **less of your monthly income being taxed!**
- The money you earn on investments in a retirement fund is also **not taxed**, which means no capital gains tax, tax on interest, etc.
- Retirement funds are managed cost effectively and the investment fees are very competitive, especially in larger funds that have "buying power" due to economies of scale. **Lower costs = Higher savings for your retirement.**
- When you retire, the first **R550 000** of your savings can be taken in cash without being taxed.
- Your retirement savings are **not part of your estate** – which means they don't get estate duty tax or attract executor's fees if you pass away.
- Section 37D of the Pension Funds Act limits the type of deductions that may be applied to your Fund benefit when you leave a fund. This is to **prevent creditors from accessing the money** that is meant to provide you with a retirement income. Your fund may not pay another party, like a bank or company, for personal, car or study loans, credit card debt, or other outstanding payments.

It is never too late to start contributing more to your retirement fund. The more you contribute, the more you'll earn in returns, because as your savings grow, you earn returns on the growth too! Over time, your savings will grow much faster, thanks to this magic known as compound interest.

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