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Multilect Newsletter

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2018 – A GOOD BUDGET FOR RETIREMENT-FUND MEMBERS? INDEED!

When reflecting on the recent Budget, we're all aware of the additional taxes that will be required from each of us. However, this is a good time to have a look at one investment that has escaped the tightening noose around our purses… Yes, retirement funds!

Here's some food for thought:

- Retirement assets do not form part of an estate. Consider the new, higher estate duty tax rate for estates greater than R30-million, as well as the saving in capital gains taxes and executor's fees.
- Contributions to retirement funds are tax deductible at 27.5% of taxable income –the definition of taxable income includes capital gains. The annual deduction limit is R350 000. However, contributions greater than this are rolled over and never lost. In fact, when drawing an income from the annuity, the annuity income becomes tax deductible, since it is fully offset against any roll-over amount, thus PAYE for annuities deducted at source is credited on assessment.
- All income earned in the retirement funds is tax free. Think of the 20% dividend withholding tax, capital gains generated on sale of shares, interest earned on bonds and rental income from property and REITS (real-estate investment trusts).
- Direct offshore investment has been increased to 30%, plus an increase from 5% to 10% for investments in Africa, thus improving diversification, which in turn reduces risk.
- There is no maximum retirement age. Therefore, drawings from retirement assets can be postponed indefinitely or be staggered.
- Now, on retirement from employment, you can transfer your pension payout to a retirement annuity and not be forced to draw an income immediately.
- There is no limit to how much you can accumulate in a retirement fund.
- Retirement annuities are protected from creditors – even the annuity payment is protected from creditors.
- Retirement funds become an efficient way to transfer wealth to the next generation in the form of annuity income with no or little delay.
- Multilect retirement funds are managed by a Board of Trustees, all independent and highly qualified, in addition to annual audits by independent accountants and triennial actuarial valuations by independent actuaries. The costs are spread proportionally among members.
- Oversight of retirement funds is being tightened. In future, financial statements have to be submitted to the Financial Services Board within three months of year-end.
- Costs are still reasonable. Multilect funds have access to investment managers at institutional pricing, which is only available to large employer funds.

All of the above are compelling reasons for retirement funds to be an integral part of your portfolio… Think about it!

LEGISLATION CORNER

The useful SARS Budget 2018 tax guide has been uploaded onto our website. Follow the Legislation Watch link on the homepage at **www.multilect.co.za.**

OTHER NEWS

Looking for discounts on anything from holidays to spectacles or movie tickets, but don't want to have to scour the web? Multilect's Seniors' Tips is a one-stop repository of many pensioner discounts on offer.

Visit **www.multilect.co.za** to access our searchable database

Warm regards
Marina Higginson