momentum



Tax opportunities
when saving for retirement

It's time to get your fair share – the sooner the better.

Momentum is part of Momentum Metropolitan Life Limited, an authorised financial services and registered credit provider.

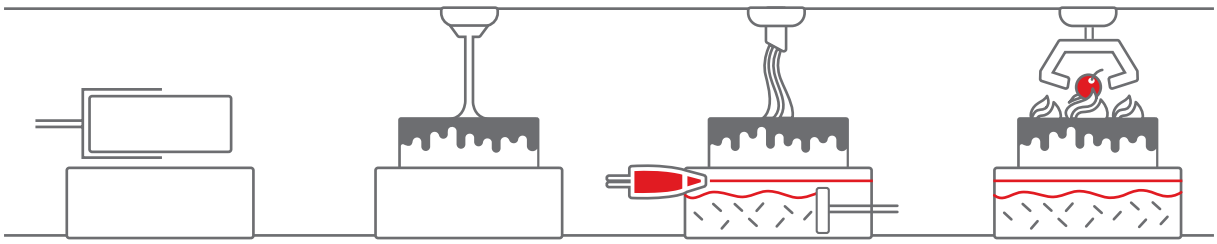
Don’t be the only one to miss out

Is it really for everyone?

Every year everyone who earns an income can make the most of tax opportunities. You can make the money you invest for your retirement grow faster – so that you can have more.

What can I get out of it?

A few smart decisions when planning for your retirement will increase the growth potential of your investments.
Tax has a way to erode the value of investments, but you can reduce the effect of tax on the money you invest. This means more money in your pocket, and a bigger output with a smaller input.



With some smart tax planning you can have your cake and eat it too

The question most people ask about planning for retirement is: How much is enough? This is usually the more difficult question because it differs from person to person.

What we can tell you is how you can make sure that the money you do invest grows smarter when you use the tax opportunities available to everyone.

What can I do to get my fair share?

You can start using two great ways to provide for your retirement: a **retirement annuity** and a **tax-free investment** (also known as a tax-free savings account). If you are already using one or both of these, you can invest more into them to make full use of the available tax opportunities.

Get your fair share with a **retirement annuity**

How does it work?

Every tax year you can claim a tax deduction for the money you invest in a retirement fund. To make the most of this deduction, you can invest up to 27.5% of your taxable income or your remuneration, whichever is higher.

You can do this whether you are self-employed or earning a salary but not yet contributing the full amount to your employer's retirement fund. The maximum deduction you can claim in a tax year is R430 000.

The table below shows how much money actually leaves your pocket if you invest R1 000 per month into a retirement annuity: what you contribute minus the money you get back from the South African Revenue Service (SARS) according to the tax rate you usually pay. You can see this rate, the so-called marginal rate, on a table on the SARS website.

Your marginal tax rate	What you get into your retirement annuity every month	Amount you get back because of the tax break*	Net amount
18%	R1 000	R180	R820
26%		R260	R740
31%		R310	R690
36%		R360	R640
39%		R390	R610
41%		R410	R590
45%		R450	R550

Example



If the tax rate you usually pay is say 36%, it means you can get R1 000 into your retirement savings every month for only R640.

*You get your tax break money back from SARS after you have submitted your tax return for the tax year during which you made the contributions.

If you have not yet used the full tax deduction available to you for the year, you can make an additional single contribution to your retirement annuity before the tax year ends on the last day of February.

What's more

In addition to the tax break you get on the money you invest, you also enjoy tax-free growth in your retirement annuity – you don't pay income tax, dividends tax or capital gains tax while the money is growing.

But, some people say, when you retire you will pay tax on the income. This is true, but after the age of 65 you could pay less tax because of lower income levels in retirement, higher rebates and higher deductions for medical expenses.

How will two-pot affect my retirement savings?

This new system gives you access to up to one-third of your retirement savings if you have an emergency, once a tax year. But you will be taxed on it, at the rate you usually pay. If you don't withdraw, your money will still be available for withdrawal the next year. It is best for your long-term savings plan to replenish your savings if you have had to withdraw - both the withdrawal amount, the tax you paid on it plus the interest growth you would have missed out on.

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Get your fair share with a **tax-free investment**

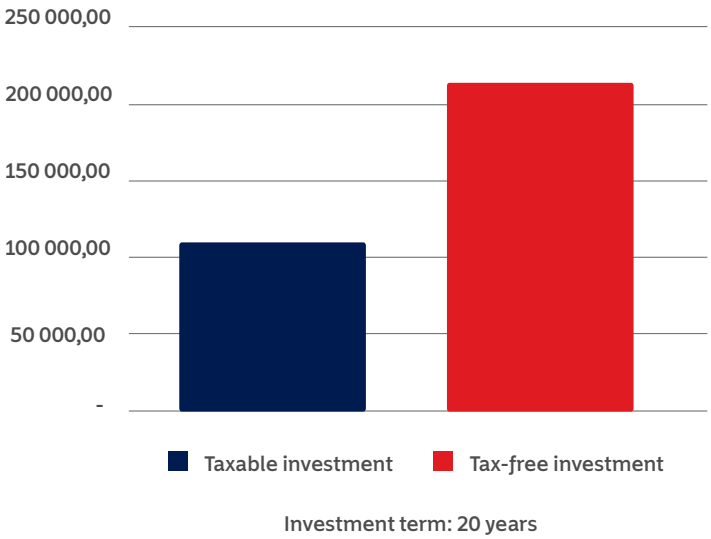
How does it work?

Although you don't get a tax deduction for money you invest in a tax-free investment, you still enjoy tax-free growth. And you won't pay any tax on the proceeds when you decide to take money out of the investment.

You can invest up to R46 000 every tax year (R3 833 per month) in a tax-free investment, limited to R500 000 over your lifetime. Government may adjust these limits from time to time.

Tax-free investment vs taxable investment

Let's say you invest R36 000 as a single contribution in a typical tax-free investment and also R36 000 in a typical taxable investment. We assume that you leave the money to grow for 20 years and get growth of 10% a year from the investment fund you chose for the two investments.



Because you don't pay any tax on the tax-free investment, the value of your tax-free investment after 20 years could be **almost double** that of your taxable investment.

To calculate the effect of tax on the taxable investment, we assume:

- that your income is R600 000 a year;
- that you use the full interest exemption and capital gains tax exclusion every year on other investments; and
- that you take your money out of this investment after 20 years.

We also assume that you use the same investment fund for both investments. We have excluded the effect of fees for this illustration.

There are no rules for when you can take money out of your tax-free investment. However, to make the most of the benefits of this kind of investment, it is best to let your money grow until you want to retire.

Get your fair share by **optimising your investments**

How does it work?

To summarise how you can benefit:





Retirement annuity	• Tax break on money invested. • Tax-free growth from the word go. • If you take out some emergency money before you turn 55, you will be taxed at the rate you normally pay.	• Tax concession if you take a part of your proceeds as a lump sum. • Income fully taxable, but the tax you pay may be less.
Tax-free investment	• Tax-free growth from the word go.	• Pay no tax when you take money out.

The benefit you can get for letting your money grow without a tax burden in the long term is significant (as we show in the illustration for a tax-free investment). Your money can grow faster than many other types of investments on which you do pay tax. That is why using retirement annuities and tax-free investments as part of your retirement planning makes perfect sense.

Tips to get even more

The best time to get your money in for maximum benefit:

- Make sure you use these opportunities every year from as early as possible in your working life. You can benefit from the power of earning interest when you start your retirement savings plan early, and allow time and compound growth to work for you as you set out to achieve your goals.
- Get the most of the money in as early as possible in every tax year. The sooner you get as much as possible in, the longer it can benefit from tax-free growth.

An extra opportunity to boost your retirement savings even more:

- Use your full tax refund every year, or a portion of it, to invest back into your retirement annuity.

Don't despair if you miss this year's tax deadline to get the maximum benefit from the amounts you are allowed to invest in your retirement annuity and tax-free investment. Just make sure you get your ducks in a row early in the next tax year.

Did you know?

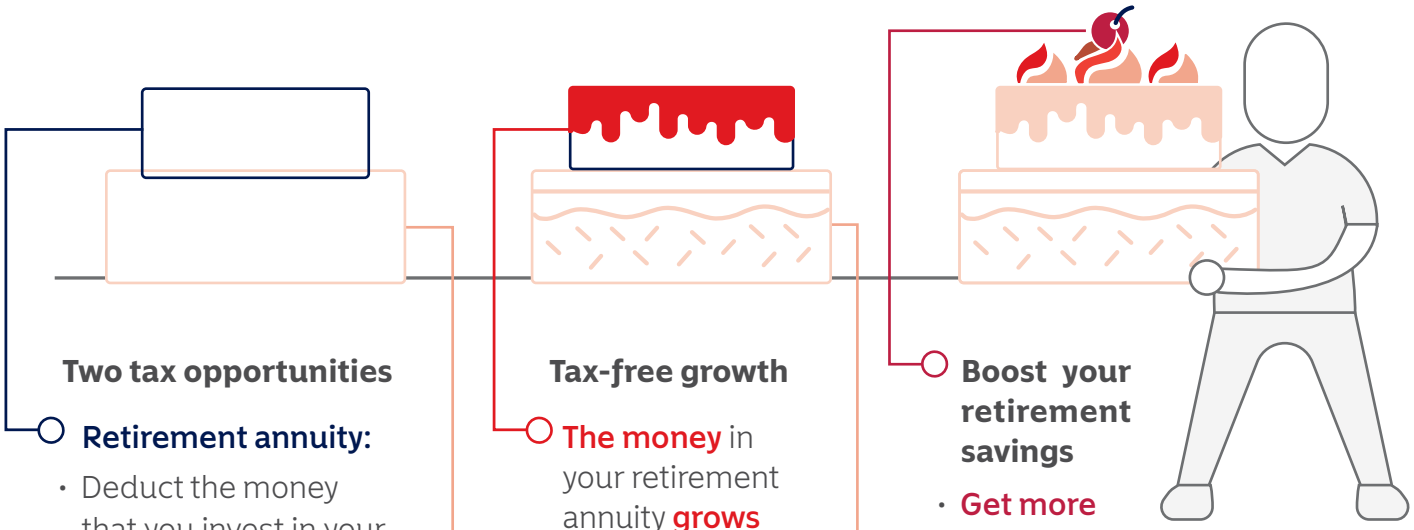
By being tax-savvy you can get your fair share

Three ways to make your retirement money grow faster

1
Get more

2
... and more

3
... and the cherry on top



Two tax opportunities

Retirement annuity:

- Deduct the money that you invest in your retirement annuity from tax.
- How much can I deduct in a tax year? **Up to 27.5%** of what you earn, with a maximum of R430 000.

Tax-free investment:

- Never pay tax – while you invest or when you take money out.
- How much can I invest? Up to **R46 000 (R3 833) per month)** every tax year, limited to R500 000 over your lifetime.

Tax-free growth

The money in your retirement annuity **grows free of any tax** from the word go.

The money in your tax-free investment **grows free of any tax** from the word go.

Boost your retirement savings

- **Get more money back** if you invest your tax refund back into your retirement annuity.
- **Get more growth** on the money in your retirement annuity and your tax-free investment when you put as much **money in as early as possible** every tax year.

Use tax opportunities to your advantage and get the taxman to help you put even more money away for your future.
With some smart tax planning you can have your cake and eat it too.

Get your fair share **today**

Which product do I choose?

We have a number of products you can choose from to maximise the tax efficiency of your retirement planning:

- Investo Retirement Annuity from Momentum Savings (minimum R500 per month for Momentum funds, and R750 per month for non-Momentum funds).
- Momentum Wealth Retirement Annuity Option (minimum R1 000 per month).
- Momentum Wealth Flexible Tax-free Option (minimum R500 per month).

We offer these products, together with a wide range of investment funds to choose from, on two of our investment platforms: the Investo Portfolio and the Momentum Wealth platform.

The **Investo Portfolio** platform is ideal if you prefer a committed, contractual approach to saving and investing. It offers certain features like a loyalty bonus and a Retirement Booster to help you remain invested until the end of the product term.

The **Momentum Wealth platform** is ideal if you prefer a more flexible approach to investing. It gives you the freedom to choose how you want to achieve your goals, without a contractual commitment.

Why should I choose Momentum?

We are dedicated to help you build and maintain success your way throughout your life's journey. We are part of Momentum Metropolitan Life Limited, a subsidiary of Momentum Metropolitan Holdings Limited, with a 122-year history of helping people.

Who can help me?

It's time to grab the opportunity and get your fair share.

Speak to your financial adviser today to find out how much money will be enough for you to retire comfortably, how you can get your fair share of the available tax opportunities, and which products and investment funds from Momentum will fit best into your financial plan to improve your financial future.

You can also visit **momentum.co.za** to find a Momentum financial planner or an independent financial adviser who can help you.

Here for your journey to success

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In compiling this document, we cannot take your personal circumstances into account. For this reason, you must make your decision to invest in consultation with your financial adviser, after looking at your financial situation and needs. This includes determining your specific risk profile and drawing up a plan for you to achieve your investment goals. The value of this type of investment can go down as well as up depending on changes in the investment market and the exchange rate between currencies. The past growth of an investment or investment fund is not an indication of its expected growth in the future. The latest fund fact sheet for each investment portfolio gives more information about the portfolio, including the risks associated with the portfolio, which may change from time to time. You can get the latest fund fact sheet for an investment portfolio from the relevant investment manager or your financial adviser.

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