FundsAtWork
Umbrella Pension and Provident Funds

momentum
employee benefits

July 2014

Trustee Member Newsletter

The new tax law changes
how are you affected?

IN THIS ISSUE

From the desk of the Chairperson

There are changes to the Tax Law. You need to know about these changes and how they will affect your insurance and retirement benefits from 1 March 2015.

Your financial wellness is our priority and because of this, the mid-year edition of the trustee newsletter is dedicated to giving you the heads up on these changes and how it will affect you. The implementation of these changes may only be another eight months away, but time flies. Part of being financially well is being aware of the things that affect your retirement and insurance benefits and to plan accordingly.

At the end of last year we encouraged you to take charge of your financial wellness by making sure that you have sufficient retirement savings and insurance cover. How are you doing? Has your situation improved or have you encountered some unexpected events that have set you back?

Being financially well is about understanding how money works in our lives and our personal attitude toward it. Consider where you stand. Check your benefit statement and contact the financial adviser of your scheme to help you to improve your financial wellness.

Regards

HALambrechts

Professor Hugo Lambrechts

FPI Financial Planning Institute of Southern Africa THE PROFESSIONAL STANDARD

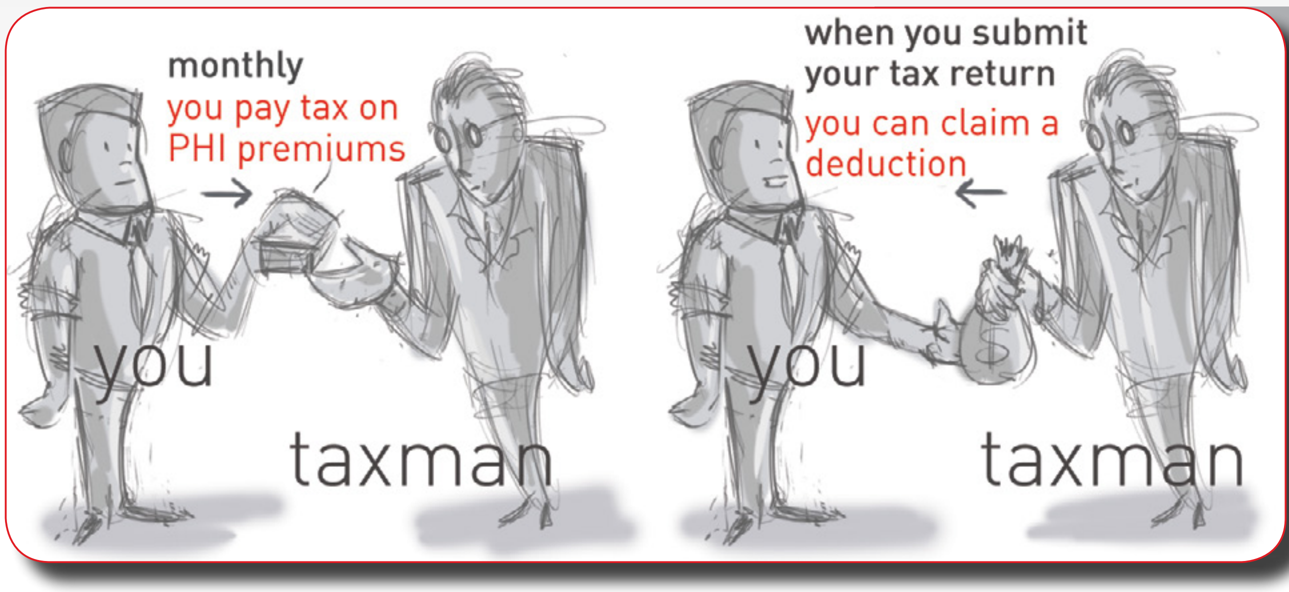
1 CPD POINTS FPI members can claim 1 CPD point for this edition.

How your disability income premiums and benefit will be taxed

The money that you pay monthly to your retirement fund may include premiums for a disability income (PHI) benefit. If your employer has taken out a PHI benefit for its employees with FundsAtWork, or with another insurer, the change to the law will affect you. From 1 March 2015 this benefit and the premiums will be taxed differently.

If you are not sure if you have this benefit please check your benefit statement or ask your human resources department.

The effect of the tax changes on your PHI premiums



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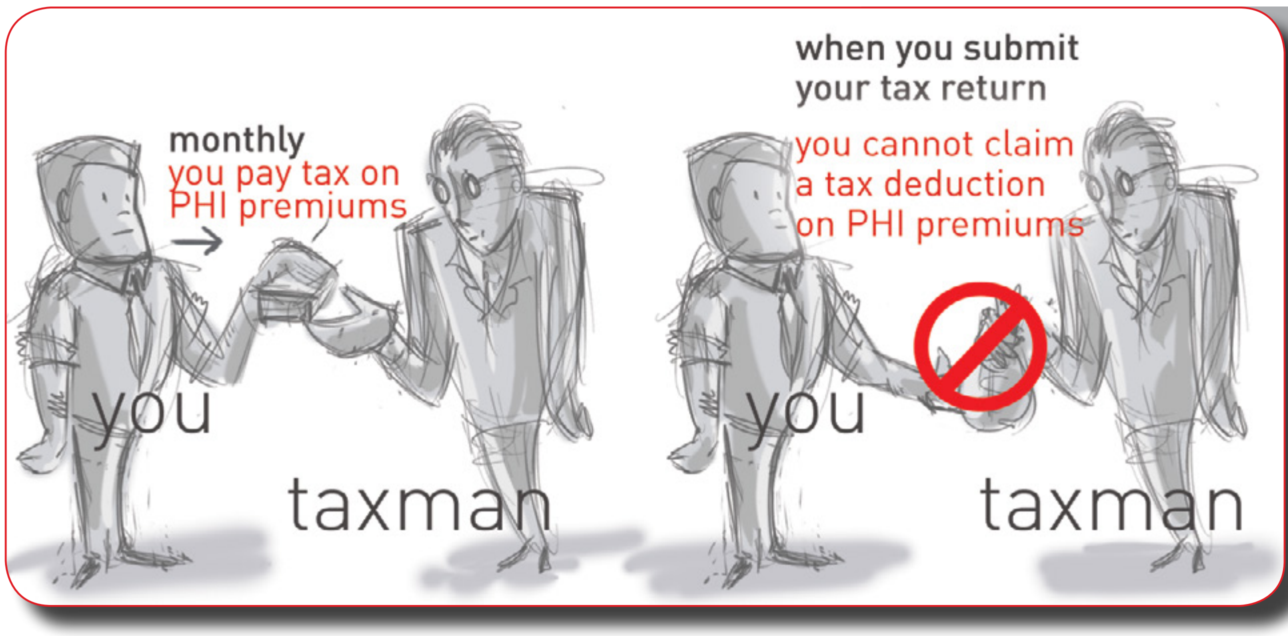
NOW

You pay tax on your disability income benefit premiums every month, but you can claim it back from tax when you do your tax return.



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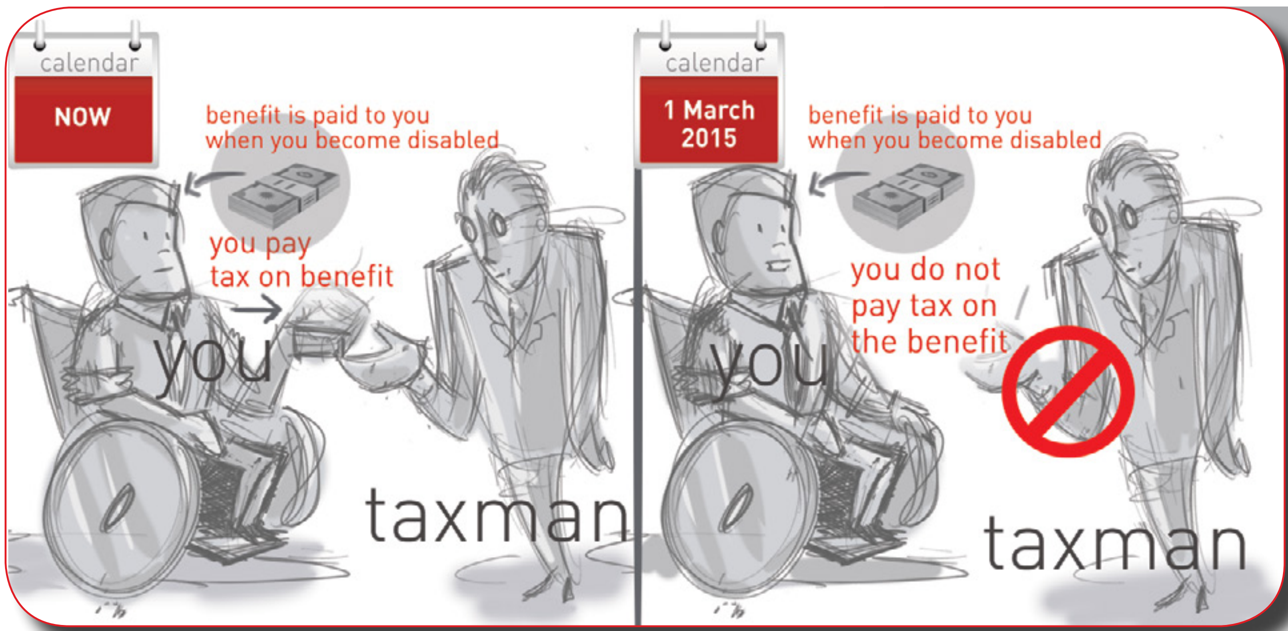
1 March 2015

From 1 March 2015 you will still pay tax on the premiums every month, but you can no longer claim the tax back when you do your tax return.

The effect of the tax changes on your PHI benefit



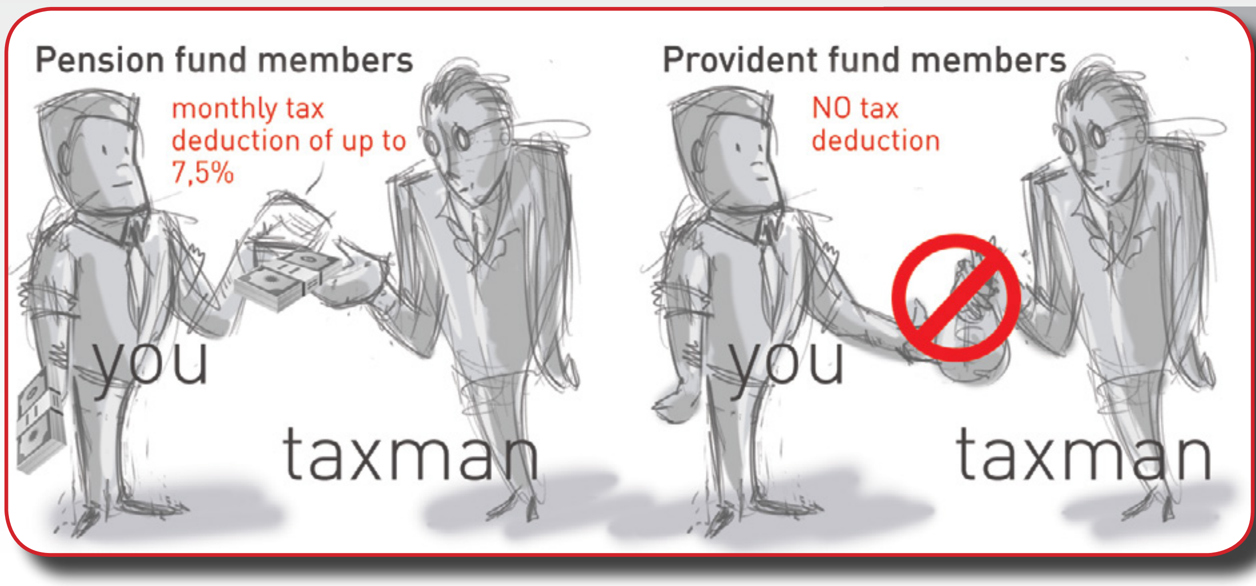
At the moment, if you become disabled and your disability benefit is paid to you, you have to pay tax on it.

From next year March, if you become disabled and your disability benefit is paid to you, you will not pay tax on the benefit, which means you will receive more money.

The money that will be paid to you if you become disabled may not be enough for you and your family to live on and pay all your bills. This is because your disability benefit may not cover your entire salary.

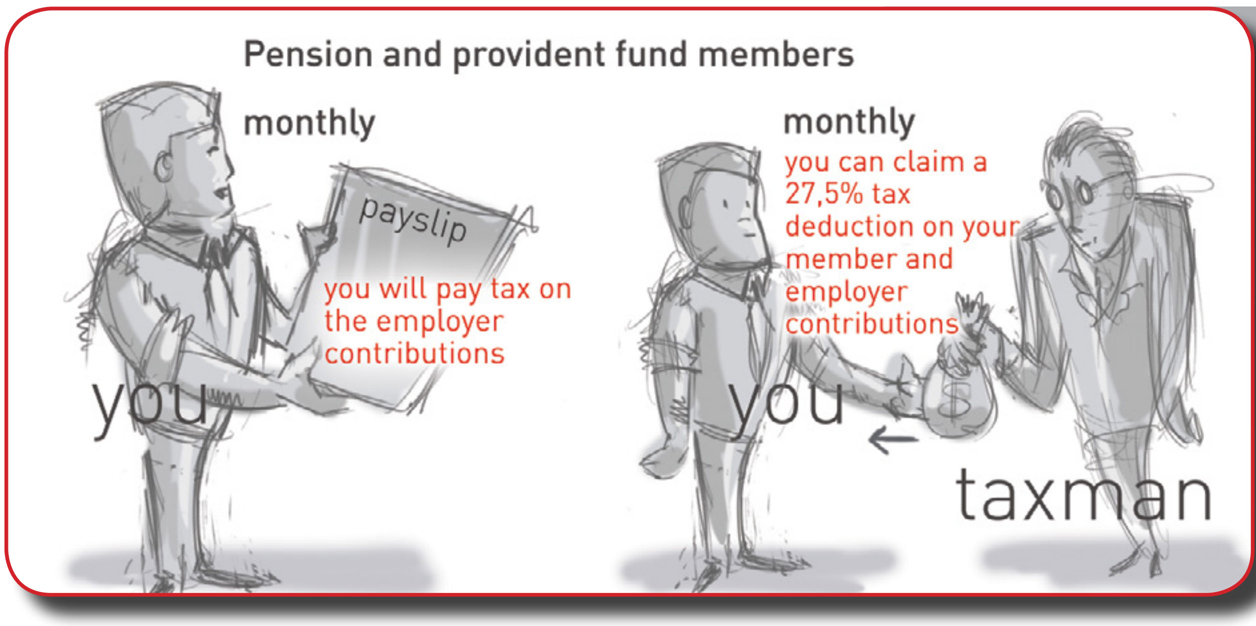
Check your benefit statement to see how much of your salary you will receive if you become disabled. Ask the financial adviser of your scheme to help you make sure that you will have enough money to live on if you become disabled.

How your retirement fund contributions will be taxed



At the moment, if you belong to a pension fund, you get a tax deduction every month.

If you belong to a provident fund you pay tax on your contributions every month.



From 1 March 2015 you will pay tax every month on the contributions that your employer pays towards your retirement fund. You will at the same time get a tax deduction on both your own and your employer's contributions, regardless of whether you are in a pension or a provident fund. This deduction cannot be more than 27,5% of the lower of your salary or your taxable income and it cannot be more than R350 000 per year.

Most members will not see a change in the amount of tax that they pay or their take home pay.

Let's look at some examples of monthly contributions. To see what the impact is for the full year, please multiply the contributions by 12.

Example 1

From 1 March 2015

Your total gross salary (cost to company) per month = R25 000
Your pensionable salary is 80% of your gross salary per month = R20 000
Your member contributions are 7.5% of your pensionable salary per month = R1 500
Your employer contributions are 10% of your pensionable salary per month = R2 000

You will pay tax on your employer contributions.

But you can deduct a maximum of 27,5% from your cost to company of R25 000.

R25 000 x 27.5% = R6 875

Because R3 500 is less than R6 875 you can deduct the whole R3 500 per month.

Example 2

From 1 March 2015

If your total member and employer contributions are more than R6 875, you can only get R6 875 as a deduction and the balance will be rolled over to the next year. Any employer and member contributions that are not deducted while you were an active member of the Fund can be deducted when you leave the Fund, for example, when you resign from your employer.

In this example your member contribution is now 10% of your pensionable salary of R20 000 as in example 1.

10% x R20 000 = R2 000

Your employer contribution is 25% of your pensionable salary of R20 000.

25% x R20 000 = R5 000

Your total contributions are R2 000 + R5 000 = R7 000.

Your total contributions - your 27.5% tax deduction (as per example 1) = the amount that you can claim from SARS when you leave the Fund.

R7 000 - R6 875 = R125 per month.

If your salary and contributions stay the same for 5 years a total of R7 500 would have rolled over.
R125 x 12 x 5 = R 7 500.

Let's assume your total benefit is R100 000. When you resign from your employer, SARS will first deduct the R7 500 from the R100 000.

R100 000 - R7 500 = R92 500

SARS will then apply the Tax table 1 on page 7. The first R25 000 is taxed at 0%.

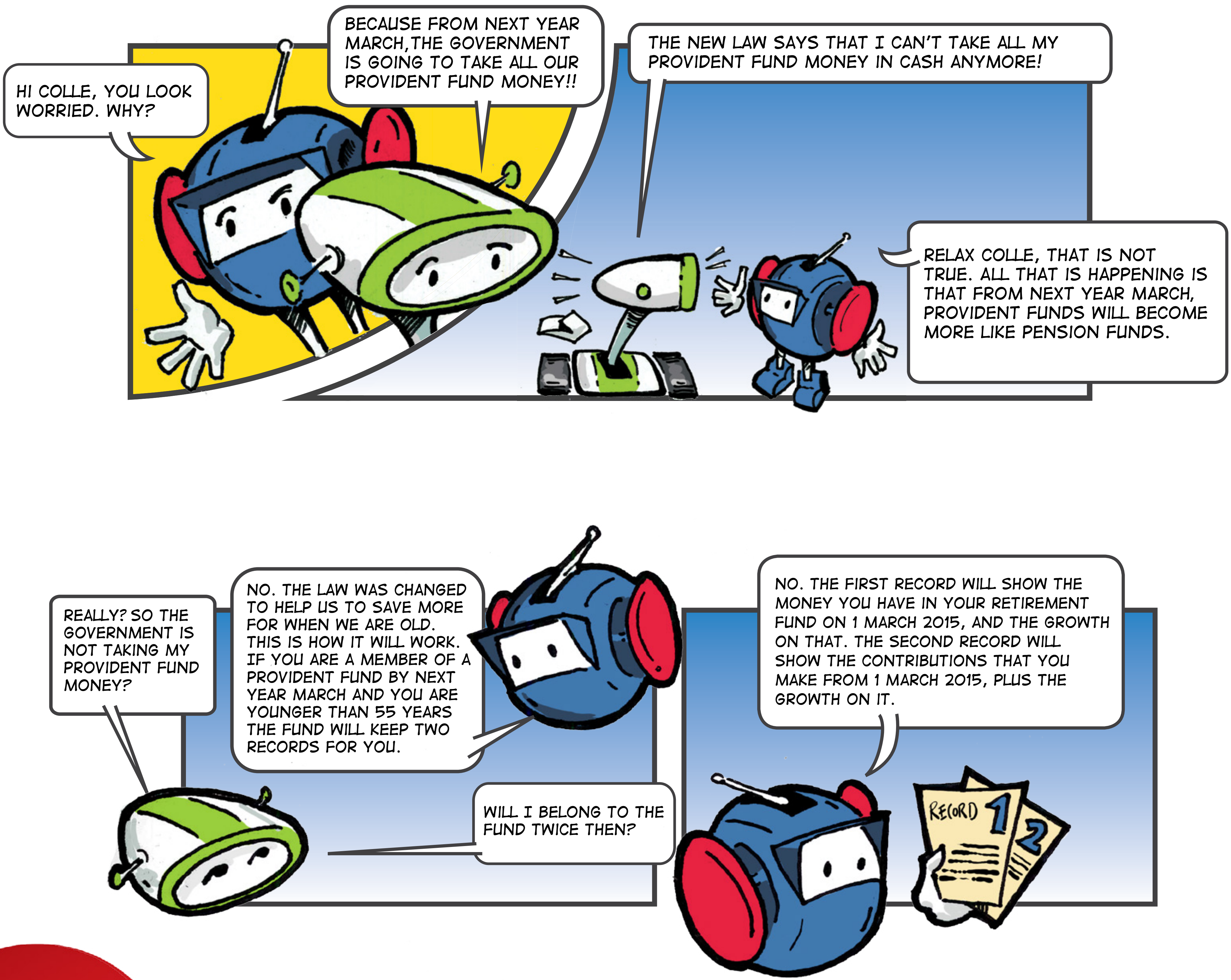
The balance of R67 500 (R100 000 - R7 500 - R25 000) will be taxed at 18%.

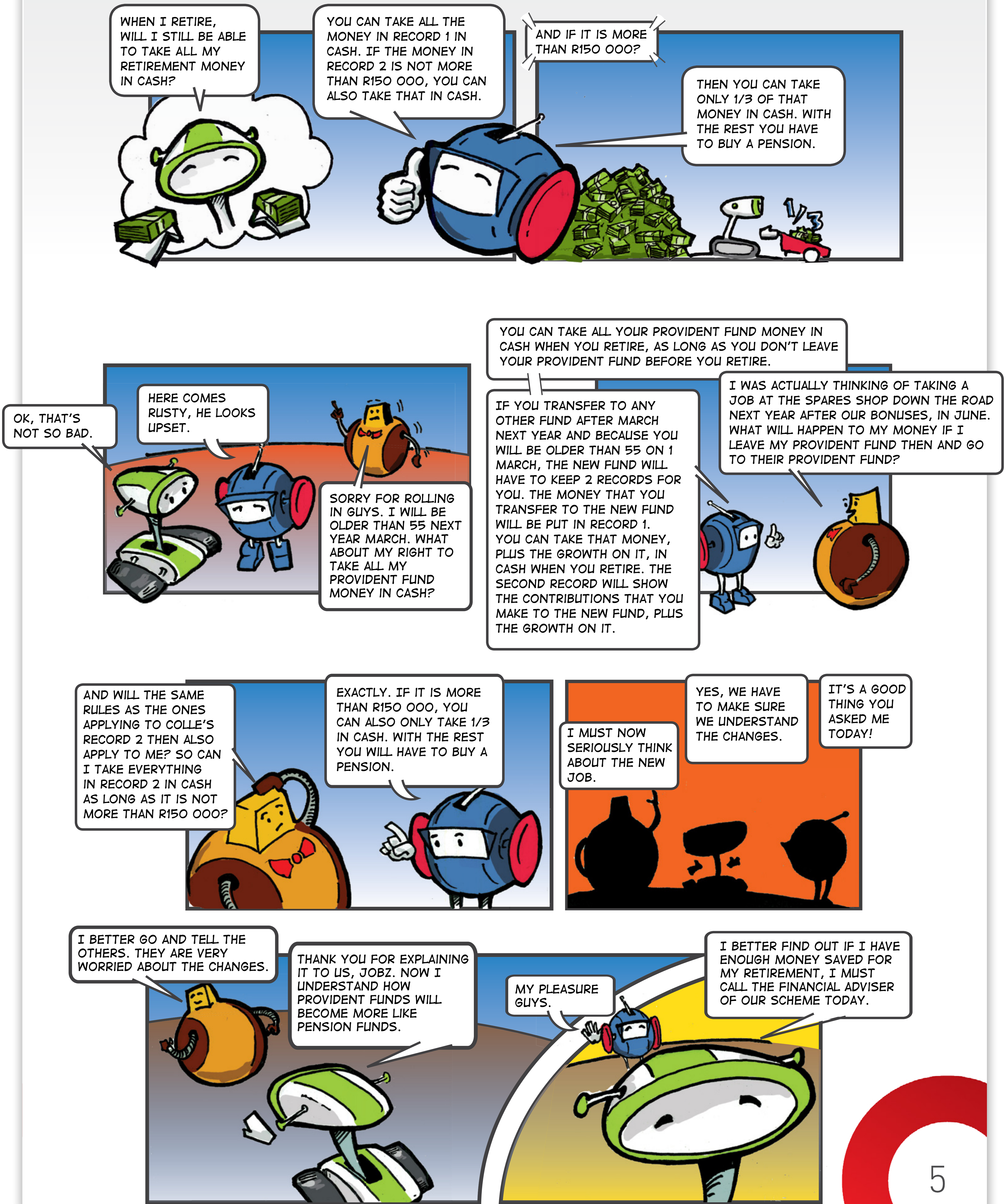
JobZ & CollE

Provident funds will become more like pension funds

At the moment the two big differences between a pension and a provident fund are the ways that your benefit is taxed and the amount of money that you can take in cash when you retire.

From 1 March 2015, provident funds will become more like pension funds. There are different rules for members belonging to a provident fund, if they are younger or older than 55.





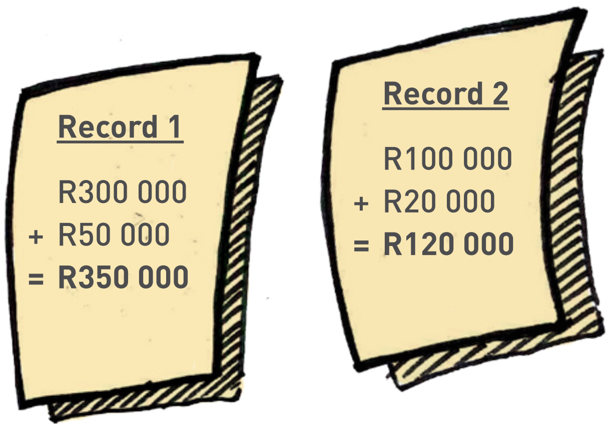
Have a look at further examples on the next page...

If you are YOUNGER than 55 on 1 March 2015

JobZ is 52 years old on 1 March 2015. He retires 3 years later.

His benefit on 1 March 2015 is R300 000. The growth on that on the date of his retirement is R50 000.

His contributions from 1 March 2015 to the date of his retirement 3 years later is R100 000. The growth on this is R20 000.



On retirement, JobZ can take all the money (R350 000) in record 1 in cash.

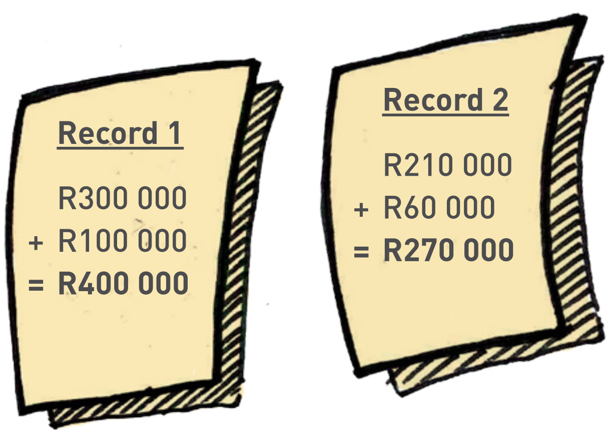
Because the money in record 2 (R120 000) is less than R150 000, he can also take that in cash.

JobZ can take all his money (R350 000 + R120 000 = R470 000) in cash when he retires.

JobZ is 52 years old on 1 March 2015. He retires 5 years later.

His benefit on 1 March 2015 is R300 000. The growth on that on his date of retirement is R100 000.

His total contribution from 1 March 2015 to the date of his retirement 5 years later is R210 000. The growth on this is R60 000.

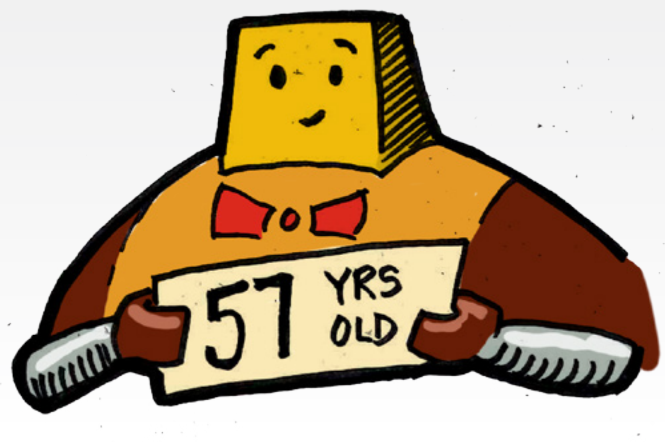


On retirement, JobZ can take all the money (R400 000) in record 1 in cash.

Because the money in record 2 (R270 000) is more than R150 000, JobZ can only take 1/3 of the R270 000 (R90 000) in cash. With the rest (R180 000), he will have to buy a pension.

In total, JobZ can take R490 000 (R400 000 in record 1 + R90 000 in record 2) in cash when he retires.

If you are OLDER than 55 on 1 March 2015

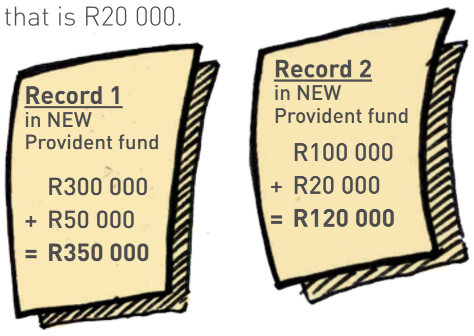


RustY will be 57 years old and a member of a provident fund on 1 March 2015. He retires from that fund 8 years later.

At retirement his benefit is R700 000. RustY can take all his provident fund money in cash when he retires.

RustY resigns and goes to another employer on 1 June 2015.

His money in the provident fund is R300 000. On that date he joins the new employer's provident fund. The name of that fund is NEW Provident Fund. He transfers his R300 000 to NEW Provident Fund. Although his normal retirement age is 65, *he goes on early retirement 5 years later.* The growth on his transfer money is R50 000. His total contribution to NEW Provident Fund is R100 000. The growth on that is R20 000.



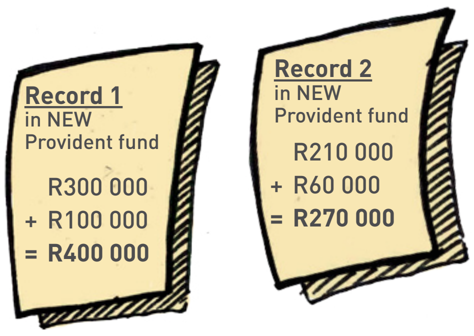
On retirement, RustY can take all the money (R350 000) in record 1 in cash.

Because the money in record 2 (R120 000) is less than R150 000, he can also take that in cash.

RustY can take all his money (R350 000 + R120 000 = R470 000) in cash when he retires.

RustY resigns and goes to another employer on 1 June 2015.

His money in the provident fund is R300 000. On that date he joins the new employer's provident fund. The name of that fund is NEW Provident Fund. He transfers his R300 000 to NEW Provident Fund. *He retires 8 years later at his normal retirement age of 65.* The growth on his transfer money is R100 000. His total contribution to NEW Provident Fund is R210 000. The growth on that is R60 000.



Because the money in record 2 (R270 000) is more than R150 000, RustY can only take 1/3 of the R270 000 (R90 000) in cash. With the rest (R180 000), he will have to buy a pension.

In total, RustY can take R490 000 (R400 000 in record 1 + R90 000 in record 2) in cash when he retires.

How much of your retirement money will go to the taxman?

From 1 March 2014 when you **leave the Fund before you retire**, for example, when you resign, and you decide to take your retirement money in cash you will pay tax on the cash amount. Table 1 shows you how the tax that you will pay is calculated.

Table 1

Amount of money that you take in cash	Tax you will pay
0 – R25 000	0%
R25 001 – R660 000	18% of the amount above R25 000
R660 001 – R990 000	R114 300 + 27% of the amount above R660 000
R990 001 and above	R203 400 + 36% of the amount above R990 000

From 1 March 2014 when you **retire from the Fund** and you take a portion of your retirement money in cash, you will pay tax on the cash amount. Table 2 shows you how the tax that you will pay is calculated.

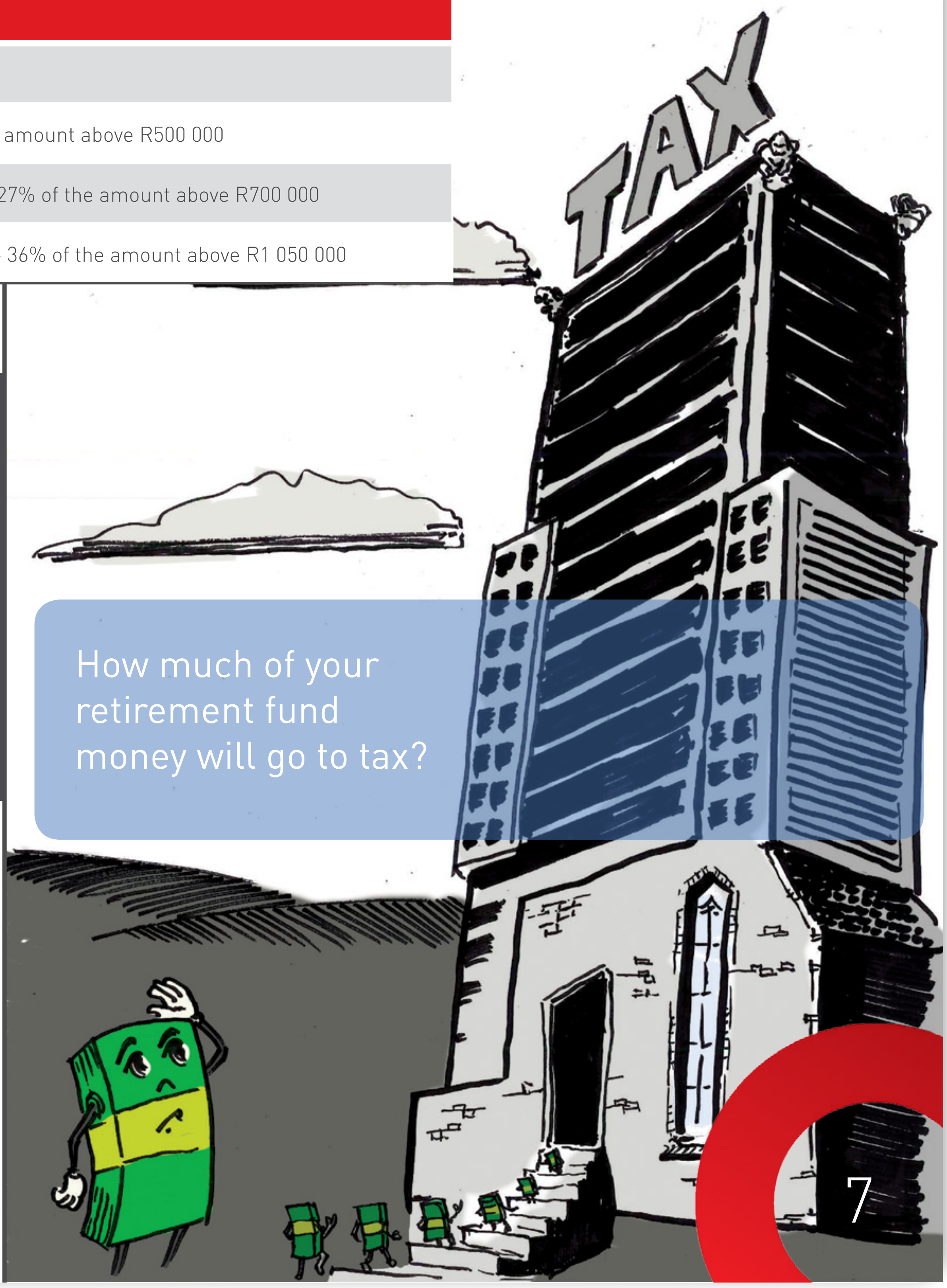
Table 2

Amount of money that you take in cash	Tax you will pay
0 – R500 000	0%
R500 001 – R700 000	18% of the amount above R500 000
R700 001 – R1 050 000	R36 000 + 27% of the amount above R700 000
R1 050 001 and above	R130 500 + 36% of the amount above R1 050 000

We don't save enough for retirement.

With these tax changes you may want to start saving more for your retirement.

Speak to the financial adviser of your scheme to help you make the right choices.



Do you know if your money works for you... or against you?

As said, part of being financially well is being aware of the things that affect your retirement and insurance benefits and to plan accordingly.

But it is also so much more. Momentum brings you an online solution called "Financial Wellness" to help you make the right decisions about your money.

What is Financial Wellness?

Momentum's purpose is to help you better your financial wellness. Being financially well is more than the accumulation of wealth. It is the foundation of a successful work, family and personal life. It is about understanding how money works in our lives; it is about understanding how our personal attitude to finance can work for us...or against us, depending on the choices that we make.

Why Financial Wellness?

Financial Wellness is your financial world online – anywhere and anytime. Best of all it is safe, secure and free of charge. It informs, enables and equips you to make the right decisions with confidence, throughout life. Whatever your personal circumstances, being financially well enables you to take control of your financial life.

The Financial Wellness Solutions

Financial Wellness is a set of solutions to help you navigate the complex world of money, giving you a clear view of your financial affairs and clear direction on how to become financially well.

MyActionPlan – the interactive home page

- It includes a summary of each of the four elements below.
- It houses the action plan and recommendations that result when you use the other four solutions.

MyScore – a quick self-assessment of your financial wellness

- You can find out how protected your lifestyle really is, by knowing your score.
- You will know where the gaps are that affect your state of financial wellness and leave you financially unprotected and unwell.
- You can act on recommendations and improve your score with the help of your financial adviser.

MyFinTrack – your ultimate budgeting solution that is safe, secure, automatic and real-time

- Securely imports all your transactions from all your bank accounts into a single place for your viewing.
- Automatically categorises your transactions.
- Creates a budget and income statement for you based on your past sending patterns.
- You can now know and understand where your money goes every month.

My Smarts – become well-informed by doing number crunching with these easy-to-use calculators

- These calculators make loans and saving for goals, children's education and retirement simple and easy to understand.
- They help you optimise your finances by learning about the impact of your everyday financial decisions.
- You can educate, empower and enable yourself on your Financial Wellness journey.

MyFiling – a safe and secure cyberspace filing cabinet

- You can upload and store digital copies of all your important documents.
- You can access and share them – anywhere, anytime, with anyone.
- You can set alerts and reminders to renew licences, etc.

The Financial Wellness Journey

Momentum's Financial Wellness solutions can give you and your family an objective overall view of your personal situation because we have gained in-depth knowledge of what affects financial wellness positively and negatively. Together with your financial adviser you can implement a long-term plan with milestones so that you can truly experience the positive change in your financial situation over time. Your financial adviser can also help you to review your FundsAtWork benefits to make sure that you have enough insurance cover and that you save enough for a comfortable retirement.

> Register and login now at www.momentum.co.za and experience the world of Financial Wellness. The solutions are FREE and available to all South Africans. Try them out. They will change the way you think about, and interact with, your money.

Notice board

Momentum StableGro was closed at the end of May 2014. Affected employers and members were sent communication during April 2014.

The FundsAtWork Umbrella Pension and Provident Funds have been audited up to 30 June 2013 and are financially healthy. The next audits will be for 1 July 2013 to 30 June 2014.

New Fund Expenses from 1 July 2014

If you are a member of the Pension Fund, you will pay R2.11 per month. Last year you paid R2.05 per month.

If you are a member of the Provident Fund, you will pay R1.53 per month. Last year you paid R1.54 per month.

Portfolio changes under Entrepreneur

Some money market portfolios under the Entrepreneur product option will be closed in July 2014. Have a look at the list to see which ones will stay and which ones will be closed.

ABSA Money Market
~~Cadiz Money Market U/T Fund~~ (closed)
~~Citadel SA Money Market H4 Fund~~ (closed)
Coronation Money Market
~~Efficient Money Market Fund~~ (closed)
~~Gryphon Money Market Fund~~ (closed)
Investec Money Market Fund
Momentum Money Market (Single manager)
Momentum Multi-Manager Local Money Market
~~Nedgroup Investments Money Market Fund Class R~~ (closed)
~~Old Mutual Money Market Fund A~~ (closed)
~~PSG Money Market Fund~~ (closed)
~~Sanlam Money Market~~ (closed)

Affected employers and members were sent communication during May 2014. If you are invested in any of the money market portfolios that will be closed and you have not told us where to move your money, it will be automatically moved to the Momentum Multi-Manager Local Money Market portfolio during July 2014.

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