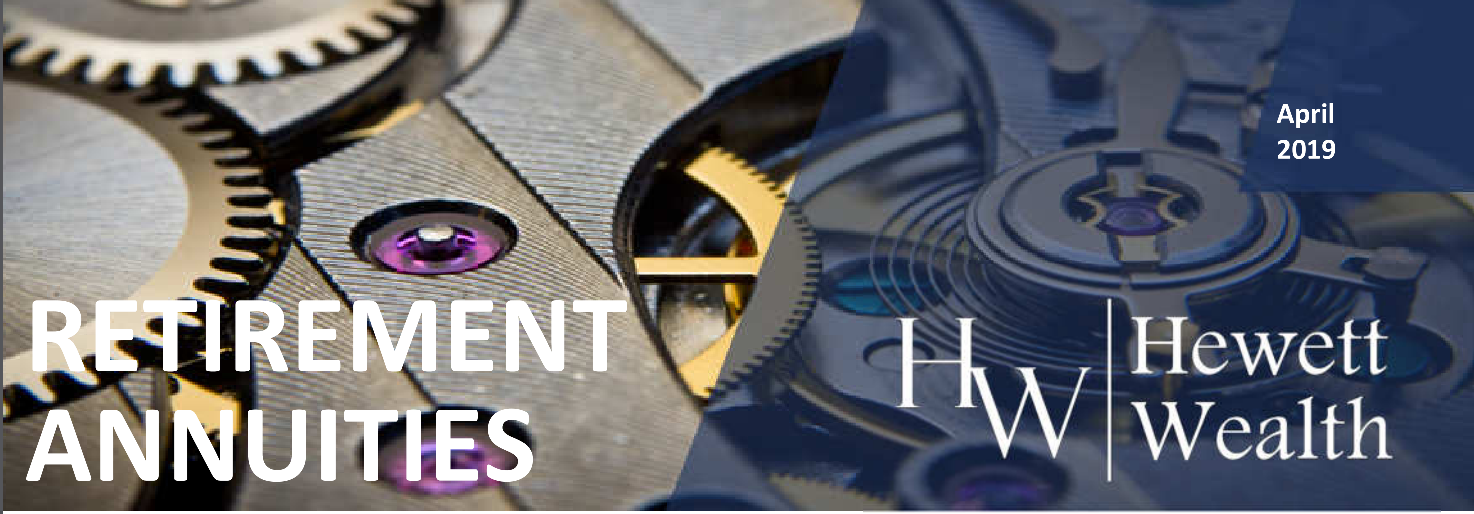

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RETIREMENT ANNUITIES

Hewett Wealth

WHAT IS A RETIREMENT ANNUITY?

A retirement annuity is a savings vehicle that enables tax-efficient savings for retirement. It provides natural persons with the ability to enhance their retirement savings by permitting a tax deduction for retirement contributions and also provides the benefit of totally tax-free returns within the fund.

WHAT CAN BE INVESTED IN RETIREMENT ANNUITIES?

- Regular or ad-hoc contributions by natural persons.
- Transfers of existing retirement investments from an employer's retirement fund.
- Transfers from another retirement annuity or preservation fund.

KEY BENEFITS OF RETIREMENT ANNUTIES

- Contributions are tax deductible within certain limits.
- Contributions are not dependent on continued employment.
- All investment returns (interest, dividends and capital gains) within the product are completely tax-free.
- A wide range of underlying investment funds is available.
- The funds are protected against claims by creditors.
- Retirement from the fund is voluntary and can thus aid retirement income planning.

KEY CONSTRAINTS

- The investment needs to comply with Regulation 28.
- The funds can be accessed from age 55 or any time thereafter.
- At retirement, a maximum of 1/3rd of the fund can be accessed as a lumpsum, while the remaining 2/3rd must be allocated to a living annuity or life annuity.
- Monthly or annual withdrawals from a living annuity are prescribed at between 2,5% and 17,5% per annum, based on the value of the fund on each anniversary date.

TAX IMPLICATIONS BEFORE RETIREMENT

- Employer and employee contributions to pension funds, provident funds and retirement annuities are limited to the lessor of R350 000 or 27,5% of remuneration or taxable income.
- Any contributions over and above the limitations are carried forward and deductible in future years.
- Any contributions that did not qualify for deduction pre-retirement are deductible against withdrawals after retirement.

TAX IMPLICATIONS AFTER RETIREMENT

- Lumpsum withdrawals are limited to 1/3rd of the fund value at retirement.
- The first R500 000 of any lump sum (1/3rd) is free from tax while the balance is taxed on a sliding scale.
- All income withdrawals from the living annuity or life annuity are taxed at individual marginal income tax rates.

IMPLICATIONS ON DEATH

- Beneficiaries can be nominated to receive the proceeds.
- A lump sum benefit, annuity or a combination of the two may be elected by beneficiaries.
- Both lump sum and annuity benefits are generally free from Estate Duty but are subject to taxation.
- Retirement annuities fall outside of a deceased estate and are protected against creditors.

You can obtain advice and more detailed information from Hewett Wealth directly by calling 010 597 7506 or by emailing enquiries@hewettwealth.co.za

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