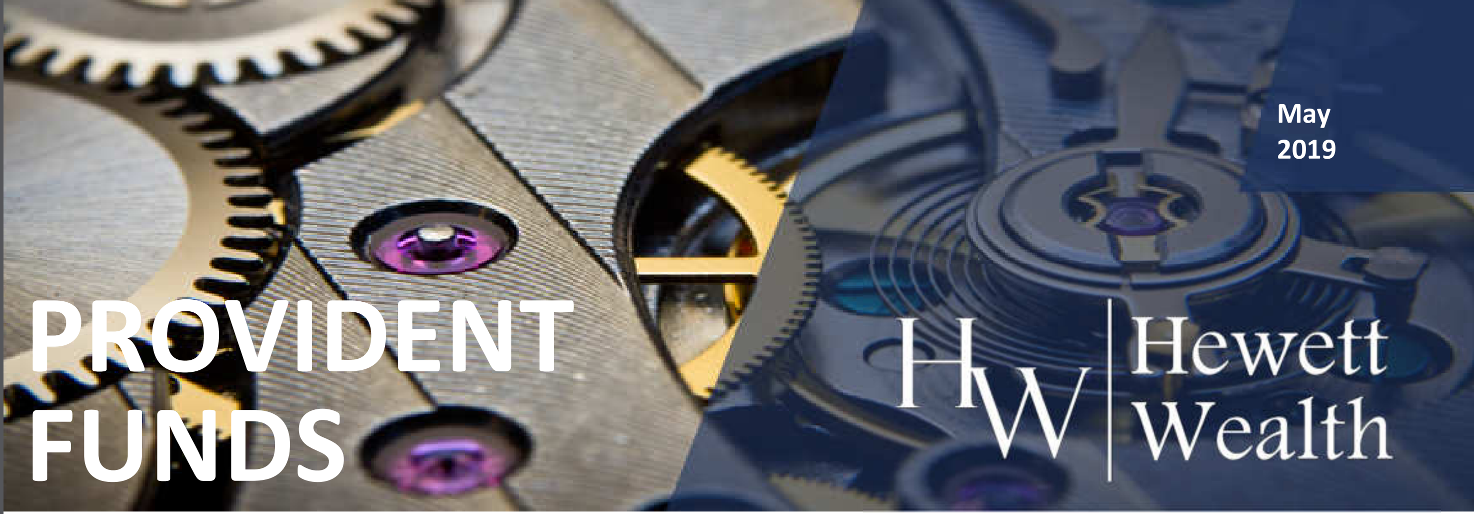

PROVIDENT FUNDS

WHAT IS A PROVIDENT FUND?

A provident fund is established by an employer for the investment of employees' retirement fund savings, contributed by the employer and/or employee. It is intended to provide long term capital growth in order to enable the ultimate provision of a sustainable post-retirement income for employees.

KEY BENEFITS OF PROVIDENT FUNDS

- Contributions are tax deductible within certain limits.
- All investment returns (interest, dividends and capital gains) within the product are completely tax-free.
- The funds are protected against claims by creditors.
- Retirement from the fund can be delayed and can thus aid retirement income planning.
- The full fund value is accessible, after applicable taxes, in the event of death or early retirement due to ill-health or infirmity.
- At termination of employment, the full fund value can be withdrawn, after applicable taxes, or can be transferred to a provident preservation fund, tax-free, subject to scheme rules.

KEY CONSTRAINTS

- The investment needs to comply with Regulation 28.
- The funds can ordinarily be accessed from age 55 or any time thereafter, subject to scheme rules.
- Contributions are dependent on continued employment.
- The range of underlying investment alternatives is often inflexible and is established and defined by the fund trustees.

TAX IMPLICATIONS BEFORE RETIREMENT

- The combined total of 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

- The full fund value can be withdrawn at retirement.
- Lumpsum withdrawals are subject to the applicable retirement tax tables and all previous withdrawals are aggregated to determine the tax liability at retirement.
- The first R500 000 lump sum can be withdrawn tax-free, subject to the above aggregation.
- The total investment or any portion thereof may be transferred to a living annuity or life annuity without incurring any tax on the transfer.
- 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.
- Lump sum and annuity benefits received by beneficiary/ies are subject to taxation.

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