



NEWSLETTER

EFFICIENT BENEFIT CONSULTING

It has been a year since my team and I joined the Efficient Group. We are pleased about what we have achieved in this year and we are excited about what the future holds. At Efficient Benefit Consulting, we are passionate about the retirement fund industry and we are well positioned to assist our clients with unbiased and expert guidance. We guide our clients through the eminent legislative changes affecting the financial industry.

With the reviews we have conducted during the last 6 months, we have managed to save our clients more than R720 000 per annum in combined administration fees and risk-benefit premiums, adding these savings to the employees' retirement contribution. We recently submitted reports to five new potential clients that will contribute to a combined saving in administration fees and risk-benefit premiums of R1 465 000 per annum.

These are large savings and illustrate the importance of an independent review of a retirement fund.

We don't add costs, we save costs!

At Efficient Benefit Consulting, our clients receive personal attention and become a valued part of the Efficient family.

HOW CAN EMPLOYEES' RETIREMENT FUND BENEFITS BE ENHANCED IN A TOUGH ECONOMY?

In a tough economy when the cost of living increases at a rapid rate, it is very difficult for employees to make additional savings to strengthen their retirement fund benefits. Another factor affecting retirement benefits is investment returns. Currently we are also going through a rough patch, with single-digit returns and returns of balanced funds not reaching inflation targets of between CPI + 4% and CPI + 5% over a 5-year period after deducting investment fees.

The answer to the question above is retirement fund costs. This is a crucial factor that is not always fully disclosed and affects employees' retirement fund savings. The move from standalone funds to umbrella funds is one of the options the FSCA wants trustees to consider, to reduce cost; but what if you are already in an umbrella fund? Who is looking at the cost structure of your umbrella fund and when last was it

reviewed? Employers and employees will be surprised by the savings that can be achieved if a thorough review of the costs associated with the fund is done. This is one aspect that may need attention and can contribute to additional savings for employees to their retirement fund.

You can contact Efficient Benefit Consulting for an independent review of your retirement fund and group risk benefits.

DO EMPLOYERS TREAT THE PREMIUMS OF UNAPPROVED GROUP RISK SCHEMES CORRECTLY FOR TAX PURPOSES?

The last thing an employer would want is for SARS, when conducting an audit of their PAYE, to find that the premiums of the unapproved group risk schemes were not treated correctly and taxed as a fringe benefit. Most payroll administrators are aware of the taxation of unapproved group risk premiums, but whether it is treated correctly depends on the information submitted to the payroll administrator. It is therefore important to note the following:

- + All premiums to unapproved group risk schemes that are paid by the employer on behalf of its employees are taxable in the hands of the employees as a fringe benefit.
- + An unapproved group risk scheme is a separate policy that provides risk benefits separate from the retirement fund and is therefore not included in the benefit structure of the fund.
- + Where the premiums of an unapproved group risk scheme are included in the employer contributions toward a retirement fund, it is important to record these premiums separate from the retirement fund contributions for tax purposes.
- + The benefits payable from an unapproved group risk scheme is tax free.

You can contact Efficient Benefit Consulting for guidance if you need more information on this matter.

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t: +27 (0)21 276 1987 | e: maris@efbc.co.za | www.efbc.co.za

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