



EFFICIENT

BENEFIT CONSULTING

EFFICIENT WEALTH

it's what we do

HOW TO REWARD YOURSELF WISELY WITH EFFICIENT WEALTH

As you approach the finish line of another demanding year, it's quite normal to think to yourself: "I've worked hard, I deserve a reward." It could be that you have achieved some of your goals and are indeed reward worthy. Or, perhaps simply getting through this gruelling year is an achievement in itself? Point is, you're only human. And while it's human nature to want to treat yourself to something nice, it's also that time of the year when human error creeps into our decision-making process. So, the question then is: "How do I reward myself wisely - in a responsible way that won't set me back in the year to come?"

OUR TOP FINANCIAL DOS AND DON'TS

During these strenuous economic times, "rewards" have different meanings for each of us. Many employers may not have the means to pay year-end bonuses, but with changes in your spending habits and by reviewing your monthly budget and expenses, you can create a future bonus for yourself. When last did you review your monthly spending? Saving even a small amount in a bank account, yielding at prevailing interest rates of approximately 6.5% per annum, can make a difference towards the end of each year. Plus, the upside of this is that it poses no investment risk.

Do you know what the effect of compound interest can have on your portfolio? The benefits will encourage you to be goal-driven towards your savings balance. Another advantage of using this strategy is that you receive an interest exemption upon your annual tax assessment, currently at R23 800 per annum for persons under 65 years of age. For persons 65 and older, this goes up to R34 500 per annum. So, if you earn interest below these exemptions, this does not form part of your taxable income and therefore won't be taxed.

You could also consider tax-free savings bank accounts or investments, with a current maximum allowable contribution of R36 000 per annum. The benefit of these types of investment products is that none of the interest or dividends are taxed. While we are in an increasing economic interest rate cycle, it would be wise to rather pay more capital into higher yielding interest debt, like your bond, or short-term debt such as credit cards and retail accounts. But it is crucial then to set yourself the goal of not using the available credit thereafter and to rather save up and not purchase on credit.

Have you considered the allowable tax deductibility on contributions of investments that you could claim on your annual tax assessment? SARS, through the Income Tax Act, allows 27.5% to a maximum of R350 000 per tax year as an allowable deduction against taxable income towards a retirement fund, such as pension, provident and retirement annuity funds.

Why not review your retirement contributions towards these types of retirement funds via your employer or in your personal capacity? Consider increasing these contributions monthly or on an ad hoc basis annually for that extra bit of tax-back reward. Are you ready for that pleasant surprise with your yearly tax assessment? The added bonus, of course, is having investments that accumulate towards your long-term goal of retirement, effectively subsidising it in this manner.

While we all have different financial goals, aspirations and dreams, one thing remains true for us all. With the right financial partner, you will be able to reward yourself financially!

t: 087 944 7999 | t: 087 944 7999 | e: info@efbc.co.za

www.efbc.co.za

Disclaimer: Although every effort has been made to ensure the accuracy of the content of this newsletter, Efficient Wealth and Efficient Benefit Consulting accepts no liability in respect of any errors or omissions contained herein. The contents of this newsletter cannot be construed as financial advice and does not confer any rights whatsoever, enforceable against any party and does not replace any legal contract or policy which may be subject to terms and conditions. Efficient Wealth and Efficient Benefit Consulting retains the right to amend any information contained in this newsletter at any time and without prior notice.

Efficient Financial Services (Pty) Ltd, trading as Efficient Wealth, is an authorised financial services provider, FSP 655. Efficient Benefit Consulting is an authorised financial services provider, FSP 48026.

