



THE POWER
OF INDEPENDENT ADVICE

www.bwm.co.za

IN THIS ISSUE

Section 10C refers to a tax rule that aids South African investors to optimise their retirement benefits in a tax-efficient manner. It offers a valuable opportunity to enhance their retirement savings and potentially enjoy tax reduction on retirement income.

INVESTING WITH SA'S

LEADING BOUTIQUE WEALTH MANAGER

WINNER 2020 & 2017 | RUNNER-UP 2023 & 2018
TOP 3 2022 & 2021 | TOP 4 2019

RANKED AMONGST THE TOP WEALTH
MANAGERS FOR 7 CONSECUTIVE YEARS

JHB (HQ)	+27 (0) 11 799 8100
JHB (SANDTON)	+27 (0) 10 035 1391
PTA	+27 (0) 12 347 8240
CAPE TOWN	+27 (0) 21 418 1236
BELLVILLE	+27 (0) 21 914 9646
CLAREMONT	+27 (0) 21 100 3901
STELLENBOSCH	+27 (0) 21 882 8706
PAARL (VAL DE VIE)	+27 (0) 21 100 3901
GEORGE	+27 (0) 44 050 6057
MAURITIUS	+ 230 5843 5215

SECTION 10C: A POWERFUL TOOL FOR A TAX-EFFICIENT RETIREMENT

SUZEAN HAUMANN, CERTIFIED FINANCIAL PLANNER®, BRENTHURST BELLVILLE

Retirement planning in South Africa is a complex endeavour, requiring careful consideration of a range of factors, including investment strategies and tax implications. Recent studies confirmed that only about 6% of South Africans can retire comfortably. This means continuing to earn about 75% of their pre-retirement income.

A powerful tool that investors often overlook, is the benefit of **Section 10C of the Income Tax Act**, which can significantly enhance retirement savings and potentially provide tax-free income during retirement.

Section 10C allows individuals to contribute more to their retirement funds than the annual tax-deductible limit. The current annual limit allows for contributions to be deducted from your taxable income up to a maximum of 27.5% of the higher of your remuneration or taxable income, capped at R350 000 per year. These excess contributions, known as “disallowed contributions”, are not immediately tax-deductible but can be used to offset income tax liability upon retirement.

HOW SECTION 10C WORKS

- > **Pre-retirement contributions:** Investors can contribute more than the annual limit to their retirement funds, but only contributions up to the annual limit are tax-deductible.
- > **Disallowed contributions:** Contributions that have not been allowed as a tax deduction in the year it was made. These excess contributions are linked to your SARS profile and will “lie” there.
- > **Retirement:** Upon retirement, these disallowed contributions can be used to offset income tax on retirement income.

KEY BENEFITS OF SECTION 10C

- > **Tax-free income:** By offsetting income tax, investors can potentially enjoy tax-free income for several years into their retirement.
- > **Estate planning:** Retirement funds, including those with disallowed contributions, are generally not included in an estate, providing potential estate tax benefits.
- > **Flexibility:** Investors can choose to withdraw a portion of their disallowed contributions as a tax-free lump sum or use them to offset income tax over time.

MAXIMISING SECTION 10C

- > **Start early:** To maximise the growth of your disallowed contributions, begin contributing to your retirement funds as early as possible.
- > **Consider a combination of funds:** Diversify your retirement savings by investing in both employer-sponsored retirement funds and personal retirement annuities.
- > **Seek professional advice:** Consult with a financial advisor to understand the complexities of Section 10C and develop a personalised retirement plan.
- > **Optimise other tax benefits:** Explore additional tax-saving strategies, such as tax-free investments and estate planning techniques, to complement Section 10C.

CONCLUSION

Section 10C offers a valuable opportunity for South African investors to enhance their retirement savings and potentially enjoy tax-free income. By understanding the provisions of this law and implementing effective strategies, individuals can create a more financially secure retirement.

SUZEAN HAUMANN | CERTIFIED FINANCIAL PLANNER®, BRENTHURST BELLVILLE



SUZEAN is head of the Tygervalley office as well as one of the company's key individuals. She is a CERTIFIED FINANCIAL PLANNER® and a registered member of the Financial Planning Institute of South Africa.

She has experience in various aspects of financial planning, focusing on investment and retirement planning. Suzean is also a qualified Foreign Exchange Consultant for the company with a wealth of knowledge in offshore investments. She joined Brenthurst Wealth in 2010 and is fully qualified to give advice on all investment matters.

Phone: +27 (0) 21 914 9646 | **Email:** suzean@brenthurstwealth.co.za



CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR NINE OFFICES COUNTRYWIDE TO DISCUSS YOUR INVESTMENT STRATEGY.

Johannesburg	+27 (0) 11 799 8100	Claremont	+27 (0) 21 100 3901
Sandton	+27 (0) 10 035 1391	Bellville	+27 (0) 21 914 9646
Pretoria	+27 (0) 12 347 8240	Stellenbosch	+27 (0) 21 882 8706
Cape Town Waterfront	+27 (0) 21 418 1236	Val de Vie Estate	+27 (0) 21 100 3901
George	+27 (0) 44 050 6057	Mauritius	00 230 5843 5215

BRENTHURST SATELLITE OFFICES:

KWAZULU-NATAL | FREE STATE | MPUMALANGA | NORTH WEST

Brenthurst Wealth Management is an authorised financial services provider (Reg No: 2004/012998/07) FSP No.7833. This e-mail and any file attachments transmitted with it are intended solely for the addressee(s) and may be legally privileged and/or confidential. If you have received this e-mail in error please destroy it. If you are not the addressee you may not disclose, copy, distribute or take any action based on the contents hereof. Any unauthorised use or disclosure is prohibited and may be unlawful. The view and opinions expressed in this e-mail message may not necessarily be those of the management of Brenthurst Wealth Management (PTY) Limited.