



OLD MUTUAL

EMPLOYEE GROUP IN SUPERFUND



Dear Member

Understanding the impact of restructuring your salary

It has been a tough start to the year with the global outbreak of COVID-19 and the impact it has had on the global and local economy. It is during times like these that we need to be very careful in relation to the choices we make in any aspect of our lives, and more so financially.

The best time to take stock of your finances is right now. As an Old Mutual employee you have been given the opportunity to re-structure your salary package in Oracle HRMS from 1 to 13 May 2020, to allow you to make changes that will affect your take-home pay (This only applies to TGP office staff in SA and excludes salaried advisers and commission-earning sales staff).

While immediate financial relief may be a priority at this stage, it is also important to be mindful of the financial impact of reducing your retirement contribution. A small change in your savings rate can have a huge impact on your retirement savings.

In addition, decreasing your contribution to OMEGS, will increase the tax you pay. Please make use of the Package Structuring Tool (PST) on Old Mutual Way to see what the impact of the changes will be on your take-home salary. Let's look at an example of just how much compound interest you could miss out on, should you decrease your contribution rate by 1%.

Example: How 1% can make a difference

Thembi earns a pensionable salary of R15 000 and she has 15 years before she retires. She currently contributes 14% of her pensionable earnings towards her retirement. Thembi then decides to decrease her contribution rate by just 1% from 14% to 13%. Thembi's 1% reduction in contributions (R150) will reduce her retirement savings by R58 560* over the next 15 years.

**Assumptions: 5.5% salary growth, 5.5% real return, administration costs and other expenses have not been taken into account.*

We encourage you to consult with an [accredited financial adviser](#) before making any changes to ensure you make informed decisions.

Stay safe and healthy!