



# NJMPF

## Fund Insight

Your news update - January 2023

### Additional Voluntary Contributions (AVC's)

Considering that normal retirement age for NJMPF members is 65 years, a member that is currently 25 years old can anticipate to receive roughly 480 pay cheques before reaching retirement age. Sadly, majority of South Africans at the of age 25, with a retirement age of 65, you can anticipate receiving just over 480 pay checks before retiring. Sadly, the majority of South Africans cannot retire comfortably. One of the main causes of this is not saving enough money for retirement. Start saving early, if at all feasible, because the power of compound interest allows even tiny sums to have a significant impact.

Due to the rising cost of living, some members choose to make the lowest possible contributions towards their retirement, focusing only on the here and now whilst disregarding the long-term implications of their choices. Compound interest works to your advantage more and increases your reward when you reach to retirement age.

The more you save, especially if you are a member of the Provident Fund, the greater the rewards will be post retirement. The table below details how your employer matches your elected contribution rates.

MEMBER CONTRIBUTION	5%	7%	9.25%
EMPLOYER CONTRIBUTION	9.75%	13.65%	18%

Additional Voluntary Contributions (AVC's) allow members who wish to contribute above the maximum 9.25%, to do so and further ensure they are contributing towards a more financially free and comfortable retirement. Members wishing to contribute additionally towards their retirement are to request in writing to NJMPF a proposed amount or percentage of their pensionable salary that will be paid monthly for the Board of Trustees to approve. Members are also required to notify their municipality of such a request. Once approved, the member and the municipality will be advised in writing of the effective date of the AVC's.

The municipality's maximum contribution rate will remain at 18% irrespective of how much additional voluntary contributions members elect to contribute. Members belonging to one of our defined benefit funds have an option to buy back service. Buying back service allows members a longer period of pensionable service, which means that you will end up with a larger pension when you retire since the formula for calculating benefits in these funds looks at your final average salary, continuous service, and a factor. In essence purchasing service directly translates to you receiving a better benefit when you retire. Members that wish to get a quotation for purchasing service can do so by sending an enquiry to our Client Services department and an individualised quotation will be generated for them.

**Members are advised to contact and consult a certified financial adviser when making financial decisions about their financial futures.**

