

## The Power of the Tier 3 Tax Benefit

# Insights

Would you believe it if someone told you that you could be paid to save for the future?

***Well, the Pensions Act of 2008 (Act 766) does exactly that!***

The Pensions Act allows every Ghanaian worker to save up to 16.5% of their income into a Tier 3 Personal Pension Scheme without paying any income taxes on the savings. This is one of the many advantages that Tier 3 schemes have over other savings products such as savings accounts, fixed deposits or mutual funds.

The examples below illustrate how the tier 3 tax advantage boosts your ability to reach your savings goal. The tables show the pay slip for an employee who makes a gross amount of GHS 1,000 a month and pays income tax to the government at a rate of 25%. In option A, he saves in a normal savings product, such as a savings account, fixed deposit or mutual fund, while in Option B he saves using a personal pension product.

You can see that while maintaining the same amount of spending money in both cases (GHS 676) in Option A the amount the employee saves is only GHS 80 while in Option B the employee can save GHS 100. That is GHS 20 or 25% more savings with no additional effort. The additional GHS 20 in savings comes from the lower taxes charged to the worker who takes advantage of the opportunities that tier 3 personal pensions schemes make available to all workers. **The government is essentially contributing this money to your savings!!**

Option A: Normal Savings - Post Tax		Option B: Personal Pension	
	GHS		GHS
Gross Salary	1,000.00	Gross Salary	1,000.00
Income Tax and SSNIT	244.00	Savings (Pre-Tax)	100.00
Take Home	756.00	Taxable Income	845.00
Savings (Post-Tax)	80.00	Income Tax and SSNIT	224.00
<b>Spending Money</b>	<b>676.00</b>	<b>Spending Money</b>	<b>676.00</b>

20 GHS might seem like a small amount of money, but over ten (10) years of making monthly contributions into an investment that yields 25% every year, the investment in Option A will be worth 42,000 GHS while the investment in Option B will be worth 52,000 GHS. These tax savings means that a personal pension is the most attractive way to save for any project or dream you may have.

Petra Trust offers a simple way for anyone to take advantage of personal pensions with its Savings Booster product. It is actively invested by professionals and offers great returns, excellent customer service as well as easy access to your money whenever you choose.

Call us on +233 (302) 763 908 to start saving now.

You may also email us at [savingsbooster@petratrust.com](mailto:savingsbooster@petratrust.com)

The statements expressed herein are informed opinion, speak only to the stated period, and are subject to change at any time based on market or other conditions. This publication is intended merely to highlight issues and not to be comprehensive or to provide advice. For further information or advice, please contact Petra Trust or visit our website.

#### Website:

[www.petratrust.com](http://www.petratrust.com)

Phone: +233 (302) 763  
908 / +233 (302) 740  
963/4

#### E-mail:

[customerservice@  
petratrust.com](mailto:customerservice@petratrust.com)

Street Address: F304/5 |  
Dade Close | North  
Labone