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Our company, Madadim Insurance agency LTD is an agency located in Herzelia pituach and supports more than 4,000 clients.

The Agency's staff includes 9 licensed pension agents and 6 administrative employees which gives daily services to more than 80 companies.

Our Firm has experienced continuous growth and success as we meet and exceed client expectations. Our overall goal is to provide responsive, innovative services of the highest quality to our clients.

#### Pension Funds in israel :

By law, both employer and employee contribute 6% (employee) and 6.5% (employer) of the gross monthly salary toward the pension plan and the employer can contribute up to 8.33% (minimum is 6%) toward the severance pay (pitzuim). The pension law will eventually require both the employer and employee to contribute these amounts (8.33%), though, as yet, no date has been established.

The government also now regulates the actual investment, meaning the percentage of the investment that can be high risk is lowered by law as the employee gets closer to retirement age.



3 options to contribute for pension ( the "common" way is what 90% of israeli employers choose) :

Pension allocation	% employer	% employer severance	% employee	% total	notes
By law	6.5%	6%	5.5%	18.5%	Minimum by law (you need to add money for severance if the employee leave after a year)
common	6.5%	8.33%	6	20.83%	You save a yearly salary for severance in the pension (8.33X12=1 yearly salary)
Section 14	6.5%	8.33%	6%	20.83%	You give the employee his full rights and you don't need to add money for severance if the employee leave even if his salary increases every year.

The pension fund covers three scenarios:

1. **Pension:** At retirement age, (67 for men, 64 for women) the individual will receive a monthly payment. In the past, the retiree was able to opt for a lump sum distribution rather than monthly payments, but the new law requires that payments be made monthly.
2. **Disability (“Kitzvat Nechut”):** Every pension fund allows for disability coverage, but the coverage only kicks in when it is determined by a physician that the employee is at least 75% disabled and has been unable to work for at least 90 days. And, the amount of monthly disability is reduced by the sum that Bituach Leumi (National Insurance) pays the disabled employee. For example, if the employee is entitled to a 2000 NIS monthly disability payment from his pension fund and Bituach Leumi pays 1000 NIS a month, he will only receive 1000 NIS through the pension fund.  
  
Because of these terms, some employees choose to take out private disability insurance which has more favorable terms. It starts earlier than 90 days, requires a lower percentage of disability and isn’t reduced by the amount of the Bituach Leumi payments.
3. **Life Insurance (“Kitzvat Shearim”, literally, “allowance for heirs”):** Under the pension plan, the surviving spouse will receive 60% of what the deceased would have been entitled to had he/she lived to retirement age. If, at the time of death, the deceased had children under the age of 21, there is a supplement to which the family is entitled until the child or children reach the age of 21.



Please note:

1. The benefits to which the beneficiary of a pension plan is entitled differ based on the age at which he/she entered the plan.
2. The sums that are put aside for the pension plan are reduced from the gross monthly salary and, as a result, lower taxable income. Therefore, when an employer offers a higher percentage, it is considered to be an employment perk.

### **Keren Hishtalmut**

Keren Hishtalmut is an employee savings plan. It is not obligatory upon an employer to offer it to an employee, but rather it is considered to be a perk. These plans are typically offered to government workers and those in hi-tech related fields. Those who are self-employed also have the option of opening a Keren Hishtalmut privately.

Generally, the employer contributes 7.5% of the employee's monthly salary while the employee contributes 2.5%. The funds put aside by the employer are not taxable either at the time of deposit or withdrawal, and this amount does not appear on the employee's salary stub. Both the principle and the interest are tax free. The employee's portion (2.5%) is taxable.

The funds put aside for a Keren Hishtalmut are closed for 6 years. The beneficiary of the plan can withdraw the money after the 6th year but is not obligated to do so.

### **Madadim pension and insurance agency LTD**

