Robson • Savage

Retirement Benefits Counselling

(Member options when leaving your fund)

Pension Fund

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Introduction

For members of a Pension Fund

This document provides information which must, by law, be made available to you before you receive any withdrawal benefit or retirement benefit from your retirement fund.

The aim is to assist you to make good decisions about what to do with your benefits.

To get the most out of this document it will be helpful to read it in conjunction with other fund information which can usually be found in benefit statements, member booklets and other fund communications, or from your Human Resources or Payroll department.

Some words appear in **bold** – they are explained at the back of the document.

Disclaimer: This document is issued only for general information and as a factual guide and explanatory note. It does not provide advice, including on tax matters. It is not intended as a substitute for professional financial advice.

You are encouraged to use the services of a financial planner if you are in any doubt as to what to do.

When choosing a financial planner, you are advised to seek someone who is accredited with the Financial Sector Conduct Authority, and you may take further comfort if they have membership of an industry association such as the Financial Planning Institute of Southern Africa or the Financial Intermediaries Association of Southern Africa.

Alternatively, you can contact your Human Resources or Payroll department, or Robson Savage (home@robsav.com) for details of a financial planner who can assist you.

Options

The options available to you are explained further in this document. Firstly, however, you need to establish which options are available to you by identifying which Category you are in:

Category 1	You are at or over your **retirement fund**'s **Normal Retirement Age** **Options 1, 2, 4 and 5**
Category 2	You are age 55 or older but have not yet reached your **retirement fund**'s **Normal Retirement Age** **All options**
Category 3	Your are leaving service because of ill-health incapacitation at any age **All options except Option 3**
Category 4	You are in none of the above categories **All options except Option 1**

After identifying which Category you are in, the options that apply to you are explained in more detail below.

Wherever a benefit is subject to **tax**, details of **tax** rates can be found in the tax tables later in this document.

An easy to use benefit tax calculator is available on the Robson Savage website:
https://www.robsav.com/resource-centre/tax-calculators/retirement-and-withdrawal-tax-calculator/

Option 1: Retire from the fund

Available if you are in: Category 1, 2 or 3

01

If you elect this option, you must decide:
Firstly, how much if any of your **fund value** you wish to take in cash; and then
Whether to use the balance of your **fund value** to:

- arrange a **pension** using the **fund**'s **annuity strategy**; or
- arrange a **pension** in another way

Taking some of your fund value in cash

You may take up to one-third of your **fund value** in cash. You will receive payment of the net amount after deduction of **tax.** There is no cost for taking cash.
You will need to arrange a **pension** with the balance of your **fund value** – this is explained below.

It is important to realise that taking any of your **fund value** in cash reduces the amount of money available to provide a **pension** in retirement and thus increases the risk of not having enough **pension**.

Arranging a pension with the balance of your fund value

You may buy a **pension** using either your **retirement fund**'s **annuity strategy** or another product of your choice.

A. Using your retirement fund's annuity strategy

This is a **living annuity** through the Acumen Retirement Annuity Fund.

Your **fund** will transfer tax-free the portion of your **fund value** not taken in cash to the Acumen Retirement Annuity Fund which will issue you with a certificate of membership.

- You will need to select one or more investment portfolios into which your money will be invested. Please review the investment portfolio fact sheets available separately to assist you in making your choice.
- Your investment will grow or reduce in line with the performance of your selected investment portfolios over time.
- An administration fee of 1/12th of 0.4% of your remaining investment value will be deducted monthly, inclusive of VAT and subject to a maximum of R7,488 per annum inclusive of VAT. The maximum fee is subject to annual review each 1 January.
- As this is a choice arranged by your fund, no **financial planner** is involved and therefore no commissions or other fees are payable to any intermediary.
- Investment fees will be deducted from your investments as set out in the applicable fact sheets.
- At the outset and each year on the anniversary of commencement of your **pension,** you must decide:
    - what portion of your investment will be paid to you as a **pension** in the following 12 months within regulatory limits – at present this is between 2.5% and 17.5% of the value of your investment; and
    - how you want your money to be invested for the following year.
- The portion selected will be paid to you as a **pension**, usually monthly but you may select different payment periods.
- All **pension** payments will be subject to normal income tax.
- **Pension** payments will stop if there is no money left.
- On death, any remaining balance of your investment will be paid to your dependants or nominees.

Risks and features

The **fund's annuity strategy** is not a default option – it will only be implemented if you choose it and indicate this in writing to the **fund** on the appropriate form.
There may be other financial products that would better meet your needs in retirement, and you are encouraged to seek advice from a **financial planner** in this regard.
There is a risk that the value of your investment will reduce over time and can even run out altogether. The factors that could cause this include: • you draw too much out; and/or • the investment performance is poor; and/or • you live so long that the money runs out; and/or • the aging process makes it difficult for you to make appropriate decisions each year.
If the value of your remaining investment reduces, then you would need to select a higher percentage payment to maintain your **pension** income. Eventually you could reach a point where the maximum amount that you can receive reduces too – for example, if the most you can receive is 17.5% of a smaller pot of money.
Due to the need to make important decisions each year, you must make sure that you arrange for someone to be available to assist you with these decisions in case you reach a time when you are unable to do this for yourself.
If at a later stage you decide that a **living annuity** is no longer suitable for you, you may convert your **living annuity** to a **guaranteed pension**.

B. Using another product of your choice

This can be a **guaranteed pension** or a **living annuity**.

<u>Guaranteed pension:</u>

- Your **fund** will transfer the portion of your **fund value** not taken in cash to an insurance company of your choice, which will issue you with a **pension** policy.
- The policy will specify:
  - the amount of **pension** that will be paid to you each month
  - any other features such as annual increases, the **pension** payable to your spouse on death, minimum guaranteed **pension** payment period, and so on in line with choices you make when taking out the policy
- The **pension** will be paid to you each month as long as you live.

Risks and features

Your **fund value** may not be enough for a **pension** that will meet your income needs – you should obtain quotations before deciding.
You might retire at a time when interest rates are low. This will reduce the amount of **guaranteed pension** that you receive.
Many people make use of the services of a **financial planner** when making their decisions. This can lead to better long-term outcomes however the resulting charges may significantly reduce your **pension**. Care must therefore be taken to pay fairly for such services, but not to overpay.
There is no risk of 'living too long' or suffering financial hardship because of weak investment performance, because the insurance company takes these risks for you – as long as you are alive, they are obliged to keep paying your **pension**.
On death, your spouse will receive a **pension** or other benefits <u>if you have selected this option.</u>
A **guaranteed pension** operates on a pooled insurance basis – if you die soon after retirement there is no return of capital. Insurance works on the basis that some will die younger or older than others, and the capital in the pool, including yours, is used to make sure everyone receives a **pension** over the whole of their remaining lifetime.

Planning is bringing the future into the present

So that you can do something about it now.

- Alan Lakein

Living annuity:

Your **fund** will transfer tax-free the portion of your **fund value** not taken in cash to an insurance company or other financial institution of your choice, which will issue you with a **living annuity** policy or contract. You will need to select one or more investment portfolios into which your money will be invested. The details of the available portfolios will be provided to you by the chosen insurance company or financial institution.

- Your investment will grow or reduce in line with the performance of your selected investment portfolios over time.
- Costs and charges for administration and investments will be deducted as set out in the policy or contract. Make sure you know what these are before making your decision.
- At the outset and each year on the anniversary of commencement of your **pension,** you must decide:
  - what portion of your investment will be paid to you as a **pension** in the following 12 months, within regulatory limits – at present this is between 2.5% and 17.5% of the remaining value of your investment; and
  - how you want your money to be invested for the following year.
- The portion selected will be paid to you as a **pension**, usually monthly but you may select different payment periods if the chosen product allows this.
- All **pension** payments will be subject to normal income tax.
- **Pension** payments will stop if there is no money left.
- On death, any remaining balance of your investment will be paid to your dependants or nominees.

Risks and features

There may be other financial products that would better meet your needs in retirement, and you are encouraged to seek advice from a **financial planner** in this regard.
There is a risk that the value of your investment will reduce over time and <u>can even run out altogether.</u> The factors that could cause this include: • you draw too much out; and/or • the investment performance is poor; and/or • you live so long that the money runs out; and/or • the aging process makes it difficult for you to make appropriate decisions each year.
If the value of your remaining investment reduces, then you would need to select a higher percentage payment to maintain your **pension** income. Eventually you could reach a point where the maximum amount that you can receive reduces too – for example, if the most you can receive is 17.5% of a smaller pot of money.
Due to the need to make important decisions each year, you must make sure that you arrange for someone to be available to assist you with these decisions in case you reach a time when you are unable to do this for yourself.
Many people make use of the services of a **financial planner** in making their initial and ongoing decisions. This can lead to better long-term outcomes however the resulting charges may significantly reduce your investment over time. Care must therefore be taken to pay fairly for such services, but not to overpay.
If at a later stage you decide that a **living annuity** is no longer suitable for you, you may convert your **living annuity** to a **guaranteed pension**.

Option 2: Remain in the fund as a "paid up" member

02

Available if you are in: Category 1, 2, 3 or 4

If you leave the service of your employer and do not elect to have your **fund value** paid under any of the other available options, you will automatically remain in the fund as a **paid-up** member. This is a default process and no action is required from you.

Once you are a **paid-up** member you may elect at any time to leave the **fund** and exercise any of the options available to you as set out in this document based on your circumstances at the time.

Available investment portfolios:

- Your **fund value** will remain invested in the same portfolio or portfolios as before you left service.
- You will remain eligible to switch your investments in line with any choices that the **fund** makes available to you.

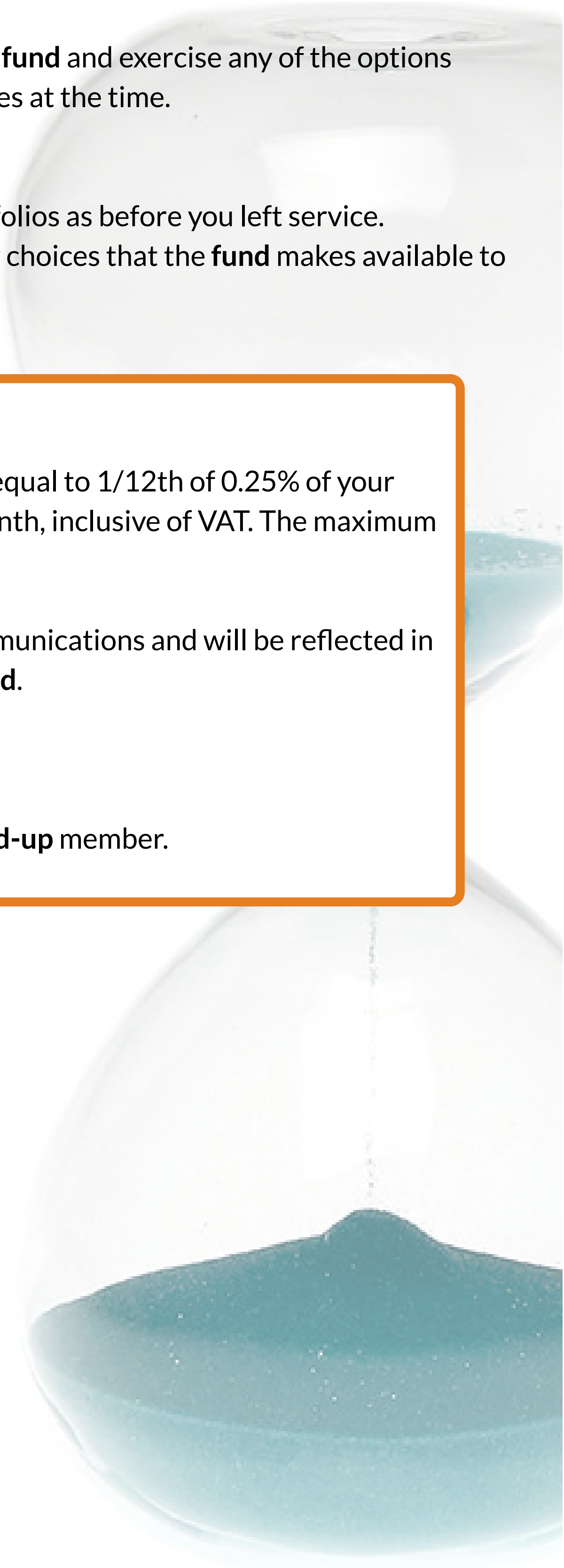
Costs:

A monthly administration fee will be deducted from your **fund value**, equal to 1/12th of 0.25% of your **fund value**, inclusive of VAT, subject to a maximum of R416.00 per month, inclusive of VAT. The maximum is subject to annual review each 1 January.

Investment fees will be unchanged, in line with the relevant **fund** communications and will be reflected in your **fund value**. This will be the same as for other members of the **fund**.

No fees or commissions will be payable to a **financial planner**.

No **tax** will be deducted from your **fund value** when you become a **paid-up** member.



Risks and features

Leaving your money in the **fund** is an easy and low-cost option.
You are limited to the investment choices that the board of the **fund** decides to make available to you.
Once you have terminated service with your employer, no further contributions can be made to the **fund** on your behalf. You are therefore encouraged to ensure that you continue to save towards your eventual retirement in some other manner, and to consult a **financial planner** for guidance if required.
You will no longer be eligible for any insurance benefits provided by the **fund** or your employer. You will not, therefore, be charged any insurance premiums, but you are encouraged to make appropriate arrangements in respect of your insurance needs.
You can give an instruction for your money to be paid from the **fund** whenever you want, subject to **tax** where applicable.

Taking some cash:

It is <u>not</u> allowable to take part of your **fund value** in cash and leave the balance invested in the **fund** – the whole of your **fund value** will remain in the **fund**.

Option 3: Transfer to new employer's fund

03

Available if you are in: Category 2 or 4

If you leave the service of your employer or if you are a **paid-up** member of a **fund**, you can elect to transfer your **fund value** to the **retirement fund** of your new employer. You should be offered the opportunity to make this choice shortly after starting your new job.

Available investment portfolios:
The investment portfolios will be whatever is available in your new employer's **fund** – please request details from your new employer.

Costs:

- There is no cost for the transfer
- You will need to enquire from your new employer for details of administration, investment management and any other costs in their **fund**.

Risks and features

Transferring to your new employer's **fund** is an easy and low-cost option.
It is important to find out whether the **retirement fund** at your new employer is a **pension fund** or a **provident fund**, and then to consider: • If your new employer's **fund** is a **pension fund**, no **tax** is payable on the transfer, and the nature of your benefits will be unchanged. • If your new employer's fund is a **provident fund:** - your full **fund value** will be taxed in line with withdrawal **tax** rates; - the net amount will <u>not</u> however be subject to further **tax** when it is eventually paid to you as a benefit; and - the nature of your benefits will change: on retirement from a **pension fund** (such as your current fund) you are limited to taking no more than one-third of your **fund value** in cash, with the balance being used to arrange a **pension**; whereas on retirement from a **provident fund** you may elect to take up to your whole **fund value** in cash.
In order to avoid unnecessary costs, you should enquire about the costs applicable in your new employer's **fund** and compare to those in your current **fund**.

Taking some cash:

- You can elect to receive a portion of your **fund value** in cash and transfer the balance to your new employer's **fund**. The part that you take in cash will be subject to **tax**.
- It is important to realise that taking any of your **fund value** in cash reduces the amount of money available to provide a **pension** in retirement and thus increases the risk of not having enough **pension**.

Option 4: Transfer to a preservation fund

Available if you are in: Category 1, 2, 3 or 4

04

If you leave the service of your employer or if you are a **paid-up** member of a **fund**, you can elect to transfer your **fund value** to the **preservation fund** of your choice. You may for example wish to consolidate your retirement savings into a **preservation fund** of which you are already a member.

Available investment portfolios:
The investment portfolios will be what is available in the **preservation fund** of your choice – please request details from the **preservation fund**.

Costs:

- There is no cost for the transfer.
- You will need to enquire from the **preservation fund** of your choice for details of administration, investment management and any other costs in the **fund**.

Risks and features

If you are transferring to a **preservation pension fund** no tax is payable and the nature of your benefits at retirement will be unchanged.
If you are transferring to a **preservation provident fund:** • your full **fund value** will be taxed in line with withdrawal **tax** rates. • the net amount will <u>not</u> however be subject to further **tax** when it is eventually paid to you as a benefit; and • the nature of your benefits will change: on retirement from a **pension fund** (such as your current **fund**) you are limited to taking no more than one-third of your **fund value** in cash, with the balance being used to arrange a **pension**; whereas on retirement from a **provident fund** you may elect to take up to your whole **fund value** in cash.
If you are in Category 2, 3 or 4 you may at a future date elect to make one partial withdrawal before retirement. Such a withdrawal will be subject to **tax**.
If you are in Category 1, you may not elect to make one partial withdrawal before retirement.
In order to avoid unnecessary costs, you should enquire about the costs applicable in the **preservation fund** of your choice and compare to those in your current **fund**.

Taking some cash:

- If you are in Category 2, 3 or 4 you may elect to receive a portion of your **fund value** in cash and transfer the balance to the **preservation fund** of your choice. The part that you take in cash will be subject to **tax**.
- It is important to realise that taking any of your **fund value** in cash reduces the amount of money available to provide a **pension** in retirement and thus increases the risk of not having enough **pension**.
- If you are in Category 1, you may not elect to take part of your **fund value** in cash – if you elect this option then the whole of your **fund value** must be transferred to the **preservation fund** of your choice.

Option 5: Transfer to a retirement annuity fund

Available if you are in: Category 1, 2, 3 or 4

If you leave the service of your employer or if you are a **paid-up** member of a **fund**, you can elect to transfer your **fund value** to a **retirement annuity fund** of your choice.

Available investment portfolios:

- The investment portfolios will be whatever is available in the **retirement annuity fund** of your choice – please request details from the **retirement annuity fund**.

Costs:

- There is no cost for the transfer.
- You will need to enquire from the **retirement annuity fund** of your choice for details of administration, investment management and any other costs in the **fund**.
- No **tax** is payable on transfer to a **retirement annuity fund.**
- Many people make use of the services of a **financial planner** in making their decisions. This can lead to better long-term outcomes however the resulting charges may significantly reduce your investment over time. Care must therefore be taken to pay fairly for such services, but not to overpay.

Risks and features

Benefits that have been transferred to a **retirement annuity fund** can only be thereafter accessed for the purpose of retirement – unlike a **preservation fund**, there is no option to elect a pre-retirement withdrawal benefit. It is important to understand this before deciding to transfer.
No **tax** is payable on the transfer, and the nature of your benefits at retirement will be unchanged .
In order to avoid unnecessary costs, you should enquire about the costs applicable in the **retirement annuity fund** of your choice and compare to those in your current **fund**.
After you have transferred your fund credit into the **retirement annuity fund**, you may make further contributions if you wish subject to the fund's terms and conditions.
You will retire from the **retirement annuity fund** when you decide to do so.

Taking some cash:

- If you are in Category 2, 3 or 4 you may elect to receive a portion of your **fund value** in cash and transfer the balance to the **retirement annuity fund** of your choice. The part that you take in cash will be subject to **tax**.
- It is important to realise that taking any of your **fund value** in cash reduces the amount of money available to provide a **pension** in retirement and thus increases the risk of not having enough **pension**.
- If you are in Category 1, you may not elect to take part of your **fund value** in cash – the whole of your **fund value** must be transferred to the **retirement annuity fund** of your choice.

Option 6: Take your full benefit in cash

06

Available if you are in: Category 2, 3 or 4

This is not encouraged because it will reduce the amount of money available to you when you retire.

Costs:

- There is no cost for taking cash.
- **Tax** is payable on the cash benefit.

Risks and features

It is important to realise that taking your **fund value** in cash reduces the amount of money available to provide a **pension** in retirement and thus increases the risk of not having enough **pension**.

Tax rates for the tax year 1 March 2020 to 28 February 2021

Tax on cash taken on retirement/retrenchment*

Amount taken in cash	Tax
Up to R500,000	Nil
From R500,000 - R700 000	18% of the amount over R500,000
From R700,000 - R1,050,000	R36,000 plus 27% of the amount over R700,000
Over R1,050,000	R130,500 plus 36% of the amount over R1,050,000

* These rates are applicable cumulatively over your lifetime, covering all lump sum benefits payable on retirement, retrenchment or death from all pension, provident, preservation and retirement annuity funds from 1 October 2007 onwards in the case of retirement or death, and from 1 March 2012 onwards in the case of retrenchment. Any contributions which were not previously allowed as a tax deduction will be added to the tax-free amount.

Tax on cash taken on withdrawal**

Amount taken in cash	Tax
Up to R25,000	Nil
From R25,000 - R660,000	18% of the amount over R25,000
From R660,000 - R990,000	R114,300 plus 27% of the amount over R660,000
Over R990,000	R203,400 plus 36% of the amount over R990,000

** These rates are applicable cumulatively over your lifetime, covering all pre-retirement lump sum benefits received from all pension, provident and preservation funds from 1 March 2009 onwards. Any contributions which were not previously allowed as a tax deduction will be added to the tax-free amount.

An easy to use tax calculator is available on the Robson Savage website:
https://www.robsav.com/resource-centre/tax-calculators/retirement-and-withdrawal-tax-calculator/

Any **pension** received after retirement will be taxed in line with normal income tax tables at the time.

Explanation of words

Annuity strategy
A choice that your retirement fund makes available to you when you retire from the fund.
Cash lump sum The amount of your fund value that you choose to take in cash when you elect to receive a benefit from a fund.
Financial planner
A professional who is qualified to give advice on what to do when you receive a benefit from your retirement fund.
Fund
For the purposes of this document, “Fund” has the same meaning as “Retirement fund”
Fund value
The value of your benefit – you can think of this as your pot of savings in the fund.
Guaranteed pension
A pension that is paid by an insurance company.
Living annuity
A pension that is paid by an insurance company or other financial service provider.
Normal retirement age
The retirement age specified in your retirement fund’s rules.
Paid-up member
A member who has left the service of an employer but has not yet elected to have their fund value paid or transferred.
Pension
A pension is an income that you receive after you retire from the fund, paid for with the balance of your fund value not taken in cash. The two available types of pension are a guaranteed pension and a living annuity. The words “pension” and “annuity” mean the same thing and are often interchanged.
Pension fund
A retirement fund in which you can take at most one-third of your fund value in cash when you retire from the fund – the balance must be used to arrange a pension.
Pension preservation fund
A retirement fund to which you can transfer your benefits from other funds. You can take at most one-third of your fund value in cash when you retire from the fund – the balance must be used to arrange a pension.
Preservation fund
A pension preservation fund or provident preservation fund
Provident fund
A retirement fund in which you can take up to your full fund value in cash when you retire from the fund.
Provident preservation fund
A retirement fund to which you can transfer your benefits from other funds. You can take up to your full fund value in cash when you retire from the fund.
Retirement annuity fund
A retirement fund to which you can make regular contributions and transfer your benefits from other funds. You can take at most one-third of your fund value in cash when you retire from the fund – the balance must be used to arrange a pension.
Retirement benefit
A benefit that is payable by a retirement fund when you retire from the fund.
Retirement fund
A registered and tax-approved pension fund, provident fund, pension preservation fund, provident preservation fund or retirement annuity fund.
Retire from the fund
Electing to retire and receive your fund value from a retirement fund.
Tax
Retirement fund benefits are taxed in line with the tax tables included elsewhere in this document.
Withdrawal benefit
A benefit that a member may elect to have paid by a retirement fund at any time after he or she leaves the service of their employer.