



Options on leaving your employer

Prepare to make informed choices about your money



Leaving your employer?

One of the important financial decisions you need to make is what to do with your retirement savings that you have with your current employer.

In this brochure, we take you through your options and what they mean.

Consider preserving your retirement savings

Preserving is when you keep your retirement savings in the current fund or transfer them to a new fund instead of withdrawing them in cash when you leave your employer.

If you were earning

R10 000

per month and bought a pension that gave you a pension of

20%

of your salary, your monthly pension would be

R2 000

Source: Alexforbes

More than half of those retiring will have to live on less than R2 000 as a pension, for every R10 000 they were earning before retirement.

Why does the average member have this experience?

It's mainly because they withdraw their retirement fund savings instead of preserving them when they change jobs.

What are your options for preserving your retirement savings and reducing the risk that you won't save enough for retirement?

1 Transfer your money to your new employer's fund

- ⌵ You don't pay tax on the money you transfer to your new employer's fund, regardless of whether it's a pension fund or a provident fund.
- ⌵ You can withdraw some of your savings in cash and transfer the rest to your new employer's fund.
- ⌵ You won't have to pay tax on the amount you transfer to your new employer's fund, but you may have to pay tax on the amount you withdraw in cash.

2 Transfer your money to a preservation fund

- ⌵ You don't pay tax on the money you transfer from a pension fund or provident fund to either a pension preservation fund or a provident preservation fund.
- ⌵ *You can make a once-off withdrawal from the preservation fund. This single withdrawal allows you to take all or part of your money in the preservation fund.
- ⌵ You can transfer from a preservation fund to a future employer's fund.
- ⌵ You can't make any additional contributions.
- ⌵ The AFRIS preservation fund is available to you if your fund has implemented AFRIS. You might benefit from lower fees.
- ⌵ Contact AlexForbes to find out if you qualify for this option.

3 Transfer your money to a retirement annuity fund

- ⌵ Your retirement savings are preserved for your retirement.
- ⌵ You don't pay tax when you transfer your money from your current retirement fund to a retirement annuity fund.
- ⌵ You can make additional contributions.
- ⌵ *You can take up to one-third of your savings as cash when you retire.

4 Leave your money in the current fund

- ⌵ You may benefit from lower fees.
- ⌵ *You can transfer the full amount of your retirement savings to another fund, or withdraw the money in cash, before you retire. If you withdraw only part of your retirement savings, the rest must be transferred to another fund.
- ⌵ You can't make additional contributions.

NOTE:

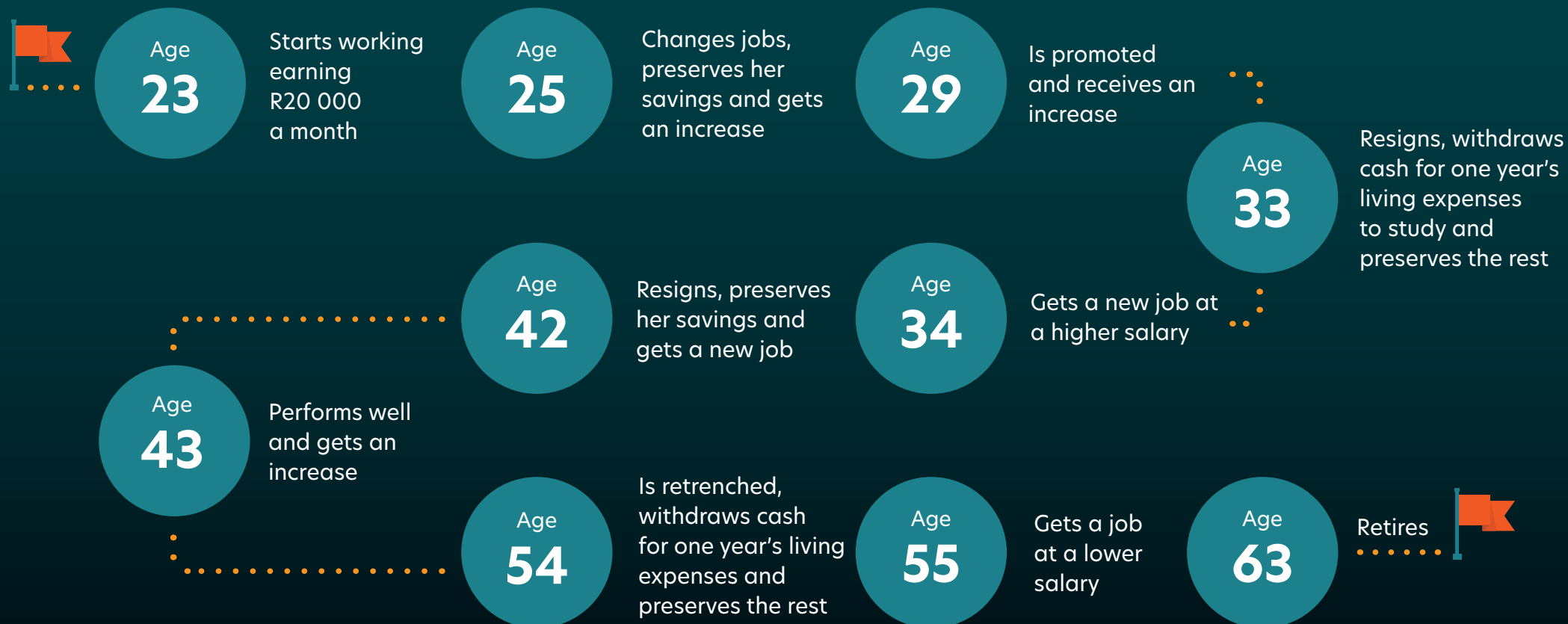
- 1.*You may have to pay tax on the cash amount you withdraw from your retirement savings.
2. New rules which allow retirement fund members to transfer their savings between different kinds of funds, without paying tax on the amount they transfer, were introduced from 1 March 2021.
3. A financial adviser can explain the new rules that apply to your retirement savings, if you emigrate after 1 March 2021.

This is Jackie and this is what happens in her life.



Jackie is 23 and starts working today, earning **R20 000** a month. She starts contributing to her retirement fund at a rate of **12%** of her salary, which is **R2 400 a month**. Like all of us, Jackie's life is a journey and full of ups and downs.

Jackie's choices about her retirement savings as she goes on her employment journey will affect how much she has to live on when she retires





Jackie makes choices throughout her career.

The decisions Jackie makes about her retirement savings will determine the monthly pension she'll have at retirement.

If Jackie keeps her retirement savings invested when she changes jobs and increases her contribution rate regularly, she'll have a good chance of saving enough to live on when she retires. She changes jobs or increases her contribution rate regularly will make a big difference to how much her monthly pension will be when she retires.

The value of advice

The purpose of financial advice is to support individuals in making decisions that are right for them, based on their personal needs and circumstances.

People who receive financial advice can make the most of what they have and have the best chance of reaching their goals.

My Money Matters Centre

Tel: 0860 000 381

Email: mymoneymatters@alexforbes.com

The pension Jackie could get, depending on her choices

Jackie lives well in retirement **R15 367**

If Jackie preserves her money when she changes jobs (except for the one time when she makes a partial withdrawal to study) and increases her retirement contributions regularly, she'll get a monthly pension of R15 367 in today's money when she retires.

Jackie is comfortable in retirement **R11 902**

If Jackie preserves whenever she changes jobs (except for the one time when she makes a partial withdrawal to study) but doesn't increase her contributions, she'll get a monthly pension of R11 902 in today's money when she retires.

Jackie copes, but isn't comfortable in retirement **R4 609**

If Jackie never preserves (except at her last job change when she's older, approaching retirement and realising the importance of preserving) but increases her contributions regularly, she'll retire with a pension of R4 609 in today's money.

Jackie struggles financially in retirement **R2 804**

If Jackie never preserves until her last job change, at age 55, and doesn't increase her contributions, she'll retire with a pension of R2 804 in today's money.

What else you need to know

If you decide to withdraw your retirement savings in cash, rather than keep them invested, this is how you'll be taxed.

During your lifetime, you can take a total of R500 000 of your retirement savings tax free on retirement. However, all amounts you withdraw in cash (exceeding R25 000) before retirement will reduce this amount.²

How much you are taxed depends on how much you take and when you take it. The rate of tax is shown in the tax tables below.

If you resign	
How much you take	Rate of tax
R0 to R25 000	0%
R25 001 to R660 000	18%
R660 001 to R990 000	27%
R990 001 and above	36%

If you retire ²	
How much you take	Rate of tax
R0 to R500 000	0%
R500 001 to R700 000	18%
R700 001 to R1 050 000	27%
R1 050 000 and above	36%

² The amount you can take in cash tax free depends on your previous cash withdrawals from your retirement funds.

Fees and charges

Initial advice fee

This is for the initial advice your financial adviser gives you. It's a percentage of the money you invest and the actual percentage is agreed between you and your adviser.

Yearly advice fee

This is deducted monthly from your investments. The fee as a percentage is agreed between you and your financial adviser.

Administration fees

These are the fees paid to the administrator of the fund. The fees are calculated and deducted monthly from your investments.

Investment management fees

These are the fees and charges of the managers of the investment portfolios. They are set out in the fund fact sheets of each portfolio and may change from time to time.

Value-added tax (VAT) is added to fees where applicable.

Important tip

Now that you're leaving your employer you may be re-thinking a lot of things. Here are some factors to consider for improving your financial outcomes:

- preserve your retirement savings whenever you can
- contribute the most that you can to your savings
- ensure you are protected for emergencies by having adequate insurance and savings
- manage debt effectively
- speak to a financial adviser to help you prioritise your needs and make the decisions that are right for you.

Contact us

Questions about your retirement fund

Client Contact Centre

Tel: 0860 100 333

Email: ccrfadmin@alexforbes.com

Financial advice

My Money Matters Centre

Tel: 0860 000 381

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