



# Options on retiring from your employer

Prepare to make informed choices about your money





At this phase of your working life you will want to know more about what your retirement options are. If you decide to buy a pension, then you'll want to know what type of pension may be suitable for you. In this brochure, we take you through your various options, covering the main advantages and disadvantages of each.

# Retire now or retire later?

## Did you know?

Retiring at age 65 rather than 55 can almost double both your replacement ratio and retirement income.<sup>1</sup>

If your pensionable salary is R10 000 and you have a 30% replacement ratio at age 55, you'll retire on R3 000 a month. If you retire at age 65 instead, your replacement ratio could double to 60% and you'll retire on almost R6 000 a month.

AGE

55

Replacement ratio

30%

> Retire on **R3 000** a month

AGE

65

Replacement ratio

60%

> Retire on **R6 000** a month

Retiring two years later, for example at age 63 rather than 61, can add **8% to 15%** additional retirement income.<sup>1</sup>

<sup>1</sup> Member Watch™ Survey 2018

Income projections at retirement are based on the following assumptions: Preservation: no withdrawals from retirement fund(s) before retirement | Contribution rate: approximately 12% of yearly salary | Yearly salary increase: inflation + 2% | Investment return: inflation + 4.5% | Target: 75% of inflation as an increase in pension income | Gender: male

## The value of advice

Getting personalised information and advice from one of our financial consultants can lead to better decision-making and improve your retirement success.

### My Money Matters Centre

Tel: 0860 000 381

Email: [mymoneymatters@alexforbes.com](mailto:mymoneymatters@alexforbes.com)

Call me back





OPTION

A

## Defer

(retire later)

This means that you will retire from your employer at your company retirement age, but you can keep your retirement savings invested in the fund until you choose to receive your retirement savings.

# What to consider if you choose to defer retirement in your employer's fund:

- ① You and your employer won't contribute to your fund.
- ① You won't have the same benefits, like life or disability cover.
- ① Your retirement savings will stay invested in the fund.
- ① There will still be investment fees and administration costs.
- ① Positive or negative investment returns will be added to or deducted from your investment in the fund until the date you decide to receive your retirement savings.

## You can:

### Defer **IN** the fund

You keep your money in your employer's retirement fund until you're ready to retire. Benefits might be that fees and costs could be less than with other options.



You will stay invested in the investment portfolio you were invested in at your retirement age, unless you are invested in a closed portfolio or make an investment switch.

## You can:

### Defer **OUTSIDE** the fund

You transfer your money into an approved retirement annuity fund (or a preservation fund from 1 March 2019) until you're ready to retire.



When deciding to transfer, consider the fees and whether you can continue making contributions. If you still have questions, please speak to a financial adviser.





OPTION




**B**

## Take a pension (when you retire)

If you want to start getting an income straight after you reach your company retirement age, you can take a pension. There are two main pension types you can choose from:

- 1** Guaranteed pension
- 2** Flexible pension

# Pension and retirement annuity fund members your options are:

Your pots	Pension fund and retirement annuity	What you can do with your retirement savings when you retire
<b>Savings pot</b> - one-third of your ongoing contributions made after 1 September 2024		<ul style="list-style-type: none"> <li>➤ You can take all the money in cash or</li> <li>➤ Use it to create an income for retirement.</li> <li>➤ All cash taken is subject to tax</li> </ul>
<b>Retirement pot</b> - two-thirds of your ongoing contributions made after 1 September 2024		<ul style="list-style-type: none"> <li>➤ You must use this money to set up your income for retirement.</li> </ul>
<b>Vested pot</b> - Is the money saved as of 31 August 2024 (less your seed capital)		<ul style="list-style-type: none"> <li>➤ You must use at least two-thirds of this money to set up your income for retirement.</li> <li>➤ If the amount in your retirement pot plus two thirds of your vested pot is less than R165 000 then you can take this money in cash</li> <li>➤ All cash taken is subject to tax.</li> </ul>

## What you need to think about before you choose to take a pension:

- ⌚ What's your cost of living?
- ⌚ If you have a spouse, will your spouse need an income when you die?
- ⌚ How much money will you need every month?
- ⌚ Do you have other savings to boost your pension?
- ⌚ Could you risk exposing your savings to ups and downs in the markets over short periods and stay invested in the markets for longer?
- ⌚ Do you need to leave money for your loved ones when you die?
- ⌚ How is your health?
- ⌚ What will happen if you live longer than you expect?

**Knowing all of this will help guide you to which type of pension will meet your needs.**

# Your pension income options

This page and the next give you an overview of some of the main types of pensions you can choose from. Speak to a financial adviser before you make any decisions.

## Guaranteed pension (life annuity)



### Income

- ⊗ It's guaranteed for life.
- ⊗ Your income will never reduce.



### Beneficiaries

- ⊗ Your beneficiaries may only receive a benefit within your chosen guaranteed period.



### Investment risk

- ⊗ There's no investment risk (except for a with-profit annuity).
- ⊗ Your income is guaranteed.



### Flexibility

- ⊗ It's not flexible.
- ⊗ Your type of income is fixed for life once you've chosen a specific income type.



### Inflation

- ⊗ Your money may lose buying power if you don't choose an inflation-linked annuity.

## Types of guaranteed pension (life annuities)

1

### Fixed-increase

- ⊗ Choose a flat yearly increase, for example 3%, 5% or 10%.
- ⊗ The greater the increase, the lower the initial income you will receive.

2

### With-profit

- ⊗ Investment performance affects increases.
- ⊗ Increases are determined by the insurance company based on investment performance.
- ⊗ Your increases can be more or less than inflation.

3

### Inflation-linked

- ⊗ Your income is guaranteed to keep up with inflation.
- ⊗ Increases are based on inflation during the year.

4

### Level

- ⊗ You receive the same amount of income for the rest of your life.
- ⊗ The initial income is high compared with other options. Inflation reduces your buying power.

# Your pension income options

We recommend that you speak to a financial adviser to help you understand the risks and benefits on this option.

## Flexible pension (living annuity)



### Income

- ⌚ The income you draw can be anything from 2.5% to 17.5% of your total investment.
- ⌚ You choose your income level.
- ⌚ There's a risk that you may outlive your savings.
- ⌚ Your income is not guaranteed for life.
- ⌚ Your income may reduce over time if you draw more than your investment grows.



### Beneficiaries

- ⌚ You can nominate beneficiaries to receive any balance remaining in your investment at death.



### Investment risk

- ⌚ You choose your investment portfolios.  
There's a risk that your investment may not perform well.



### Flexibility

- ⌚ It's flexible.
- ⌚ You can choose to increase or decrease your income once every year on the anniversary of the investment.



### Inflation

- ⌚ Your money may lose buying power if your investment doesn't perform well.

## 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.



The AFRIS living annuity is available to you if your fund or employer has implemented AFRIS. You might benefit from lower fees in this option. Contact us to find out if you qualify for this option.

# What else you need to know

## How you're taxed when you withdraw your retirement savings in cash

During your lifetime you can take a total of R550 000 of your retirement savings tax free on retirement. However, all amounts you withdraw in cash (above R27 500) before retirement will reduce this amount. How much you are taxed depends on how much you take and when you take it.

**The rate of tax is shown in the retirement tax table below.**

If you retire	
How much you take	Rate of tax
R1 - R550 000	<b>0% of cash taken</b>
R550 001 - R770 000	<b>18% of cash taken above R550 000</b>
R770 001 - R1 155 000	<b>R39 600 + 27% of cash taken above R770 000</b>
R1 155 001 and above	<b>R143 550 + 36% of cash taken above R1 155 000</b>

When SARS determines the tax payable on the table, it will take into account previous withdrawals taken from retirement funds and severance benefits from your employer.

## Fees and charges

### Advice fees

#### 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 adviser.

### Administration fees

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

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

## Important tip

**Now that you're leaving your employer you may be rethinking a lot of things. Here are some factors to consider for achieving your retirement goals:**

keep your retirement savings invested 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 decisions that are right for you



### Questions about your retirement fund

#### Client Contact Centre

Tel: 0860 100 333

Email: [admin@alexforbes.com](mailto:admin@alexforbes.com)

### Financial advice

#### My Money Matters Centre

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### Dedicated Fund Financial Planning Consultants for information and advice

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Call me back



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