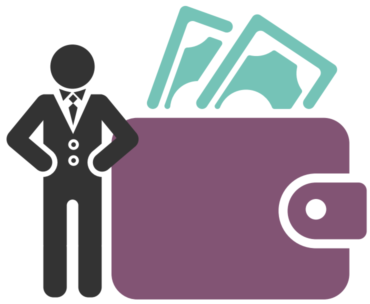
Sanlam

Withdrawal benefits

What happens when you change jobs?

When you change jobs before retirement (whether you resign, are dismissed or get retrenched), you will have a number of options regarding your existing retirement savings - (your **member share**).



Your member share is made up of the following:

- Your own contributions (if you contributed)
- All your employer's contributions (if they contributed)
- Any money you may have transferred from a previous fund
- The investment returns earned on all the above (positive or negative)
- Less operating expenses and the cost of any insured benefits

Preserve your retirement savings

Preserving your retirement savings will avoid the negative impact of taking cash now. The money you saved is meant to be used for your income in retirement. Taking your savings in cash now is tempting, but this decision could affect you now and later.

Why should you consider leaving your money in your current retirement fund?

The key advantages

- You avoid the hassle of having to transfer your money (member share) to another retirement fund.
- Your money will remain invested in the fund and therefore you continue to benefit from the favourable tax treatment of your member share within a retirement fund.
- You would not have to pay tax now on the savings you preserve.

Your membership

- Although your employment with your employer will terminate, you will not withdraw from the fund and therefore will remain a member of the fund, but you will not be entitled to any insured benefits.
- The fund's rules will still apply to you.

Withdrawing and transferring your money

- You may transfer your entire member share to another provider at any time.
- You may withdraw your entire member share at any time before retirement (subject to paying tax as prescribed).

The options you have regarding your current retirement savings

The fund is not able to process your benefit due to you from the fund, until you have made a decision and inform them of your decision. Furthermore the fund is obliged to provide you access to retirement benefits counselling to assist you. The format of such counselling could differ from fund to fund. If you need any further information pertaining to this right, please contact your fund principal officer or your employer's Human Resources officer.

	Leave your money in your current retirement fund	Re-invest your money in a preservation fund	Re-invest your money in a retirement fund with your new employer	Re-invest your money in a retirement annuity
Will my savings be taxable now?	No tax is payable.	No tax, unless you transfer from a pension fund to a preservation provident fund.	No tax, unless you transfer from a pension fund to a provident fund.	No tax is payable
Will I have access to my savings before retirement?	You may make a full withdrawal at any time before retirement, but not a partial withdrawal. Cash withdrawals are subject to tax.	You can access your savings at any time before retirement by making a once-off full or partial withdrawal. This applies independently to your savings in each retirement fund you leave. Cash withdrawals are subject to tax. You retain this right if not used at the time you leave your retirement fund.	You cannot make any withdrawals until such time as you leave your new employer.	You cannot make any withdrawals until you retire (minimum retirement age is usually 55.)
Can I take some cash now?	You cannot take any cash now.	You can cash some of your savings, but you may have to pay tax on the cash you take.	You can cash some of your savings, but you may have to pay tax on the cash you take.	You can cash some of your savings, but you may have to pay tax on the cash you take.
Can I select my own investment choice?	Your savings are subject to the rules and provisions of the fund. Your fund negotiates with the service providers and investment managers on your behalf. You can only invest in the portfolios available in the fund.	You are responsible for your own decisions. You choose your financial service providers and investment managers. You can transfer your savings at any time to another provider or asset manager.	Your savings are subject to the rules and provisions of the new fund. Your new fund negotiates with the service providers and investment managers on your behalf. You can only invest in the portfolios available in the new fund.	You are also responsible for your decisions. You choose your financial service providers and investment managers. You can transfer your savings at any time to another provider or asset manager.
Can I continue to make contributions to my savings?	You may not make ongoing contributions.	You may not make ongoing contributions.	You and/or your employer contribute according to the rules of the new fund.	You can make ongoing additional contributions with possible tax benefits.
Is this option cost effective?	Your fund negotiates on your behalf with all service providers. Economies of scale help reduce costs.	Costs will vary a lot between different providers. Your ability to negotiate may be limited. Greater flexibility usually comes at a greater cost.	Your fund negotiates on your behalf with all service providers. Economies of scale help reduce costs.	Costs will vary a lot between different providers. Your ability to negotiate may be limited. Greater flexibility usually comes at a greater cost.
Is there minimum requirements for this option?	No minimum applicable.	Will vary between different providers.	No minimum applicable.	Will vary between different providers.

What deductions will be made?

The fund may have to make one or more deductions from the benefit depending on whether it is transferred to another retirement fund or paid out in cash.

The fund must obtain a tax directive from SARS before any cash lump sum payment can be made. Any tax payable will be deducted from your cash lump sum benefit and paid to SARS by the fund.

Next the fund may deduct and pay outstanding housing loan sureties, maintenance orders or unpaid divorce orders.

The fund may also deduct losses suffered by the employer as a result of any theft, fraud or misconduct on your part under certain circumstances.

SARS may recover any arrear taxes from your benefit payable by the fund.

The fund may also deduct any amount the fund has paid (or will pay by arrangement), on your behalf, to a medical scheme or an insurance premium payable by you.

The Pension Funds Act prescribes that the Registrar of Pension Funds can also approve any type of deductions (for example, funeral costs) the fund may make from your benefit

To avoid delays in the payment of your benefit ensure that your income tax affairs are up to date.

What tax is payable?

Benefit left in the fund

No tax is payable if you leave your benefit in the fund.

Benefit transferred

No tax is payable if you transfer your benefit to a new employer's pension and/or provident fund, a retirement annuity fund and/or a pension preservation fund or provident preservation fund. Note that although the withdrawal benefit is taxable income in your hands, the amount transferred to another fund is tax deductible and no tax is therefore payable. Tax is however payable where the transfer is from a pension fund to a provident fund or a provident preservation fund.

Benefit paid out in cash

Withdrawal benefit taken in cash are taxable according to the withdrawal tax table of the Income Tax Act.

The following tax table is applicable to **withdrawal lump sum benefit** (the concessions are cumulative, i.e. previous withdrawal benefit are taken into account):

Taxable lump sum (R)	Rate of tax
0 - R25 000	0% of taxable income
R25 001 – R660 000	18% of taxable income above R25 000
R660 000 – R990 000	R114 300 plus 27% of taxable income above R660 000
R990 001 and above	R203 400 plus 36% of taxable income above R990 000

The following tax table is applicable to **retrenchment lump sum benefit**:

Taxable lump sum (R)	Rate of tax
0 - 500 000	0% of amount
500 001 - 700 000	R0 + 18% of amount exceeding R500 000
700 001 - 1 050 000	R36 000 + 27% of amount exceeding R700 000
1 050 001 and above	R130 500 + 36% of amount exceeding R1 050 000

More information

Conversion option for risk cover

- If your employer/fund has chosen this option, you may have a conversion option available to you when you retire from the fund. Refer to your benefit statement to see if you have such an option.
- This option allows you to take out a similar individual policy (for life insurance, lump sum disability or income disability benefit) at your own cost. You may be exempted from the requirement to go for medical screening or to provide medical evidence of good health.
- You have a limited period to take out this option after your last working day.

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Retirement benefits

What is paid to you when you retire?

You can retire on the retirement date as stated in the rules of the fund or you can retire early at any time if the fund rules make provision for early retirement or you can postpone your retirement from the fund. Most funds also make provision for early retirement as a result of ill-health.

When you retire, your **member share** will be paid to you.

Your member share is made up of the following:

- Your own contributions (if you contributed)
- All your employer's contributions (if they contributed)
- Any money you may have transferred from a previous fund
- The investment returns earned on all the above (positive or negative)
- Less operating expenses and the cost of any insured benefits

What options do you have?

You have the following options with your benefit:

On retirement from a pension fund

- Leave the benefit in the fund
- Receive a living annuity or life annuity from the fund (if these options are available)
- Use all the money to buy a pension of your choice (annuity) from another approved fund (if this option is available)
- Take a maximum of one-third as a cash lump sum and use the balance to buy a pension of your choice (annuity)

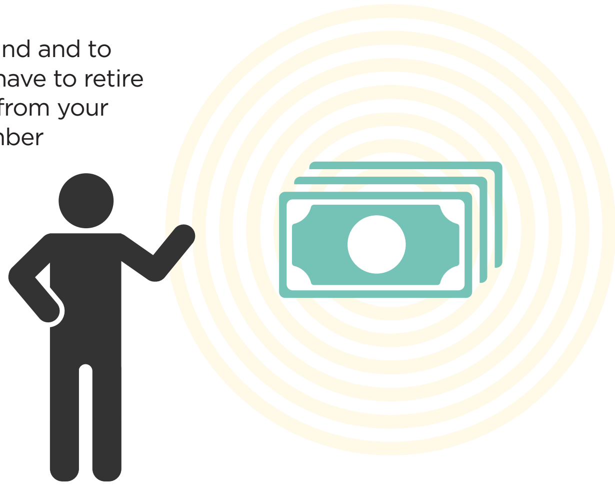
If your total benefit is equal to or less than R247 500, you may take the full amount in cash.

On retirement from a provident fund

- Leave the benefit in the fund
- Receive a living annuity or a life annuity from the fund (if these options are available)
- Use the amount to buy a pension of your choice (annuity) from another approved fund (if this option is available)
- Combine the two, i.e. take some cash and use the rest to buy a pension
- Take the full amount as a cash lump sum

Leaving your benefit in the fund

Legislation allows you to leave your money invested in the fund and to postpone your retirement from the Fund. Although you will have to retire from the service of your employer, you do not have to retire from your current retirement fund and therefore you can remain a member of the fund. This means you will become a "Phased retiree".



Leaving your money invested in the fund has many advantages for you, like:

- You don't have to withdraw your member share immediately and possibly lose out in bad market conditions
- You have time to think about what it is you will be doing with your member share. You may decide to retire from the Fund at any stage in the future
- You continue to benefit from the favourable tax treatment of your member share within a retirement fund

Most fund rules will not allow you to make further contributions to the fund, nor will you be entitled to any insured benefits offered by the fund.

Receive a living or life annuity from the Fund

If your retirement fund allows this option, you may be able to leave your benefit in the fund and draw a monthly pension from the Fund. This means that you will become an In-fund annuitant.

The key advantages of this option are

- You don't have to withdraw your money from the Fund when you retire and possibly lose out in bad market conditions.
- You avoid the hassle of having to transfer your member share to buy a living or life annuity from another provider.
- You pay low administration and investment fees.

You remain a member of the fund

- Although you have retired from the service of your employer, you have not retired from the Sanlam Umbrella Fund and therefore you will still be a member of the Fund.
- All your retirement savings (your entire member share) remains invested in the Fund and continues to earn interest. Your investments will now be used to pay you a monthly pension from the Fund.
- The Fund's General Rules still apply to you, but the set of Special Rules, which applied to your previous employer, no longer applies to you.

Transferring your money

- You may at any time decide to transfer the balance of your member share to another provider to purchase an annuity (if this option is available).

What deductions will be made?

The fund may have to make one or more deductions from the benefit depending on whether it is transferred to another retirement fund or paid out in cash.

The fund must obtain a tax directive from SARS before any cash lump sum payment can be made. Any tax payable will be deducted from your cash lump sum benefit and paid to SARS by the fund.

Next the fund may deduct and pay outstanding housing loan sureties, maintenance orders or unpaid divorce orders.

The fund may also deduct losses suffered by the employer as a result of any theft, fraud or misconduct on your part under certain circumstances.

SARS may recover any arrear taxes from your benefit payable by the fund.

The fund may also deduct any amount the fund has paid (or will pay by arrangement), on your behalf, to a medical scheme or an insurance premium payable by you.

The Pension Funds Act prescribes that the Registrar of Pension Funds can also approve any type of deductions (for example, funeral costs) the fund may make from your benefit.

To avoid delays in the payment of your benefit ensure that your income tax affairs are up to date.

What tax is payable?

If your retirement fund allows this option, you may be able to leave your benefit in the fund and draw a monthly pension from the Fund. This means that you will become an In-fund living annuitant.

Leaving the benefit in the fund

No tax is payable if you leave your benefit in the fund unless deductions are made from your benefit.

Buy a pension (annuity)

Monthly pension payments (annuities) are taxable as income. These pension payments will be subject to PAYE deductions and form part of SARS's annual Income Tax Assessment.

Benefit paid out in cash

Cash lump sum benefit are taxable according to the retirement tax table of the Income Tax Act.

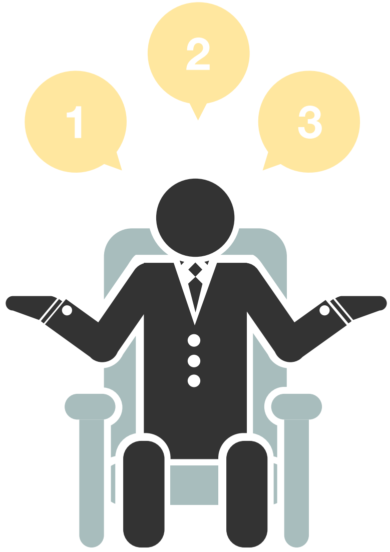
Tax legislation is complex and it is amended from time to time. It is therefore strongly recommended that you seek the assistance of a financial adviser before you decide what to do with your benefit from the fund.

The following tax table is applicable to **retirement lump sum benefit**:

Taxable lump sum (R)	Rate of tax
0 - 500 000	0% of amount
500 001 - 700 000	R0 + 18% of amount exceeding R500 000
700 001 - 1 050 000	R36 000 + 27% of amount exceeding R700 000
1 050 001 and above	R130 500 + 36% of amount exceeding R1 050 000

Understand the basics about annuities

Annuities are financial products designed to convert your retirement savings into a regular income during retirement. Understanding the key elements and risks of annuities is the first step to making informed choices about your retirement savings.



The three key elements of an annuity

- **Your initial income** (first month pension)
- **Your future income increases**
- **Your income security** (The level of risk you are exposed to)

There are two main types of annuities – guaranteed annuities and living annuities. You can invest in one of them or both. Either way, the most important thing is to make an informed choice.

	Living Annuity	Guaranteed Annuity
How it works	• A living annuity is like a bank account. Your retirement savings are invested in an account and your savings grow according to the investment returns you earn. • You receive your income (monthly pension) from this account, and this depletes your savings over time. • The higher the income you choose, and the lower your investment returns, the greater the risk that your savings will not last throughout your retirement.	• You use your retirement savings to purchase an annuity policy from a provider (an insurance company). • The provider uses your retirement savings to pay you an income (monthly pension) according to the terms of your policy. • Your income is guaranteed for life.
Your initial income	• You choose your own initial income as a % of your savings. • There is a minimum and maximum allowable income (between 2.5% and 17.5% of your total savings). • Your fund may have negotiated further restrictions.	• A provider will quote you an initial income based on your purchase amount and the optional features you choose. • Different providers may quote different incomes. • Quotes will change as market conditions change.

	Living Annuity	Guaranteed Annuity
Your future income increases	• You may review your income each year and decide yourself what your income for the next year will be as a % of your savings. • There is a minimum and maximum allowable income (between 2.5% and 17.5% of your total savings). • Your fund may have negotiated further restrictions.	• Your future income is determined by the type of guaranteed annuity you purchase: • **Inflation linked annuity:** Your future increases are linked to inflation rates that will vary from year to year. • **Fixed increase annuity:** You decide on a fixed annual increase at the time you purchase the annuity and it can't be changed thereafter. • **With profit annuity:** Your future increases are based on the investment performance of the investment portfolio. There may be no increases, but your income wouldn't decline.
Managing your income in future	• You are responsible for managing your income. • Each year you must review and decide: 1. What will be your income for the next year. 2. The investment portfolios you will use. 3. Whether to use some or all of your capital to purchase a guaranteed annuity.	• You do not have to manage your income - the provider takes care of everything. • All the terms and conditions are set at the time that you purchase the policy.

Key features and risks	• Features:
	  • You benefit in times of good investment performance.
	  • Your unused retirement savings can be passed on to your dependants after you pass away.
	  • You have the option to transfer to another provider or convert to a guaranteed annuity at any time.
	  • Note: trustees may negotiate a living annuity for your fund - in which case:
	    - You pay low administration and investment fees.
	    - Your trustees determine the investment portfolios available to you.
	• Risks:
	  • Your income is not guaranteed. If you draw too much income or your investment returns are poor, you could run out of money.
	  • You are responsible for the ongoing management of the investment.
	  • You can lose out in times of poor investment performance.
		• Features:
		  • Income is guaranteed for life and the provider has the obligation to pay you an income for the rest of your life.
		  • You may choose optional features such as a guaranteed term or spouse's pension.
		  • The product provider takes care of the ongoing management of the investment.
		• Risks:
		  • The payment terms and optional features are fixed at the start and cannot be changed later.
		  • Additional options come at a cost which may reduce your income.

What happens if you die

Living Annuity

- Your unused retirement savings are passed on to your dependants and/or beneficiaries when you die.

Guaranteed Annuity

- It depends on the features you choose when you purchase the policy:
  - If you chose a single life pension, the pension payments will stop at the time of your death.
  - If you chose a spouses pension, your spouse will continue to receive the income you chose.
  - If you chose a guaranteed term, your income will continue until the end of the term or be paid out as a lump sum to your estate.

More information

Conversion option for risk cover

- If your employer/fund has chosen this option, you may have a conversion option available to you when you retire from the fund. Refer to your benefit statement to see if you have such an option.
- This option allows you to take out a similar individual policy (for life insurance, lump sum disability or income disability benefit) at your own cost. You may be exempted from the requirement to go for medical screening or to provide medical evidence of good health.
- You have a limited period to take out this option after your last working day.

SCO367 03/2019

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Fund termination benefits

What is paid to you if the fund closes down?

Fund termination benefits are payable to you if your employer closes down (liquidates) or if the companysponsored retirement fund is closed down You will receive a benefit amount equal to your share in the fund. This is known as your **member share**.

Your member share is made up of the following:

- Your own contributions (if you contributed)
- All your employer's contributions (if they contributed)
- Any money you may have transferred from a previous fund
- The investment returns earned on all the above (positive or negative)
- Less operating expenses and the cost of any insured benefits

How is the benefit paid?

Your termination benefit will be paid once the liquidation process is finalised. You will have the following options:

- You can have the benefit transferred to a new employer's pension or provident fund
- You can have the benefit transferred to a retirement annuity fund
- You can have the benefit transferred to a registered preservation fund
- You can withdraw the benefit amount in a cash lump sum (subject to tax).

What deductions will be made?

The fund will calculate your member share, but may have to make one or more deductions from the benefit depending on whether it is transferred to another retirement fund or paid out in cash.

The fund must obtain a tax directive from SARS before any cash lump sum payment can be made. Any tax payable will be deducted from your cash lump sum benefit and paid to SARS by the fund.

Next the fund may deduct and pay outstanding housing loan sureties, maintenance orders or unpaid divorce orders.

The fund may also deduct losses suffered by the employer as a result of any theft, fraud or misconduct on your part under certain circumstances.

SARS may recover any arrear taxes from your benefit payable by the fund.

The fund may also deduct any amount the fund has paid (or will pay by arrangement), on your behalf, to a medical scheme or an insurance premium payable by you.

The Pension Funds Act prescribes that the Registrar of Pension Funds can also approve any type of deductions (for example, funeral costs) the fund may make from your benefit.

To avoid delays in the payment of your benefit ensure that your income tax affairs are up to date.

What tax is payable?

Benefit transferred

No tax is payable if you transfer your benefit to a new employer's pension and/or provident fund, a retirement annuity fund and/or a pension preservation fund or provident preservation fund.

Note that although the withdrawal benefit is taxable income in your hands, the amount transferred to another fund is tax deductible and no tax is therefore payable. Tax is however payable where the transfer is from a pension fund to a provident fund.

Benefit paid out in cash

Withdrawal benefits taken in cash are taxable according to the withdrawal tax table of the Income Tax Act. Members who have been retrenched on or after 1 March 2009 and who are taking all or a part of their benefit in a cash lump sum, will be taxed in terms of the retirement tax table and not the withdrawal tax table.

The following tax table is applicable to **withdrawal lump sum benefits** (the concessions are cumulative, i.e. previous withdrawal benefits are taken into account):

Taxable lump sum (R)	Rate of tax
0 - 25 000	0% of taxable income
R25 001 – R660 000	18% of taxable income above R25 000
R660 001 – R990 000	R114 300 plus 27% of taxable income above R660 000
R990 001 and above	R203 400 plus 36% of taxable income above R990 000

Payment	Advantages	Disadvantages	Tax implications
Transfer to **the new employer's retirement fund**	Your benefit will be preserved until you retire.	You cannot access the benefit unless your membership under the new fund is terminated.	No tax is payable on transfer except in the case of a transfer from a pension fund to a provident fund.
Transfer to a **Retirement Annuity (RA) fund**	Your benefit will be preserved until you retire.	You cannot access the benefit before age 55.	No tax is payable on this transfer.
Transfer to **preservation pension** or **provident fund**	Your benefit will be preserved until you retire. You are allowed one withdrawal at any time and leave the rest for retirement (this withdrawal will be taxable).	You cannot access the benefit before age 55.	No tax is payable on this transfer.
Take a cash lump sum	You will have access to cash.	You will have to start saving for your retirement all over again. You may never be in a position to catch up and retire comfortably.	The lump sum is taxable in terms of the withdrawal tax table. The first R25 000 is taxed at 0%.

More information

When will you receive your benefits?

- The liquidation process takes approximately 6 to 12 months.
- Your benefits will only be paid once the liquidation process has been finalised.
- You can help to speed up the termination procedure by providing the liquidator with your updated contact details.

How will the fund communicate progress with you?

Updates on the latest developments will be posted on the fund's website, for which you will require a password. If you do not have one yet, please contact the website administrator.

SCO367 03/2019

Disability benefits

If you become disabled and cannot continue with your occupation, you may become entitled to one or more of the following benefits. Please refer to your fund benefit statement to see what benefits apply to you.

1 Monthly Income Benefits

If you become totally and continuously disabled, you may become entitled to a **monthly income disability benefit** in terms of an insurance policy. The specific terms (for example, the definition of disability), conditions and qualifying criteria are defined in the policy.

How is the monthly income benefit paid?

The benefit will be paid in the form of a monthly payment that can be equal to a percentage of your salary as per the option selected by your employer in terms of the policy.

This benefit is payable under a separate Group Scheme Policy. It is subject to the terms and conditions of the Group Scheme Policy at the time when your claim is approved.

The payment might be subject to a waiting period and no back payments might be applicable.

What happens once the claim is approved?

- Once the claim has been approved, the benefit will be paid as a monthly payment until you recover, die or reach the benefit expiry date (for example, your normal retirement date in terms of the rules of your retirement fund) as stipulated in the policy, whichever occurs first.
- When you reach the benefit expiry date, the monthly payments will stop.
- A scaling-down formula that will reduce the monthly payment may also be applicable.
- A rehabilitation benefit could be included in terms of the policy to cater for the costs of rehabilitation.
- You will remain a member of the fund and therefore remain responsible for the payment of fund contributions.
- The policy may make provision for your monthly income to increase annually at a certain percentage.

What tax is payable?

No tax will be payable on your monthly income payments. If you are required to submit an annual Income Tax return to SARS, the total disability income received during that year must be declared as amounts considered non-taxable.

Further information

You remain a member of the fund and an insured under the Group Scheme Policy while receiving a monthly payment, therefore you will retain the same benefits (for example, death benefits, spouse's life cover and funeral benefits) as would be applicable to you if you were still in active service. Any income may be adjusted by the insurer if, simultaneously with this benefit, you also receive disability income from other insurers and the total amount exceeds the limit (for example, 100% of your gross monthly salary) as determined by the policy.

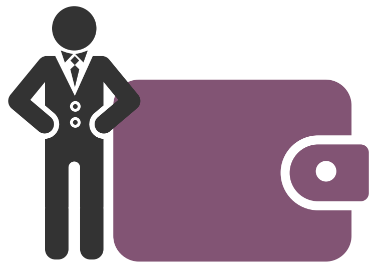
2 Once off (lump sum) Disability benefits

If you become totally, permanently and continuously disabled, you may become entitled to a **once off lump sum disability benefit in terms of the rules of the fund or a separate Group Scheme Policy**. The specific terms (for example, the definition of disability), conditions and qualifying criteria are defined in the rules or policy.

How is the once off payment determined?

The once off payment is made up of the following:

- Your full **member share** (if the benefit is provided by the fund), plus
- Any insured disability cover benefit payable by the fund or the separate Group Scheme Policy in the event of your disability.



Your member share is made up of the following:

- Your own contributions (if you contributed)
- All your employer's contributions (if they contributed)
- Any money you may have transferred from a previous fund
- The investment returns earned on all the above (positive or negative)
- Less operating expenses and the cost of any insured benefits

A waiting period, may apply before the payment is made. The once off payment can be a fixed amount or a multiple of salary as per the option selected by your employer.

The amount payable to you may be reduced, according to a formula as specified in the policy, in the last five years before your normal retirement date.

What deductions will be made?

The fund may have to make one or more deductions from the benefit depending on whether it is transferred to another retirement fund or paid out in cash.

- The fund must obtain a tax directive from SARS before any cash lump sum payment can be made. Any tax payable will be deducted from your cash lump sum benefit and paid to SARS by the fund.
- Next the fund may deduct and pay outstanding housing loan sureties, maintenance orders or unpaid divorce orders.
- The fund may also deduct losses suffered by the employer as a result of any theft, fraud or misconduct on your part under certain circumstances.
- SARS may recover any arrear taxes from your benefit payable by the fund.
- The fund may also deduct any amount the fund has paid (or will pay by arrangement), on your behalf, to a medical scheme or an insurance premium payable by you.
- The Pension Funds Act prescribes that the Registrar of Pension Funds can also approve any type of deductions (for example, funeral costs) the fund may make from your benefit.

To avoid delays in the payment of your benefit ensure that your income tax affairs are up to date.

What tax is payable?

Once-off amounts taken in cash from the fund are taxable according to the retirement tax table of the Income Tax Act. The following tax table is applicable to r**etirement/disability lump sum benefits** which becomes payable on or after 1 March 2014:

Taxable lump sum (R)	Rate of tax
0 - 500 000	0% of amount
500 001 - 700 000	R0 + 18% of amount exceeding R500 000
700 001 - 1 050 000	R36 000 + 27% of amount exceeding R700 000
1 050 001 and above	R130 500 + 36% of amount exceeding R1 050 000

Monthly pension payments (annuities) will be taxed as a normal income. These payments will be subject to PAYE deductions and form part of SARS's annual Income Tax Assessment.

If the once off payment benefit is paid under the Group Scheme Policy no tax will be payable on the benefit. If you are required to submit an annual Income Tax return to SARS, the total benefit received during that year must be declared as amounts considered non-taxable.

More information

Once you have been paid a once-off disability benefit, you are no longer a member of the fund or the separate Group Scheme Policy and therefore no further benefits will apply to you.

The once-off benefit is treated as an "advanced payment" of the death benefit payable. That means that in the event of your death, no further death benefits may be payable.

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Death benefits

What benefit is paid in the event of your death?

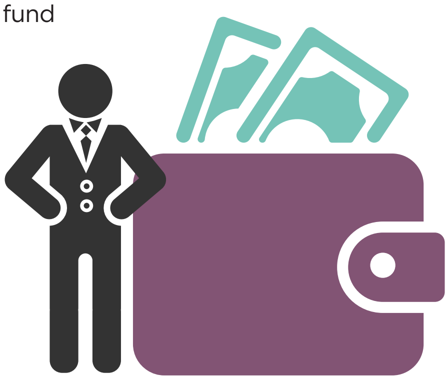
Your dependants and/or nominees may be entitled to one or more of the following death benefits. Please refer to your fund benefit statement to see what benefits apply to you.

1 Approved Group Life Insurance

(Your benefit via the fund)

The fund benefit may consist of the following:

- Your full **member share** (in terms of the rules of the fund), plus
- Any insured group life benefit payable by the fund (if applicable).



Your member share is made up of the following:

- Your own contributions (if you contributed)
- All your employer's contributions (if they contributed)
- Any money you may have transferred from a previous fund
- The investment returns earned on all the above (positive or negative)
- Less operating expenses and the cost of any insured benefits

2 Unapproved Group Life Insurance

(Your benefit via an employer's policy)

A further insured group life benefit may also be payable, through a separate group life scheme insurance policy, i.e. it does not form part of the fund.

1

How is the approved Group Life benefit paid?

The benefit is allocated and paid to your dependants and/or nominees as determined by the Board of Trustees.

The Pension Funds Act prescribes that it is the trustees' duty to find and identify all your dependants and nominated beneficiaries. Once they have this information, the trustees must allocate and pay the fund benefit on a basis they deem fair.

The person/s you nominated on your beneficiary nomination form will be taken into account during this allocation process.

It is essential that you explain to the trustees the reasons for your nomination and in cases where you nominate a person that is not your dependant, explain why a benefit should be allocated to that person and not your dependants.

If you did not nominate anybody, the benefit will be paid to your estate.

This benefit may be taxed.

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How is the unapproved Group Life benefit paid?

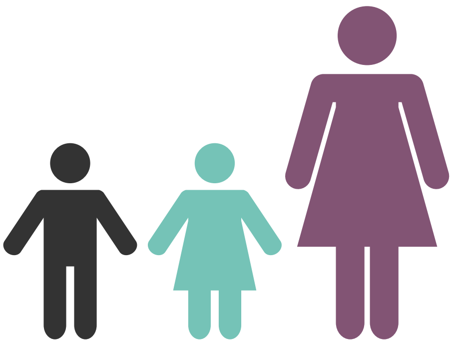
The group life policy prescribes how the benefit must be paid. Many policies stipulate that the benefit must be paid to the person/s you nominated on your beneficiary form.

The wording of policies might however differ from the situation described above and it may mean that the person/s you nominated on your beneficiary nomination form might not be entitled to benefit in terms of the policy, but could I be taken into account during this allocation.

If you did not nominate anybody, the benefit will be paid to your estate.

This benefit is not taxable.

It is important that you nominate your beneficiaries



Please ensure that you complete a **Beneficiary Nomination Form** and update these forms regularly, especially when your circumstances change in case of a divorce, marriage or the birth of a child. You may obtain this form from your HR department or from the Fund's website at **www.retirementfundweb.co.za**

What deductions will be made?

The fund may have to make one or more deductions from the benefit depending on whether it is transferred to another retirement fund or paid out in cash.

The fund must obtain a tax directive from SARS before any cash lump sum payment can be made. Any tax payable will be deducted from your cash lump sum benefit and paid to SARS by the fund.

Next the fund may deduct and pay outstanding housing loan sureties, maintenance orders or unpaid divorce orders.

The fund may also deduct losses suffered by the employer as a result of any theft, fraud or misconduct on your part under certain circumstances.

SARS may recover any arrear taxes from your benefit payable by the fund.

The fund may also deduct any amount the fund has paid (or will pay by arrangement), on your behalf, to a medical scheme or an insurance premium payable by you.

The Pension Funds Act prescribes that the Registrar of Pension Funds can also approve any type of deductions (for example, funeral costs) the fund may make from your benefit.

To avoid delays in the payment of your benefit ensure that your income tax affairs are up to date.

What tax is payable on the approved benefit?

When a pension (life annuity) is purchased for your dependants

No tax is payable in respect of the cash lump sum used to purchase a pension for your beneficiaries. However, the monthly pension payments will be taxed as an income in the hands of the beneficiaries and will be subject to PAYE deductions if it exceeds the tax threshold. The beneficiary/beneficiaries of a monthly pension may also be subject to SARS's annual income tax assessment.

When the benefit is transferred to a parent or caregiver

Assuming that the investment is made in the name of a minor beneficiary for his/her exclusive benefit, investment income will accrue to and be taxed in the minor beneficiary's hands (and not in the hands of the parent or caregiver) in accordance with the individual income tax tables.

Lump sum benefit payments to a parent or caregiver on behalf of beneficiaries are taxable according to the Income Tax table on the next page.

When the benefit is transferred to a beneficiary fund

The investment income earned by the beneficiary fund will be tax-exempt and all benefit payments made to the beneficiary will be tax-free.

Payments to a beneficiary fund are taxable according to the Income Tax table below.

When the benefit is transferred to a trust

Assuming that, in terms of the trust deed, the benefit will be used for the exclusive benefit of your minor dependants, all income earned will be taxed within the trust. Therefore, benefit payments by the trust to the minor(s) will not be subject to income tax again. The trust is taxed as either a special trust (individual tax rates without rebates apply) or normal trust (40% flat tax rate applies).

Payments to a trust are taxable according to the Income Tax table below.

When the benefit is paid out in cash

A cash lump sum benefit is taxable according to the Income Tax table below.

Income Tax table for the payment of death and retirement benefits

Taxable lump sum (R)	Rate of tax
0 - 500 000	0% of amount
500 001 - 700 000	R0 + 18% of amount exceeding R500 000
700 001 - 1 050 000	R36 000 + 27% of amount exceeding R700 000
1 050 001 and above	R130 500 + 36% of amount exceeding R1 050 000

What estate duty is payable?

All retirement fund benefits (approved and unapproved) payable on your death, is exempt from estate duty.

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