Sanlam Umbrella Fund (SUF)

Leaving your retirement fund

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Are you about to leave your retirement fund?

When you leave your retirement fund for whatever reason, it is important that you understand all the options available to you and the consequences of any decision you may make.

Good to know:

01

Select the option that is applicable to your situation and read the information carefully.

02

Keep your fund benefit statement handy since you will need to refer to this to see which benefits/options your fund offers.

03

Please consider **consulting** with an **accredited financial services provider** to obtain appropriate financial advice before you make any decisions regarding benefits payable to you from your retirement fund.

The following options are available to you when you are about to leave your retirement fund:

Withdrawing

- You have resigned from your employer; or
- You have been dismissed; or
- You have been retrenched

Retiring

- You have reached retirement age; or
- You are considering early retirement

Terminating

- Your employer has closed down the retirement fund; or
- The company is closing down; or
- The fund is liquidated

Disabled

- You have become disabled and are unable to continue with your normal job

Death

- In the unfortunate event of your death before retirement, your fund benefit will be very important to your dependants. You need to understand what will happen with your benefit.

When leaving your retirement fund, a benefit becomes payable to you. This benefit 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 of the above (positive or negative)
- Less operating expenses and the cost of any insured benefits

While all of this adds up to your member share in the fund, your member share is further divided into various pots: an emergency savings pot, a retirement savings pot and if applicable, a vested pot.

Your emergency savings pot

1/3 of your net fund contributions will be allocated to your Emergency Savings pot. This pot will grow with monthly contributions and investment returns. You can make one withdrawal from this pot in a tax year.

Your retirement savings pot

2/3 of your net fund contribution will go to your retirement pot. This pot will grow with monthly contributions and investment returns. No withdrawals can be made from this pot. The total balance in your retirement pot must be preserved, transferred or used to buy a pension (annuity).

Your vested pot

If applicable, you may also have a vested pot. This pot is made up of all your accumulated retirement fund savings up until 31 August 2024. Although you no longer contribute to this pot, it will continue to grow with investment returns. When leaving the fund, this pot could either be taken in cash, preserved, transferred or used to buy a pension (annuity).

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, preserved 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.
- 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 and any penalties from your benefit ensure that your income tax affairs and declared taxable income are in order.

What tax is payable?

For claims from your emergency savings pot, you will be taxed at your marginal tax rate (i.e. PAYE). At retirement, the emergency savings pot may be taken as a lump sum and will be taxed according to the SARS retirement tax table which is detailed below.

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

Taxable lump sum (R)	Rate of tax
R0 - R27 500	0% of taxable income
R27 501 - R726 000	18% of taxable income above R27 500
R726 001 - R1 089 000	R125 730 + 27% of taxable income above R726 000
R1 089 001 and above	R223 740 + 36% of taxable income above R1 089 000

The following tax table is applicable to **retirement, disability** and **retrenchment** lump sum benefit:

Taxable lump sum (R)	Rate of tax
R0 - R550 000	0% of taxable income
R550 001 - R770 000	18% of taxable income above R550 000
R770 001 - R1 155 000	R39 600 + 27% of taxable income above R770 000
R1 155 001 and above	R143 550 + 36% of taxable income above R1 155 000

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 with the applicable insurer. 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.

Withdrawal benefits

What happens when you leave your job?

When you leave your job 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).

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.

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 have preserved.

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 emergency savings pot and vested pot (if applicable) 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 decided and have informed them of your decision. Your member record will become paid-up if no instruction is received after six months from the date of your last contribution.

Furthermore, the fund is obliged to provide you access to retirement benefit counselling to assist you. The format of such counselling differs from fund to fund. If you need any further information pertaining to this right, please contact 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 is payable	No tax is payable	No tax is payable
Will I have access to my savings before retirement?	**Retirement Savings Pot:** You will not have access to your retirement savings pot. This pot must be preserved for retirement. **Emergency Savings Pot:** You will have access to your emergency savings pot if you have not made an emergency savings pot withdrawal in the tax year in which the withdrawal is made. Any withdrawal from this pot will be subject to income tax. **Vested Pot:** If applicable to you, you will have access to your vested pot. Cash withdrawals are subject to tax.	**Retirement Savings Pot:** You will not have access to your retirement savings pot. This pot must be preserved for retirement. **Emergency Savings Pot:** You will have access to your emergency savings pot if you have not made an emergency savings pot withdrawal in the tax year in which the withdrawal is made. Any withdrawal from this pot will be subject to income tax. **Vested Pot:** If applicable to you, you can access your vested pot at any time before retirement by making a once-off full or partial withdrawal. Cash withdrawals are subject to tax. You retain this right if not used at the time you leave your retirement fund.	**Retirement Savings Pot:** You will not have access to your retirement savings pot. This pot must be preserved for retirement. **Emergency Savings Pot:** You will have access to your emergency savings pot if you have not made an emergency savings pot withdrawal in the tax year in which the withdrawal is made. Any withdrawal from this pot will be subject to income tax. **Vested Pot:** If applicable to you, the vested pot remains preserved in the new employer's retirement fund. You will not have access to these funds until retirement or you leave the new employer.	You cannot make any withdrawals from you retirement pot and vested pot until you retire (minimum retirement age is usually 55.) You will have access to your emergency savings pot if you have not made an emergency savings pot withdrawal in the tax year in which the withdrawal is made. Any withdrawal from this pot will be subject to income tax.
Can I take some cash now?	You cannot take cash from your **retirement savings pot**. This pot must be preserved for retirement. You will have access to your emergency savings pot if you have not made an **emergency savings pot** withdrawal in the current tax year. Any withdrawal from this pot will be subject to income tax. If applicable to you, you may be allowed to withdraw from the **vested pot** now. Cash withdrawal from this pot is subject to tax.	You cannot take cash from your **retirement savings pot**. This pot must be preserved for retirement. You can cash some or all of your emergency savings pot, if you have not made an **emergency savings pot** withdrawal in the current tax year, and any allowable **vested pot** savings (if applicable), before transferring your benefit to a preservation fund. However, you may be required to pay tax on the cash amount you take.	You cannot take cash from your **retirement savings pot**. This pot must be preserved for retirement. You can cash some or all of your emergency savings pot, if you have not made an **emergency savings pot** withdrawal in the current tax year, and any allowable **vested pot** savings (if applicable), before transferring your benefit to your new employer. However, you may be required to pay tax on the cash amount you take.	You cannot take cash from your **retirement savings pot**. This pot must be preserved for retirement. You can cash some or all of your emergency savings pot, if you have not made an **emergency savings pot** withdrawal in the current tax year, and any allowable **vested pot** savings (if applicable), before transferring your benefit to a retirement annuity. However, you may be required to pay tax on the amount you withdraw.

	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
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 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 contributes 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 a minimum requirement for this?	No minimum applicable.	Will vary between different providers.	No minimum applicable.	Will vary between different providers.

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 entire benefit to a new employer's pension and/or provident, a retirement annuity fund or a pension 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.

Benefit paid out in cash

Withdrawals from your emergency savings pot is taxable according to your income tax.

A withdrawal benefit from your vested pot (if applicable) taken in cash is taxable according to the withdrawal tax table of the Income Tax Act.

Retirement benefits

What is paid to you when you retire?

You can:

retire on the date as stated in the rules of the fund; or

retire early at any time if the fund rules make provision for early retirement; or

postpone your retirement from the fund.

Most funds also make provision for early retirement as a result of ill health.

When you retire you will be entitled to an amount equal to what your member share is at the time.

What options do you have?

- Leave the benefit in the fund.
- Receive a living annuity from the fund (if these options are available).
- Use the money to buy a trustee-approved life annuity from Sanlam.
- Use the money to buy a pension of your choice (annuity) from any other insurer.
- Take part in cash and use the balance to buy a pension (annuity) of your choice from an insurer.
- Transfer your money to a retirement annuity fund or a preservation fund (you may draw the cash at any time in the future).

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, such as:

- You don't have to withdraw your member share immediately and possibly lose out to 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.
- Your retirement benefit will not be taxed whilst you leave it in the fund.
- You cannot make further contributions to the fund, nor will you be entitled to any insured benefits offered by the fund.

Receiving 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 during bad market conditions.
- You avoid the hassle of having to transfer your member share to buy a living or life annuity from an insurer.
- You may pay lower administration and investment fees.
- You remain 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.
- You may at any time decide to transfer your annuity to another insurer.

What tax is payable?

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 benefits 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.

Understanding 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 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 subject to the fund of your choice. • 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.
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 subject to the fund of your choice. • 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.

<table>
<tr><th></th><th>Living Annuity</th><th>Guaranteed Annuity</th></tr>
<tr><td>Key features and risks</td><td>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.</td><td>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.</td></tr>
<tr><td>What happens if you die</td><td>Your unused retirement savings are passed on to your dependants and/or beneficiaries when you die.</td><td>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 spouse’s 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.</td></tr>
</table>

Termination benefits

What is paid to you if the fund closes down?

Termination benefits are payable to you if your employer closes down (liquidates) or if the company sponsored 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.

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 emergency savings pot and vested pot (if applicable) as a cash lump sum (subject to tax)

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 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.

Benefit paid out in cash

Withdrawal benefits taken in cash will be taxed according to the applicable tax tables of the Income Tax Act.

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 fund is terminated.	No tax is payable on transfer.
Transfer to a retirement annuity	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 a 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.

More information

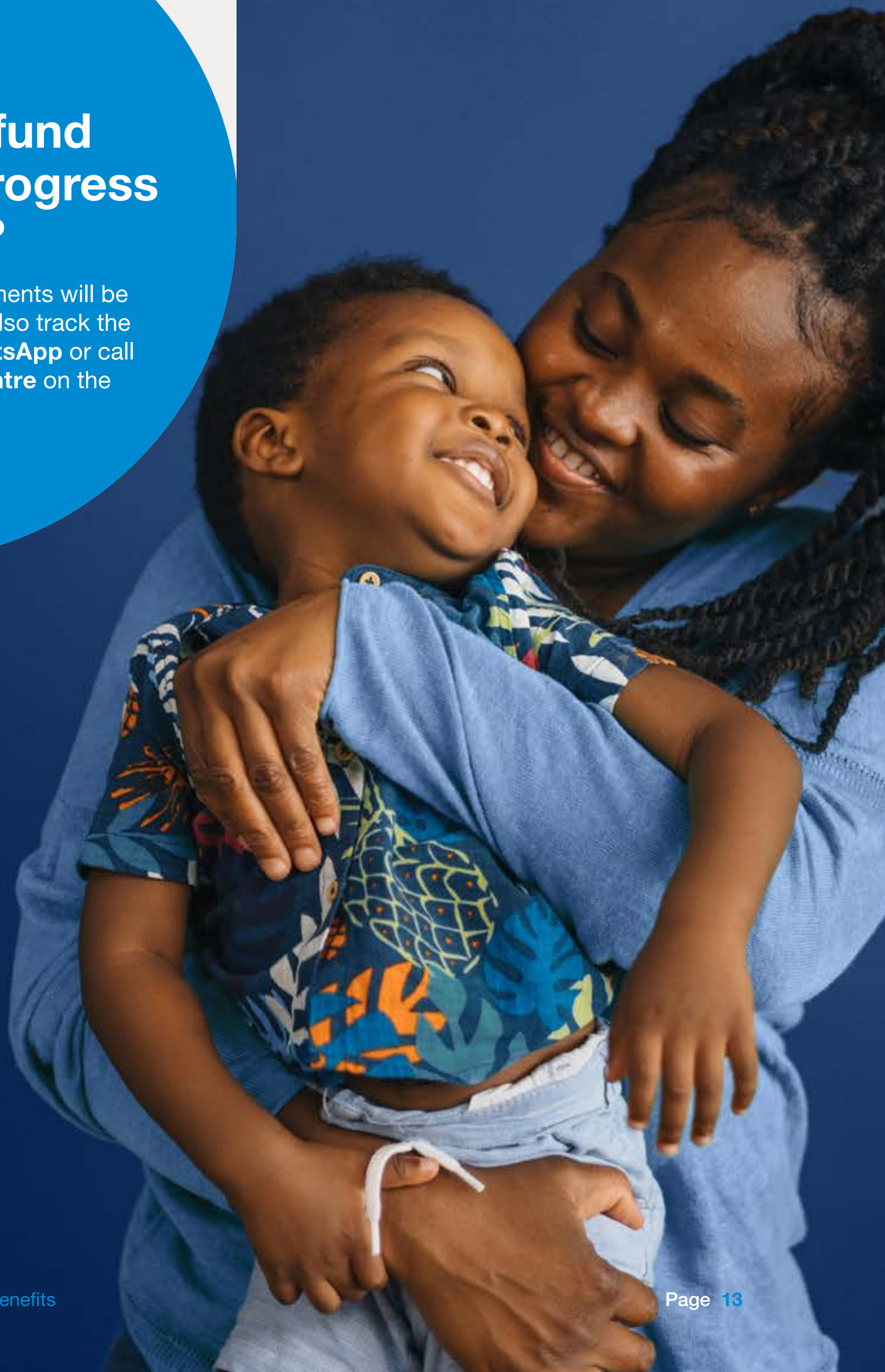
When will you receive your benefits?

- 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 and claim instruction.

How will the fund communicate progress with you?

Updates on the latest developments will be sent to you via **SMS**. You can also track the progress of your claim via **WhatsApp** or call our **Client Care Contact Centre** on the same number:

086 122 3646



Disability Benefits

If you become disabled and cannot continue with your normal job, 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 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 fund rules or insurance 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.

What tax is payable?

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.

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)

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 policy, i.e. it does not form part of the fund.

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 at the discretion of the Trustees based on your dependants at the time of your death.

This benefit may be taxed.

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 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 nominations and information regularly, especially when your circumstances change such as marriage, divorce or the birth of a child. You may obtain this form from your HR department or from the Fund's website at https://www.sanlamonline.co.za/corporate/

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 you 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.

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 tables.

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.

When the benefit is paid out in cash

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

What estate duty is payable?

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