

OPTIONS ON RETIREMENT

As you approach retirement, it is important to understand that your Fund Credit can represent your lifetime savings. These funds are crucial for ensuring your financial security throughout your retirement years and so it's essential to consider that these savings need to last you for the rest of your life. Therefore, making informed decisions about how to manage and utilise these funds is vital. This document will guide you through the options available to you.

From 1 September 2024 your Fund Credit consists of your VESTED, SAVINGS and RETIREMENT Components.

Your VESTED Component may consist of:

- ▼ **Non-Vested Right (Pension Fund and Retirement Annuity (RA) members):** you may take a maximum of 1/3 as a cash withdrawal and must purchase an annuity with the remainder.
- ▼ **Vested Right (Provident Fund members):** in terms of the Taxation Laws Amendment Act of 23 of 2020, please refer to table hereunder:

You are allowed all or a portion of your VESTED and SAVINGS Components in cash. Your RETIREMENT Component will be used to purchase an annuity. However, you may take the full benefit in cash if two-thirds of the NON-VESTED component (pension) plus 100% of your RETIREMENT component is R165 000 or less. Cash withdrawals are subject to TAX (refer to table hereunder).

If you are at retirement age but not ready to retire. Refer to Options on Resignation and we encourage you to discuss with a financial planner.

1 ANNUITY OPTIONS

You must transfer at least 2/3's of your Non-Vested Right (Pension Fund and Retirement Annuity (RA)) as well as your Retirement component into either a Life Annuity (Guaranteed) or Living Annuity. You can take up to the full amount in cash from your Provident Fund benefit (Vested Portion), but it is recommended to purchase an annuity to ensure a steady income in retirement. In both cases, the amount you transfer will transfer tax-free.

When considering your annuity options, consider Destiny's Default Living Annuity, administered by Momentum Wealth. This Annuity allows you to select any of the Destiny Portfolios during retirement.

	Guaranteed Annuity Annuity (income) for Life	Living Annuity Investment Funded Income
Income	Varies depending on how income is requested at application stage	Investor can select between 2.5% and 17.5% per annum of the fund value
Income Guaranteed for Life	Yes	No - the capital will reduce if selected income is greater than investment return
Can income level be changed	No	Yes – annually at inception month
Annual increases	Varies depending on how income is requested at application stage	Yes - but important to monitor with financial advisor for sustainability
Can the type of annuity be changed	No	Yes - can convert to a Guaranteed Annuity
Income payable to beneficiaries on death	Only if benefit is selected upfront (at extra cost)	Yes - beneficiaries can opt for income or lump sum pay-out (subject to applicable tax)
Remaining capital to beneficiaries on death	No, unless life cover and/or guaranteed term is purchased with guaranteed annuity	Yes - beneficiaries can opt for income or lump sum pay-out (subject to applicable tax)
Protection against living too long	Yes, but be aware that inflation can erode your purchasing power over time	No - unless investment performance is greater than drawdown

The amount of your Fund Credit taken in cash any time from 1 March 2023 is taxable as follows:

Taxable income from lump sum benefits	Tax rate
First R550 000	0%
Difference between R550 000 and R770 000	18% of amount above R550 000
Difference between R770 001 and R1 155 000	R39 600 + 27% of amount above R770 000
R1 155 001 and above	R143 550 + 36% of amount above R1 155 000

Important Note: The tax you pay depends on the amount you take in cash. Retirement fund lump sum benefits are "aggregated" – which means that any "previous taxable lump sums" received on retirement (since 1 October 2007), withdrawal (since 1 March 2009) and severance benefits received upon retrenchment (since 1 March 2011) are added to the current lump sum to establish the "total taxable lump sum". Thereafter, the above table is applied.

On retiring from a Pension Fund, Retirement Annuity (RA) or Provident Fund benefit (Non-Vested Benefit), if the total value is below R247 500 you may withdraw the full benefit in cash. You may also elect to use some or all of your benefit to buy an annuity.

GIB provides guidance (benefit counselling) to assist and support you at this important time.

We hope this document is of assistance to you, understanding however, that other scenarios may arise. Should you require further assistance, please contact your financial planner or a GIB financial planner.