Death claims unpacked

Retirement

Retirement savings and life insurance payouts

Losing a loved one is one of the most difficult experiences a person can go through. It, therefore, makes sense that during this difficult time, your loved ones do not have to worry about finances as well.

Your family will receive a share of your retirement savings and a life insurance payout (if your employer offers this benefit) if you die while being a member of the Alexander Forbes Retirement Fund. The trustees of the fund have a legal responsibility to make sure that death benefits from the fund are paid to those who are financially dependent on you.

If your death benefit is through a policy that is separate to the fund, then the trustees will not be involved and this benefit will be paid out according to the nomination of beneficiaries form that you've completed with that specific insurer.

Death benefits from or through the retirement fund

Retirement savings payout

Life insurance payout, called an 'insured death benefit'

Let's look at the responsibilities of each stakeholder in this process of paying out death benefits from or through the fund – retirement fund member, employer, insurer and retirement fund trustees alike. In this way, you and your family know what to do and who to follow up with if tragedy strikes.

What retirement fund members need to do

Keep your Nomination of Beneficiary form 'Who needs financial support when I die?' form up to date

This nomination of beneficiaries form is so much more important than anyone thinks – even though it is not a last will and testament. The trustees are expected, by law, to find all the people who are financially dependent on you, as well as those whom you love and would want to leave a portion of your death benefit to when you die. Those who depend on you for financial survival are called your beneficiaries. Examples are your spouse or life partner, children (of any age), your mother, people you need to pay maintenance to or anyone else in your life who depends on you financially.

If no one is financially dependent on you in any way, you can choose someone else as a beneficiary (family, friend, or even a charity). If you choose to give your death benefit to a charity when you die, the money will first be paid to your estate and then paid over to the charity of your choice. If this form is not up to date, it could take the trustees much longer to identify who should receive a share of your death benefit from the fund.

Submit the correct documents

The most common reason for delays in paying an insured death claim is that there are missing, incomplete or incorrect documents submitted with the claim.

Your employer can assist with what is needed and can check that the form has been completed fully and correctly before submission. In general, the following information is needed:

- a certified copy of the death certificate
- the identity document or passport of the deceased member
- proof of the extent of any financial dependency of the beneficiaries
- a copy of a pension-backed housing loan (if applicable)

What your employer needs to do

Your employer must submit a death claim form to Alexforbes and the insurer. The HR department in big companies will guide your family during the claiming process.

What the insurer needs to do

The insurer will assess the claim documents and will process the claim according to the insurance policy. Once the insurer has approved the death claim, the insurer will pay the fund.

Paying the benefits
The trustees will decide how the death benefit is paid depending on the circumstances:

1. Cash payment to a major beneficiary over the age of 18
2. Cash payment of a major beneficiary's benefit to the guardian if the beneficiary is still at school or studying
3. Payment to the beneficiary fund for a major beneficiary, with their consent, who is still at school or studying
4. Payment to the beneficiary fund for a minor beneficiary younger than 18
5. Cash payment of a minor beneficiary's benefit to the guardian or caregiver
6. Buying a pension to provide a monthly income
7. Payment to a family trust or trust established for the beneficiary

Younger than 18

Pay Tshepo's guardian or caregiver in cash

A beneficiary fund administers, invests and pays benefits to minor dependants of retirement fund members after a member's death.

Tshepo

- Pay in cash
- Pay to the beneficiary fund
- Buy a pension to provide a monthly income
- Pay to a family trust or trust established for the beneficiary

Older than 18

Pay Tshepo in cash

Pay Tshepo's guardian or caregiver in cash if Tshepo is still at school or studying

Tshepo must agree to this if he is older than 18 and still at school or studying

The death claim benefit may be taxed before it is paid out. The amount of tax and the way the benefit is paid will depend on the tax laws at the time of death.

What your retirement fund needs to do

The trustees of your fund have a legal duty when you die to distribute your death benefit from and through the fund.

The trustees must find all dependants and nominees to decide how to share the retirement savings and life insurance payout fairly. To make a fair decision, the trustees will consider the following six factors, among others:

1. Age of the beneficiaries
2. Relationship to the deceased
3. How financially dependent they were on the deceased
4. Their financial affairs
5. Their earning potential and prospects
6. The total amount of the retirement savings to be distributed

The trustees can choose to give a beneficiary no payout, as the law doesn't say that every beneficiary must get some money. However, they must consider the needs of each beneficiary and the amount available for distribution.

The draft resolution
After receiving information from the employer, the administrators and other sources, the trustees will decide on how they want to share the death benefit out. This decision will be documented in a 'draft resolution'.

If there's information that the trustees may not have considered when they made their decision and the draft resolution has already been prepared, your family needs to contact the trustees urgently. The fund's administrators will pay the death claim once they get a response from all beneficiaries, or if no response has been received within 30 days of sending the draft resolution document.

The death claim process – know the time limits

If the time limits are not met, the claim may not be accepted, and no claim will be paid out. These timeframes are set by the insurer in relation to the life insurance policy of the member.

Notify Alexforbes or the insurance company within three months of the member's death.

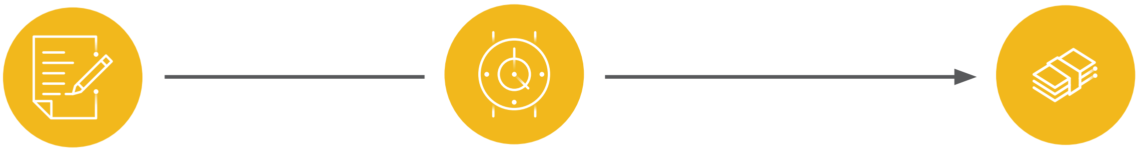
3 months

Give all documents supporting a claim to Alexforbes or the insurance company within 12 months of the member's death. The time limit of 12 months is a guideline only. Check with your HR department to find out what time limits apply on the insurance policies because it might be shorter.

12 months

If the fund has still not paid out the benefit (or a part of the benefit) to a beneficiary within 24 months after the trustee distribution resolution has been signed, the amount might become an 'unclaimed benefit' and may be transferred to an unclaimed benefit fund.

24 months



There are various reasons for delays in paying a death claim from or through the fund. The most common reasons include **the employer not completing the claim form in full, missing or incorrect documents, investigations for the trustee resolution taking longer than expected, outstanding tax issues and beneficiaries not providing their bank account details.** Make sure your family knows what can go wrong and what to do to make the process run smoothly – it all plays a part in leaving a legacy that you can be proud of.

A legacy refers to the payout of a death benefit when you die to your loved ones.

‘Leaving a legacy means putting a stamp on the future and making a contribution to future generations. People want to leave a legacy because they want to feel that their life mattered. ... Gaining clarity on what you want your legacy to be can give your life meaning and purpose.’ – Marelisa Fabrega, **How to leave a lasting legacy, Daring to live fully**