Options on leaving your employer

Prepare to make informed choices about your money

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Leaving your employer?

One of the important financial decisions you need to make is what to do with your retirement savings that you have with your current employer.

In this brochure, we take you through your options and what they mean.

Consider keeping your retirement savings invested (preserved) so they can keep growing

You can keep your retirement savings invested by leaving them where they are or transferring to a new fund instead of withdrawing them in cash when you leave your employer.

Why you should keep your retirement savings invested

More than half of those retiring will have to live on less than R2 000 as a pension, for every R10 000 they were earning before retirement.

Why does the average member have this experience?

It's mainly because they withdraw their retirement fund savings instead of preserving them when they change jobs.

If you were earning

R10 000

per month and bought a pension that gave you a pension of

20%

of your salary, your monthly pension would be

R2 000

Would you be able to live on 20% of your salary?

Source: Alexforbes

Remember: The purpose of having retirement savings is to have enough to live on one day when you retire from your employer.

What are your options to keep your retirement savings invested and ensure you have enough to live on after retirement?

Leave your money in the current fund

- If you choose this option, you can still transfer the full amount of your retirement savings to another fund, or withdraw the money in cash, before you retire. However, your retirement pot is not available in cash and can only be transferred or annuitised (subject to *de minimus* rule) at retirement.
- You can't make a partial cash withdrawal from your vested pot if you choose this option.
- Your money will stay in the same pots, with the same values in the individual savings, retirement and vested pots.
- You will have access to your savings pot and can make one withdrawal per tax year (1 March - 28 February).
- Your savings pot won't get topped up as you aren't making ongoing contributions.
- This is a low fee option.
- You can't make additional contributions to any of the pots.
- Any risk cover you had before you left your employer will stop.

What must I do if I choose this option?
Nothing. Your retirement savings will stay invested and can keep growing. This is an easy and low fee option.

Transfer your money to a preservation fund

- You can make a partial or full once off withdrawal from the vested pot of the preservation fund before retirement.
- You will be able to access the savings pot once every tax year as long as it is at least R2 000.
- You can transfer from a preservation fund to a future employer's fund.
- You can't make any additional contributions.
- The AFRIS preservation fund is available to you. This fund offers lower fees than other preservation funds that are generally available to individuals.
- You can transfer to a preservation fund at retirement if you don't want to set up an income at that stage but you can't have a once off withdrawal.

Transfer your money to a retirement annuity fund

- Your money will be transfered with the same values in the savings, retirement and vested pot.
- You can access the money in your savings pot and make one withdrawal per tax year (1 March - 28 February) as long as you have more than R2000 to withdraw.
- You can contribute up to 27.5% of your taxable income, up to R350 000 per year and get the tax back on the contribution.
- From 1 September 2024, One-third of your ongoing contributions will go into your savings pot and two-thirds to your retirement pot.
- You can take up to one-third of your vested pot, and all of your savings pot in cash when you retire.
- You can't withdraw any of the money in your retirement pot when you leave your employer. All of the money must be used to set up an income for your retirement.

The AFRIS Retirement Annuity Fund is available to you. This fund offers lower fees than other retirement annuity funds that are generally available to individuals.

Transfer your money to your new employer's fund

- You can withdraw a part or all of your vested pot and savings pot in cash and transfer the balance to your new employer's fund.
- You can access your savings pot in your new employer's fund once every tax year.
- Your retirement pot is not available to be taken and cash and must be transferred.
- You can only take the vested pot in cash when you resign or get retrenched.
- You can't withdraw any of the money in your retirement pot when you leave your employer. All of the money must be used to set an income for your retirement.

NOTE:

1. You may have to pay tax on the cash amount you withdraw from your retirement savings.
2. You don't pay tax on money you transfer to any other fund.
3. A financial adviser can explain the rules that apply to your retirement savings, if you emigrate after 1 March 2021.

Speak to a financial adviser to help you consider your options. For financial advice contact My Money Matters Centre: **Telephone:** 0860 000 381 | **Email:** mymoneymatters@alexforbes.com

Meet Jackie

Jackie is 25 years old
Earns R350 000 per year
Contribution rate 15%
No vested pot

Let's have a look at how Jackie's choices, while working, impacts her retirement outcomes.

Debt and varsity

Jackie does not have a vested pot as she only started contributing to a retirement fund after 1 September 2024. Jackie wants to pay off her debt and save for her daughter's tertiary education in 18 years' time.

For her daughter's education Jackie saves an extra 1% towards her retirement fund which is only R292 per month. This allows Jackie to withdraw from her savings pot when she needs it in the future. This additional payment is split with one-third to the savings pot and two- thirds to the retirement pot.

Jackie achieves her goals by:

- Continuing to pay her monthly repayments, and she withdraws her full savings pot for two years to reduce her debt balance as quickly as possible.
- In the third year, Jackie only needs to withdraw a portion of the money in the savings pot to settle her debt.

Despite withdrawing from her savings pot to settle debt and pay for her daughter's education Jackie's retirement expectations remain promising, and she'll have saved enough money to cover about 70% of her pre-retirement income in retirement.

Withdraws 100% of her savings pot annually

Jackie withdraws all her savings pot money every year. Jackie won't be able to take any of her retirement savings in cash at retirement.

Jackie will only retire on 50% of her final salary. Understanding how her decisions impact her retirement outcomes means she can me more informed decisions.

Notes:

a) The vested pot is not accounted for in this example shown for the following reasons:

b) Examples are based on assumptions and are for illustrative purposes.

c) Members who join retirement funds from 1 September onwards will not have a vested pot.

d) Members who currently have a vested pot are advised not to access the pot at all before retirement.

Your savings pot holds immense potential. By thinking differently about your savings pot and being responsible about your retirement savings you can use your savings pot wisely. This will allow you to address immediate financial needs while ensuring a comfortable retirement stays within reach. It puts you in control of your future.

Need help?

One of the great benefits of being connected with Alexforbes is having access to advice. If you'd like to discuss your options or need more information, please contact us.

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Meet Shivesh

Shivesh is 45 years old
Earns R450 000 per year
Contribution rate 15%
Vested pot balance R1 030 000
Retirement age is 63

Let's have a look at how Shivesh's choices, while working, impacts her retirement outcomes.

Shivesh - Sporadic withdrawals for emergencies

Shivesh does not withdraw any money from his vested pot, but he accesses his savings pot for emergencies at these times in his life:

- At age 45 - R50 000
- At age 50 - R150 000
- At age 55 - R100 000

Shivesh will retire on 57% of his final salary. He can improve his retirement outcomes by increasing his contribution rate or saving extra with an AVC (Additional voluntary contribution). This option allows you to save a specific rand value of percentage.

No withdrawals at all

Shivesh does not withdraw any of his retirement savings whilst working.

Shivesh will retire with 61% of this final salary. By increasing his contribution rate from 15% to 16% he can retire with 66% of his final salary.

Notes:

a) Example is based on assumptions and is for illustrative purposes.

b) Members who join retirement funds from 1 September 2024 onwards will not have a vested pot.

c) Members who currently have a vested pot are advised not to access the pot at all before retirement.

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What else you need to know

If you decide to withdraw your retirement savings in cash, rather than keep them invested, this is how you'll be taxed (Based on tax law at September 2024).

During your lifetime, you can take a total of R550 000 of your retirement savings tax free amount at retirement. However, all amounts you withdraw from your vested pot, in cash (exceeding R27 500) before retirement will reduce this amount.[1]

Withdrawals from your saving pot before retirement do not reduce the R550 000 tax free amount at retirement. Savings pot withdrawals are taxed at your marginal tax rate, the same as your salary is taxed.

If you resign and take money from your vested pot	
How much you take	**Rate of tax**
R1 - R27 500	**0% of cash taken**
R27 501 - R726 000	**18% of cash taken above R27 500**
R726 001 - R1 089 0000	**R125 730 + 27% of cash taken above R726 000**
R1 089 001 and above	**R223 740 + 36% of cash taken above R1 089 000**

If you retire[2]	
How much you take	**Rate of tax**
R1 - R550 000	**0% of cash taken**
R550 001 - R770 000	**18% of cash taken above R550 000**
R770 001 - R1 155 000	**R39 600 + 27% of cash taken above R770 000**
R1 155 001 and above	**R143 550 + 36% of cash taken above R1 155 000**

1. The amount you can take in cash tax free depends on your previous cash withdrawals from your retirement funds.

Fees and charges

We often get questions about fees. The following types of fees can affect your retirement savings:

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

Investment management fees
These are the fees and charges of the managers of the investment portfolios. They are set out in the fund fact sheets of each portfolio and may change from time to time.

Savings Pot withdrawal
If you take cash from your savings pot you will pay a fee of 2% of the amount you are taking with a minimum of R100 and a maximum of R600

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

If you have a financial adviser, the following fees may be charged:

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 financial adviser.

Important tips

Now that you're leaving your job, you may be re-thinking a lot of things including how to make the most of your money. Here are some tips:

- Keep your retirement savings invested whenever you can so they can keep growing.
- Withdrawals from your saving pot before retirement do not reduce the R550 000 tax free.
- Savings pot withdrawals are taxed at your marginal tax rate, the same as your salary is taxed.
- Combine your retirement savings in one place to make your life easier and possibly pay less fees. Make the decisions that are right for you.
- Save as much as you can each month for your goals, including retirement.
- Make sure you're prepared for emergencies by having enough savings or insurance.
- Manage your debt so that you don't become over-indebted. If you have too much debt, get help.
- Speak to a financial adviser to help you prioritise your financial needs and make decisions that are right for you.

Questions about your retirement fund

Client Contact Centre

Tel: 0860 100 333

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Financial advice

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