



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 for keeping your retirement savings invested to give yourself the best chance of having enough to live on after you retire?

1 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. If you withdraw only part of your retirement savings, the rest must be transferred to another fund.
- This is a low fee option.
- You can't make additional contributions.

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.

2 Transfer your money to a preservation fund

- You don't pay tax on the money you transfer from a pension fund or provident fund to either a pension preservation fund or a provident preservation fund.
- *You can make a once-off withdrawal from the preservation fund. This single withdrawal allows you to take all or part of your money in the preservation fund.
- 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.

3 Transfer your money to a retirement annuity fund

- You don't pay tax when you transfer your money from your current retirement fund to a retirement annuity fund.
- You can make additional contributions.
- *You can take up to one-third of your savings as cash when you retire.
- 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.

NOTE:

- 1.*You may have to pay tax on the cash amount you withdraw from your retirement savings.
2. New rules which allow retirement fund members to transfer their savings between different kinds of funds, without paying tax on the amount they transfer, were introduced from 1 March 2021.
3. A financial adviser can explain the new rules that apply to your retirement savings, if you emigrate after 1 March 2021.

4 Transfer your money to your new employer's fund

- You don't pay tax on the money you transfer to your new employer's fund, regardless of whether it's a pension fund or a provident fund.
- *You can withdraw some of your savings in cash and transfer the rest to your new employer's fund.

This is Jackie and this is what happens in her life.



Jackie is 23 and starts working today, earning **R20 000** a month. She starts contributing to her retirement fund at a rate of **12%** of her salary, which is **R2 400 a month**. Like all of us, Jackie's life is a journey and full of ups and downs.

Jackie's choices about her retirement savings as she goes on her employment journey will affect how much she has to live on when she retires. Here is what happens in Jackie's working life. During her working life, Jackie makes decisions about her retirement savings each time she changes jobs. She also chooses how much to save for retirement. On the next page we'll see how Jackie's decisions affect her after she retires.



Age
23

Jackie starts working earning R20 000 a month

Age
25

Jackie gets a new job and receives an increase

Age
29

Jackie is promoted and receives another increase

Age
33

Jackie wants to grow her skills so she resigns and withdraws cash for one year's living expenses to study

Age
42

After eight years in her job, Jackie is ready for a change. She resigns and starts a new job

Age
34

Jackie gets a new job with a higher salary thanks to her studies

Age
43

Jackie performs well in her new job and gets an increase

Age
54

11 years later, Jackie gets retrenched. She withdraws one year's living expenses from her retirement savings

Age
55

Jackie eventually finds a new job at a lower salary

Age
63

Jackie retires from her employer



Jackie makes choices throughout her career.



- ★ The decisions Jackie makes about her retirement savings will determine the monthly pension she'll receive after she retires.
- ★ If Jackie keeps her retirement savings invested when she changes jobs and regularly increases the amount she's saving for retirement (her contributions), she'll have a good chance of saving enough to live on when she retires. Let's have a look at the different pension amounts that Jackie can expect to receive after she retires, depending on the choices she makes during her working life.
- ★ Jackie discovers that keeping her retirement savings invested so they can keep growing whenever she changes jobs and increasing the amount she saves for retirement regularly, gives her the best chance of having enough to live on in retirement.

Getting financial advice at the right time is valuable

The purpose of financial advice is to support individuals in making decisions that are right for them, based on their personal needs and circumstances.

People who receive financial advice can make the most of their savings and have the best chance of reaching their goals.

If you want financial advice, contact our My Money Matters Centre

Tel: 0860 000 381

Email: mymoneymatters@alexforbes.com

The pension Jackie could get, depending on her choices

Jackie lives well in retirement **R15 367**

If Jackie keeps her retirement savings invested whenever she changes jobs (except for when she withdraws some cash to pay for her studies and to live on when she's retrenched) and increases her retirement contributions regularly, she'll get a monthly pension of R15 367 in today's money (so you can see how it compares to her salary of R20 000) when she retires.

Jackie is comfortable in retirement **R11 902**

If Jackie keeps her retirement savings invested whenever she changes jobs (except when she withdraws some cash to pay for her studies and to live on when she's retrenched) but doesn't increase her contributions, she'll get a monthly pension of R11 902 in today's money when she retires.

Jackie copes, but isn't comfortable in retirement **R4 609**

If Jackie never keeps her retirement savings invested (except at her last job change when she's older, approaching retirement and realising the importance of having enough to live) but increases her contributions regularly, she'll retire with a pension of R4 609 in today's money.

Jackie struggles financially in retirement **R2 804**

If Jackie never keeps her retirement savings invested until her last job change, at age 55, and doesn't increase her contributions, she'll retire with a pension of R2 804 in today's money.

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.

During your lifetime, you can take a total of R550 000 of your retirement savings tax free on retirement. However, all amounts you withdraw in cash (exceeding 27 500) before retirement will reduce this amount.²

How much you are taxed depends on how much you take and when you take it. The rate of tax is shown in the tax tables below.

| If you resign | |
|-------------------------|---|
| How much you take | Rate of tax |
| R 1 - R 27 500 | 0% of taxable income |
| R 27 501 - R 726 000 | 18% of taxable income above R 27 500 |
| R 726 001 - R 1 089 000 | R 125 730 + 27% of taxable income above R 726 000 |
| R 1 089 001 and above | R 223 740 + 36% of taxable income above R 1 089 000 |

| If you retire ² | |
|----------------------------|---|
| How much you take | Rate of tax |
| R 1 - R 550 000 | 0% of taxable income |
| R 550 001 - R 770 000 | 18% of taxable income above R 550 000 |
| R 770 001 - R 1 155 000 | R 39 600 + 27% of taxable income above R 770 000 |
| R 1 155 001 and above | R 143 550 + 36% of taxable income above R 1 155 000 |

2. 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.

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 tip

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.
- 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.



Contact us about:

A claim or processes:

Client Contact Centre

Tel: 0860 100 333

Email: admin@alexforbes.com

Understanding your options or making a decision based on your personal circumstances (advice):

My Money Matters Centre

Tel: 0860 000 381

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