GTC
consult • partner • manage

Road Map - Exit prior to retirement

FUNDS ADMINISTERED BY GTC

Join Nomfundo as she guides you on your journey to financial wellbeing and the various options available to you when exiting your fund.

Meet Nomfundo

Nom is 29 years old, rents an apartment and is paying off her car.

Nom has a retirement fund through her work, administered by GTC, with monthly contributions.

START

Nom loves her job, which sometimes requires her to work after hours and on weekends. She is generous and carefree and often gets half way through a month to find she's spent too much money.

Nom meets some old acquaintances at a party and one of them offers her a job, which pays more, including weekends.

Nom resigns from her job and is delighted to find that she had accumulated a fair bit of money in her retirement fund and considers what she can do with this investment, continuing her long-term savings plan.

The value of your investment can go up and down on a daily basis, due to investment market conditions.

Terminology to assist you on your journey

Annuitisation: The compulsory purchase of an income at retirement, using at least **two-thirds** of the non-vested portion of your fund credit, subject to tax payable and prevailing legislation.

Your fund credit: The accumulated investment value of your retirement fund, whether it is a pension or a provident fund.

Should your fund credit be less than **R247 500**, the full amount may be taken in cash, at retirement.

Any **cash lump sum** is subject to tax.

T-Day: 1 March 2021 is the legislated implementation date of the split of your provident fund credit into a vested and non-vested benefit. Pension funds are already subject to annuitisation.

Vested benefit: Your provident fund credit as at T-Day, plus future growth thereon, may be taken as a cash lump sum, at retirement.

Non-vested benefit: Your provident fund credit which is subject to annuitisaion. This comprises contributions from T-Day onwards.

The status of both your vested and non-vested benefit will be retained upon transferring your benefit to a new fund. T-Day affects your vesting and non-vesting fund credits on all the following options, for members under 55 on T-Day and all new members thereafter.

As for all the members of the fund, the following 5 options are available to you on exit.

Option 1 — Preserve your full benefit inside the fund

In most instances you will have the option to remain invested in your current investment portfolio.

No partial withdrawal allowed!

- There are no tax consequences.
- No additional administration fees.
- No upfront costs.
- No forced disinvestment.
- Ongoing competitive institutional pricing
- This is referred to as a "paid-up" benefit.

Option 2 — Transfer to the retirement fund of your new employer

- There are no tax consequences.
- No commission payable.
- You should ascertain and compare the fees that apply to your new fund.

Continue

Option 3 — Transfer to a preservation pension or provident fund, or a retirement annuity fund

Preservation fund

- Monies may be partially or completely withdrawn.
- Only one withdrawal prior to retirement is allowed.
- If you make a partial withdrawal, you are not allowed to withdraw the balance at a later date before retirement, except on formal emigration.
- The cash portion is taxed in terms of the withdrawal tax tables.
- Future contributions are <u>not allowed</u>.

Retirement annuity fund

- Monies transferred in cannot be accessed until retirement or age 55, except on formal emigration.
- Future contributions <u>are allowed</u>.

Continue

Important notice

On T-Day provident fund credits are split into vested and non-vested accounts.

Members <u>under 55</u> on T-Day: Your non-vested benefits are subject to annuitisation.

Members <u>over 55</u> on T-Day: No compulsory annuitisation <u>if you remain in the same provident fund</u>, the full amount may be taken in cash at retirement. If you change funds, the new contributions are subject to annuitisation.

Option 4 — Take a portion of your benefit in cash and preserve the balance by transferring it

- The portion taken in cash is subject to tax payable on resignation.
- The portion of the benefit to be transferred is not taxed.

Option 5 — Cash

Take your fund credit in cash

TAX

The tax is cumulative and impacts your tax-free allowance on retirement.

Advantages of preserving your monies in the fund, or your new employer's fund

- The money remains invested in your name.
- There is no Capital Gains Tax.
- No Dividends Tax.
- Fee scales applicable in group retirement funds are usually lower than individual retirement funds.

Risk benefits

You might have the option to take over your existing risk benefits - which may include life, disability, and severe illness cover in your personal capacity. T&C's apply.

See <u>attached</u> Risk benefits Road Map.

All, or part of this amount, may be insurable without undergoing medical underwriting.

Life Cover | Disability Cover | Severe Illness Cover | T's & C's APPLY

Please feel free to contact GTC as your administrator, or an accredited financial advisor for a quotation in this regard.

WITHDRAWAL TAX TABLE

Tax free	R1 - R27 500
18% Tax	R27 501 - R726 000
27% Tax	R726 001 - R1 089 000
36% Tax	R1 089 001 and above

Remember!

The tax table is cumulative.
For example, if you use your R27 500 tax free amount when resigning from an employer, you cannot get this deduction at a later stage when you resign from another employer. Any cash taken will also be accounted for in determining tax on your retirement benefits, using the retirement tax tables.

For all your exit options, you should seek accredited financial advice.

- **Option 1** Preserve your full benefit inside the fund.
- **Option 2** Transfer your benefit to your new employer's retirement fund.
- **Option 3** Transfer your benefit to a preservation or retirement annuity fund.
- **Option 4** Take a portion in cash, transfer the balance to a preservation or retirement annuity.
- **Option 5** Take your benefit in cash.

Based on the information provided, it is recommended that you carefully consider the options available to you before making adecision regarding your retirement fund monies.

As you can see, the best options for retirement savings are usually to either **preserve your money within the fund**, or to **transfer it to your new employer's retirement fund.**

GTC, as your administrator, can provide you with all of the information that you require to make these important decisions regarding your fund.

010 597 6920 or <u>**clientservicing@gtc.co.za**</u>

GTC's Privacy Policy can be viewed on the GTC Website at <u>**www.gtc.click/Group-Privacy-Policy**</u>
It is important that you read and understand the Privacy Policy.

You are urged to seek accredited financial advice in this regard.