

## **OPTIONS AVAILABLE AT WITHDRAWAL (RESIGNATION /RETRENCHMENT/ DISMISSAL)**

### **INTRODUCTION**

When you resign from your current employer's service, it is important to remember that your goal to save for retirement does not end. This document aims to provide you with more information on the different options available to you at termination of service, before retirement. Most people do not save enough for retirement, and the biggest reason for this is because they take their fund savings in cash when they change/ leave employment. It is therefore important that you make informed decisions when you change/ leave employment.

### **RETIREMENT BENEFITS COUNSELLING**

Please remember, you also have access to telephonic Retirement Benefits Counselling to assist you before your benefit is paid to you or is transferred to another approved fund. To speak to a counsellor, please contact the Fund's Administrator on 021 943 5330 or 021 943 5357 or e-mail your full names and ID number to [rbc@verso.co.za](mailto:rbc@verso.co.za) and a counsellor will contact you. Please do not hesitate to contact the Fund's Administrator at the contact details provided above, should you have any queries.

### **FINANCIAL ADVICE**

The Fund encourages members to constantly seek financial advice on all fund matters and particularly when benefits become payable.

When choosing a financial adviser, please keep the following in mind:

- Look for a financial planner that is FAIS accredited and experienced to give advice.
- Discuss the planner's remuneration structure. Whether it is commission based or a flat fee, it must be disclosed in Rand value and in writing. You have the right to negotiate the fee, taking into consideration the service expected/received from the planner.
- Read the Code of Ethics that your planner adheres to – financial planners have a "fiduciary" duty to look after your best interest as an individual.

If you do not have a financial planner, please contact the Fund's Administrator on 021 943 5330 or 021 943 5357 for assistance.

### **BENEFIT OPTIONS**

When you leave the service of your current employer, you must complete a benefit claim form to instruct the Fund's Administrator what to do with your retirement savings. The following options are available to you:

- 1)** Remain a Paid-up member in the Fund.
- 2)** Preserve (transfer) your benefit to a preservation fund.
- 3)** Transfer your benefit to your new employer's retirement fund.
- 4)** Transfer your benefit to a retirement annuity fund.
- 5)** Take your benefit in cash.

## **OPTION 1: Remain a Paid-up member in the Fund**

Please note the following when you elect to remain a Paid-up member in the Fund:

- 1.1. You are required to preserve your entire benefit in the Fund (i.e. you may not take any portion in cash and preserve the balance).
- 1.2. There is no minimum amount applicable.
- 1.3. You may access your paid-up benefit (cash and/ or transfer) at any age prior to or at retirement.
- 1.4. No new contributions to the Fund are permitted.
- 1.5. No deductions may be made from your paid-up benefit in respect of any insured risk benefits.
- 1.6. With effect from 1 March 2019, you automatically become a paid-up member in the Fund on the termination of your employment, if you do not choose another benefit option.
- 1.7. You remain a paid-up member in the Fund until you complete and submit a withdrawal claim form, instructing the Fund what you wish to do with your benefit.
- 1.8. Paid-up: Fees
  - 1.8.1. No upfront or additional costs apply.
  - 1.8.2. The investment management fees paid will be the same as the fees that you paid when you were still in-service and contributing to the Fund.
  - 1.8.3. The Fund deducts R22.94 per month from your benefit for administration expenses.
- 1.9. Paid-up: Investments
  - 1.9.1. The benefit may remain invested in the same investment portfolio (or a portfolio elected by you from the available menu).
  - 1.9.2. You are permitted 1 free switch per year and the cost for additional switches thereafter is R350 (including VAT) per switch and will be paid from your benefit.
  - 1.9.3. For more details about the investment options, fees or the underlying investment portfolios, please refer to the Investment Fact Sheet or call the Fund's administrator on 021 943 5330 or 021 943 5357 or send your ID number and contact number to [rbc@verso.co.za](mailto:rbc@verso.co.za) and a counsellor will contact you.
- 1.10. Paid-up: Tax and Other Allowable Deductions
  - 1.10.1. You do not pay any tax when you become a paid-up member.
  - 1.10.2. When an allowable deduction is made from your benefit in terms of Section 37D of the Pension Funds Act, then this deduction is treated as a once-off withdrawal and your entire benefit will be taxed, prior to you becoming paid-up. Examples of Section 37 D deductions are:
    - a) Home loans – both guarantee and collateral;
    - b) Maintenance payments;
    - c) Employer compensation for damage caused by the employee;
    - d) Any future lump sum taken will be taxed on the same basis as any other lump sum payment from a fund.

### 1.11. Paid-up: Communication

- 1.11.1. You will receive a paid-up certificate, confirming your status as a paid-up member. It is important to retain your paid-up certificate, because you will require it, should you transfer your paid-up benefit to another approved fund.
- 1.11.2. You may also register for online access to the Fund's secure website and / or the member App. Please contact the Fund's administrator on 021 943 5330 or 021 943 5357, for more details.
- 1.11.3. You will continue to receive an annual statement from the Fund that confirms the value of your benefit.

### 1.12. Paid-up: Death benefits

- 1.12.1. Your total benefit becomes payable on death.
- 1.12.2. The payment thereof is governed by section 37C of the Pension Funds Act and involves a formal disposal of the benefit to your dependants and/ or beneficiaries on a basis as decided on by the Board of the Fund.
- 1.12.3. You will be required to complete and return a confidential beneficiary nomination form on an annual basis to record your wishes on how the benefit must be apportioned.
- 1.12.4. It is important to note that the final payment decision rests with the Board of the Fund.

### 1.13. Paid-up: Transfer out

- 1.13.1. You may terminate your paid-up membership and transfer your money to your new employer's retirement fund or to another preservation fund or retirement annuity fund.
- 1.13.2. You can do this on condition that you are under the normal retirement age of 65.

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## **OPTION 2: Preserve (transfer) your fund in another preservation fund**

Please note the following when you elect to preserve your fund benefit in another preservation fund:

- 2.1. The transfer is tax-free, unless you are transferring from a pension fund to a provident fund.
- 2.2. You are allowed one withdrawal before retirement (including full amount).
- 2.3. Upfront policy fees and advice cost may apply.
- 2.4. No new contributions are allowed into the preservation fund.
- 2.5. If you make use of the one withdrawal facility it will reduce your ultimate retirement benefit.

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## **OPTION 3: Transfer your fund benefit to your new employer's retirement fund**

Please note the following when you elect to transfer your fund benefit to your new employer's retirement fund:

- 3.1. No costs are payable on transfer.
  - 3.2. The transfer is tax-free, unless you are transferring from a pension fund to a provident fund.
  - 3.3. You can contribute monthly into the new fund and further grow your savings for retirement.
  - 3.4. You will have access to your fund benefit when you leave your new employer's service.
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#### **OPTION 4: Transfer your fund benefit to a retirement annuity**

Please note the following when you elect to transfer your fund benefit to a retirement annuity fund:

- 4.1. You can transfer part of or your full fund benefit to a Retirement Annuity, tax-free.
- 4.2. You can retire from the retirement annuity any time after you have reached the age of 55.
- 4.3. You can make additional contributions to a retirement annuity fund.
- 4.4. Upfront policy fees and advice cost may apply.
- 4.5. No cash withdrawal is allowed until age 55.
- 4.6. A maximum of one-third of the fund benefit at retirement will be payable as a cash lump sum and two-thirds must be used to buy a monthly pension.

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#### **OPTION 5: Take your fund benefit in cash**

Please note the following when you elect to take your fund benefit in cash:

- 5.1. You will lose a part or all your savings towards your retirement.
  - 5.2. It is very difficult to replace the fund savings already made.
  - 5.3. The full fund benefit is taxable in terms of the prevailing tax legislation.
  - 5.4. For more information about the taxation of lump sum benefits, please contact the Fund's administrator on 021 943 5330 or 021 943 5357.
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## SUMMARY

Options	Advantages	To remember
<b>1. Paid-up member in the Fund</b>	<ul style="list-style-type: none"> <li>• No tax is payable (with certain exceptions).</li> <li>• No upfront or additional costs.</li> <li>• A minimal monthly administration fee.</li> <li>• The savings remain invested in the same investment portfolio or other portfolio, if so chosen.</li> <li>• You can access your money any time prior to or at retirement.</li> <li>• You can transfer to another approved fund, at any time.</li> </ul>	<ul style="list-style-type: none"> <li>• You are required to preserve your entire fund benefit in the Fund (i.e. you may not take any portion in cash and preserve the balance).</li> <li>• There is no minimum amount applicable.</li> <li>• You may access your paid-up benefit (cash and/ or transfer) at any age prior to or at retirement.</li> <li>• No new contributions to the Fund are permitted.</li> <li>• No deductions may be made from your member share in respect of any insured risk benefits.</li> </ul>
<b>2. Another (preservation) Fund</b>	<ul style="list-style-type: none"> <li>• No tax is payable.</li> <li>• You are allowed one withdrawal before retirement (including the full amount).</li> </ul>	<ul style="list-style-type: none"> <li>• Upfront cost and fees may apply.</li> <li>• The facility for one withdrawal will reduce your ultimate retirement benefit.</li> <li>• No new contributions are allowed into the preservation fund.</li> </ul>
<b>3. New Employer's Fund</b>	<ul style="list-style-type: none"> <li>• No costs are payable on transfer.</li> <li>• The transfer is tax-free, unless you are transferring from a pension fund to a provident fund.</li> <li>• The benefit is preserved/saved for retirement.</li> <li>• You can contribute monthly into the new fund and further grow your savings for retirement.</li> <li>• You will have access to your benefit when you leave your new employer, retire or pass away.</li> </ul>	

<p><b>4. Retirement Annuity</b></p>	<ul style="list-style-type: none"> <li>• You can transfer part of or your full fund benefit to a Retirement Annuity, tax-free.</li> <li>• Your fund benefit is preserved/ saved until retirement.</li> <li>• You can retire any time after you have reached the age of 55.</li> <li>• You can make additional contributions to a retirement annuity fund.</li> </ul>	<ul style="list-style-type: none"> <li>• No cash withdrawal is allowed until age 55.</li> <li>• A maximum of one-third of the fund benefit at retirement will be payable in cash and two-thirds must be used to buy a monthly pension.</li> </ul>
<p><b>5. Cash</b></p>	<ul style="list-style-type: none"> <li>• You have immediate access to cash.</li> </ul>	<ul style="list-style-type: none"> <li>• You will lose a part of your savings towards your retirement.</li> <li>• It is very difficult to replace the retirement savings already made.</li> <li>• The full fund benefit is taxable as per the latest tax legislation applicable.</li> </ul>