OPTIONS ON RETIRING FROM YOUR EMPLOYER

Securing a lifetime of financial well-being

ALEXANDER FORBES
Securing your financial well-being

At this phase of your working life, you will want to know more about what your retirement options are. If you decide to buy a pension, then you'll want to know what type of pension may be suitable for you. In this brochure, we take you through your various options, covering the main advantages and disadvantages of each.

Retire now or retire later?

Did you know?
Retiring at age 65 rather than 55 can almost double both your replacement ratio and retirement income.[1]

If your pensionable salary is R10 000 and you have a 30% replacement ratio at age 55, you'll retire on R3 000 a month. If you retire at age 65 instead, your replacement ratio could double to 60% and you'll retire on almost R6 000 a month.

AGE 55
REPLACEMENT RATIO 30%
Retire on
R3 000 a month

AGE 65
REPLACEMENT RATIO 60%
Retire on
R6 000 a month

Retiring two years later, for example at age 63 rather than 61, can add 8% to 15% additional retirement income.[1]

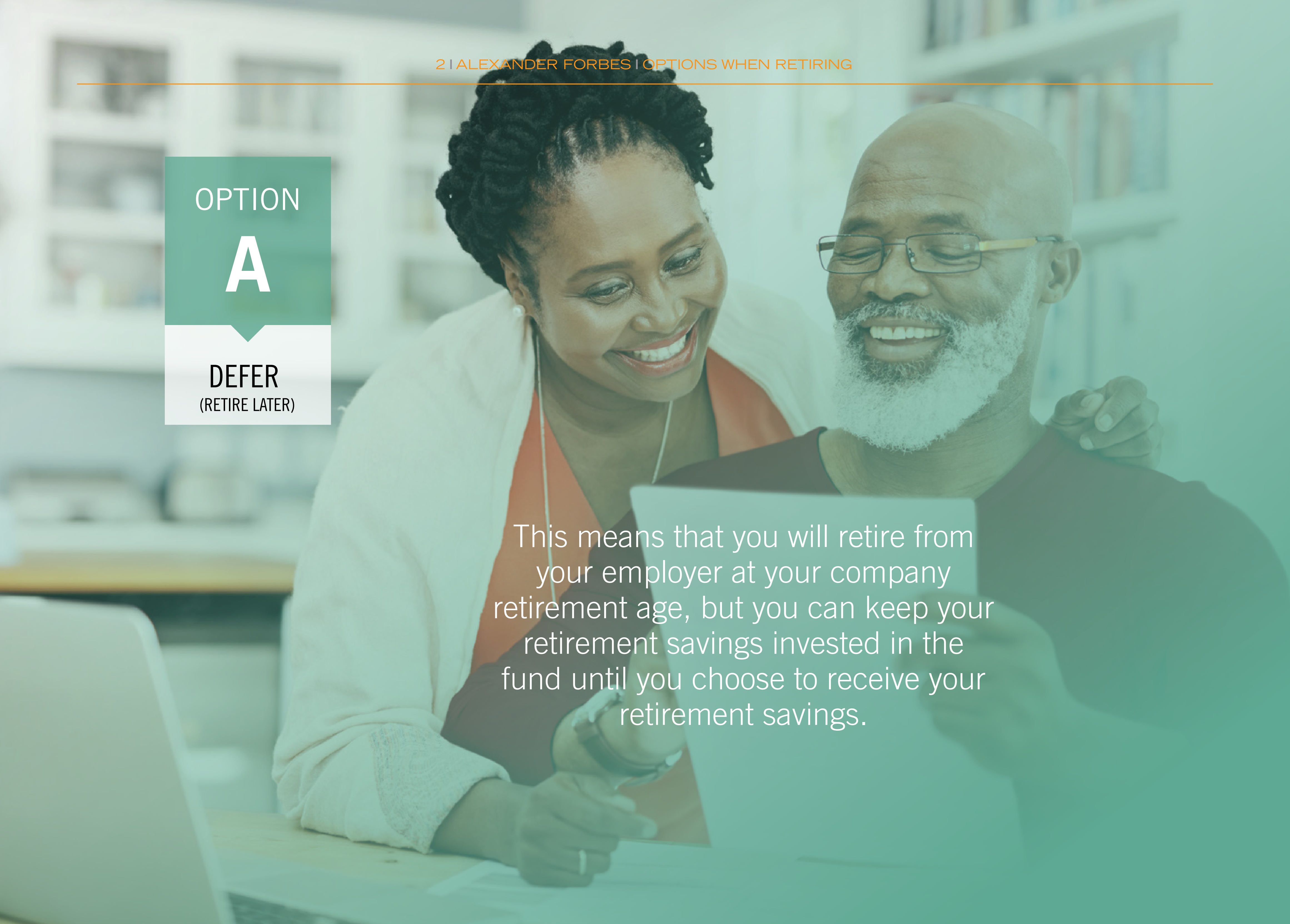
The value of advice

Getting personalised information and advice from one of our financial well-being team members can lead to better decision-making and improve your retirement success. Contact Alexander Forbes Individual Advice Centre:

Telephone: 0860 100 444
Email: iac@aforbes.com

1 *Member Watch™ Survey 2018*

Income projections at retirement are based on the following assumptions: **Preservation:** no withdrawals from retirement fund(s) before retirement | **Contribution rate:** approximately 12% of yearly salary | **Yearly salary increase:** inflation + 2% **Investment return:** inflation + 4.5% | **Target:** 75% of inflation as an increase in pension income | **Gender:** male



OPTION A

DEFER
(RETIRE LATER)

This means that you will retire from your employer at your company retirement age, but you can keep your retirement savings invested in the fund until you choose to receive your retirement savings.

What to consider if you choose to defer retirement in your employer's fund:

- You and your employer won't contribute to your fund.
- You won't have the same benefits, like life or disability cover
  Tip: Discuss a continuation option with your financial adviser.
- Your retirement savings will stay invested in the fund.
- There will still be investment fees and administration costs.
- Positive or negative investment returns will be added to or deducted from your investment in the fund until the date you decide to receive your retirement savings.

You can:

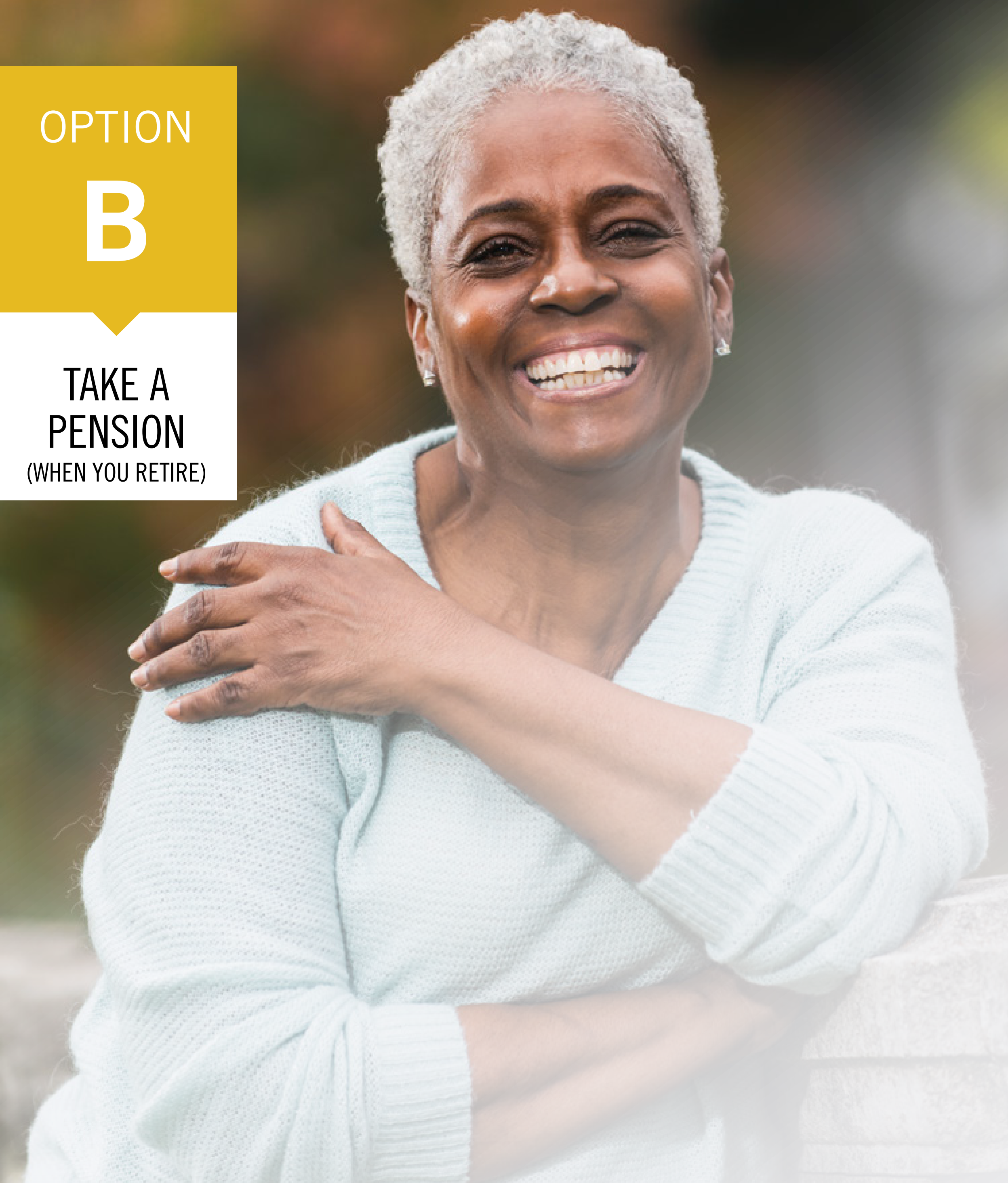
Defer IN the fund
You keep your money in your employer's retirement fund until you're ready to retire.
Benefits might be that fees and costs could be less than with other options.

You will stay invested in the investment portfolio you were invested in at your retirement age, unless you are invested in a closed portfolio or make an investment switch.

You can:

Defer OUTSIDE the fund
You transfer your money into an approved retirement annuity fund (or a preservation fund from 1 March 2019) until you're ready to retire.

When deciding to transfer, consider the fees and whether you can continue making contributions. If you still have questions, please speak to a financial adviser.



OPTION

B

TAKE A PENSION

(WHEN YOU RETIRE)

If you want to start getting an income straight after you reach your company retirement age, you can take a pension. There are two main pension types you can choose from:

1. Guaranteed annuity (life annuity)
2. Living annuity

You have different options available to you, depending on whether you retire from a provident or pension fund or a retirement annuity fund. These options are:

Provident funds	Pension funds or retirement annuity funds
You can take your full fund credit as cash.	You can take up to one-third of your fund credit as cash.
You can use some of your fund credit as cash and use the rest to buy a pension.	You must use at least two-thirds of your fund credit to buy a pension.
You can use all your money to buy a pension.	You can use all your money to buy a pension.

What you need to think about before you choose to take a pension:

- What's your cost of living?
- How much money will you need every month?
- Could you risk exposing your savings to short-term stock market volatility and stay invested in the markets for longer?
- How is your health? What will happen if you live longer than you expect?
- If you have a spouse, will your spouse need an income when you die?
- Do you have other savings to boost your pension?
- Do you need to leave money for your loved ones when you die?

Knowing all of this will help guide you to which type of annuity will meet your needs.

The value of advice

A financial adviser can help you to understand the differences between various products and solutions and decide which one is best for you. They can also help you to manage trade-offs. (A trade-off is when you have to choose between two or more goals that are equally important to you, because your resources are limited and you can't afford to pursue all the options at the same time).

A financial adviser can help you find strategies for achieving more of your goals, as well as help ensure that you don't sacrifice a **more** important goal for the sake of a less important goal.

Contact Alexander Forbes Individual Advice Centre (IAC):
Telephone: 0860 100 444 | **Email**: iac@aforbes.com

Your pension income options

This page and the next give you an overview of some of the main types of pensions you can choose from. Speak to a financial adviser before you make any decisions.

Guaranteed annuity (life annuity)

Risk lies with **insurer**

Income

- It's guaranteed for life.
- Your income will never reduce.

Beneficiaries

Your beneficiaries may only receive a benefit within your chosen guaranteed period.

Investment risk

- There's no investment risk (except for a with-profit annuity).
- Your income is guaranteed.

Flexibility

- It's not flexible.
- Your type of income is fixed for life once you've chosen a specific income type.

Inflation

Your money may lose buying power if you don't choose an inflation-linked annuity.

Types of guaranteed annuities (life annuities)	
1 **Fixed-increase**	Choose a flat yearly increase, for example 3%, 5% or 10%. The greater the increase, the lower the initial income you will receive.
2 **With-profit**	▪ Investment performance affects increases. ▪ Increases are determined by the insurance company based on investment performance. ▪ Your increases can be more or less than inflation.
3 **Inflation-linked**	▪ Your income is guaranteed to keep up with inflation. ▪ Increases are based on inflation during the year.
4 **Level**	▪ You receive the same amount of income for the rest of your life. ▪ The initial income is high compared with other options. ▪ Inflation reduces your buying power.

Your pension income options

We recommend that you speak to a financial adviser to help you understand the risks and benefits on this option.

Living annuity

Risk lies with **you**

Income

- The income you draw can be anything from 2.5% to 17.5% of your total investment.
- You choose your income level.
- There's a risk that you may outlive your savings.
- Your income is not guaranteed for life.
- Your income may reduce over time if you draw more than your investment grows.

Leaving it to your beneficiaries

You can nominate beneficiaries to receive any balance remaining in your investment at death.

Investment risk

- You choose your investment portfolios.
- There's a risk that your investment may not perform well.

Flexibility

- It's flexible.
- You can choose to increase or decrease your income once every year, on the anniversary of the investment.

Inflation

Your money may lose buying power if your investment doesn't perform well.

The value of advice

The value of getting financial advice from a qualified, professional financial adviser cannot be underestimated and is highly recommended. They:

- are experts in their field and are dedicated to helping others reach their financial goals
- gather information that is relevant to assist you to develop a financial roadmap for you and make objective decisions on the most appropriate route to take
- assess the likelihood of reaching your goals and aspirations in retirement and help you structure your affairs to get maximum benefit from your hard-earned savings
- will also assess your other needs in retirement and make appropriate recommendations

The AFRIS living annuity is available to you if your fund has implemented AFRIS. You might benefit from lower fees in this option. Contact Alexander Forbes to find out if you qualify for this option.

What else you need to know

How you're taxed when you take cash

During your lifetime, you can take a total of R500 000 of your retirement savings tax free on retirement. However, all amounts you withdraw in cash (exceeding R25 000) before retirement will reduce this amount. How much you are taxed depends on how much you take and when you take it. The rate of tax is shown in the retirement tax table below.

If you retire	
How much you take	**Rate of tax**
R0 to R500 000	0%
R500 001 to R700 000	18%
R700 001 to R1 050 000	27%
R1 050 000 and above	36%

When SARS determines the tax payable on the table, it will take into account previous cash lump sums taken from retirement funds and severance benefits from your employer.

Fees and charges

Advice fees

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 adviser.

Administration fees

These are the fees paid to the administrator of the fund. They 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.

Important tip

Now that you're approaching your normal retirement age you may be rethinking a lot of things. Here are some factors to consider for improving your financial well-being:

- preserve your retirement savings whenever you can
- contribute the most that you can to your savings
- ensure you are protected for emergencies by having adequate insurance and savings
- manage debt effectively
- speak to a financial advisor to help you prioritise your needs and make the decisions that are right for you.

Contact us

QUESTIONS ABOUT YOUR RETIREMENT FUND
Client Contact Centre
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FINANCIAL ADVICE
Alexander Forbes Individual Advice Centre
Telephone | 0860 100 444
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