Retirement Funds

Taxation Laws Amendment Bill:
T-Day changes

IF YOU ARE A MEMBER OF A PROVIDENT FUND, THINGS WILL BE DIFFERENT FROM 1 MARCH 2021.

Your money is safe! The change to the laws about pension and provident funds only affect how much of your future retirement savings you can take in cash when you retire.

What you need to know

Please note that the information below is based on the current status of the law and what we currently know in respect of this. We will only know the full and final details once the law is finalised in the first quarter of next year. Once it's finalised, we will send out an updated communication.

You do not lose any vested rights

All your provident fund money saved up until 1 March 2021 will not be affected at all. This is called your 'vested benefits' and is your vested rights. That money will grow until you retire and you can still take all of it as cash if you want to.

If you are <u>younger than 55</u> at 1 March 2021, future savings will vest differently

Money that goes into your Fund after 1 March 2021 will be treated like pension fund money when you retire.

This means:

- If your total fund credit at retirement (of the money invested after 1 March) is below the de minimus of R247,500 you can also take this full amount in cash.
- Otherwise, you can take up to one third in cash and the remainder must be used to purchase an annuity (life or living). An 'annuity' is something that pays you a regular income from the money that you have saved.
- All cash benefits are subject to tax (no changes here).

If you are <u>older than 55</u> at 1 March 2021, future savings are also treated as vested rights, unless you move to another approved fund

You can still take all the money that goes into your provident fund after 1 March 2021 in cash when you retire.

If you move into a different provident fund after 1 March 2021, your savings in the new fund will be treated like pension fund money when you retire.

This means:

- If your total fund credit at retirement (of the money invested after 1 March) is below the de minimus of R247,500 you can also take this full amount in cash.
- Otherwise, you can take up to one third in cash and the remainder must be used to purchase an annuity (life or living). An 'annuity' is something that pays you a regular income from the money that you have saved.
- All cash benefits are subject to tax (no changes here).

Tax considerations

Your first R500 000 lump sum retirement fund benefit is tax free. You have to pay tax on any money you take in cash that is more than that when you retire. You can only take out a retirement cash payout of R500 000 tax-free once in your lifetime , and this includes withdrawal benefits after 1 March 2010. In other words, once it's used up you can't claim it again. For example, if you received R300 000 of the R500 000 with a first lump sum, the balance left is R200 000. Once you take out this amount in cash, you will have to pay tax on any other retirement payouts.

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