MANAGING YOUR
BENEFITS AT RETIREMENT
AT NORMAL RETIREMENT AGE OR EARLIER

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MANAGING YOUR **BENEFITS AT RETIREMENT**

IF YOU RETIRE AT YOUR NORMAL RETIREMENT AGE, OR EARLIER

A step-by-step guide to retiring from your retirement fund

Step 1: Understand your benefits and options

Step 2: Make your investment decision

Step 3: Complete the paperwork

STEP 1: UNDERSTAND YOUR BENEFITS AND OPTIONS

There are many considerations for someone approaching their retirement date. These include general issues like where you will live and what you will do, as well as more specific financial decisions that will affect your financial security during your golden years. One of the most important decision you need to make is how best to invest your retirement capital to ensure you get the income you need once you stop working.

WHAT ARE YOUR BASIC OPTIONS?

Annuity Options

Always remember that the original purpose of being part of a retirement fund is to save up enough capital to provide you with a good income after you retire. Before deciding whether to take any part of your retirement capital as a cash lump sum, carefully look at the annuity quotes you will receive from insurers.

These quotes will show you how much your monthly annuity will be and if it is too low for your needs, it may be a better idea to use more of your retirement capital towards your annuity rather than taking all of the cash you are allowed to.

Level Annuity

Your monthly pension will remain exactly the same from year to year. This annuity therefore does not offer any protection against inflation.

Fixed Escalation Annuity

Your monthly pension will increase at a pre-determined rate each year, offering some protection against inflation.

Inflation-linked Annuity

Your monthly pension will increase at an inflation-related rate. Your pension plus increases are guaranteed and paid until you die. This pension will keep up with inflation.

With-Profit Annuity

You share in the actual investment returns – even though the size of increases is not guaranteed, the actual pension plus past increases are guaranteed and paid until you die. This pension should keep up with inflation.

All of the above are also called *"guaranteed annuities", "conventional annuities"* or *'annuities for life'*. The annuity is purchased with that part of your retirement capital that you did not or could not take in cash and provides for a guaranteed income for your full lifetime.

When you die it will stop being paid immediately and nothing will remain payable to your estate or any beneficiary, unless you selected additional options such as *"Joint and Survivorship" or "Term Certain and Thereafter"* or a Capital Preservation option. Speak to a financial adviser if you are unsure about these options.

Living Annuity (also called investment-funded income)

This option allows you to actively control how the retirement capital is invested and how you wish to access it. You can choose annually to draw between 2.5% and 17.5% of the capital as a monthly income.

You are solely responsible for ensuring that the investment keeps up with inflation and that the money lasts until your death and if you don't manage this properly then there is the real risk of the money running out during your retirement. Under this annuity, your dependents or beneficiaries will receive the remaining capital when you die.

Summary: Annuity payout profiles compared

These annuities may be chosen on their own or in combination if you have a big enough retirement capital. Every individual's circumstances must be properly assessed by a financial adviser before a decision is made whether to choose a Guaranteed Annuity or a Living Annuity. It is generally felt that the Living Annuity option is best suited to those who are wealthy and is not well-suited to those who have not saved sufficient for their retirement.

However, it depends on the individual's circumstances and it may even be a good idea to first go into a Living Annuity when interest rates are low and then switch to a Guaranteed Annuity when interest rates are more favourable, since a Guaranteed Annuity is determined on the basis of the prevailing interest rates and once chosen cannot be changed at any stage.

	GUARANTEED ANNUITY (annuity for life)	**LIVING ANNUITY** (investment-funded income)
Is income guaranteed for life	Yes	No, the income will cease if the capital is totally consumed by way of the drawdown rate being too high and/or the investment returns being poor
Initial Income	**Level:** Highest **Fixed Escalation:** Intermediate **With-profits:** Intermediate **Inflation-linked:** Lowest	Depends on drawdown rate. Annual income limited to 2.5% to 17.5% p.a.
Can the level of income be changed	No, determined on the basis of the interest rate environment and other factors as at inception and remains so.	Yes, annually.
Annual Increases	**Level:** None **Fixed Escalation:** Guaranteed increase **With-profits:** Targets inflation **Inflation-linked:** Guarantees inflation	If investment performance is consistently: **Greater than your drawdown rate:** Sustainable annual increases. **Equal to your drawdown rate:** Increases not sustainable. **Less than your drawdown rate:** Risks rapid depletion of funds and consequent reduction in income.
Is income dependant on investment returns	No	Yes
Can the type of annuity be changed	No	Yes, can convert to a Guaranteed Annuity.
Capital to beneficiaries on death	No*	Yes, provided funds have not been completely depleted.
Protection against living too long (longevity protection)	Yes (all types)	No, unless investment performance is consistently greater than your drawdown rate.

*Exceptions: Single life annuity with guaranteed term and capital preservation option

THE OLD MUTUAL FUND SELECT ANNUITY

MAKING YOUR INVESTMENT DECISION MUCH EASIER

With so many options available to you when you retire, it can be difficult to make the right decision about what to do with your retirement fund capital. The **Old Mutual Fund Select Annuity** is a packaged annuity option.

When you choose the Old Mutual Fund Select Annuity, you get a pension that is:

- Safe – it is a Guaranteed Annuity
- Cost-effective – Preferential rates that are offered by **Old Mutual** would normally only be available to big corporate pensions
- Trusted – it has been approved by your retirement fund trustees

You also have the option of getting personal financial advice - if you want it - to help you with this vital decision. You only pay advice costs if you choose to make use of this option.

TO FIND OUT MORE, SPEAK TO YOUR EMPLOYER OR A RETIREMENT FUND TRUSTEE, OR CALL OLD MUTUAL CORPORATE ON: 0860 388 873

CASH OPTION

If you are a member of a pension fund, you may take up to one third of your retirement capital amount in cash and use it as you wish. Of course, if you don't need cash, it will be a good idea to rather apply the amount towards an annuity option and thereby secure a bigger monthly income.

If you are a member of a provident fund, there is currently no restriction on the portion of your retirement capital you can take in cash. However, bear in mind that this money is intended for your retirement so it is best to invest towards an annuity option.

In addition, with effect from 1 March 2015 the laws for provident funds will change and will be the same as what currently applies for pension funds, except that the benefits which have built up to that date plus growth will continue to be subject to the old laws. All retirement savings built up in provident funds from 1 March 2015 will be subject to the new laws.

TAX – HOW TO AVOID PAYING TOO MUCH

The following tiered tax table is used at retirement:

RETIREMENT LUMP SUM BENEFIT	RATE OF TAX
R0 – R500 000	0%
R500 001 – R700 000	18% of taxable income above R500 000
R700 001 – R1 050 000	R36 000 + 27% of taxable income above R700 000
R1 050 001 and above	R130 500 + 36% of taxable income above R1 050 000

IMPORTANT NOTE The tax you pay depends on the amount you take in cash. Retirement fund lump sum benefits are "aggregated" – which means that any "previous taxable lump sums" received on retirement (since 1 October 2007), withdrawal (since 1 March 2009) and severance benefits received upon retrenchment (since 1 March 2011) are added to the current lump sum to establish the "total taxable lump sum". The above tables are then applied and a "hypothetical" amount of tax on the previous lump sums is deducted from the tax on the total lump sum in order to determine the tax payable on the current lump sum.

STEP 2: MAKE YOUR INVESTMENT DECISION

FINANCIAL ADVICE

Before you make a final decision about what to do with your retirement benefit, it makes good sense to discuss your options with a financial adviser. An adviser will ensure that the decisions you make about your retirement fund are best suited to you, taking your future retirement needs into account. An adviser can also help ensure that your life and disability cover is preserved also discuss medical cover options with you.

Should you not already have a financial adviser or broker, you can contact Old Mutual Member Support Services on 0860 388 873 or email membersupportservice@oldmutual.com and a consultantwill arrange for an adviser to contact you.

INVEST DIRECTLY

If you want to reinvest your retirement savings and manage your investment portfolio yourself (i.e. without consulting an adviser), you need to make sure that you have done full research and understand the consequences of any investment decision you make. There is a wealth of information available online to assist you.

Go to www.oldmutual.co.za/invest to find out more about how you can invest online with Old Mutual.

STEP 3: COMPLETE THE PAPERWORK

- Complete the fund exit form included in your HR exit pack.Fill in all details including details of your investment.
- Complete the relevant application form if you have chosen to transfer to an approved retirement fund.

FOR MORE INFORMATION, CONTACT YOUR **OLD MUTUAL FINANCIAL ADVISER OR MEMBER SUPPORT SERVICES ON 0860 388 873.**

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