

# Praise for preservation funds

André Diederichs



In light of the current spate of retrenchments presently sweeping the country and the globe, there is no better time than the present to emphasise the need for people to think carefully about their pension funds. Many are faced with the dilemma of whether to cash-in or not without properly considering their options.

"There is a smarter alternative," says André Diederichs, Old Mutual's SMME specialist. And, it is critical that we bring this to the attention of SMMEs who are retrenching staff as well as those who are planning to start their own businesses."

## Look before you leap

"Firstly, the decision to cash-in your fund, years before retirement, may have serious long-term financial consequences. There's an 80% chance you will save too little during your working years to support a comfortable retirement. Cashing in your fund now, will only widen the gap. Secondly a large slice will go to the taxman and it negatively impacts on the tax concessions available at retirement.

## Get all the facts

While this may seem like the only alternative in the face of bleak employment prospects, you should consider preserving your money in a preservation fund such as Old Mutual Protektor. This option is entirely tax-free and can either be held there indefinitely or transferred to a new pension fund once you are re-employed.

It is prudent that one first preserves, as after preservation, all or part of your retirement savings can be accessed through a once-off withdrawal if and when needed and used as bridging finance until you re-enter the employment sector. Alternatively, this money could be used to start your own business, which would not be available to you should you transfer directly into a retirement annuity or other pension fund.

The Old Mutual Protektor Preservation Fund is designed to preserve a fund members' retirement benefits in the event of withdrawing from their company's retirement fund due to resignation or retrenchment.

Protektor is ideal in that it offers flexibility and financial security. It also offers a range of investment options to meet specific needs. The fund's investment strategy involves maximising returns over the long term by investing across equity, bond and money markets.

## In a nutshell, Protektor is ideal for those that:

- Want to be able to select investments to cater for their unique risk profiles;
- Desire the flexibility to switch their retirement savings between investment channels to suit their risk profiles or changing needs;
- Require assurance that the fund is properly managed by a board of trustees and that the investment channels are endorsed by those trustees (half of the trustees are independent of Old Mutual); and/or
- Require tax-efficient retirement provision, and a tax-free transfer of benefits from a previous fund.

As part of efforts to encourage people to preserve their retirement savings, Old Mutual Corporate has completely eliminated upfront administration fees for people who are currently clients of Old Mutual or who are employed by organisations which are invested in Old Mutual and wish to preserve their investments in its corporate Protektor Preservation Fund.

To invest in the Old Mutual Protektor Preservation Fund or for more information, please speak to your accredited Protektor Financial Adviser or contact us directly on 0860 203040. Email: [RFAMembers@oldmutual.com](mailto:RFAMembers@oldmutual.com). Website: [www.oldmutual.co.za/protektor](http://www.oldmutual.co.za/protektor)



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