

Withdrawal

If you resign, or are retrenched or dismissed

If you resign, or are retrenched or dismissed, your membership of your retirement fund will come to an end. The fund credit that has built up in your name will become payable to you. What should you do with it?

Two basic choices

A: Preserve

You can choose to preserve your retirement benefit by requesting the fund to transfer the entire benefit, tax-free, to another approved fund such as:

1. a preservation fund,
2. a retirement annuity fund, or
3. your new employer's fund.

OR

B: Take cash

You can choose to receive your entire withdrawal benefit as a taxable cash lump sum.

Preserving your retirement benefits is usually more preferable than taking a cash lump sum from your retirement fund. After all, you have to bear in mind that the money in your fund was intended to build your retirement capital. Time in the market counts, so preserve, don't withdraw!

A. Preservation

	Preservation Fund	Retirement Annuity (RA) Fund	New Employer Fund
Will my transfer be taxed?	NO	NO	NO, unless it is from a pension fund to a provident fund
Can I make withdrawals before age 55?	YES, one withdrawal allowed	NO withdrawal after transfer	Withdrawal only possible if you leave the new Employer
When can I access my money?	At any stage, however, after one withdrawal, the money is bound until you reach age 55	Bound until you reach age 55	Depends on new fund's rules
Can I make contributions after the transfer?	NO	YES	YES
How can I take my retirement benefit?	Pension preservation fund: maximum 1/3rd in cash; remainder (2/3rds) as a monthly income; Provident preservation fund: no restriction on cash	Maximum 1/3rd in cash; remainder (2/3rds) as a monthly income	Pension fund: Maximum 1/3rd in cash; remainder (2/3rds) as a monthly income; Provident fund: no restriction on cash
Is estate duty payable?	NO	NO	NO



B. Taking the cash

Not only is a cash withdrawal taxable, but you also lose the power of compound interest. If you take the cash, a large portion of the cash may be taxed. Tax will be calculated according to the following cumulative tiered tax table (applicable at the time of writing this document), depending on whether you have resigned or been dismissed, or retrenched:

Resignation/dismissal/retrenchment

Withdrawal benefit (resignation/dismissal)	Rate of tax
Up to R22 500	0%
R22 501 - R600 000	18% of the amount over R22 500
R600 001 - R900 000	R103 950 plus 27% of the amount over R600 000
R900 001 upwards	R184 950 plus 36% of the amount over R900 000

Withdrawal benefit (retrenchment)	Rate of tax
Up to R300 000	0%
R300 001 - R600 000	18% of the amount over R300 000
R600 001 - R900 000	R54 000 plus 27% of the amount over R600 000
R900 001 upwards	R135 000 plus 36% of the amount over R900 000

Example

If you withdraw R500 000 on resignation, R22 500 will be tax-free, and the remaining R477 500 will be taxed at 18%. Tax of R85 950 will therefore be payable, and you will only "take home" R414 050, after tax. You would have paid no tax had you transferred to a preservation fund.

Remember that these tables are cumulative. This means that if you take cash when you withdraw from Employer A, and then you take cash again when you leave Employer B in a future year, your previous withdrawal will be taken

into account when calculating the tax payable. This will also affect your tax on your eventual retirement.

The R22 500 (in the case of resignation or dismissal) or the R300 000 (in the case of retrenchment) is only a "once-off", and jeopardises not only your R300 000 "tax-free" at retirement, but also the rate at which you are taxed at retirement. (You could, for example, be taxed at 27% instead of 18% at retirement, depending on what had been taken at an earlier withdrawal). Any benefits received from previous withdrawals after 1 March 2009 need to be added to the current benefit to determine the tax rate that is applicable.

Decision-making when leaving your retirement fund prior to retirement

Before making a final decision in respect of your retirement benefit, it is highly recommended that you discuss the matter with a financial adviser. An adviser can also assist to ensure that your life, disability and medical cover is preserved.

For further information or support, Member Support Services can be contacted at 0860 388 873 or membersupportservices@oldmutual.com.

Access to an Old Mutual Financial Adviser

Should you not already have a financial adviser or broker, contact Member Support Services to request access to an Old Mutual adviser.

Self-managed preservation option

You may want to preserve your retirement savings on a self-managed basis (i.e. without the counsel of an adviser), in which case you will need to be sure that you have the requisite skills and knowledge to make the decisions that will need to be made. For more information on the preservation options offered by Old Mutual, contact your broker or financial adviser or visit www.oldmutual.co.za/fwp-preservation and access the document: *Leaving your Fund? Make the most of your benefits...*

Preserving Cover

Exiting members of Retirement Funds should take steps to preserve the life, disability and medical cover that they currently enjoy.

Need advice? **0860 388 873***

*Calls are charged at local Telkom rates. Lines are open Mon - Fri: 8am - 5pm

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For more information on your retirement options, visit www.oldmutual.co.za/fwp-preservation and access the document: *Member Information Guide*.

Retirement

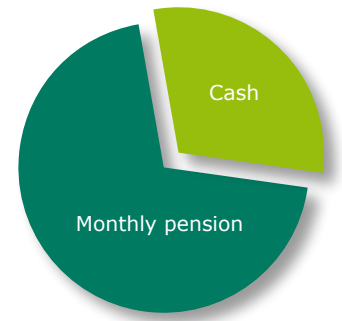
If you retire at your normal age, or earlier

There are many considerations for someone approaching retirement - from general issues such as where you will live and what you will do, to specific financial decisions that you have to make, which will affect your financial security into retirement. This information focuses specifically on your choice of an annuity.

What are your basic options?

If you are a member of a pension fund, you may use up to 1/3rd of your benefit (available as a cash lump sum) as you wish or to clear your debt. However, you should still consider this as part of your retirement benefit. It is possible to purchase a Voluntary Purchase Annuity (income) for a set period with your voluntary cash (that is, the portion you are not "forced" to purchase an annuity with). The capital portion is exempt from tax, which makes it very tax efficient.

With the balance of your benefit (minimum 2/3rds for a pension fund member), the Fund will buy one or more annuities from a registered insurer on your behalf, from which your monthly pension will then be paid. This is to ensure that the larger part of your Fund credit is used for its original purpose, namely to provide you with a monthly income when you are no longer working.



Please note: If you are a member of a provident fund, there is no restriction on the portion you can take in cash. However, bear in mind that this money is intended for your retirement.

An overview of the basic annuities

<p>Level Annuity Your monthly pension will remain exactly the same from year to year. This annuity therefore does not offer any protection against inflation.</p>	<p>Fixed Escalation Annuity Your monthly pension will increase at a pre-determined rate each year, offering some protection against inflation.</p>	<p>With-profit Annuity Pensioners share in 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.</p>	<p>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.</p>	<p>Living Annuity (also called investment-funded income) Your benefit is invested in the stock market and will therefore be affected by investment profits and losses. You can choose to draw between 2.5% and 17.5% from your capital as a pension income. The risk lies with you to ensure that your investment keeps up with inflation and that your money lasts until your death.</p>
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These are also called annuities for life. With any of these annuities, you will exchange your retirement capital for a guaranteed income for your full lifetime.

Under the guaranteed annuities, your benefit stops when you die, unless you choose that it should continue. You must make this decision when you buy the annuity. You can make provision for your dependants by selecting additional options such as "Joint and Survivorship" or "Term Certain and Thereafter", or by choosing a Capital Preservation option.

Under this annuity, your dependants or beneficiaries will receive the remaining capital when you die.

These annuities may be chosen on their own or in a combination, if you have a big enough retirement benefit.

Summary: Annuity payout profiles compared

	Guaranteed annuity (annuity for life)	Living annuity (investment-funded income)
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.
Annual Increases	Level: None Fixed Escalation: Guaranteed increase of 1%, 2%, 3%, 4% or 5%. 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.
Capital to beneficiaries on death	No*	Yes, provided funds have not been completely depleted before death.
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

Investing your lump sum

Please remember the original purpose of your retirement fund benefit – it is to provide you with an income after you retire. Before making plans about how to spend your cash lump sum, carefully look at the quotes you will receive from insurers. (These quotes will show you how much your monthly pension will be.) You may then decide to rather invest part or all of your lump sum to provide you with an additional monthly income.

Tax – how to avoid paying too much

The tax you pay depends on the amount you commute (take) in cash. The following (cumulative) tiered tax table is used at retirement:

Retirement lump sum benefit	Rate of tax
Up to R300 000	0%
R300 001 - R600 000	18% of the amount over R300 000
R600 001 - R900 000	R54 000 plus 27% of the amount over R600 000
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DISCLAIMER: The information contained in this document has been compiled in order to explain the various options available on exiting a retirement fund and does not constitute advice. It has been compiled in good faith, however, no representations or warranties, express or implied, are made to the accuracy and no responsibility or liability is accepted by Old Mutual for any damages or losses which may flow, directly or indirectly, from the use or reliance on any of the information herein contained.

