

FWP

Financial Wellbeing Programme

Member **information**
Withdrawal

Due to resignation, retrenchment or dismissal

do great things



OLD MUTUAL

Licensed Financial Services Provider

WITHDRAWAL

If you resign, or are retrenched or dismissed

Step by step guide to withdrawing from your retirement fund

Step 1: Understand your benefits and options

Step 2: Make your investment decision

Step 3: Complete the paperwork

Need assistance with any of these steps?

Call **0860 388 873*** or email:
decisionsupportservice@oldmutual.com
and ask for the
DECISION SUPPORT SERVICE

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

For more detailed information on your options:

Visit <http://www.oldmutual.co.za/fwp>

Invest directly at:
www.oldmutual.co.za/invest

Step 1: Understand your benefits and options

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?

Decision-making when leaving your retirement fund prior to retirement

You have certain options as to what you can do with your retirement savings from the Fund. You should do your utmost to **reinvest** your retirement savings, after all this money was intended to build your retirement capital, and it is time in the market that counts. You should also take steps to preserve the life, disability and medical cover that you currently enjoy. It would be valuable for you to work through the information in this document to get an idea of the factors you should consider when making decisions. You can either ask a financial adviser to help you decide what to do with your benefit, or you can make your own decisions and invest directly to preserve your retirement savings.

Two basic choices

TRANSFER TO AN APPROVED RETIREMENT FUND

You can reinvest your retirement benefit by transferring the entire benefit, **tax-free**, to another approved retirement fund such as:

1. A preservation fund
2. A retirement annuity fund
3. Your new employer's fund

OR

CASH LUMP SUM

You can choose to receive your entire withdrawal benefit as a **taxable** cash lump sum. You need to think carefully before choosing this option because it could significantly reduce your chances of having a comfortable retirement. The reasons being that your entire benefit is taxable, and that you may be tempted to spend what remains after tax rather than reinvest for retirement. If you choose this option it would be advisable to reinvest your benefit so as to keep your retirement capital intact.

Transferring your retirement benefit to an approved retirement fund is usually preferable to taking a cash lump sum because you are reinvesting your entire benefit tax-free. Remember that the money in your fund was intended to build your retirement capital, and it is ultimately time in the market that counts, so reinvesting your retirement benefit should be your priority.

Transferring to an Approved Retirement Fund

	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
When can I access my money?	One withdrawal allowed at any stage, however, after withdrawal, the money is bound until you reach age 55	NO withdrawal after transfer	Withdrawal only possible if you leave the new Employer
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) a monthly income; Provident fund: no restriction on cash
Is estate duty payable?	NO	NO	NO

Cash Lump Sum

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:

Withdrawal benefit (resignation/dismissal)	Rate of tax	Withdrawal benefit (retrenchment)	Rate of tax
Up to R22 500	0%	R0 - R315 000	0%
R22 501 - R600 000	18% of the amount over R22 500	R315 001 - R630 000	R0 + 18% of the amount over R315 000
R600 001 - R900 000	R103 950 plus 27% of the amount over R600 000	R630 001 - R945 000	R56 700 plus 27% of the amount over R630 000
R900 001 upwards	R184 950 plus 36% of the amount over R900 000	R945 001 and above	R141 750 plus 36% of the amount over R945 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 R315 000 (in the case of retrenchment) is only a "once off", and jeopardises not only your R315 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.

Preservation Funds offered by Old Mutual

Protektor & Fairbairn Capital Preservation Funds

You may want to consider the Protektor & Fairbairn Capital Preservation Funds. If you are an existing client of Old Mutual, no upfront fees will be charged. If you choose not to seek advice, there will be no advice fee payable on your transfer to the Protektor or Fairbairn Capital Preservation Funds.

A: Key information on the Protektor Preservation Fund

- A range of investment portfolios are also available under Protektor. Your benefit can, for example, be invested in the Old Mutual Absolute Growth Portfolio, which provides capital protection. This is well suited to someone who does not need to change and review their investments on an ongoing basis.
- No upfront administration fees will be applied.
- Low ongoing administration fees of 0.5% per annum will apply.
- There is no minimum investment amount.

If you need more information, please visit:

www.oldmutual.co.za/protektor and click on Member Area. There you will find a brochure that provides more information on what the Protektor Preservation Fund has to offer. If you wish to apply, click on Forms, to access the Application Form.

Should you need any further assistance, call Protektor at 0860 20 30 40.

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 make sure 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, and also discuss medical cover options with you.

Should you not already have a financial adviser or broker, Decision Support Services can be contacted at 0860 388 873 or decisionsupportservice@oldmutual.com and ask the Decision Support Service to help arrange one for you.

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 where you have chosen to transfer to an approved retirement fund.

B: Key information on the Fairbairn Capital Preservation Fund

- Under Fairbairn Capital you can choose from a wide range of investment portfolios, including those from asset managers other than Old Mutual. This is suitable for investors who need the flexibility to review their investments on an ongoing basis and wish to have a wider choice of investment options available.
- No upfront administration fees will be applied if you are an existing client of Old Mutual.
- Ongoing administration fees are levied according to the following scale (fees quoted exclusive of VAT):
 - First R100 000: 0.75% p.a.
 - Next R400 000: 0.60% p.a.
 - Next R500 000: 0.40% p.a.
 - Next R4 million: 0.25% p.a.
 - Next R5 million: 0.20% p.a.
- There is a minimum investment of R50 000.
- Visit www.fairbairncapital.com/invest for more information on what the Fairbairn Capital Preservation Fund has to offer.
- Should you decide to preserve your benefit with Fairbairn Capital on a self-managed basis visit: www.fairbairncapital.com and click on "Invest online".

INVEST DIRECTLY

If you want to reinvest your retirement savings and manage your investment portfolio yourself (i.e. without consulting an adviser), you will need to be sure that you have the necessary skills and knowledge to make the best decision for your circumstances. There is a wealth of information available online to assist direct investors.

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

