

UNDERSTAND YOUR FINANCES A BIT MORE

Work, save, retire. That's the drill, right? But today's savers face new challenges. For starters, we're living longer, which means your money needs to last longer – potentially beyond your 60s.

In reality, most people overlook their retirement saving plans. Granted, things are tough enough and we're all focused on getting through each day. But if you start planning for your golden years starting now, you'll be very glad you did. Let's take a look at why.

In South Africa, life expectancy has increased. This means that most people will live into their 60s or beyond and need an income for a longer retirement period. Yet, under 10% of South Africans save enough for retirement. Ultimately, many retirees will depend on loved ones or seek additional income to make ends meet.

DID YOU KNOW?

Let's get back to basics

What is a retirement fund?

It's a special fund in which you make regular contributions while you're working so that, when you retire from your job, you'll receive a regular income, called an annuity.

The benefits of a retirement fund:

It's a long-term investment account

The fund is governed by a board of Trustees who act in the best interests of you, the Member, at all times

It's tax-efficient

Currently, in South Africa, if you are a Member of a retirement savings fund, once you retire, you can:

- You can use your full retirement fund value to buy a pension. **OR**
- Take one-third of your savings in cash (the first R550 000 is tax-free), and
- The remaining two-thirds must be used to buy a pension.

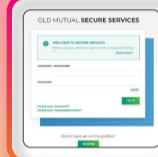
If your total retirement savings in the fund is less than R247 500, you can take the full amount as a cash lump sum, subject to tax.

Do you know how much is currently sitting in your retirement savings?
You can check your current retirement savings value with SuperFund by:

1. Registering and logging in to [Secure Services](#).
2. Using SuperFund on WhatsApp.



Scan this QR code to access your Statement of Benefits on WhatsApp



[Click here](#) for a guide on how to register for Secure Services



How much do you really need to save for retirement?

Many finance experts suggest you use the 80% rule as a benchmark for what you'll need to cover your monthly expenses once you're retired.

For example: if you currently earn R10 000 a month and apply the 80% rule, you will need at least R8 000 a month after retirement to maintain your current living standard.

But these numbers and formulas are merely guidelines, not set in stone. Each person's situation will differ. Some people may wish to travel while others will want to spend their retirement years with their friends and family.

First things first: What do you want in your retirement years?

The first place to start is to think about what your life might look like in retirement, so:

- Grab a pen and paper and jot down your retirement goals.
- Then think about how much everything will cost. Future prices are uncertain, but you'll have to plan for potential inflation in the decades ahead.
- You'll also want to consider your everyday expenses, like housing, food and healthcare.

Then, add all the income you might receive in your post-working years.

This includes your pension income, SASSA Older Persons Grant (if you'll be eligible) and any other amounts that may come your way. Subtract your expenses from your income, and you'll get a good idea of what you'll need to set aside for every year of your retirement.

Pro tip: Use our handy retirement calculator – it will give you insight into how close (or far off) you are to saving towards a comfortable retirement.

The bottom line: The younger you start saving, the more your savings will grow.

DID YOU KNOW?



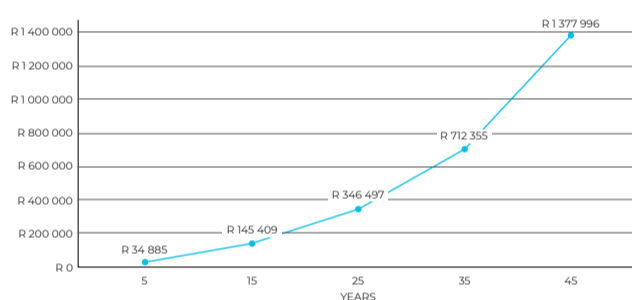
Wait, what do you mean my savings will grow?

Your retirement savings grow with investment return over time. SuperFund's investment portfolios are designed to outpace inflation over the long term. The longer your savings are invested, the more growth you will see.

If you started saving R500 a month at the age of 20, by the age of 65, you'd have R1 377 996 (on 6% returns) to put towards retirement. But don't fret if you only started tackling retirement savings in your 30s or early 40s – it's never too late to join the retirement savings party!

The advantage of starting early

This graph shows what you would accumulate at 5, 15, 25, 35 and 45 years if you saved R6 000 each year and your money earned 6% returns annually.



Age	Years	Amount
25	5	R 34 885
35	15	R 145 409
45	25	R 346 497
55	35	R 712 355
65	45	R 1 377 996

Don't make this costly blunder

As a retirement fund Member, you can access your pre-retirement savings if you resign or are retrenched. However, **we can't stress this enough:**

While it may be tempting to access your money, even the smallest withdrawal can seriously affect your financial health in the long run – and have steep tax implications. For these reasons, we'll always encourage you to preserve your savings.

Let's look at an example of how much tax you'll pay when withdrawing your savings.



RESIGNATION

Brent has decided to resign. Here are the tax implications should he choose to withdraw his retirement savings:

Benefit amount	Rate of tax
R 0 - R 27 500	0%
R 27 501 - R 726 000	18% of taxable income above R 27 500
R 726 001 - R 1 089 000	R 125 730 + 27% of taxable income above R 726 000
R 1 089 001 and above	R 223 740 + 36% of taxable income above R 1 089 000

So, if Brent withdraws R50 000:

R27 500 will be taxed at 0%, and the remaining R22 500 will be taxed at 18%.

Total tax Brent will pay: R 4 050

Take home: R45 950

Note: The same calculation applies if Brent is dismissed.

RETRENCHMENT

Palesa has been retrenched. Here are the tax implications should she decide to withdraw her retirement savings:

Benefit amount	Rate of tax
R 0 - R 550 000	0%
R 550 001 - R 770 000	18% of taxable income above R 550 000
R 770 001 - R 1 155 000	R 39 600 + 27% of taxable income above R 770 000
R 1 155 001 and above	R 143 550 + 36% of taxable income above R 1 155 000

So, if Palesa withdraws R550 000:

She will not be taxed if she has never withdrawn from her retirement savings in the past.

If Palesa withdraws R700 000:

Only R150 000 is subject to tax because up to R550 000 is tax free.

R150 000 - 18% = R123 000

Her take home will be R550 000 + R123 000 = R673 000

If Palesa withdraws R800 000:

Only R250 000 is subject to tax because up to R550 000 is tax free.

R220 000 - 18% = R180 400

R30 000 - 27% = R21 900

Her take home will be R550 000 + R180 400 + R21 900 = R752 300.

Important: If Brent and Palesa withdraw their savings before retirement, their savings will miss out on years of potential growth and they may not have enough to live comfortably in retirement.

Your 3 options with your savings when leaving your Employer: Explained

If you resign, are retrenched or are dismissed from your Employer, you can:

- 1: Stay a SuperFund Member: Preserve your retirement savings in SuperFund Preserver.
- 2: Move your total retirement savings to another fund, like a Retirement Annuity (RA) Fund, Preservation Fund, or your new Employer's Fund.
- 3: Withdraw some or all of your retirement savings in cash (and transfer the balance, if any, to another retirement fund).

***Remember, withdrawals could seriously impact your chances of enjoying a comfortable retirement one day.**



Have a question? Our Retirement Benefit Counsellors are here to help

As a pre-retiring SuperFund Member, you have free access to a Retirement Benefits Counsellor (also known as RBC). Find out what they can do for you and how you can contact them [here](#).

For your information

Currently, the Fund's default life annuity option (i.e., Fund Select Annuity With-Profit Life Guaranteed Annuity) has a set default post-retirement interest rate (PRI), while giving retiring Members the option to select:

- a guarantee period during which their retirement income will continue to be paid even if the retiree passes away during such period; and/or
- a second life to receive an elected percentage of the retiree's retirement income on the latter's passing away.

Retiring Members can now select a lower PRI to the Fund's default PRI. Choosing a lower PRI will result in a lower retirement income and potentially higher future retirement increases.

DID YOU KNOW?



For more information about this, you can contact the SuperFund Retirement Benefits Counsellor (RBC) at 021 503 0069 or superfundannuity@oldmutual.com