SUPERFUND

OLD MUTUAL SUPERFUND ANNUITIES Q&A

Please Note: The answers provided to the questions in this document are general in nature, and do not constitute financial or other professional advice. The answers do not take into account your specific circumstances and should not be acted upon without the full understanding of your current situation, future goals and objectives. We recommend discussing these with a qualified Financial Adviser.

RETIREMENT FUND CONTRIBUTIONS

Q. What percentage of one's current working income can one contribute to one's Pension or Provident Fund to get the maximum tax benefit?

You are allowed to contribute up to 27.5% of your taxable working income or pensionable remuneration, whichever is higher, subject to a maximum of R350 000 per year, into your retirement fund to receive a tax deduction. Any amount contributed over the R350 000 per year will be carried over to the next tax year. Please note the limit applies to your combined retirement savings contributions per year, whether contributions are made to a retirement annuity, pension or provident funds.

Q. Who does one contact in order to increase one's monthly retirement contributions?

You will need to contact your Human Resources Representative, as they will need to increase the deduction from your working income and pay it to the fund on a monthly basis. The Human Resources Representative will also need to inform the fund of this increase.

Q. How is any carry-forward of excess retirement fund contributions, above the 27.5% and a maximum of R350 000 p.a., treated against lump sum benefits?

SARS will take into account the excess contributions when applying the tax-free rate to the cash portion that you have chosen to take at retirement.

Q. Is one able to add a lump sum to one's Pension or Provident Fund before the end of a financial year to reduce one's tax?

Yes, however, first check with your Old Mutual Fund Consultant or Fund-appointed Financial Adviser to make sure that this facility is available on your fund.

PRESERVATION FUNDS

Q. What is a Preservation Fund?

A Preservation Fund is a retirement fund in terms of the Pension Funds Act. You may transfer the proceeds of your Pension Fund or Provident Fund to a Preservation Fund upon dismissal, retrenchment, resignation and closure of your fund. It is effectively an investment vehicle where, depending on the investment underpinning it, your capital should continue to grow until you need to access it. A Preservation Fund does not, however, allow you to make additional contributions to it.

Q. When is one allowed to access one's capital from a Preservation Fund?

A Preservation Fund allows for one partial or full cash withdrawal before age 55. This cash withdrawal is taxed at the SARS withdrawal lump sum tax table (refer to tax information later on in this document). After that, the balance in a Preservation Pension Fund can only be accessed on retirement from age 55 onward, at which time you will have the further option of taking up to a maximum of one-third of the capital in cash, subject to tax, and the remaining balance must be used to purchase an annuity. If your total capital at retirement amounts to less than R247 500 you can access the full amount in cash still subject to tax. Refer below (Changes to Provident Funds effective 1 March 2021) regarding Provident Funds.

Members who have emigrated and wish to access their full capital must have complied with the SARS requirement of ceasing to be a tax resident for tax purposes for an uninterrupted period of three years. The member is responsible for providing proof of this. On the provision of satisfactory proof, the cash payout will be taxed at the applicable rate, as shown in the table below.

Note that the SARS tax table below was accurate at the time of producing this document. Please visit www.sars.gov.za for the latest withdrawal tax table.

TAXABLE INCOME (R)	RATE OF TAX (R)
0 – 25 000	0% of taxable income*
25 001 – 660 000	18% of taxable income above 25 000
660 001 - 990 000	114 300 + 27% of taxable income above 660 000
990 001 and above	203 400 + 36% of taxable income above 990 000

*It is important to remember that, if you have multiple Preservation Funds, the tax-free allowance applies cumulatively to all of them, not per fund. This once-off allowance also includes any retrenchment benefits that you may have taken from any of your funds during your working life.

Q. Is one able to combine one's Preservation Fund capital with the Old Mutual SuperFund default annuity offering at retirement?

Yes. In fact, you can combine the capital from any number of Preservation Funds or Retirement Annuities into a single annuity purchase.

RETIREMENT ANNUITIES

Q. What is the difference between a Living Annuity and a Retirement Annuity?

One must not confuse the use of the word "Annuity" in these two products.

A **Retirement Annuity (RA)** is one of the retirement fund savings vehicles that you can contribute to while you are still working in order to build up your capital for retirement.

A **Living Annuity** is one of the annuity options that you can purchase to provide you with a retirement income once you retire. I.e. on retirement, your retirement interest in your Retirement Annuity may be used to purchase a Living Annuity.

Q. Is one able to cancel a Retirement Annuity before retirement and take the full capital in cash?

You cannot access your full capital in your Retirement Annuity before age 55 unless your total amounts to less than R15 000.

Members who have emigrated and wish to access their full capital must have complied with the SARS requirement of ceasing to be a tax resident for tax purposes for an uninterrupted period of three years. The member is responsible for providing proof of this. On the provision of satisfactory proof, the cash payout will be taxed at the applicable rate, as shown in the table above.

Q. Is one able to take one-third of a Retirement Annuity in cash?

Yes. On reaching age 55 and electing to retire from a Retirement Annuity, you are required to purchase an annuity with two-thirds of your retirement fund savings. You can take a maximum of one-third of your total retirement fund savings in cash. If your total capital at retirement amounts to less than R247 500 you can access the full amount in cash.

Q. Once a Retirement Annuity has reached maturity date, is one able to continue contributing to it?

You can apply to extend the maturity date if you do not want to withdraw the funds or purchase an at-retirement annuity with them. By extending the term, you will be permitted to continue contributing. Should you not extend the term, you will not be able to continue contributing.

RETIREMENT AGE

Q. What are the implications if one retires before one's "normal retirement age"?

Various factors should be considered, some of which are: current and forecast market conditions; the estimated investment growth on your retirement fund savings versus the retirement income you can purchase at current annuity rates; and much more. It is recommended that you consult a Financial Adviser to get a better idea on this.

Q. Does one go on retirement at the end of the month in which one reaches the relevant retirement age?

Yes, the rule of thumb is that you retire at the end of the month in which you reach the normal retirement age. To be certain, check with your Human Resources representative.

Q. Is there an age at which one must retire and purchase an annuity?

With regard to your employer's retirement fund, this date is pre-determined in your contract with your employer. That said should you reach the pre-determined retirement age and retire from your employer, you are not forced to use your retirement fund savings to purchase an annuity at that date. In other words, while you will be required to retire from your employer, you have the option of deferring your retirement from the fund until such time that you are ready.

Concerning funds invested in a Retirement Annuity or a Preservation Fund, there is no maximum age at which you must retire.

DEFERRING RETIREMENT

Q. On retirement, can one leave one's retirement fund savings in the Old Mutual SuperFund without purchasing an annuity?

Yes, on retirement from your employer, you can opt to transfer from "active" membership of the Old Mutual SuperFund to the "deferred" membership of the fund. You can retain your retirement fund savings in this account for as long as you wish and retire from the fund at any stage thereafter. There is no minimum or maximum period applied to the length of time you can remain a deferred member; the choice is entirely yours. You may however not continue contributing to the fund.

RETIREMENT INCOME

Q. Is a replacement ratio of 75% of current salary (working income), viewed as sufficient for providing a retirement income?

The 75% of your working income, also referred to as a "replacement ratio", is the general industry guideline for the income you will need in retirement.

ADMINISTRATION

Q. How long does it take for one's cash portion and retirement income to be paid?

The time these processes take depends largely on how quickly you give your fund all the correct and complete documentation. The cash portion can usually be paid within three weeks. However, you should allow at least four to six weeks for the retirement income to commence.

Q. When should one start submitting one's retirement documents?

It is recommended that you start getting the final documents and applications together at least three months before retirement. However, check with your Human Resources Representative to make sure that there are no requirements that might take longer than three months. Ask a Financial Adviser or a Retirement Benefits Counsellor to assist you with the completion and submission of the annuity application documents.

AT-RETIREMENT ANNUITIES (Investing for a retirement income)

Q. What is an annuity?

An annuity is an insurance policy that provides you with a retirement income. The policy is purchased with your retirement savings.

Q. What is the basic difference between a Life Annuity and Living Annuity?

A **Life Annuity** is a type of insurance product whereby you exchange your retirement capital (retirement fund savings) for a regular predetermined retirement income. The retirement income cannot reduce, but may increase, and you are guaranteed to receive the income payments for as long as you live. Unless a "capital preservation" is elected (not available through the Old Mutual SuperFund default annuity offering), when you pass away there will be no capital pay-out to a beneficiary. If you would like to provide for another person once you have passed away, you can add a minimum guaranteed period. In this case, should you pass away during the guaranteed period; your retirement income will continue to be paid to your nominated beneficiary for the balance of the guaranteed period. Alternatively, you could add a second life to continue receiving a retirement income once you have passed away.

A **Living Annuity**, allows you to decide where your capital is invested, and lets you choose how much retirement income you would like to receive, limited to between 2.5% and 17.5% of the invested capital. Your retirement income is only payable for as long as your capital lasts, so it important that that you do not draw a percentage higher than the investment growth plus fees and charges, otherwise you could run out of capital and stop receiving a retirement income. If there is any capital left when you pass away, your beneficiary can continue to receive your retirement income or opt to receive a lump sum payment.

Q. Can one elect to purchase both a Living Annuity and a Life Annuity, one from Old Mutual and one from another insurer?

Yes, you can purchase two separate annuities from different insurers. For example, you can purchase a Life Annuity from Old Mutual and a Living Annuity from another insurer, and each annuity will be independent of the other.

Q. Can one purchase a Voluntary Annuity?

Yes, you can purchase a Voluntary Annuity at any time with your voluntary or discretionary savings, i.e. savings that you have accumulated separately from your Pension, Provident or Retirement Annuity Fund. You cannot, however, combine these discretionary savings with your retirement fund savings and purchase one combined annuity.

Q. On the death of the annuitant, what is payable to one's beneficiaries?

Concerning the **Life Annuity**, this depends on whether you had elected a minimum guaranteed period, whether you pass away within that period and/or whether you had elected to provide for a second life.
Concerning the **Living Annuity**, if there is still capital left, this will be paid to your nominated beneficiary. For more detail, refer to the question above about the differences between Life and Living Annuities.

Q. Why may one not purchase property with one's retirement fund savings, or at least use a portion of it to secure a house?

The aim of a retirement fund is to provide you with a retirement income once you retire. As such, it can only be used to purchase such a retirement income via an annuity. You can however use any cash portion that you access from your retirement fund savings at retirement for this purpose. Bear in mind that there may be a limit on how much you can access in cash, which could also be subject to tax.

LIFE ANNUITIES

Q. What does 3.5% PRI mean?

PRI stands for Post-Retirement Interest. It is the minimum rate of return that must be achieved by the underlying investments of a Retirement Annuity portfolio before any profits, in the form of increases, can be passed on to pensioners.

Q. What is the difference between Level, Fixed Escalation and Inflation-linked Annuities in terms of the retirement income increases?

A **Level Annuity** is exactly that - level - in that it never increases during your retirement. So if your starting retirement income is R1 000 per month, this will never increase and you will continue to receive the same amount for your lifetime.

A **Fixed Escalation Annuity** increases each year on the increase anniversary date by a pre-determined percentage. So if your starting retirement income is R1 000 per month and you elect an escalation rate of 5%, then your retirement income will increase by 5% each year.

An **Inflation-Linked Annuity** tracks CPI and your increase will be the same as the CPI rate on the date of each increase. This means the increase may be higher in some years than in other years.

The above annuities are all "non-profit" annuities. I.e. future increases are specified upfront and the insurer takes on the risk.

A **With-Profit Annuity** differs from a non-profit annuity in that future increases are not specified upfront and are dependent on the extent to which net investment and mortality profits (or losses) are generated in the with-profits annuity pool. The minimum increase is zero, and once an increase is declared, it cannot be removed.

Whilst the Old Mutual SuperFund default annuity strategy does not include any of the non-profit annuities, you can access them through a Financial Adviser.

Q. If one elects to purchase a With-Profit Annuity, yet no bonuses (in the form of increases) are awarded, how does it affect one's retirement income?

Your retirement income, once it begins, is guaranteed to be payable for your lifetime and that of a second life, e.g. your spouse, if you have selected this option. It may never reduce or be taken away. Likewise, once an increase is awarded, this too will be guaranteed for your lifetime and may never reduce or be taken away. In years where there are no increases awarded, your retirement income will continue at the same level until the following year.

Q. What are the current fees/charges that one pays when purchasing the Old Mutual SuperFund default Life Annuity?
As these are reviewed annually, it is recommended that you contact the Retirement Benefits Counsellor who will inform you of the latest fees.

Q. Can one switch a Life Annuity to a Living Annuity or transfer the Life Annuity to another insurer?
A Life Annuity, unfortunately, does not offer the option of transferring the annuity to another insurer, nor does it provide you with the option of converting to a Living Annuity.

LIVING ANNUITIES

Q. Is one able to add to an existing Living Annuity using retirement investments that mature after the initial Living Annuity has been taken out?
Yes, you can add to an existing Living Annuity, as long as the capital that you want to add originates from an approved retirement fund.

Q. Is one able to change a Living Annuity beneficiary once the annuity has been purchased?
Yes, as your circumstances may change, you are entitled to change your beneficiary at any stage after the annuity has been purchased.

Q. What is a drawdown rate?
A drawdown rate is the percentage of your investment capital that you "withdraw" from your Living Annuity each year to provide you with a monthly/yearly retirement income. For example, if you invest R1 000 000 retirement capital in a Living Annuity and you chose a drawdown rate of 3.5%, then your monthly retirement income will be calculated as follows: R1 000 000 x 3.5% = R35 000 p.a. / 12 = R2 917 p.m. You are able to choose a drawdown rate of between 2.5% and 17.5%.

Q. What justifies the lower drawdown rates for women?
Women have a longer life expectancy than men do, so their capital typically needs to provide a retirement income for an average of five years longer than their male counterparts do. A lower drawdown rate helps preserve the capital for this longer time-period.

Q. How often can one change a Living Annuity retirement income?
You are permitted to change your Living Annuity drawdown rate percentage once a year on the policy anniversary date.

Q. How often can one change a Living Annuity investment portfolio and what are the associated costs?
You can change your investment portfolio/s at any time. The costs associated may vary from product to product. In addition to the switching costs, some investment portfolios apply a Market Value Adjuster, which is a reduction applied to your capital before switching it. It is therefore, recommended that you consult a Financial Adviser before making any switches.

Q. If one purchases the Old Mutual SuperFund default Living Annuity, can one later switch between the four available investment portfolios?

Yes, you can do so at any time. However, a Market Value Adjuster may apply when switching out of either of the two Smooth Bonus portfolios (the Absolute Stable Growth Portfolio and the Absolute Smooth Growth Portfolio). It is recommended that you consult your Financial Adviser before doing so.

Q. If one purchases the Old Mutual SuperFund default Living Annuity, can one later switch to another investment portfolio outside of the four available investment portfolios?

Yes, you can do so at any time. However, you will forfeit the discounted fees. A Market Value Adjuster may also apply when switching out of either of the two Smooth Bonus portfolios (the Absolute Stable Growth Portfolio and the Absolute Smooth Growth Portfolio), and you will no longer be in the fund's "default" offering. It is recommended that you consult your Financial Adviser before doing so.

Q. What are the risks associated with Living Annuities?

Should your chosen drawdown rate plus costs be higher than the investment returns on your capital, you will run out of capital in the future. For example, if your drawdown rate is 5% and the total annual charges/fees are 2%, but your investment growth is only 4%, you are using up more of your capital than is being replenished through the growth it is achieving. In this case, you will soon run out of capital. It is therefore recommended that you consult a Financial Adviser when considering purchasing a Living Annuity, as well as every year thereafter on the annuity anniversary, when you are able to adjust your drawdown rate for the coming year.

Q. What are the current fees/charges that one pays when purchasing the Old Mutual SuperFund Living Annuity?

As these are reviewed annually, it is recommended that you contact the Retirement Benefits Counsellor who will inform you of the latest fees.

Q. Can one switch a Living Annuity to a Life Annuity or transfer the Living Annuity to another insurer?

A Living Annuity allows the option of transferring the annuity, once purchased, to another insurer, as well as the option of converting the Living Annuity to a Life Annuity.

TAX

Q. Please advise how one's retirement income is taxed?

Your retirement income will be taxed according to the SARS marginal tax table. Please visit www.sars.gov.za for the latest tax tables.

Q. Does the annuity provider deduct and pay tax to SARS on one's behalf?

Yes, the annuity provider deducts tax from your retirement income and pays it to SARS on your behalf. It is deducted/payable when you receive your retirement income, i.e. either monthly, quarterly, bi-annually or annually.

Q. How are one's retirement fund savings taxed when transferring between the various retirement funds?

The following transfers between retirement funds are now permissible, tax-free, from 1 March 2021:

TRANSFERRING **FROM** FUND	TRANSFERRING **TO** FUND
Pension Fund	Pension Fund
	Provident Fund
	Retirement Annuity Fund
	Pension Preservation Fund
	Provident Preservation Fund
Provident Fund	Pension Fund
	Provident Fund
	Retirement Annuity Fund
	Pension Preservation Fund
	Provident Preservation Fund

It is advisable that you take into account any exit fees and charges that may be applicable when you transfer from one fund to another. For example, some retirement annuities levy exit fees in these situations.

Q. How is one's cash portion taxed on retirement?

Once an annuity is purchased, tax will be applied on any cash portion taken at retirement, based on the SARS tax table.

Note that the SARS tax table below was accurate at the time of producing this document. Please visit www.sars.gov.za for the latest retirement tax table.

TAXABLE INCOME (R)	RATE OF TAX (R)
0 – 500 000	0% of taxable income*
500 001 – 700 000	18% of taxable income above 500 000
700 001 – 1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000

*It is important to remember that, if you have multiple Preservation Funds, the tax-free allowance applies cumulatively to all of them, not per fund. This once-off allowance also includes any retrenchment benefits that you may have taken from any of your funds during your working life.

Q. Can one receive a pre-tax directive on one's Pension or Provident Fund before purchasing an annuity?

Yes. However, once you have made a decision and the tax is applied, it cannot be reversed. For ease of reference, click here for a SARS tax calculator you can use. Please note that it does not take into account any arrear tax that you may owe SARS.

CHANGES TO PROVIDENT FUNDS EFFECTIVE 1 MARCH 2021

Q. What changes came into effect for Provident Fund members in March 2021?

Provident Fund members **55 years and older** on 1 March 2021:

Provided you retire from the same fund that you are a member of on 1 March 2021, you will still be able to take your full retirement fund savings in cash at retirement. This includes new contributions made from 1 March 2021 and any growth thereon.

If you subsequently transfer to another Provident Fund, the current Provident Fund savings values, as at the date of transfer, plus growth thereon, will be allocated to a "vested pot" which means you will still be able to take all of that in cash when you retire. The contributions to the new Provident Fund, plus growth thereon, will be subject to the annuitisation regime. That means you will only be allowed to take one-third of this portion in cash and the balance must be used to purchase an annuity. If, however, this portion of your retirement fund savings is less than the current de minimis amount of R247 500, you will be able to take this portion in cash also.

Note that any cash portion will be taxed at the relevant rate shown in the SARS retirement tax table above.

Provident Fund members **younger than 55 years** on 1 March 2021:

You will still be able to take your full retirement fund savings, including growth, accumulated up until 1 March 2021 in cash on retirement.

However, any contributions made from 1 March 2021, plus the growth thereon, will be subject to the annuitisation regime. This means you will only be allowed to take one-third of this portion in cash and the balance must be used to purchase an annuity. If, however, this portion of your retirement fund savings is less than the current de minimis amount of R247 500, you will be able to take this portion in cash also.

Note that any cash portion will be taxed at the relevant rate shown in the SARS retirement tax table above.

FINANCIAL ADVISERS

Q. What is a reasonable fee percentage that a Financial Adviser should be charging?
The maximum product commissions that Financial Advisers are currently permitted to charge are as follows:

For **Life Annuities:** Up to a maximum of 1.5% (plus VAT) of your capital value, payable upfront.

For **Living Annuities:** Up to a maximum of 1.5% (plus VAT) of your capital value, payable upfront, PLUS up to a maximum of 1% (plus VAT) payable annually on your capital value.

Remember that you have the option to negotiate commission upfront with your Financial Adviser. You can agree to the full percentage, a reduced percentage, or the removal of either the upfront or the ongoing commission (applicable to a Living Annuity).

Q. Where can one source an independent Financial Adviser?
You can find a list of accredited Financial Advisers online at the Financial Planning Institute (www.fpi.co.za) or the Financial Sector Conduct Authority (www.fsca.co.za). Most of these Financial Advisers are remunerated via commissions paid by the insurer rather than by adviser fees paid by the retiree/annuitant.

RETIREMENT BENEFITS COUNSELLOR (RBC)

Q. What adviser fees are payable to the RBC?
The services of the RBC are free to members of the Old Mutual SuperFund Pension or Provident Funds.

Q. Should one wish to purchase an annuity, must one use the services of a Financial Adviser or can one deal directly with Old Mutual?
You are not compelled to use the services of a Financial Adviser when purchasing an annuity. You can deal directly with Old Mutual through the free services of a RBC, who will provide you with information and guidance on the retirement options available to you. The RBC is, however, not permitted to give advice. Should you decide to purchase one of the Old Mutual SuperFund default annuities available to you through your fund, you can do so through the RBC, and no commission will be payable.

Q. How long before retirement is one able to speak to an Old Mutual RBC?
You can contact, or ask to be contacted by, an RBC whenever you need assistance. There is no specified timeframe.

Q. How does one make contact with an RBC?
You can either call 0860 38 88 73 and ask to be put through to the RBC, or email your contact details to superfundannuity@oldmutual.com and one will call you.

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