

# Retirement benefit counselling

## Make sure your option will keep working for you

We believe in the value of good financial advice. At retirement, clients must make informed decisions about their options. Your financial adviser is best equipped to guide you through this process to achieve your goals and we recommend that you get in touch with your adviser to plan for your retirement together.

Retirement benefit counselling provides you with information about the options available. It is not a replacement for advice, which is based on your personal circumstances.

## What options do you have?

The source of retirement savings and the rules that apply to that retirement fund determine your options when you retire.

For non-vested benefits, you can:

- take at most one-third in cash at retirement; and
- use the rest to purchase an annuity that will pay you an income during retirement.

For vested benefits, you can:

- take up to the full amount in cash at retirement; or
- use the amount that you don't take in cash to purchase an annuity that will pay you an income during retirement.

## Your benefit statement will show your vested and non-vested benefits.

Any amount you take in cash at retirement will be taxed according to the retirement fund lump sum tax table, and your income from your chosen annuity will be taxed as normal income.

## Choose an annuity

You can choose a combination of annuities or a combination of types of annuities, as long as you use at least R165 000 for each one. There is no limit on the number of annuities that you can purchase. You can therefore for example choose a life annuity and a living annuity from different registered insurers.

When deciding on the type of annuity, you must consider how much flexibility and income certainty you need. Your risk appetite, health and other sources of income are also important factors.

Broadly speaking, there are two categories of annuities, each with its own key features. A living annuity offers you flexibility to decide how you want to invest your retirement savings and how much income you receive, within certain limits. A life annuity guarantees you an income for the rest of your life, and you don't make any investment decisions.

| Living annuity                                                                                          | Life (guaranteed) annuity                                                                                         |
|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| Is your income guaranteed for the rest of your life?                                                    |                                                                                                                   |
| No, you will get an income for as long as your money lasts.                                             | Yes.                                                                                                              |
| Can you choose your monthly income amount?                                                              |                                                                                                                   |
| Yes, you can choose to receive an income of between 2.5% and 17.5% of your investment value every year. | No, the insurance company will offer you a starting income amount based on various factors and your requirements. |
| Can you decide how you would like to invest your retirement savings?                                    |                                                                                                                   |
| Yes.                                                                                                    | No, the life insurer will decide how to invest to provide you with your income.                                   |

| Living annuity                                                                          | Life (guaranteed) annuity                                                                                                                                    |
|-----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Can you adjust your income every year?</b>                                           |                                                                                                                                                              |
| Yes, within the legislated limits, as mentioned above.                                  | No, the insurance company provides you with a range of income options, which may include a yearly increase option.                                           |
| <b>Can you change your annuity at a later stage?</b>                                    |                                                                                                                                                              |
| Yes, you can convert your living annuity to a life (guaranteed) annuity later.          | No.                                                                                                                                                          |
| <b>Can your beneficiaries receive the rest of your money when you die?</b>              |                                                                                                                                                              |
| Yes, your nominated beneficiaries will receive the full balance of your living annuity. | Yes, but your beneficiaries will only receive the remaining income payments if you die within the guarantee term that you chose at the start of the annuity. |
| <b>What is a 'guarantee term'?</b>                                                      |                                                                                                                                                              |
| Not applicable to living annuities.                                                     | A set term during which your income payments will still be paid to your beneficiaries.                                                                       |

### Is there an option for those who find it difficult to choose?

We have a trustee-approved life annuity that you can choose. This is not an automatic selection, and you must indicate that you want this trustee-approved annuity at retirement.

This option provides the following:

- An income for the rest of your life. The starting income will depend on the lump sum you use to purchase the annuity, and your age at that time.
- The income amount will increase by 5% every year.
- A 10-year guarantee term. This means that your beneficiaries will receive the remaining income payments if you pass away within the 10-year guarantee term.
- If you are single, the income will pay out for as long as you live.
- If you have a spouse or life partner, the income will be paid until the last one of you passes away.

### What are the risks of the trustee-approved annuity?

- Inflation is unpredictable. In future, inflation may increase faster than the stipulated yearly increase in your income.
- You can't make changes to the product in future.
- After the guarantee term, no benefit will be paid to your beneficiaries when you pass away.

### What will it cost me?

All costs associated with your annuity are already accounted for when calculating your income payments and will not affect the income you receive. If you use a financial adviser and choose this option, you may have to pay an adviser fee for the advice and intermediary services. You negotiate your financial adviser's fee.

### More information

If you have any questions or need more information, speak to your financial adviser. If you don't have a financial adviser and would like to speak to one, visit [momentum.co.za](https://www.momentum.co.za) and click on 'Find an adviser'.

You can also speak to one of our benefit counsellors on 0860 546 533 or email [wealthservice@momentum.co.za](mailto:wealthservice@momentum.co.za).