Your journey to get a claim paid

This document gives you more information on the death claims process on the Momentum Retirement Annuity and Momentum Pension and Provident Preservation Funds.

Where do you start?

You report a death:

Phone:
0860 44 11 11

Fax:
012 675 3947

Email:
deathclaims@momentum.co.za

What we need from you

We'll let you know what **documents** and **information** we need from you.

We can only continue with the process once we have all the documents.

We assess your claim

As soon as we have all the information and documents, we will assess the claim.

We may ask for additional information or documents.

We'll let you know about the outcome

We will let you know what the trustees' decision is and tell you about the payment options.

How do the trustees decide how to distribute death benefits?

The Pension Funds Act says that the trustees of the fund decide who the benefit must be allocated to and how it must be paid to them. The trustees have to identify the dependants and nominees and then decide what will be the most fair and reasonable way to divide the money among them. They will take relevant factors into account and then say how the benefit will be paid.

What is the difference between a dependant and a nominee?

A **dependant** is, among others, someone who the person who passed away had to look after financially.

Examples are:

- a child under 18 and an adult child who is still studying (this includes biological and adopted children);
- a spouse, permanent life partner and civil union partner;
- a former spouse with a divorce order for maintenance;
- a parent, grandparent, grandchild or any other person who the member supported financially.

There are also "future" dependants that the deceased member would have had to look after in future, such as elderly parents, a fiancée or a baby that is not born yet.

A **nominee** is someone who the member nominated in writing to receive a specific portion of the money in the fund.

A dependant or nominee must still be alive at the time that the trustees make a decision on who should get a portion of the money.

What happens if the will says someone else must inherit the money?

The Pension Funds Act says that a member's pension fund benefit is not part of the assets in his will. That means that the member cannot specify in his will who should get the money in the fund when he dies, like with other assets in a will. This is to make sure that people who are financially dependent on the person who passed away, are the ones to benefit from the death benefit.

What happens if a person nominated an estate?

An estate cannot be a beneficiary of pension money.
A death benefit will only be paid into a member's estate if:

- there are no dependants;
- there were only nominees and the estate is insolvent, or
- there are no dependants and the member nominated beneficiaries, but the allocations to the nominees do not add up to 100%. In this case, if the estate is solvent, the part of the benefit that was not allocated will be paid to the estate.

Can a person be a dependant and a nominee?

No. If the person who passed away nominated a dependant to receive a portion of the death benefit, the trustees will treat that person as a dependant and not a nominee.

Can a nominee be entitled to a death benefit if there are dependants?

If there are dependants and nominees, the nominee doesn't automatically qualify for a portion of the money. The trustees will take all relevant factors into account when deciding on how the death benefit must be divided between the dependants and the nominees.

Which factors do the trustees take into account in determining dependants?

In general, the trustees consider the following factors:

- The extent of the dependency,
- The ages of the beneficiaries,
- The relationship with the deceased member,
- The benefit amount,
- The financial status of each beneficiary, including future earning capacity, and
- The wishes of the person who passed away.

The circumstances of each case will determine how relevant each of these factors are, and what other factors the trustees should take into account.

What documentation is valid proof of dependency?

Documents that prove dependency for someone who is younger than 18 years (minor) and did not live with the member:

- Bank statements from the member, the dependant or the caregiver.
- Proof of education in the form of a letter from the school confirming that the minor is attending as well as the yearly school fees.
- Maintenance order.
- If the minor was a dependant on the deceased member's medical aid where the deceased member was the premium payer, proof of medical aid membership.

Documents that prove dependency for someone who is older than 18 years (major):

- Bank statements from the deceased member or the dependant.
- Proof of education in the form of a letter from the school or tertiary institution confirming that the deceased member is attending, as well as the proof of registration

and the fees payable. If it is a tertiary education, the course and the duration thereof must also be confirmed.

- Affidavit by person claiming to be dependant.
- If the major was a dependant on the deceased member's medical aid where the deceased member was the premium payer, proof of medical aid membership.

When do dependants get their money?

Although the Pension Funds Act allows the trustees 12 months from the date of receiving notice of the member's death to find and pay beneficiaries, the fund will pay out the death benefit as soon as they have finalised the investigation.

Why nominate at all if there are dependants and they get preference anyway?

A nomination is a guide to the trustees. They will consider it when they decide who must get what.

In which instance will a nominee automatically get the portion of the death benefit that he was nominated for?

This will happen if there are no dependants and if there is no shortfall in the deceased member's estate.

Why does an insolvent estate get preference above nominees?

The law favours dependants over debtors of the deceased member and debtors over non-dependants. If the estate is insolvent, the shortfall must be settled from the death benefit first. What remains of the death benefit will then be divided among the nominees according to the percentages indicated.

Is it true that nominees have to have to wait a year for the money?

The Pension Funds Act states that if there are only nominees and no dependants, the death benefit may only be paid 12 months after the date of the member's death. This gives the trustees enough time to find dependants.

What happens if the nomination does not add up to 100%?

If the percentages allocated are more than 100%, the nomination is not valid. If it is less than 100%, the balance will be paid to the deceased member's estate.

Can the fund pay a death benefit directly to a minor?

In general, the fund will pay that part of the death benefit that they allocated to a minor to that minor's guardian or caregiver. They will take into account the amount, the qualifications of the guardian/caregiver and their ability to manage the money in the child's best interest. The trustees may also decide to pay the money to a beneficiary fund that will then manage and pay the money to the child's guardian or caregiver.

What is a beneficiary fund and why will the money be paid into that fund?

The trustees can decide to pay a death benefit to a beneficiary fund instead of to a beneficiary or the beneficiary's guardian or caregiver. A beneficiary fund manages death benefits on behalf of beneficiaries. It is very similar to a trust.

The fund either makes monthly payments that will be used for general living costs, or the guardian or caregiver can ask for payments for a specific purpose like school fees or books.

The guardian or caregiver must make sure that the money is used for the benefit and education of the minor beneficiary.

What are the payout options for beneficiaries older than above 18?

- They can buy an annuity with the full amount.
- They can take part of the benefit as a lump sum and buy an annuity with the rest of the benefit.
- They can take the benefit amount as a lump sum.

Which is the better choice: a lump sum or an annuity?

It depends on the beneficiary's circumstances. It is best to discuss the options with a financial adviser who has the full picture of the beneficiary's financial needs, wants and obligations. A financial adviser will also look at the tax implications of each option.

What are the tax implications of a lump sum and an annuity payment?

If the deceased member has not made any lump sum withdrawals from a retirement fund since 1 October 2007, the first R500,000 of a lump sum death benefit is tax free. The balance of the death benefit will be taxed on the retirement tax table.

The portion of the death benefit that is used to buy an annuity will not be taxed, but the income from the annuity will be taxed.

If Momentum asks for documents that must be paid for, do I have to pay for it?

Yes. The person that has to provide evidence of dependenct is also responsible for the costs associated with it.

Can a death benefit be transferred to another fund?

No. The Income Tax Act does not allow this.