

Getting ready *to retire*



Get answers to your questions
See what others have asked and our answers

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Category: Advice-related



Do I have to use a financial adviser from Alexforbes?

No you don't. You can use any licensed financial adviser that you prefer.



Do you have information on advisers available to me, cost of these and how these are normally paid?

To get help with your individual circumstances, you need to consult a financial adviser. Financial adviser fees are based on what solutions they implement for you, for example if you use your retirement savings to buy a flexible or guaranteed pension.

Fees can be charged when a solution is implemented, and on an ongoing basis where you receive ongoing advice, or a combination of these. The upfront fee a financial adviser charges is limited to 1.5% + VAT of the amount you use to buy a pension, but the actual amount is negotiated between you and the adviser.

Please contact our My Money Matters Centre, where you can receive retirement benefits counselling and advice from our qualified consultants: phone 0860 000 381 or email: mymoneymatters@alexforbes.com



Category: Retirement planning



I will be retiring at the end of this year. Can I divide my retirement savings between different cash and pension options?

Yes, you do have a choice on what you'd like to do with your money at retirement. You can choose between different pension and cash options. A financial adviser can help you make decisions that are right for you.



I am turning 60 in June 2021. What will happen to my provident fund savings?

According to the new provident fund rules which were introduced on 1 March 2020, you are still allowed to withdraw all of your provident fund money if you were already over age 55 years old on 1 March 2021, and if you decide that's the best option for you. It's a good idea to talk to a financial adviser to help you make good decisions based on your personal circumstances.



What is the minimum retirement fund saving amount that one would need to be able to live comfortably?

That would depend on your current standard of living and your needs during retirement. Aiming for a pension in retirement that's equal to 75% of the salary you were earning the day before you retire is generally considered to be enough for you to continue living the lifestyle you were used to before retirement. The reality is that less than 6% of South Africans are able to retire with a pension equal to 75% of their final salaries.



How long before I retire should I start preparing for retirement?

We recommend that you start meeting with a financial adviser at least five years before your expected retirement date.



Category: Retirement process



I'm retiring one month from now. What are the cut off dates if I want to buy a pension as soon as I possibly can?

The process for buying a pension can only start once your last contribution to the fund has been received (which usually happens near the end of your last month of work). Any cash payment from the fund takes around six weeks after your last day in the fund. The final value of the savings that you will use to buy a pension or withdraw in cash will continue to change until the day the pension is purchased from a pension provider.

Your pension payments usually start at the end of the second or third month after retirement. If you are buying a guaranteed pension, back payments can be made from the time you retired.

To make sure that your retirement can be processed as quickly as possible, it is recommended that you complete all the documents before you leave your employer. This includes the retirement form from your HR, as well as the FICA documents needed (ID, proof of banking details and proof of residential address) and the relevant pension application forms. It is a good idea to talk to a financial adviser to assist you with this process.





Category: Retirement age



Can I retire at age 65?

Legislation allows for both men and women to retire at any time after age 55. However, your employer's rules will specify the age that you must retire from your employer. You can still defer (delay) starting to use your retirement savings to live on for as long as you want to after that date.



Category: Delay (defer) retirement



If I've reached my employer's retirement age, but I'd like to continue working, what happens to my retirement savings?

If you have the opportunity to carry on working after your normal retirement age (set by your employer), you can retire from your employer but keep your retirement savings invested in the retirement fund. Your money in the fund can continue to grow and you can decide when you'd like to officially retire from the fund and start receiving an income from your savings. There are other also other options you can explore with a financial adviser.



I am delaying my retirement from age 65 to 68. I plan to invest all the money in my retirement annuities and my employer's pension fund in an Alexander Forbes Retirement Income Solution (AFRIS) retirement annuity for the next three years. Is this a good option? Also, can I continue to contribute to the AFRIS retirement annuity on an ad hoc basis?

One of the benefits of AFRIS (Alexander Forbes Retirement Income Solution) is its low fees. Combining your savings into AFRIS while you continue to work means that you'll get most benefit from the low fees.

It is a good idea to speak to a financial adviser to work out what is best for you based on your personal circumstances. Once you're ready to retire, this will be especially important.

You can make ad hoc contributions to the AFRIS retirement annuity, at any stage, to benefit from tax deductions.



Category: Guaranteed pension options



Is it possible to use some of my retirement savings portion to buy a guaranteed pension and the rest to buy a flexible pension (living annuity)?

Yes, it is possible. This can be done within the AFRIS Living Annuity (a flexible pension) or by buying two different pensions - a guaranteed pension and a flexible pension, which could also be from different providers.



Category: Tax



How much tax can I expect to pay on the pension I receive after retirement?

The income tax that you'll pay on the monthly pension you receive is based on the same PAYE (Pay As You Earn) tax scale that's used by SARS to calculate income tax for individuals that are employed. Therefore, the amount of tax you pay will depend on the amount of pension you receive.

However, once you reach specific ages, the actual amount of tax paid will be less for the same level of income because of extra rebates. The rebates are changed by SARS from time to time.



The retirement tax table is confusing. There are also fixed tax amounts payable on the bottom two tiers.

The tax table shows that a taxpayer does not pay tax on the first R500 000 withdrawn from retirement savings in cash at retirement. This is a lifetime tax-free amount and is affected by previous tax-free amounts (see below for examples).

The tax table then shows that on the next R199 999 (R700 000 less R500 001) withdrawn in cash, tax is payable at a rate of 18%. For example, if the first R500 000 is tax free, a taxpayer withdrawing R700 000 will pay tax of R36 000 (R700 000 less R500 001 which is approximately R200 000, taxed at 18%).

The next level of the tax table shows that if this same taxpayer withdrew R900 000 of their retirement savings in cash, they would pay R36 000 tax on the first R700 000 and pay tax at a higher rate of 27% on the extra R200 000 (R900 000 less R700 000). Tax payable on this extra R200 000 is R54 000. The taxpayer would therefore pay a total amount of R36 000 plus R54 000, which is R90 000. The taxpayer in this example therefore pays tax of R90 000 on a cash withdrawal of R900 000.

This example explains how the 'fixed' amounts shown on the table are calculated.

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Taxable income	Rates of tax
R0 - R500 000	0% of taxable income
R500 001 - R700 000	R0 + 18% of taxable income above R500 000
R700 001 - R1 050 000	R36 000 + 27% of taxable income above R700 000
R1 050 001 and above	R130 500 + 36% of taxable income above R1 050 000

Lifetime tax-free limit of R500 000

Any previous retirement benefit received on or after 1 October 2007 (and withdrawal benefit received on or after 1 March 2009) will reduce the tax-free amount available when retirement savings are withdrawn in cash because the tax-free amount is a lifetime amount. This must be taken into account when calculating the tax that is owing if you withdraw any of your retirement savings in cash when you retire.

With effect from 1 March 2011, any lump sum amounts that you have received on termination of employment after age 55, or on involuntary termination of services due to a reduction in employees or the closure of your employer's business or your ill health are classified as severance benefits. Severance benefits are also taxed according to the above table. Therefore, when calculating the tax due on any retirement savings you withdraw in cash, the amount of any severance benefit you've received would also need to be taken into account.



Category: Pension/annuity costs



Can investments be split into flexible (living annuity) and guaranteed (life annuity) pensions? Are there investment fees on a pension?

Investments can be split into Flexible (Living) pensions and Guaranteed pensions. There may be upfront and ongoing fees which will vary depending on the type of pension you choose and what is negotiated and agreed between you and the financial adviser.

In the case of a flexible pension, there will also be investment fees on your investment portfolios. Investment portfolio fees are deducted from the value of your investments and won't be shown separately on your statements.

An administration fee is charged for the administration involved in paying you your pension and preparing and submitting your tax information.



Category: Combining retirement savings from different sources to buy a pension



Can I combine other retirement savings (such as Retirement Annuities), from outside Alexforbes, and add that money to my retirement savings to buy one pension (annuity)?

Yes, you can combine your retirement savings into one pension product when you retire.



Category: Alexforbes services



What is the difference between Alexforbes and other financial services companies?

At Alexforbes, we're committed to helping our clients achieve the best possible financial well-being outcomes. An important part of this is making sure fund members know how important it is to save as much for retirement as possible and to start planning as early as possible. Inviting you to this webinar is one of the ways we help you to prepare. Alexforbes makes sure that your money is safe and can grow while you're saving for retirement. When you're ready to retire, it's important to us that you have access to good advice and are able to understand all your options. Because we know that every rand saved makes a difference, we make sure that your money is managed in a cost effective way and we find pension providers that offer very good value so that you can have more to live on when you retire.



GET HELP

Questions about a claim or processes

Client contact centre: 0860 100 333 | ccradmin@alexforbes.com

Understanding your options or help making a decision based on your personal circumstances (advice)

My Money Matters Centre: 0860 000 381 | mymoneymatters@alexforbes.com

