



Approved Versus Unapproved Death Benefits

In this newsletter

If you pass away while still a member of your Fund, your beneficiaries will be paid a death benefit. This death benefit is usually made up of two parts: your Fund Credit, plus an insured death benefit.

As a reminder, full Fund Credit is paid in full, whenever you leave the Fund. If you resign, are dismissed, are retrenched, retire or die, your full share of Fund, known as your "Fund Credit" is paid. Your Fund Credit is equal to your current and previous member and employer contributions towards retirement savings, together with investment returns. However, if you die while still a member of the Fund, an extra benefit known as an insured death benefit may also be paid to your beneficiaries. This insured death benefit can be provided on an "approved" or an "unapproved" basis – your employer will be able to confirm what benefits you enjoy.

The main difference between approved and unapproved insured death benefits is the way in which your benefits are paid out to you and taxed. This is explained in the next section of this newsletter,.

Whether your insured death benefit is provided on an approved or unapproved basis, completing and keeping your nomination of beneficiary form, which is usually sent out with your annual benefit statements, is extremely important. We explain why, on the second page of this newsletter.

Understanding Approved and Unapproved Insured Death Benefits

Firstly, let's understand how your death benefit is structured:

On your death, is your full death benefit, ie Fund Credit and insured death benefit provided by your Fund? If so, your insured death benefit is approved – read the **approved insured death benefits** section below;

OR

On your death, is your Fund Credit paid by the Fund and your insured death benefit paid by way of a separate, employer-owned insurance policy? If so, your insured death is unapproved – read the **unapproved insured death benefits** section below.

Approved Insured Death Benefits

Benefit

Both your Fund Credit plus your insured benefit will be paid from your Fund.

Tax on Benefit

Up to R500 000 of **your full death benefit** paid by your Fund to your Beneficiaries on your death, is tax free. This means that you will not pay any tax if your entire approved death benefit (paid by your Fund) is lower than R500 000. The rest of your full death benefit will be taxed according to the lump sum tax formula on death.

Lump sum tax formula on death*

Less than R500 000	0%
R500 001 – R700 000	18% of the amount above R500 000
R700 001 – R1 050 000	R36 000 + 27% of the amount above R700 000
R1 050 001 and above	R130 500 + 36% of the amount above R1 050 000

* Any amounts taken as cash before retirement or death will reduce your tax free lump sum

Unapproved Insured Death Benefits

Benefit	Tax on Benefit
<p>Only your Fund Credit is paid from your Fund.</p> <p>Your insured benefit is paid by a separate employer-owned insurance policy.</p>	<ul style="list-style-type: none"> ○ There is no tax payable on your insured death benefit ○ Tax will only be paid on your Fund Credit ○ Up to R500 000 of your Fund Credit paid by your Fund to your Beneficiaries on your death, is tax free. This means that you will not pay any tax if your entire Fund Credit is lower than R500 000. The rest of your Fund Credit will be taxed according to the lump sum tax formula on death (see above).

Why completing your Nomination of Beneficiary form is so important

Approved Death Benefit

Complete one nomination of beneficiary form:

As your full death benefit is paid by your Fund, you need to complete just one Nomination of Beneficiary form. This form helps the Trustees to know who your Beneficiaries are, and what your wishes were regarding your death benefit payment, if you die as a member of your Fund.

However, Section 37C of the Pension Act gives Trustees a duty to apply their minds to each death benefit and distribute your entire death benefit (your Fund Credit and your insured death benefit) in the most fair and equitable way to your Beneficiaries.

Completing this form and updating this whenever your circumstances change (like marriage, divorce, birth of a child or moving into one home with your life partner), will help your Trustees to speed up the investigation into the distribution of your full death benefit, to your beneficiaries.

Unapproved Death Benefit

Complete two separate nomination of beneficiary forms:

<p style="text-align: center;">Fund Credit Portion</p> <p>As the Fund Credit portion is paid by your Fund, you need to complete one Nomination of Beneficiary form, to help the Trustees to know who your Beneficiaries are, and what your wishes were regarding your death benefit payment, if you die as a member of your Fund.</p> <p>However, Section 37C of the Pension Act gives Trustees a duty to apply their minds to each death benefit and distribute your entire death benefit (your Fund Credit and your insured death benefit) in the most fair and equitable way to your Beneficiaries.</p> <p>Completing this form and updating this whenever your circumstances change (like marriage, divorce, birth of a child or moving into a home with your permanent partner), will help your Trustees to speed up the investigation into the distribution of your Fund Credit, to your beneficiaries.</p>	<p style="text-align: center;">Insured Death Benefit Portion</p> <p>If you die while you are employed, your insured death benefit will be paid to your beneficiaries by an employer-owned insurance policy. This means that neither the employer nor the Trustees of your Fund are in a position to decide who your insured death benefit will be paid to, if you die while in employment.</p> <p>Because your insured death benefit is unapproved, you need to complete a second Nomination of Beneficiary form. Your insured death benefit will be paid to your beneficiaries strictly according to this second Nomination of Beneficiary form.</p> <p>If you have not filled in your second Nomination of Beneficiary form and you die while in service, your death benefits can't be paid out directly to your beneficiaries. Your benefit will probably be paid to your estate instead, and won't be protected from creditors (people you owe money to, on your death).</p> <p>Also, you must make sure this Nomination of Beneficiary form is up to date at all times, or an important dependant who counts on you for financial support, won't be paid a share of this benefit, on your death.</p>
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Who are your Beneficiaries?

Your beneficiaries can be divided into two groups:

Dependants

Dependants include a spouse, life partner, children and anyone else who may be financially/emotionally dependent on you.

Dependants also include people that you support financially who may or may not be related to you.

Nominees

Nominees are beneficiaries who are not financially/emotionally dependent on you, such as friends or distant relations.