nmg BENEFITS

Options on leaving NMG Umbrella SmartFund

MOVE YOUR BENEFIT TO A PRESERVATION FUND

- You have access to one withdrawal of your benefit before retirement.
- You are likely to have investment flexibility.
- You may be able to stay invested in the same investment portfolio in the preservation fund as you had in your employer's fund. This means that if the market is depressed when you leave the fund, you don't have to take your money out of the investment market.
- A preservation fund may not have the benefit of economies of scale as in the umbrella or in a new employer fund, which could result in higher investment fees and administration charges.
- You may need to get financial advice to access a preservation fund.

MOVE YOUR BENEFIT TO YOUR NEW EMPLOYER'S FUND

- Your benefit will be locked in until you leave your new employer.
- You should check, but your new employer's fund may have lower costs.
- You may have less investment choice than what you had before.
- Getting financial advice is not compulsory.

TRANSFER YOUR BENEFIT TO A RETIREMENT ANNUITY FUND

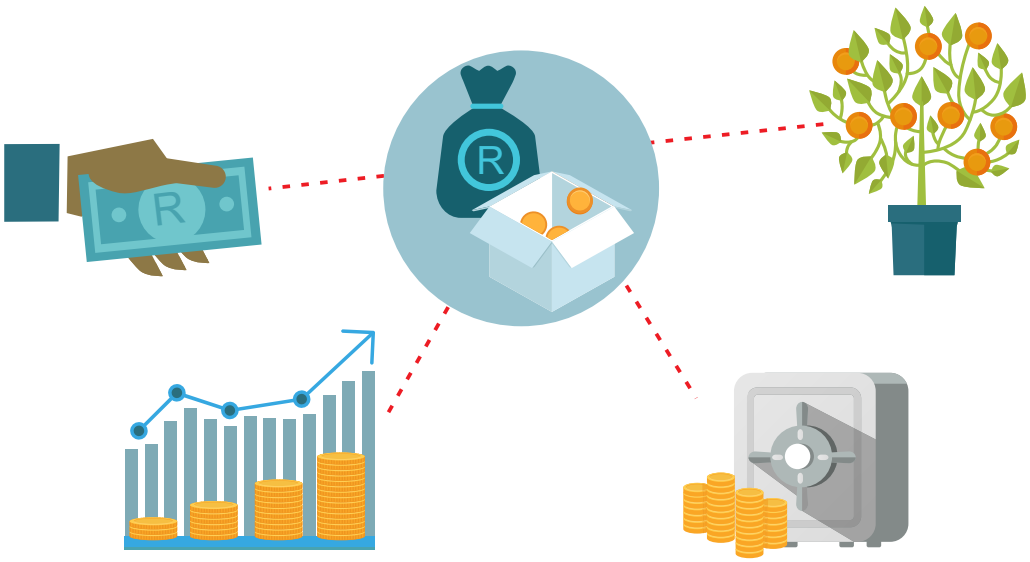
- Your benefit will be locked in until age 55.
- A retirement annuity fund may not have the benefit of economies of scale as in the umbrella or in a new employer fund, which could result in higher investment fees and administration charges.
- You may need to get financial advice to access a retirement annuity fund.
- You are likely to have investment flexibility.

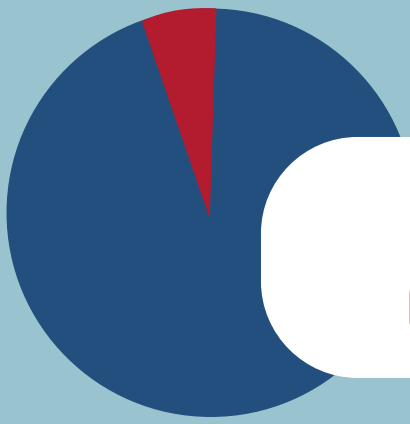
TAKE CASH

- If you choose to take your retirement benefit in cash, or a portion in cash, you will have to save for your retirement from the start again and you may not be able to stay on track with your long-term financial goals.
- Its strongly recommended that you preserve your benefit for its original purpose – providing you with an income in your retirement.

PAID UP BENEFIT IN THE FUND

- If you do not make a choice of where your benefit should be paid to, it will remain in the fund as a paid up benefit until you tell the fund what you want to do with your money.





WILL YOU BE ONE OF THE 6% OF US WHO CAN AFFORD TO RETIRE?

If you take your retirement benefit in cash, it is less likely that you will have enough money to retire

Statistics consistently show that very few South Africans have enough money saved to provide them with the income they need in retirement and that, in many cases, this is because members have taken their benefit in cash when they leave employment.

In 2019, the state pension is R1 780 a month, which means that you cannot rely on a state pension in retirement. You need to rely on your own savings, and especially the savings you make through your employer's retirement fund, to support you in retirement.

Many South Africans are forced to retire earlier than they had planned, they live longer (thus need support for longer) and inflation takes its toll. If you want to maintain the same standard of living in retirement that you had when you were working, you are going to need a sizeable amount of money. Taking cash will not help you to retire comfortably.

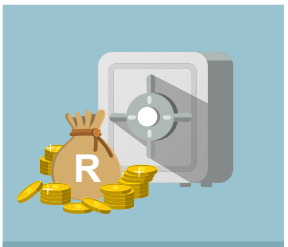
IF YOU BECOME A PAID UP MEMBER...

It is important to understand that your benefit in the fund will become paid up if you don't choose, in writing, what you want to do with your benefit. The benefits of paid-up members are invested in the SmartActive Life Stage model. The SmartActive Life Stage model will start investing in less aggressive investment portfolios from age 58.

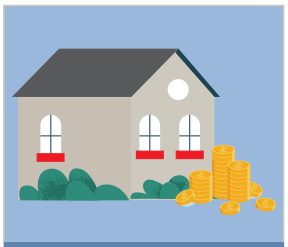
If your benefit has been preserved as paid-up (because you have not made a choice or do want your benefit made paid up in the fund), you can still withdraw from the fund before your retirement by making a choice in writing. You will then have the same options as you had at the time you left employment, as explained above. You will need to inform the fund of your choice in writing on a withdrawal claim form.

While you are a paid-up member in the fund:

You can't take part of the benefit in cash and leave the rest in the fund.



You can't make further contributions to the fund.



If you have taken a housing loan from the bank using your money in the fund as security, the outstanding loan amount will be deducted from your benefit when you leave employment. The remaining amount in the fund will be made paid up.

Your death benefit is your benefit in the fund - there is no insured benefit. The law provides that the benefit must be paid to your dependents and nominees and not automatically to your estate.

The administration fee for paid up members is currently set at 0.25% excluding VAT of assets a year, with a maximum monthly fee of R40 excluding VAT. The investment fee will be on the same fee basis as the SmartAssets portfolios for active members of the fund. You can find these fees in the fund's investment booklet.

HOW TO PRESERVE YOUR BENEFIT

Move your benefit to a preservation fund

With this option, you choose to move your retirement fund benefit into a preservation fund of your choice, without paying any tax on the benefit.

You have control over where your retirement benefit is invested once it is in the preservation fund and can switch investment portfolios when you need to.

Preservation funds allow you to take one withdrawal if you need emergency savings at a later stage, but only if you did not take a portion in cash when you left service. You can take all or part of your benefit in this once-off withdrawal. It's important to remember that if you take this one withdrawal, it will reduce your retirement savings and you will have to pay tax on any cash that you take out of the preservation fund. It will also reduce the tax-free amount you will be entitled to when you retire.

If any deductions are made before you transfer to a preservation fund (for example for a housing loan), that deduction will be your once-off withdrawal and you won't be able to take any more money from the preservation fund before you retire. The only deductions that won't count as a once-off withdrawal are those that are made for divorce order or maintenance order payments.

The trustees have a preferential preservation fund option

While you can choose any preservation fund, the fund trustees have arranged a preferential preservation fund option with the Sygnia Preservation Fund, if you leave the employ of your employer. You can continue to invest in the SmartAssets investment portfolios when you transfer your fund benefit to the Sygnia Preservation Fund. This gives you continuity in investments and means that you do not have to disinvest assets from the market when you move your benefit from the fund to the preservation fund. You will need to choose this option when you withdraw from the fund.

You can choose whether to use a financial adviser for the Sygnia Preservation Fund, and Sygnia can pay your adviser. You can speak to your fund consultant, or an NMG financial adviser (see details below) if you want more information on this option.

There would be two types of fees payable by you in the Sygnia Preservation Fund: administration fees and investment fees. The Sygnia Preservation Fund's administration fee for members transferring from the NMG Umbrella SmartFund is 0.25% excluding VAT of assets a year on the first R2m invested and 0.10% excluding VAT of assets a year on the amount above R2m. This is a 50% discount on the standard pricing. The SmartAssets portfolios within the Sygnia Preservation Fund have the same investment fee basis as in the NMG Umbrella SmartFund. You can find these fees in the fund's investment booklet.

Move your benefit to your new employer's fund

You can transfer your retirement savings to your new employer's fund without paying tax, provided you don't transfer your benefit from a pension fund to a provident fund. This is because of the historical way that contributions to pension and provident funds were taxed, tax-free transfers from a pension fund to a provident fund are not permitted.

You should check with the new employer's fund where your retirement fund benefit would be invested and whether that fund allows you a choice of where to invest your benefit.

This option would require that your benefit is disinvested from the market and transferred into your new employer's fund investments.

Your benefit would then need to remain in your new employer's fund until retirement (or you leave that fund).

Transfer your benefit to a retirement annuity fund

You can transfer your benefit in the fund tax free to a retirement annuity fund. You can choose to transfer all or even part of your withdrawal benefit.

You won't be able to withdraw any money from the retirement annuity fund until you reach the age of 55. You can take up to one-third of your benefit in cash when you retire. You must use the other two-thirds to buy a pension from an insurer (even if you transferred your benefit from a provident fund).

If you want to make further contributions, you can contribute in a tax efficient way to the retirement annuity fund. You have full control of your investments in the retirement annuity fund and can switch investment portfolios when you need to.

YOU WILL HAVE TO PAY TAX ON THE BENEFIT YOU TAKE IN CASH

Any money you take in cash will be taxed according to the tax tables applicable at the time. There are different tax tables for if you change jobs as opposed to when you are retrenched. These are set out below.

When you take a withdrawal benefit in cash, you will have less money to take tax-free when you retire (there is an overall limit of R25 000 tax free).

Amount of money taken in cash when you change jobs	Rate of tax
R0 - R25 000	0%
R25 001 - R660 000	18%
R660 001 - R990 000	27%
R990 001+	36%

Amount of money taken in cash when you are retrenched	Rate of tax
R0 - R500 000	0%
R500 001 - R700 000	18%
R700 001 - R1 050 000	27%
R1 050 000+	36%

The above R500 000 of tax free benefit applies over your lifetime. For example, if you experience a tax-free qualifying retrenchment before you retire, you will have to take less (or nothing) tax-free when you retire.

MAKING A DECISION

The fund provides you with access to retirement benefits counselling. This is when the fund discloses and explains the options available to you.

Retirement benefits counselling is not the same as advice and can be provided through written material. This document is retirement benefits counselling. **It is not advice and it is not tax advice.**

You can access information about the fund on the fund's online portal, https://www.adminportal.nmg.co.za/. You can also obtain information from your human resources or payroll department.

You can speak to your human resources or payroll department to put you in contact with your fund consultant if you need further assistance with information about the fund and your options.

Once you have made your decision, you will need to complete a withdrawal claim form (available from your human resources or payroll department) and provide this to your employer to advise the fund. If you want your benefit to be transferred to a preservation or retirement annuity fund, you will need to attach the application form for that fund. It is important to submit the claim form as soon as you can, before or once you have left your employer.

GETTING ADVICE

Before making a decision about your options when leaving your employer's fund, it's a good idea to get advice from a registered financial adviser.

An expert adviser can help you reach your financial goals. They can help you create a roadmap so that you are able to make objective and unemotional decisions around money issues. They can also help you understand if you are on track financially and if not, how to get the most from your hard-earned money.

A financial adviser should be able to help you with your overall financial planning – for example, setting a budget, choosing the types of investments that would work for you, tax and estate planning and ensuring that you are adequately insured.

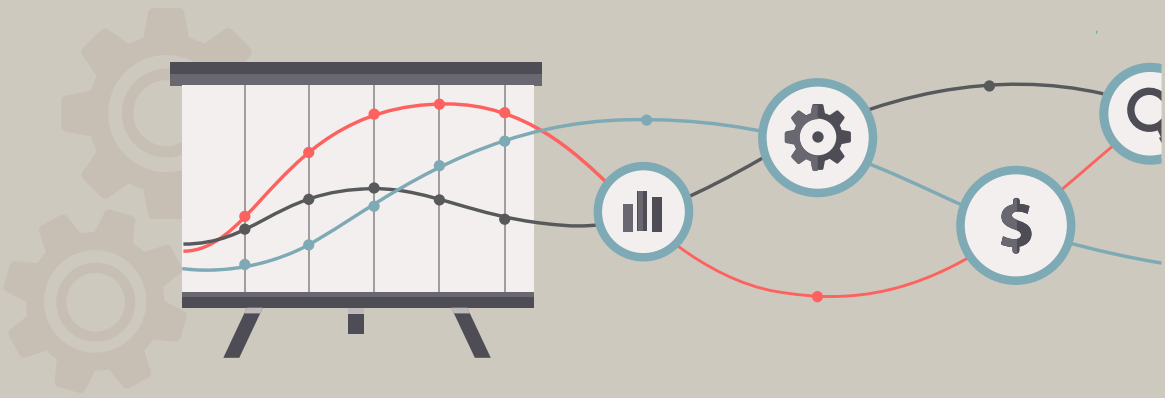
You may have group insurance benefits through your fund or employer that won't be available when you leave. Some insurance policies give you the option to continue the cover you had when you were employed by changing it to an individual policy, without having to provide medical evidence of good health. A financial adviser will be able to help you with this.

A financial adviser will be able to help you if you need advice or if you would like to transfer your benefit into a preservation fund or retirement annuity fund.

You can choose any financial adviser. If you would like to speak to an NMG financial adviser, please contact the NMG offices on these numbers:

Johannesburg:	Phone: (27) 11 509 3000
Cape Town:	Phone: (27) 21 943 1800
Durban:	Phone: (27) 31 566 2133
Port Elizabeth:	Phone: (27) 41 397 3400

You can also email finplanning@nmg.co.za to contact an NMG financial adviser.



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