Your options on retirement
NMG Umbrella SmartFund

There are critical decisions that need to be made when you retire, but you don't need to make these decisions alone

It's a good idea to get advice from a qualified, registered financial adviser to help you consider all the options available to you at retirement.

Qualified, registered financial advisers are experts in their field and specialise in helping people reach their financial goals. Your financial adviser will gather relevant information from you to help you create a financial plan. They will be able to guide you to an objective decision that is appropriate for you. Importantly, the financial adviser will be able to help you get the maximum benefit from your savings.

The financial adviser will make a recommendation that is best for you and that is based on your own needs

Here are some things to discuss with your financial adviser:

Am I going to retire now?
How much money will you need every month and **what is your cost of living**?
What **financial position** are you and your spouse in?
What **savings** do you have?

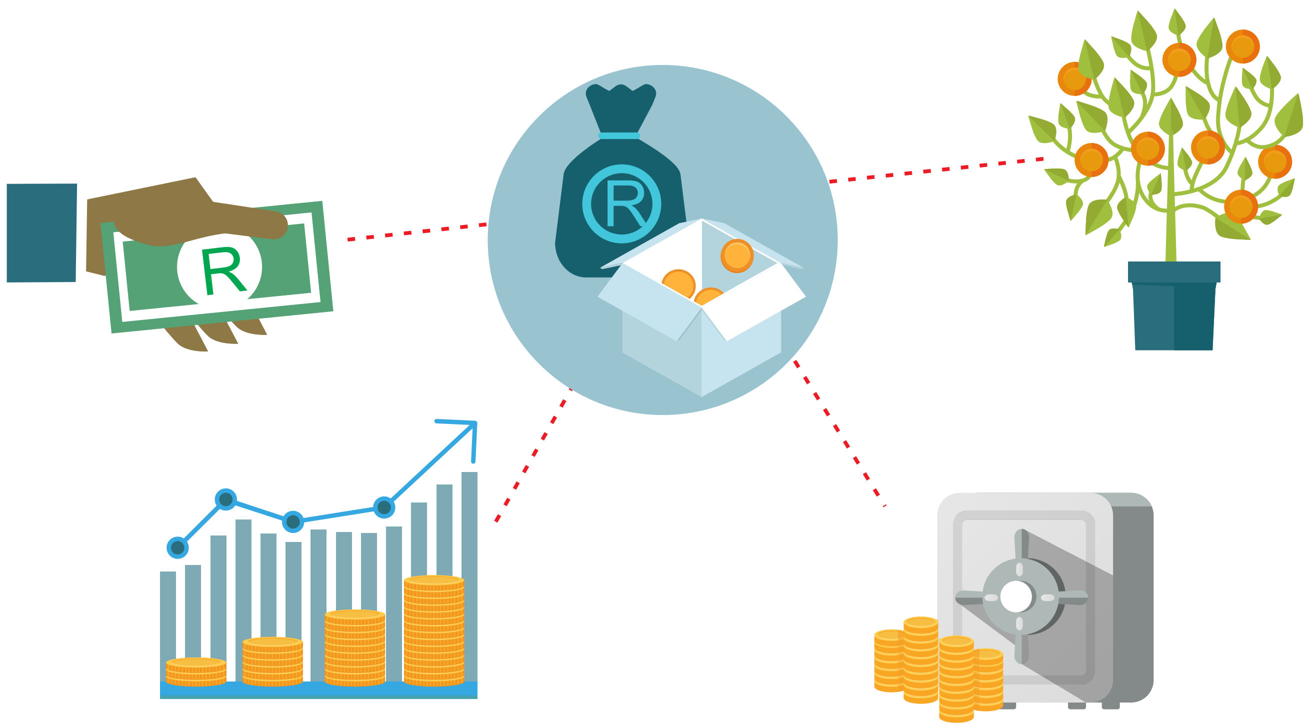
What is your health like?
What are the chances that you might **live longer than you expect?**

Are you married and does your spouse need a pension income if you pass away?
How old are you and your spouse?
Will you need to **leave money for your spouse and dependents?**

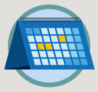
How much tax am I going to pay?

Tell me about the different types of annuities, including the fund's default annuities.

You should discuss what your advisor will charge you (and what income the advisor will receive) to provide you with advice. Advisers are able to charge once off, upfront advice fees when they provide you with the advice and may also charge an ongoing advice fee. You should discuss and negotiate the fees that will be paid with your adviser.



YOUR OPTIONS AT RETIREMENT



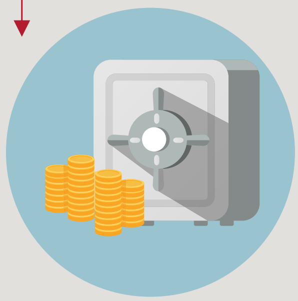
Route A
Defer receiving your retirement benefit by:

1

Keeping your retirement benefit in the fund (you become a deferred retiree)

2

Transferring your benefit to a retirement annuity fund or preservation fund (the fund has a preferred preservation fund where lower fees have been negotiated).



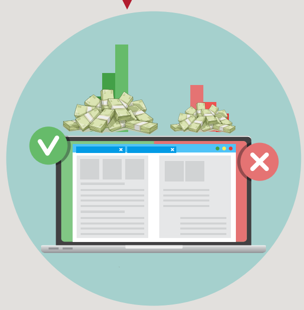
Route B
You can start receiving a pension income now by purchasing an annuity:

1

Purchase one of the annuities from the fund's annuity strategy

2

Purchase an annuity from any annuity provider that you have chosen



OR

If you want to start receiving a pension income now, you can also take cash.

The options available to you at retirement as to how much cash you can take versus how much pension income you must buy depends on whether you belong to a pension or a provident fund. The NMG Umbrella SmartFund has a pension section and provident section. You can tell whether you are a member of the pension section or the provident section by looking at the benefit schedule that comes with your member booklet.

Provident fund

You can use all your retirement benefit to buy a pension that provides you with a monthly income in retirement, or

You can take some of your retirement benefit in cash and use the rest to buy a pension that provides you with a monthly income in retirement, or

You can take your full retirement benefit in cash.

Pension fund

You can use all your retirement benefit to buy a pension that provides you with a monthly income in retirement, or

You can take up to one-third of your retirement benefit in cash, and at least two-thirds of your retirement benefit to buy a pension that provides you with a monthly income in retirement.

You can take your full retirement benefit in cash if your retirement benefit is less than R 247 500.

Route A

DO YOU WANT TO DEFER GETTING A PENSION INCOME UNTIL LATER?

You don't have to retire from the fund when you retire from your employer. You can choose to retire from the fund later, even after you retire from your employer's service. You should receive a higher income the longer you defer.

There are two ways to defer your retirement from the fund if you are 55 years or older:

1. **You can defer your retirement from the fund, by retiring from your employer, but leaving your retirement benefit invested in the fund until you choose to take your retirement savings from the fund. If you choose this option:**

- You won't be able to make contributions or be entitled to insurance benefits from the fund. You cannot take a portion of the benefit in cash.
- There will still be investment and administration fees. The administration fee for deferred retiree 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.
- The investment return on your retirement savings will depend on the investment return on the portfolio(s) you are invested in. You will remain invested in the investment portfolio you were invested in before retirement (until you select another portfolio).

2. **You can defer your retirement by retiring from your employer but transferring your retirement benefit to a retirement annuity fund or a preservation fund. You can choose any appropriate pension or provident preservation fund or a retirement annuity fund. If you choose this option:**

- You will **not** be allowed to take one withdrawal from the retirement annuity fund or preservation fund before your retirement from this fund.
- You won't pay tax on the retirement benefit transferred from the fund to the retirement annuity fund or preservation fund.
- Once you are in the retirement annuity fund or preservation fund you still have control over where your retirement benefit is invested and can switch between the available investment portfolios when you need to.
- The costs of the retirement annuity fund or preservation fund would need to be disclosed by the retirement annuity fund or preservation fund and your financial advisor can help you with this.

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 choose to transfer your benefit to the Sygnia Preservation Fund you can then choose to invest in the same SmartAssets investment portfolios that you could choose from in the NMG Umbrella SmartFund.

You will need to choose this option when you complete your application form to retire from the fund. If you want more information on this preferential preservation fund option, you can speak to your fund consultant, or an NMG financial adviser (see details below).

If you decide on the preferential Sygnia preservation fund option, you can choose whether or not you want to use a financial adviser while you are a member of the Sygnia preservation funds. You may choose whether to use a financial adviser for the Sygnia Preservation Fund. If you do, Sygnia can pay on your behalf to your financial advisor upfront and/or ongoing fees as agreed between you and your financial advisor.

Fees

There are 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 (your fund) is 0.25% excluding VAT of assets a year on the first R2m invested and 0.10% excluding VAT of assets a year thereafter on the amount above R2m. This is a 50% discount on the standard Sygnia 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.

Route B

DO YOU NEED TO START GETTING A PENSION INCOME STRAIGHT AWAY?

If you want to get a pension income straight away, you can decide between:

- purchasing one of the annuities in the fund's default annuity strategy, or
- purchasing any other appropriate annuity.

Firstly, we need to give you some information about the main types of pension income (or annuities) you can purchase. There are two main types of pension that you can buy when you retire – a living annuity and a life annuity. These will both provide you with an income once you are no longer working but they have different risks, advantages and disadvantages.

Living annuity

A living annuity is an investment where your retirement benefit is invested to provide you with an income after retirement. Each year, you choose how much income you want to take from the investment. The minimum that you can draw-down as income from the living annuity part of the annuity is 2.5% of the total investment value each year. The annuity provider will apply the maximum draw-downs provided for in legislation and regulation.

The income is paid to you every month. There is no fixed pension increase as the amount you draw as an income is up to you to decide.

You will need to decide where your retirement benefit is invested. You can't take the benefit out of the living annuity while you are alive, but any benefit left in the living annuity will pass to your nominated beneficiaries when you pass away. You will need to buy the living annuity from an annuity provider.

WARNING

You can easily run out of money if you draw too much income too soon. The living annuity is only appropriate if you have enough retirement benefit to invest.

Life annuity

The life annuity will pay you an income for as long as you live. You can also choose your pension income to be paid for a guaranteed period. Should you die prematurely, the pension will continue to be paid to your spouse or beneficiaries for the remainder of the guaranteed period. You may also choose that the pension income be paid to your spouse for their lifetime after you pass away.

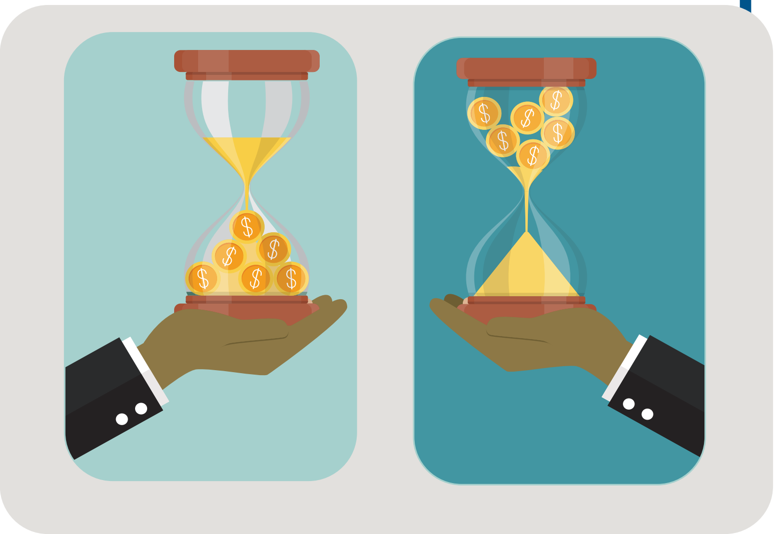
Your increases can be linked to inflation, be a fixed percentage or be linked to the investment returns of the portfolio you are invested in. The amount that you will get as a monthly pension income will differ depending on the option you choose. When you buy the annuity from the annuity provider, you will decide how your future pension increases will be calculated. The pension increase options are set out below.

- A **level annuity** will not have future increases so the monthly pension income will always stay the same. Although your starting pension income will be higher, it won't keep up with inflation.

- An **inflation linked annuity** is guaranteed to keep up with inflation as increases are based on the previous year's inflation rate. The starting monthly pension income is lower with this option and if inflation is low, the increases will also be low.

- The pension income increases on a **with-profit annuity** are in line with the profits earned by the annuity provider in respect of the retirement monies of all the persons who have purchased those annuities. The profits are determined by investment earnings, inflation, what you paid when you purchased the annuity and the experience of the annuity provider as a result of the deaths of pensioners over the period. Pension increases are also based on the post-retirement interest and the income that you choose when you buy the annuity.

This does mean that the pension increases may not keep up with inflation. In years when the investment returns are poor, there may be no pension increase. The calculations of these pensions are, however, complex and you should consult with your registered financial adviser to decide what is more suitable for your personal circumstances.



Purchasing one of the annuities in the fund's annuity strategy

The fund's annuity strategy has been put in place to help members who are not sure what to do with their retirement benefit at retirement and don't have access to financial advice on an appropriate retirement solution. When you reach retirement, you have the option to purchase a pension (that gives you a monthly pension income) as selected by the fund's trustees. You would still need to make the choice to select this option. Of course, you do not need to choose an annuity from the fund's annuity strategy at all, you can choose any annuity.

The provider selected by the fund's trustees for its annuity strategy is Sygnia Life. Sygnia is also the investment manager of the fund's SmartAssets investment portfolios.

If you decide to use the fund's annuity strategy, the annuity that will apply depends on the amount of your retirement benefit being used to buy a pension income at retirement. So, in summary:

- If your available retirement benefit is **less than R 247 500**, you can choose to take this whole amount in cash from either the pension or provident sections of the fund.

- If your retirement benefit available for buying a pension income from either the pension or provident section of the fund is **between R247 500 and R500 000**, the Sygnia ForLife Annuity is the chosen option. This annuity is a with-profit life annuity.

- If your retirement benefit available for buying a pension income from either the pension or provident section of the fund is **more than R 500 000**, the Sygnia ForLife Annuity is the chosen option, using a combination of a living annuity and a with-profit life annuity that is paid for the rest of your life.

Retirement benefit between R 247 500 and R 500 000

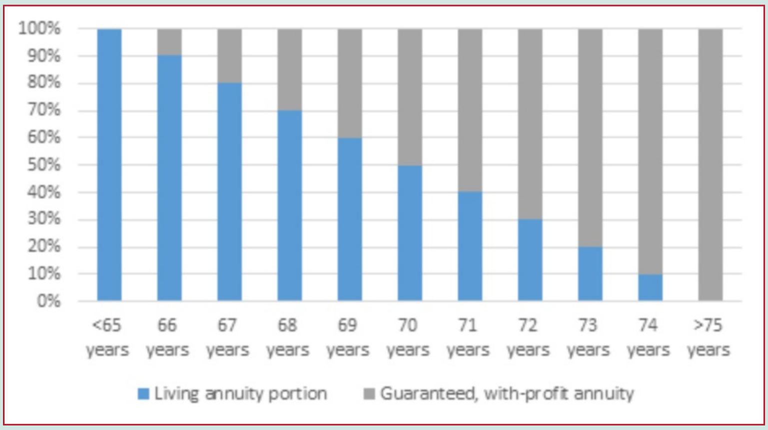
If you decide to use the fund's annuity strategy and your retirement benefit available for buying a pension income at retirement is between R 247 500 and R 500 000, the annuity is the Sygnia ForLife Annuity. This annuity uses only a with-profit life annuity that is paid for the rest of your life. You have the option to choose a period that the monthly pension income would be guaranteed to be paid should you pass away. You can also add a spouse's pension income that will be paid to your spouse if you pass away. A financial adviser will be able to assist you with these options.

Fees

- There is an initial fee payable of 1% of assets (no VAT payable), capped at R 25 000 for this option. This fee is for the expenses associated with setting up the insurance and administration records and facilitating the transfer of your investment amount, and is already included in the calculation of the starting annuity income.
- There is product management fee of 1.1% of assets a year (no VAT payable). This amount is for the insurance provided by Just SA, and for the monthly administration costs of maintaining records, operating the insurance company and reporting on business under management to the regulatory authorities.
- The ongoing asset management fee is 0.4% of assets a year (including VAT).

Retirement benefit more than R 500 000

If you decide to use the fund's annuity strategy and your retirement benefit available for buying a pension income at retirement is more than R 500 000, the annuity is the Sygnia ForLife Annuity. In this option, the annuity starts off as a living annuity and then converts to a life annuity over time. This annuity allows you to receive a pension income that starts 100% with the living annuity when you retire, and then gradually converts over the next 10 years into a life annuity that pays you for life. An example of this is shown below.



Every year when the transfer takes place to the life annuity, you have the option to choose a period that the guaranteed part of the monthly pension income would be guaranteed to be paid for, should you pass away. When this annual transfer takes place, you can also add a spouse's pension income on this guaranteed monthly pension that will pay a pension income to your spouse if you pass away.

The minimum that you can draw-down as income from the living annuity part of the annuity is 2.5% of the total investment value each year. The annuity provider will allow the maximum draw-downs provided for in legislation and regulation. If you draw down too much income you may not have enough money to live on going forward.

Sygnia offers client services consultants to help you with this option. You can use an independent financial adviser to assist you. If you choose this annuity from the fund's annuity strategy that is a combination of a with-profit life annuity and a living annuity (called a *hybrid annuity*) then, depending on the FSCA's requirements, we may require that you undergo retirement benefits counselling in person. If you choose the hybrid annuity from the fund's annuity strategy, you should understand that:

- You cannot transfer the life annuity portion to another insurer; and
- at least once every 12 months you can elect to move your hybrid annuity to another insurer (that will accept it) if you want to; and
- that the fund may require you to receive benefit counselling in person.

Fees

Remember that the annuity has both a life annuity and living annuity component. The fees that apply to each are different.

When the Sygnia ForLife Annuity is invested in the **living annuity**, there is no upfront fee. There is no switching fee or disinvestment needed if you move from the fund's SmartAssets investment portfolio in the NMG Umbrella SmartFund to the Sygnia ForLife Annuity. The service fee is 0.25% excluding VAT of assets a year for assets up to R2 million and 0.10% excluding VAT of assets a year for R2 million and above. The investment fee will be the investment fee of the selected SmartAssets portfolio(s), which is on the same fee basis as the SmartAssets portfolios of the NMG Umbrella SmartFund. You can find these in the fund's investment booklet.

When the Sygnia ForLife Annuity is invested in the **with-profit life annuity**, there is an initial fee payable of 1% of assets (no VAT payable), capped at R 25 000 for this option. This fee is for the expenses associated with setting up the insurance and administration records and facilitating the transfer of your investment amount, and is already included in the calculation of the starting annuity income.

There is product management fee of 1.1% of assets a year (no VAT payable). This amount is for the insurance provided by Just SA, and for the monthly administration costs of maintaining records, operating the insurance company and reporting on business under management to the regulatory authorities. The ongoing asset management fee is 0.4% of assets a year (including VAT).

If you chose to get advice from a financial adviser, there will be a cost for this advice. You can agree the advice fee with your adviser.

Purchasing any other annuity

The annuities offered under the fund's annuity strategy are not the only annuity options that you can choose. They are simply the fund's preferred options. You can still choose any annuity that is appropriate for you. Again, you should seriously consider obtaining advice from a financial adviser.

If you belong to the provident section of the fund, you can take up to your full benefit in cash at retirement or you can choose to buy an annuity. If you belong to the pension section of the fund, you can take up to one-third of your benefit in cash at retirement. You must use at least two-thirds of your benefit to buy an annuity.

Do you need to take cash?

If you belong to the provident fund, you can take your full retirement benefit in cash, or you can take some of your retirement benefit in cash and use the balance to purchase an annuity.

If you belong to the pension fund, you can take up to one-third of your retirement benefit in cash. The remainder, after cash, will need to be used to purchase an annuity (see above).

When you take cash, you reduce the amount that can be used to purchase your pension income, leading to a smaller pension income. Please be very sure that you need the cash before you decide to take it.

You will have to pay tax on the benefit you take in cash

You can take a maximum of R 500 000 from the fund in cash and not pay tax on it. This is because the overall tax-free amount at retirement is R500 000. It's important to know that when SARS determines the tax that is payable on your benefit, they will consider previous cash lump sums that you have taken from retirement funds and retrenchment benefits paid to you from your employers. If you have taken tax-free lump sum amounts previously, this will reduce the R500 000 you can get tax-free at retirement.

For benefits more than the overall R500 000, you will have to pay tax on the benefit according to the tax table below.

Taxable amount	Rate of tax
R 0 – R 500 000	0%
R 500 001 – R 700 000	18% of taxable income above R 500 000
R 700 001 – R 1 050 000	R 36 000 + 27% of taxable income above R 700 000
R 1 050 000 +	R 130 500 + 36% of taxable income above R 1 050 000

MAKING A DECISION

The fund provides you with retirement benefits counselling. This is when the fund discloses and explains the options available to you when you retire. If you are between six and three months from your normal retirement age, the fund will provide you with this retirement benefit counselling about retirement. 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 retirement options.

A financial advisor will be able to provide advice (including about tax) and help you if you need assistance with purchasing a pension that will provide you with an income in retirement. You can choose any financial advisor.

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 the NMG financial advisers.

Please complete a retirement notification form

Once you have made your decision, you will need to complete a retirement claim form and provide this to your current employer to advise the fund. You will need to attach the application form of the annuity you want to purchase with the claim form. It is important to submit the claim form before the date that you retire so that the claim processing is not delayed.

The fund's administrator will be able to process your claim once they have received the last contribution paid by your employer and allocated this contribution to your retirement benefit in the fund. They will also need to apply for a tax directive and arrange for the annuity purchase that will provide you with an income.

It is important to understand that you may not receive the first pension income payment at the end of the following month after retiring so you should make provision for this in your planning.