THE POWER OF PRESERVING YOUR RETIREMENT FUND BENEFIT WHEN CHANGING JOBS

FIRST, UNDERSTAND THE TWO-POT RETIREMENT SYSTEM

When changing jobs, it is important to understand which portions of your retirement benefit may be taken in cash and which are intended to be preserved for retirement.

As of 1 September 2024, South Africa's retirement system consists of three components:

+ a Savings Component;
+ a Retirement Component; and
+ a Vested Component.

Each component is treated differently when you leave employment.

WHAT HAPPENS WHEN YOU LEAVE EMPLOYMENT?

1. SAVINGS COMPONENT

The savings component is the portion from which members may make withdrawals before retirement, subject to legislation and the rules of the Fund.

When leaving employment:

+ the remaining savings component may generally be taken in cash; or
+ it may be transferred to another approved retirement fund.

Any cash withdrawal will be taxed in accordance with the applicable SARS withdrawal tax tables.

2. RETIREMENT COMPONENT

The retirement component is intended to provide retirement income.

When leaving employment:

+ It may not be taken in cash before retirement.
+ it must be transferred to another approved retirement fund, preservation fund, or retirement annuity fund; or
+ it may be left in the Columbus Retirement Fund until retirement.

This component is therefore preserved until retirement, subject to applicable legislation.

3. VESTED COMPONENT

The vested component consists mainly of retirement savings accumulated before 1 September 2024, together with vested growth thereon.

When leaving employment:

+ it may generally still be taken in cash, subject to the rules of the Fund and applicable tax; or

+ it may be preserved by transferring it to another approved retirement fund.

Although legislation may allow cash withdrawal from the vested component, preserving these benefits may significantly improve retirement outcomes.

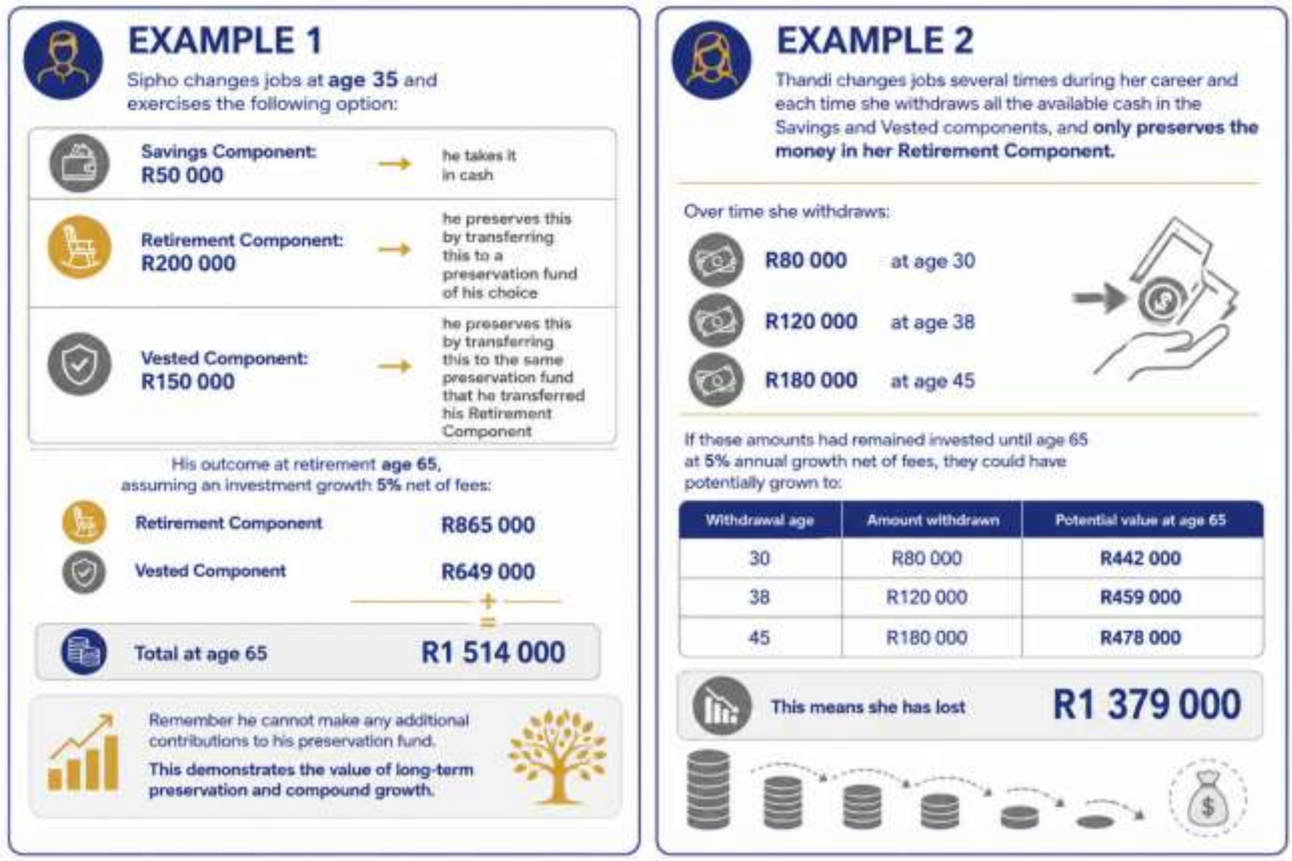
WHY PRESERVATION MATTERS

Your retirement savings grow through:

+ investment returns; and
+ compound growth (growth earned on previous growth).

The earlier you preserve your retirement savings, the greater the potential long-term benefit.

Even relatively small cash withdrawals today can significantly reduce your retirement savings at retirement age.



IMPORTANT CONSIDERATIONS BEFORE TAKING CASH

Before deciding to withdraw any portion in cash, consider the following:

+ Do you genuinely need the money now?
+ What are the tax implications of your withdrawal?
+ What would this money be worth at retirement?
+ Would it not be better to preserve these funds?

Short-term financial relief today may result in significantly lower retirement savings in future.

SEEK FINANCIAL ADVICE

Preservation decisions are important and may have a significant impact on your future financial security. Members are encouraged to seek appropriate financial advice before making any withdrawal decision when changing employment.

Disclaimer:

The examples above are illustrative only and are based on the following assumptions:

+ *Retirement age: 65*
+ *Investment return: 5% per annum net of fees*
+ *Inflation ignored for simplicity*
+ *No additional contributions made after preservation*
+ *Investment growth compounded annually*
+ *Tax not specifically calculated*
+ *Actual outcomes will differ depending on market performance, fees, inflation and individual circumstances*