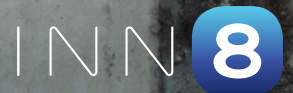




# FAQs

## PRESERVATION FUNDS



## A PRESERVATION FUND IS A TAX-EFFICIENT INVESTMENT USED TO PRESERVE RETIREMENT SAVINGS

### WHAT IS A PRESERVATION FUND?

A preservation fund is a tax-efficient investment designed for individuals who wish to preserve their retirement savings from their employer's pension or provident fund. A preservation fund is suitable for clients who have left their employer and no longer participate in their employer's pension or provident fund, but would still like to save and grow their retirement savings from their previous employer's fund. You may transfer both pension and provident savings into our preservation fund.

### WHY DO YOU NEED A PRESERVATION FUND?

When you leave your job, the money you have saved up in your employer retirement fund becomes available to you. You can preserve this money by transferring the proceeds of your pension or provident fund into a preservation fund. This allows you to keep your retirement plan on track. Transferring your retirement proceeds into a preservation fund is tax free. Your retirement savings are safe from creditors in a preservation fund and will be free of estate duty and executor's fees if you pass away.

### WHAT ARE VESTED AND NON VESTED BENEFITS?

From 1 March 2021, the rules relating to taking a retirement benefit from provident fund contributions have changed.

#### Contributions made to a Provident fund on and after 1 March 2021

Any money contributed to a provident fund from this date will be subject to the same annuitisation rules applied to a pension fund or retirement annuity benefit at retirement: only one third of the benefit may be taken in cash, and the other two thirds must be used to purchase an annuity to provide you with a regular income on retirement. If the value of your non vested benefit is R247 500 or less when you retire, you may withdraw the entire amount as cash.

#### Contributions made to a Provident fund before 1 March 2021

Provident fund benefits accumulated up to 28 February 2021, plus any future growth are referred to as your "vested benefit" and may be taken as a cash lump sum in full at retirement.

On receipt of your investment we will record which portions of your benefit are vested and non-vested; and will manage the

benefit accordingly. All contributions originating from a pension fund or retirement annuity fund are considered fully non-vested.

#### **Members who were 55 or older on 1 March 2021**

Provident fund members who were 55 years or older on 1 March 2021 are exempt from the new rules, in that any further contributions they make to their provident fund after 1 March 2021, along with growth, will also be considered vested benefits. This remains the case if the member transfers this benefit to another retirement fund: the full benefit plus growth after the transfer takes place remains vested.

### **WHO CAN INVEST IN A PRESERVATION FUND?**

Individuals may invest in a preservation fund.

### **WHAT IS THE MINIMUM INVESTMENT AMOUNT?**

There is no minimum investment amount.

### **HOW LONG CAN I INVEST FOR?**

You must remain invested until you are at least 55 years old, unless you become permanently disabled or incapacitated and can no longer work, in which case you can apply for an early retirement due to ill-health or disability. There is no maximum retirement age.

### **HOW CAN I CONTRIBUTE TO MY PRESERVATION FUND?**

You may not deposit cash or use a recurring debit order to add money into your preservation fund. You may invest into a preservation fund by transferring from another retirement fund, including:

- an employer fund or provident fund;
- pension or provident preservation fund; and/or
- the proceeds of a divorce settlement from another pension or provident preservation fund.

You may not make additional investments into an existing preservation fund. You may open a new preservation fund account for an additional transfer from another retirement product.

### **CAN I WITHDRAW FROM MY INVESTMENT?**

#### **Withdrawing from the fund before retirement**

You are allowed to withdraw once from this investment before the minimum retirement age of 55 years, and you may select a partial or full withdrawal. If you transfer to us from another preservation fund and you have taken a withdrawal from the preserved money previously, this will count as your one withdrawal and you will not be able to withdraw from the investment again.

If you leave your employer fund and preserve your savings when you are over the normal retirement age of the employer fund, you will not be permitted to make a withdrawal from your Preservation Fund investment before you retire.

You may withdraw the full amount from your investment should you officially emigrate with the South African Reserve Bank (SARS). If you become permanently disabled or incapacitated and can no longer work, you may apply to retire earlier.

Whether you are withdrawing before or at retirement, you will be required to pay income tax on the portion which you cash out according to the prevailing SARS tax table applicable to retirement withdrawals.

## WITHDRAWING FROM THE FUND ON EMIGRATION?

With effect from 1 March 2021, retirement annuity and preservation fund members will be able to take a pre-retirement withdrawal in relation to an emigration if:

- You are or were a South African resident who emigrated from South Africa and that emigration was recognised by the South African Reserve Bank ('SARB') for purposes of exchange control in respect of applications received on or before 28 February 2021 and approved by the SARB or a South African bank on or before 28 February 2022; or
- You have not been a South African resident for an uninterrupted period of three years or longer on 1 March 2021 or subsequently.

## CAN I CHANGE MY INVESTMENT CHOICES?

You have the freedom to change the investment portfolios you are invested in. Changing investment portfolios is free of charge and there is no limit to the number of times you may do so.

## WHICH INVESTMENT PORTFOLIOS CAN I INVEST IN?

A broad range of portfolios is available, in addition to our [core funds range](#).

## WHAT FEES WILL I PAY?

Please [click here](#) to access our pricing guide.

## WHAT TAX WILL I PAY?

The returns on your investment are exempt from capital gains tax, income tax on interest, dividends and real estate investment trust (REIT) tax. Income tax will be deducted from any retirement withdrawal taken in cash before it is paid out to you. For a withdrawal or at retirement, we are required to apply to South African Revenue Service (SARS) for a tax directive on your behalf. Should SARS direct us to deduct taxes in addition to the standard tax tables applicable to retirement withdrawals (e.g. for outstanding tax liabilities), we are obligated to do so. A tax directive may not be cancelled.

## CAN I HAVE MORE THAN ONE PRESERVATION FUND?

Yes, you can have more than one preservation fund.

## CAN I TRANSFER OWNERSHIP OF MY PRESERVATION FUND?

You are not allowed to transfer ownership of your preservation fund to another party.

## CAN I CEDE A PRESERVATION FUND AS SECURITY/COLLATERAL?

No, you are not allowed to cede your preservation fund.

### WHAT HAPPENS TO MY PRESERVATION FUND WHEN I DIE?

Your preservation fund will not form part of your estate when you pass away, and therefore will not be subject to estate duty tax or executor fees upon you passing away. The value of the death benefit will be the value in your investment account at the time when the benefit is distributed.

The distribution of your benefit is determined by the trustees of the fund. The trustees have the discretion to pay the benefit to your dependants and/or nominated beneficiaries in such proportions as they deem fair, dependants typically take preference. The requirement to evaluate and make a determination is an obligation placed on the trustees of the preservation fund by the Pension Funds Act.

### WHAT HAPPENS TO MY PRESERVATION FUND IF I GET DIVORCED?

The court may award a portion of your retirement fund benefit to your ex-spouse. We will withdraw this amount on receipt of the court order and it is taxed in the name of your ex-spouse.

### HOW CAN I MONITOR MY INVESTMENT?

We strive to offer you a fully digital service which is simple to use. You will be able to access all of your documents, valuation statements, transaction confirmations and tax certificates through our easy-to-use secure website at all times.

### HOW DO I APPLY FOR A PRESERVATION FUND?

Speak to your financial adviser.

If you are looking for financial advice and are currently not in contact with a financial adviser, contact us on 0860 00 4668 (INN8) or email us at [hello@INN8.co.za](mailto:hello@INN8.co.za).