

Retirement Benefits Counselling



INVESTMENTS

As you approach retirement, deciding on the next steps to ensure a comfortable retirement can be both exciting and challenging. To assist you, we have compiled a comprehensive guide outlining the options available to you at retirement.

What to consider before you retire

It is important to plan for an income that can sustain you until age 95-100, taking into account the possibility of living even beyond that age, as well as considering inflation and income tax implications on your annuity income.

It is strongly recommended to **seek guidance from a financial adviser** to choose an annuity that is best suited to your circumstances and will help ensure you have a sustainable income during retirement.

Your options at retirement

Please refer to your latest investment statement which reflects the amounts available in the various components that make up your total investment in the Fund. Different legislative rules apply to different components.

Component	Options at retirement
Vested (annuitisation not required)	<ul style="list-style-type: none">• Invest the full benefit from the investment to purchase an annuity with PPS Investments or another insurer.• Receive a lump sum payment and use the remaining balance of the investment to purchase an annuity.• Receive full proceeds of the investment as a lump sum payment.
Vested (Annuitisation required)	<ul style="list-style-type: none">• Invest the full benefit from the investment to purchase an annuity.• Receive a lump sum payment of up to 1/3rd of the value and use the remaining balance of the investment to purchase an annuity.• Receive full proceeds of the investment as a lump sum payment. This option is only available if 2/3rds of the value of this component plus the retirement component is less than R165 000.
Retirement Component	<ul style="list-style-type: none">• Invest the full benefit from the investment to purchase an annuity.• Receive full proceeds of the investment as a lump sum payment. This option is only available if the value of this component plus 2/3rds of the vested (annuitisation required) component is less than R165 000.
Savings Component	<ul style="list-style-type: none">• Transfer the full benefit of my savings component to be annuitised.• Receive a lump sum payment and transfer the remaining balance into my retirement component to be annuitized.• Receive the full proceeds as a lump sum payment

What do each of my components consist of?

Retirement Component:

This component consists of 2/3rds of your contributions and any transfers from similar components from other retirement funds from 1 September 2024.

Savings Component:

This component consists of the seed capital plus 1/3rd of your contributions and any transfers from similar components from 1 September 2024.

Vested Component (Annuitisation required):

This component consists of the market value of your investment as of 31 August 2024.

Vested Component (Annuitisation not required):

If a client was a member of a provident or provident preservation fund on 1 March 2021 this component consists of contributions made before 1 March 2021.*

*If clients were 55 years and older on 1 March 2021, it will include the full fund value.

Tax implications

It's important to note that any lump sum taken at retirement will be taxed according to the SARS retirement fund lump sum tax table below. The lump sum calculation is cumulative, meaning that all lump sums taken from all retirement funds are considered in determining the taxable amount. A tax directive will be obtained from SARS to indicate the tax amount to be withheld from any lump sum payment, if applicable. If you have any unpaid taxes, SARS will require PPS Investments to pay these taxes to SARS from your retirement benefit.

Taxable income from all lump sum benefits	Rates of tax
Up to R550 000	0%
R550 001 - R770 000	18% of amount that exceeds R550 000
R770 001 - R1 155 000	R39 600 plus 27% of amount that exceeds R770 000
Above R1 155 000	R143 550 plus 36% of amount that exceeds R1 155 000

Withdrawal from the Savings Component before retirement

Should you wish to withdraw from your Savings Component before retirement, this withdrawal will be taxed according to your marginal tax rate and not your retirement tax table.

What is an annuity?

An annuity is a long-term insurance policy you purchase from an insurer with your retirement benefit. The annuity pays a monthly, quarterly, or annual retirement income. Your annuity income payment is taxed according to your marginal rate of tax. The insurer will deduct the tax from your income payment based on the tax tables. If you have annuity income from multiple sources, it is possible to obtain a more accurate tax directive from SARS so that you do not need to pay in additional tax at the end of the tax year.

There are two types of annuities: living annuities and life annuities.

Income differences

With a **living annuity** the income is not guaranteed as it depends on investment return and the amount you choose to draw as an income. You can select a drawdown percentage between 2.5% and 17.5% per annum from the capital value of the investment and may change this drawdown percentage every year on the anniversary of the policy.

A **life annuity** pays a guaranteed fixed income to you until you pass away. It is a risk policy where the income is calculated by actuaries, based on your estimated life expectancy determined by your age and gender. You can elect to add an automatic annual increase of income to keep up with inflation.

Beneficiaries

If the capital in your **living annuity** is depleted before your death, you will no longer be able to draw an income. You may nominate beneficiaries to receive the remaining capital on your death. Your beneficiaries can elect to either take the capital value as a lump sum (subject to tax on the lump sum) or to continue receiving an income from their own living annuity policy. If you do not nominate a beneficiary, the remaining capital will be paid to your estate as a lump sum.

The **life annuity** may be taken on a single life, or on joint lives, in which case the annuity income will cease when the survivor dies. You may elect to have a guarantee on the policy for a term, of say five years, so that if you pass away during the guarantee period, a lump sum representing the remaining term, will be paid to your nominated beneficiary or estate.

Key feature differences

The advantage of a **living annuity** is that you can control your level of income with your choice of drawdown level and choice of investment portfolio, and you are able to leave a capital amount for your beneficiaries if you do not deplete the capital. You may convert your living annuity into a life annuity should you later change your mind. When considering a living annuity, you will bear both the investment risk* and longevity risk* in full.

The advantage of a **life annuity** is that you will have a pre-determined income no matter how long you live, the disadvantage is that you have no control over the income as your needs may change over time and there is no investment to leave your beneficiaries. Once you have selected a life annuity, you cannot later convert this to a living annuity.

** **Investment risk** refers to the risk of your investment performance being below the targeted benchmark, which may result in your capital to deplete sooner than expected and may result in you not being able to draw a sustainable income. **Longevity risk** refers to the possibility that you may outlive your retirement savings, as your income is not guaranteed in a living annuity.*

Annuity options at PPS Investments

Once you have decided which option you choose at retirement, you need to select an annuity insurer of your choice. If you would like to continue your financial journey with PPS Investments, your annuity options are:

Product	Summary	Key features	More information
OPN Living Annuity	<ul style="list-style-type: none"> Invest your retirement savings for continued growth while drawing an income. Income may fluctuate with market movement and the value of the capital. Income amount is not guaranteed. 	<ul style="list-style-type: none"> Minimum annual amount which may be withdrawn is 2.5% of your net investment value and the maximum is 17.5% per annum. You can customise the annuity to suit your needs. You may choose the underlying investment option(s) and change them at any time. You may change your chosen drawdown percentage once a year on the anniversary of your annuity. 	<ul style="list-style-type: none"> Click here to view the OPN Living Annuity brochure for more information. Click here to view the OPN Living Annuity Application form.
OPN Default Living Annuity Solution	<ul style="list-style-type: none"> If you prefer a living annuity, but you are not comfortable selecting the drawdown percentage and the investment options, then the trustees of the retirement fund have made available a default annuity strategy. 	<ul style="list-style-type: none"> The PPS Balanced Fund of Funds has been selected as the default investment option. At commencement, you can elect to drawdown an amount between the 2.5% regulatory minimum and the maximum applicable to you*, based on your gender and age at your next birthday. The drawdown amount will be increased by 5.7% annually throughout your life, but within the 2.5% to 17.5% limits of the living annuity. If you have selected the OPN Default Living Annuity Solution, you may opt out of this at any time and change to the OPN Living Annuity. 	<ul style="list-style-type: none"> Click here to view the OPN Default Living Annuity Solution terms and conditions for more information. Click here to view the OPN Default Living Annuity Solution application form.

*The below maximum drawdown levels have been approved by the trustees.

Age	Male	Female
55-59	3.0%	2.5%
60-64	3.0%	3.0%
65-69	3.0%	3.0%
70-74	3.5%	2.5%
75-79	4.0%	3.5%
80-84	3.0%	2.5%
85+	3.0%	2.5%

Fees

Two fee components apply, namely the administration and investment fees for all PPS Investments annuity solutions.

Administration fees

Value of total investments with PPS Investments	Applicable administration fees (excl. VAT)
First R1 500 000	0.50%
Next R3 500 000	0.20%
Thereafter	0.10%

Please note that this excludes PPS Enhanced Yield and Allan Gray Money Market Fund assets. Furthermore, these funds are charged 0.40% fixed fee excl VAT. Refer to the Terms, Conditions and Declarations of the PPS Living Annuity on the www.pps.co.za/invest.

Investment fees

Investment fees are charged on the Investment Option elected. For applicable fees on the elected Investment Options refer to the latest Minimum Disclosure Document on www.pps.co.za/invest.

The importance of a financial adviser

It is essential that you obtain financial advice before making your decision. A financial adviser can explain the tax implication of the various options and can recommend an annuity product suitable for your financial circumstances. If you do not have a financial adviser, please let us know and we can put you in touch with an accredited financial adviser.

If you have any queries regarding the above, please contact your financial adviser or the Client Service Centre on 0860 468 777 (0860 INV PSS)/+27 (0) 21 672 2783 between 08:00 to 17:00, Mondays to Fridays, or email us at clientservices@ppsinvestments.co.za.

Note: The information, opinions and any communication from PPS Investments Group, whether written, oral or implied are expressed in good faith and not intended as investment advice, neither does it constitute an offer or solicitation in any manner. Furthermore, all information provided is of a general nature with no regard to the specific investment objectives, financial situation or particular needs of any person. It is recommended that investors first obtain appropriate legal, tax, investment or other professional advice prior to acting upon such information.

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Contact details

Tel: 0860 468 777 (0860 INV PSS)
Fax: 021 680 3680
Email: clientservices@ppsinvestments.co.za
Website: www.pps.co.za/invest

Address: PPS House, Boundary Terraces, 1
Mariendahl Lane
Newlands, 7700