

Individual  
Consulting



Your retirement savings  
options at retrenchment



# Facing retrenchment?

Facing retrenchment means making financial decisions and rethinking a lot of things. Depending on your situation, you could be feeling concerned by this event or it may seem like an opportunity or something in between.

## One of the important financial decisions you need to make now is what to do with your retirement savings

This brochure briefly describes your options.



You can find a more detailed explanation in the [Options on leaving brochure\\*](#)

\*Speak to your HR if you don't have access to a computer

## Try to keep your retirement savings invested (preserved)

Keeping your retirement savings invested means they can keep growing for retirement.

## Why you should keep your retirement savings invested

The average fund member only gets a pension of less than 20% of the salary they were earning just before they retire. Most people will struggle to live on an amount that is so much less than they're used to getting. So it's important to keep your retirement savings invested whenever possible.

## Why does the average member have this experience?

It's mainly because they withdraw their retirement fund savings instead of keeping them invested when they change jobs.



Income before retirement



Income after retirement

Being retrenched can be very stressful. It is a time for important decisions to be made and the future can seem quite uncertain. It is very important to take control of as many aspects of your retrenchment as possible and to rely on people that are close to you for any support you need.

## Take control by:

1

### Understanding your resources and responsibilities such as:

- any savings you have
- any other sources of income
- your monthly expenses
- any debt repayments

2

### Understanding your options:

- A retirement benefit counsellor can help you understand your retirement savings options. A financial adviser can help you with a financial plan and help you to make good decisions based on your personal circumstances

3

### Planning:

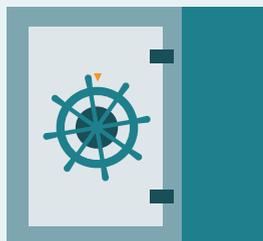
- how to manage your expenses during retrenchment
- how to make the most of what you have
- how to keep your retirement savings invested for your future self

## What to do with your retirement savings if you decide to keep them invested

Try to keep some or all of your retirement savings invested (preserved). This reduces the risk that you won't save enough for retirement. There are a few different ways to keep your retirement savings invested so they can keep growing.

### Option 1

Leave your money where it is



### Option 2

Move some or all of your money to another fund



Preservation fund



Retirement annuity fund



New employer's fund

Good news! You have access to the **Alexander Forbes Retirement Income Solution (AFRIS) Preservation Fund** and could therefore benefit from keeping your retirement savings invested at a lower cost.

You can find more details about your options in the **Options on leaving brochure**.

# Cash withdrawals from your retirement savings

## If you decide to withdraw your savings in cash, rather than keeping them invested, this is how you'll be taxed:

You can take a total of R550 000 of your retirement savings tax free when you retire. However, all amounts you withdraw in cash before retirement (including any retrenchment payment you receive) will reduce the amount you can withdraw tax free when you retire. How much tax you pay depends on how much you withdraw from your retirement savings and the value of any retrenchment payment. Amounts withdrawn in cash before retirement are taxed differently from cash withdrawals at retirement.

### The current tax rates that apply to retrenchment payments are as follows:

R0 to  
R550 000  
is tax free

0%

R550 001 to  
R770 000 is  
taxed at

18%

R770 001 to  
R1 155 000  
is taxed at

27%

R1 155 001  
and above  
is taxed at

36%



#### Remember:

Any previous cash withdrawals you made when you changed jobs (including any retrenchment payment you received) reduce your lifetime tax-free amount of R550 000 because it means you've already used some of it.

The decisions you make during retrenchment affect your future. A financial adviser can help you make good decisions that take into account:

- ⌚ your immediate household needs
- ⌚ getting through your retrenchment period in the best way
- ⌚ your future needs and goals

You may find that you are not as well prepared for retrenchment as you would like to be. If this is the case for you, this may be a good time to start building good habits that prepare you for the future.

### Important tip: start good financial habits

Now that you're leaving your employer you may be re-thinking a lot of things. Here are some things you can do as you prepare for your future:

- ⌚ start a budget and stick to it
- ⌚ set goals as a household and help each other achieve them
- ⌚ make sure you are protected for emergencies by having enough insurance and savings
- ⌚ manage your debt and make sure you can afford it
- ⌚ keep your retirement savings invested whenever you can so they can keep growing
- ⌚ save as much as you can
- ⌚ speak to a financial adviser to help you prioritise your needs and make good financial decisions that are right for you

# Your dedicated retirement benefit counsellors and financial planning consultants

|         |         |
|---------|---------|
| Name:   | Name:   |
| Title:  | Title:  |
| Email:  | Email:  |
| Cell:   | Cell:   |
| Region: | Region: |

Ask your Alexforbes financial planning consultant for an AFRIS application form.



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