

# RETIREMENT REFORM PROVIDENT FUNDS

Dear **Meat Trade** Fund Member,

Changes to the tax laws on when you retire from a Provident Fund have been imposed by Government with **EFFECT FROM 1<sup>ST</sup> MARCH 2021**, compulsory annuitisation of Provident Fund retirement benefits will come into effect. The annuitisation rules require members to use two thirds of their retirement benefit to purchase an \*annuity.

## WHY DO WE NEED THIS CHANGE?

- ❖ Protect South Africans in some way against poverty when retiring.
- ❖ Make sure that every working citizen contributes enough towards their retirement fund to keep their standard of living when they retire.
- ❖ Ensure that the retirement system offers members value for money and ensure everyone gets treated the same when it comes to paying tax.

### WHAT DOES THIS MEAN FOR YOU AND YOUR PROVIDENT FUND BEFORE 1<sup>ST</sup> MARCH 2021 (\*vested benefits)

The taxations laws amendment act will not have any impact on members retirement fund savings accumulated before 1<sup>st</sup> March 2021.

Should a member retire from a Provident Fund post 1<sup>st</sup> March 2021, they can still take the full portion of their retirement benefit saved before 1<sup>st</sup> March 2021 as a cash lump sum.

### YOUNGER THAN THE AGE OF 55 AS AT 1<sup>ST</sup> MARCH 2021

Any portion of a member's retirement benefit accumulated after 1<sup>st</sup> March 2021, will be non-vested and therefore subject to the rules of annuitisation when the member retires.

If a member's total fund credit that accumulated after 1<sup>st</sup> March 2021 is below the de minimus of R247,500, the member can take this full benefit in cash. Should the benefit value exceed the de minimis amount, only one third can be taken in cash and the remainder must be used to purchase an '\*annuity'.

### WHAT DOES THIS MEAN FOR YOU AND YOUR PROVIDENT FUND AFTER 1<sup>ST</sup> MARCH 2021 (non-vested benefits)

Any portion of a member's retirement benefit accumulated after 1<sup>st</sup> March 2021 will be subject to annuitisation rules.

This means that members will have to purchase an \*annuity from a registered insurer with at least two thirds of their retirement benefit saved after 1<sup>st</sup> March 2021 unless the total benefit is R247,500 or less then the full benefit may be taken as a cash lump sum.

### IF YOU ARE 55 OR OLDER AS AT 1<sup>ST</sup> MARCH 2021, FUTURE SAVINGS ARE ALSO TREATED AS VESTED RIGHTS

Members who are 55 years or older on 1<sup>st</sup> March 2021, will not be affected by the Taxations Laws Amendment Act provided that the member remains a member of the fund that they were a member of as at 1<sup>st</sup> March 2021, the member's full benefit accumulated up to retirement, including pre and post 1<sup>st</sup> March 2021 contributions, can still be taken as a cash lump sum when the member retires.

## TRANSFER OF CONTRIBUTIONS TO A NEW FUND

### Younger than the age of 55 as at 1<sup>st</sup> March 2021

In the event that a member, younger than age 55, transfers their retirement savings to a new fund after 1<sup>st</sup> March 2021, their vested rights (the retirement benefit saved prior to 1<sup>st</sup> March 2021) will be protected and will not be subject to the rules of annuitisation. Future contributions made to the new fund will be non-vested benefits and will therefore be subject to the annuitisation rules.

### Age 55 or older as at 1<sup>st</sup> March 2021

In the event that a member age 55 or older, transfers their retirement savings to a new fund after 1<sup>st</sup> March 2021, their vested rights (the retirement benefit saved up until date of transfer) will be protected and will not be subject to the rules of annuitisation. Future contributions made to the new fund will be non-vested benefits and will therefore be subject to the annuitisation rules.

### CONTACT DETAILS

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\* Annuity purchase means a series of pension payments, normally monthly, until a particular event occurs.

\* The vested right of retirement benefits saved prior to 1<sup>st</sup> March 2021 will be protected when members transfer from one fund to another, thus meaning that this vested benefit will not be subject to the rules of annuitisation upon retirement.