What are my options on Retirement?

Retirement and the decision to stop working is a very significant milestone in one's life and as a member of a Pension or Provident Fund, it is also the time at which you will have to make some important decisions about how to best make of your retirement fund savings in order to ensure that you continue to receive an income for the rest of your life.

RETIRING FROM A PENSION FUND

In terms of current legislation, when you retire from a Pension Fund you have the following options:

1. You may defer your retirement.

   What this means is that you leave your benefit within the Unicover Fund to continue to grow until such time as you need the money at a future date decided upon by you.

2. You may take a maximum of 1/3rd of your benefit in cash and use the balance to purchase a Pension/Retirement income from a registered insurer.

3. You can use your full benefit to purchase a Pension/Retirement Income using your full Share of Fund.

(if your total Share of Fund is *R 247 500 or less*, you may take the full benefit in Cash)

PLEASE NOTE: Any cash portion taken at retirement will be subject to tax

RETIRING FROM A PROVIDENT FUND

In terms of current legislation, when you retire from a Provident Fund you have the following options:

1. You may defer your retirement.

2. What this means is that you leave your benefit within the Unicover Fund to continue to grow until such time as you need the money at a future date decided upon by you.

3. You may choose to take a portion of your benefit in cash and to user the balance to purchase a Pension/Retirement Income from a registered insurer.

4. You can use the full benefit to purchase a Pension/Retirement Income from a registered insurer

5. You can take the full benefit in cash

PLEASE NOTE: Any cash portion taken at retirement will be subject to tax.

PURCHASING A PENSION/RETIREMENT INCOME

When you purchase a pension / retirement income, your retirement benefit is reinvested into what is known as an annuity. There are many different types of annuity and the type of annuity you choose as well as the amount of money that you invest will determine how much income you receive, the annual increases in your income as well as how long the income will last.

A few examples of annuity types include:

1. **A Level Annuity** – Pays a level monthly pension to you that is guaranteed to last for the rest of your life. This annuity does not offer any protection against inflation.

2. **Escalating Annuity** – Pays a monthly pension to you that is guaranteed to last for the rest of your life, this pension increases each year at a fixed rate in order to provide protection against inflation.

3. **Inflation-Linked Annuity** – Pays a monthly pension to you that is guaranteed to last for the rest of your life. The pension increases every year at a rate that is linked to inflation and therefore provides you with important protection against the ever increasing cost of living.

4. **Joint & Survivor Annuity** – Pays a monthly Pension to you that is guaranteed to last for the rest of our life however in the event of your death, the annuity will continue to pay a monthly pension to your surviving Spouse until they pass away. The Pension can be set up to increase every year at a fixed rate or in line with inflation.

With all of the above options, the insurer that you purchase the annuity from will determine where the money is invested as well as the amount of Pension income that you receive at the start of the investment. The amount of income is provided in a quote that must be obtained from the respective insurer.

Living Annuity (also called an investment linked annuity) – This is another type of annuity option that allows you to decide how your money is invested and how much monthly income you receive (you can choose between 2.5% and 17.5% per annum, of the amount invested).

A Living Annuity does not provide any guarantees and you will become responsible for ensuring that:

1. Your pension increases are able to keep up with the increases in the cost of living.
2. You invest the money in an appropriate type of investment (and don't take too much or too little risk with your money)
3. You don't draw too much income from the investment.
4. That you don't run out of money during your retirement
5. That your pension lasts for the rest of your life.

IMPORTANT:
We have only listed some of the options that are available to you and each one comes with its own set advantages and disadvantages.

TRUSTEE ENDORSED ANNUITY OPTION

In order to assist you with finding a pension that is well suited to you, the Trustees of the Unicover Pension and Provident Funds have provided an option that they believe can meet the needs of most retirees.

This option, known as the default annuity option, can be easily accessed as part of the retirement process. You will still need to obtain a quote / proposal from an insurance company (however we will assist you with this), and depending on your circumstances and preferences, the pension income will be appropriately structured to meet your needs.

For more information, please refer to the documentation provided to you by your employer (Reaching Retirement Age) as well as information provided as part of the Retirement Claim form.

NEED FURTHER ASSISTANCE OR ADVICE

If you feel that you do need any further information or assistance with regards to your options, please speak to one of our Retirement Benefit Counsellors (Cape Town 021 551 2140 / JHB 011 675 3000).

If you need advice regarding your benefit and how to reinvest the money, you speak to your financial adviser or please speak to one of our **Certified Financial Planner® Professionals**.