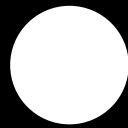




Financial **SAFEGUARD**



RETIREMENT: PLANNING FOR RETIREMENT

First edition 2019
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Words and meanings •

Save

To put away money which can be used later for a specific goal or for an emergency. For example, you can save your money in a savings account at the bank. You can also save money by putting extra money in your money box.

Interest

The fee paid for using other people's money. If you are borrowing money, it is the cost you pay for using other people's money. If you are lending money, it is the amount you get paid for someone else using your money.

Complaint

A complaint is a statement that something is not good enough or is legally or ethically unacceptable.

Ombudsman

An ombudsman is an official, usually appointed by the government, who represents the interests of the public by investigating and addressing complaints reported by individual citizens against insurance companies, for example.

The Ombud Council is an independent, public entity that oversees all the financial sector ombuds.

Pension Funds Adjudicator

The Pension Funds Adjudicator investigates complaints in terms of the Pension Funds Act and issues determinations which are equivalent to civil judgments in courts of law.



Why do I need to plan for retirement? ●



Many people dream about their retirement as a time they will spend doing what they love. However, to ensure that you are financially taken care of when you reach retirement, you need to start planning in your younger years, because you may need more money than you expect.



Here are some reasons why you may find yourself without enough income:

- Increasing number of years spent in retirement
- Low returns on normal savings
- Unforeseen events
- Annually increasing medical costs
- Family unable to support older generations
- Money losing value over time
- Lack of SASSA grants benefits from government
- Dependants still relying on you
- You want to enjoy hobbies, such as going fishing or doing bead work, but you will need time and money to support these hobbies



Retirement cycle •

Retirement cycle: The retirement cycle has 3 steps.

Step 1 – Getting started

- This stage is from age 25 through to 45.
- This is the best time to save, as the earlier you begin to save, the easier it is to achieve your goals.

Things you should consider when getting started

- Save as much as you can, as soon as you can.
- Understand how much money you are willing to invest.
- Set realistic expectations for returns and growth on invested money.
- Have different types of investments.
- Have the longer term in mind.
- Receive a tax payback for having a retirement fund

Good



- Saving
- Having a retirement plan
- Budgeting
- Live within my means

Bad



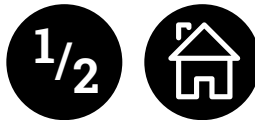
- No retirement plan
- No savings
- Spending all your money
- Living outside your means (big house, big cars)
- Too much debt



Step 2 – Final Preparation

- This stage ranges from 45 to the date you retire.
- It is during this stage that you must regularly review the status of your accounts and then adjust saving and organise/combine accounts in a way that increases the likelihood of success.
- As this stage is the last step before retirement; it is critical that it is done right.

Good



- Saving halfway to plan
- Saving plan for 5, 10 and 20 years
- Spending according to budget
- House/car paid off

Bad



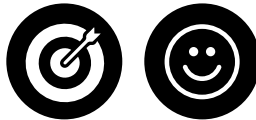
- No savings
- Car repossessed
- No maintenance on house
- Too much debt
- Holiday on credit

Retirement Cycle •

Step 3 – Retirement

- This is the time when your lifetime of saving and proper planning pays off.
- Once in this stage you will have accumulated enough assets to carry you through the rest of your life.
- You will have determined how best to organise various investment accounts.
- Retirement can be a very horrible time in your life if you do not plan and save properly.

Good



- Saving target reached
- House paid off
- Car paid off
- Reached 5 year, 10 year and 20 year plan

Bad



- No savings
- No money



Am I on track?

Look at the Retirement Cycle

What do I want to do when I retire?

What I am doing now to prepare for retirement?

What must I change?

Retirement products •



There are a lot of different retirement products and you need to find the one that best suits your retirement goals.

Pension fund



Monthly income

Payout

- An employee pension fund that is run by the employer or by government (in the case of the Government Employee Pension Fund (GEPF))
- Allows a maximum contribution of 27.5% of your pre-tax salary (up to R350,000 in contributions per year), so you pay less tax every month
- When changing jobs, it can be transferred to a new pension fund, a preservation fund or a retirement annuity
- After retirement, at least two thirds of your retirement savings must be used to buy an annuity, which then pays out for the rest of your life
- Subject to two-pot system, so a maximum of 1/3 of final benefit paid as cash

Provident fund



Monthly income

Payout

- An employee provident fund run by the employer
- Allows a maximum contribution of 27.5% of your pre-tax salary (up to R350,000 in contributions per year), so you pay less tax every month
- When changing jobs, it can be transferred to a new provident fund, a preservation fund or a retirement annuity
- After retirement, at least two thirds of your retirement savings must be used to buy an annuity, which then pays out for the rest of your life
- Subject to two-pot system, so a maximum of 1/3 of final benefit paid as cash



Retirement annuities



Monthly income

Payout

- Pension taken out by an individual
- Allows a maximum contribution of 27.5% of your pre-tax salary (up to R350,000 in contributions per year), so you pay less tax every month
- After retirement, at least two thirds of your retirement savings must be used to buy an annuity, which then pays out for the rest of your life
- Subject to two-pot system, so a maximum of 1/3 of final benefit paid as cash

Life annuities



Monthly income

Payout

- An insurance product bought by an individual
- After retirement, it pays a fixed amount every month for as long as you live
- There is no payout to beneficiaries or dependants

Living annuities



Monthly income

Payout

- An investment product bought by an individual
- Your retirement savings are invested so they can grow
- You are paid a percentage of your choice every month - the amount may vary
- Gives you more flexibility but you can run out of funds
- When you die, any remaining funds go to your beneficiaries

Term annuities



Monthly income

Payout

- An insurance product bought by an individual
- Pays out monthly for a fixed period of time only

Choosing the right retirement products

1. What must I consider when selecting a retirement option?

When deciding on a retirement solution, you need to take into account what your investment plan indicates, i.e.:

- When will you need the money?
- How much are you willing to risk on investments?
- Which financial product will give you the most tax payback?
- What products provide you with the right estate planning advantages?

2. What fees are associated with the retirement funds?

You will pay the following fees:

- An ongoing investment administration fee is deducted from your investment account.
- Asset management fees are paid to the asset manager in whose unit trust you have invested. These are incorporated into your unit trust price.
- Advice fees are charged by the financial advisor if you used one.
- Processing and governance fees are also charged to cover the RA (Retirement Annuity) Fund expenses.

3. What are the risks with investing for retirement?

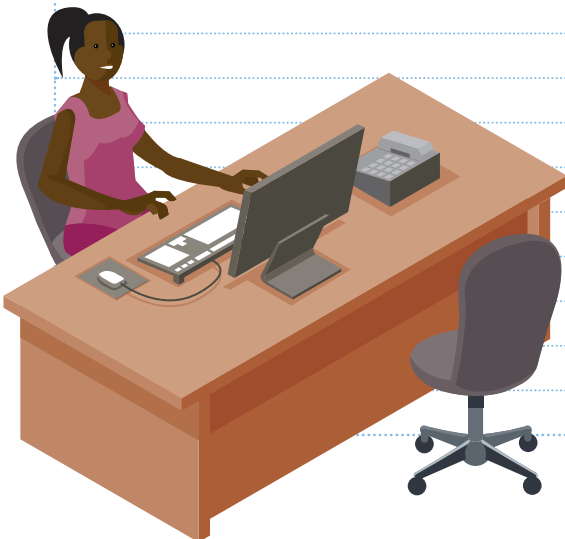
- Your investment is linked to the market value of an underlying instrument.
- If you are married in community of property, your retirement annuities are not protected in the event of a divorce.
- Retirement annuities are also not protected from the Receiver of Revenue. Any amount cashed out is taxed, depending on the amount and the tax bracket you fall into. SARS is also entitled to use your cash lump-sum payout for any unpaid taxes that you may owe.



What retirement products would suit me?



A large area with horizontal dotted lines for writing, intended for the user to list retirement products.



My rights and responsibilities ●

Rights:

You have the right to:

- Be informed of your rights as a member of the fund
- A set of the fund rules and a member's booklet
- A benefit statement at least once a year
- Find out from the Fund Administrator that the contributions have been paid by the employer and are up-to-date.
- Elect 50% of the board members (trustees) and know who they are – this applies to funds that have not been exempted from having members elect 50% of the board of trustees
- Know who administers the fund.
- Timeous payment of contributions and benefits once you submit all the necessary documents
- Lodge a complaint



My rights and responsibilities ●

Responsibilities:

You have the responsibility to:

- Monitor the fund's performance
- Hold the trustees of your fund accountable
- Notify the trustees of any changes to your personal information, including who you have named as beneficiaries
- Obtain expert advice from an FSP authorised by the FSCA, if necessary
- Repay a loan (if you borrow from your fund for housing purposes before you retire) if you want to receive your full benefit at retirement
- Become as informed as possible about retirement and your fund
- Make sure you read and understand your benefit statement.
- Update the nominated beneficiaries on your retirement cover benefit and funeral benefit offered by the employer or Fund administrator in case your status change or changes in your family.
- Keep your benefit statement safe and ensure at least one of your family members knows how to easily access it.
- Inform your family members about funeral benefits offered by the employer or Fund Administrator
- Update the nominated beneficiaries on your retirement cover benefit and funeral benefit offered by the employer or Fund administrator, in case your status changes or there are changes in your family.
- Note the tax implications when cashing out a retirement investment – it is important that you are familiar with the tax rates on withdrawal, and the retirement benefits that are reviewed at the beginning of every tax season
- Make sure you are notified of any changes in legislation by either your fund or your FSP
- Make sure your employer is paying over the employer and employee contributions to the pension fund

Complaints •

Step 1:

Write a formal complaint to your fund or the fund administrator, and try to resolve the issue through the fund's complaints resolution process. You must do this within 3 years of the date of the dispute.

Step 2:

If you are unhappy with the response, submit a complaint in writing to the Office of the Pension Funds Adjudicator (OPFA). Include proof of identity, membership details of the fund and documentation in support of your complaint.

Step 3:

If you are not satisfied with OPFA's determination, you can submit an appeal with the Financial Services Tribunal (FST) at no cost.



**Speak to an authorised
Financial Advisor to
help you make informed
financial decisions.**



PLANNING FOR RETIREMENT



The purpose of this booklet is to make you think about your retirement and start planning for it.



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