nmg SmartFund

The Connector Newsletter

November 2016

Retirement Fund Questions & Answers

Need to know

In this newsletter, we discuss answers to some questions which are commonly asked by members, in relation to their retirement funds, and we provide informative answers.

Commonly asked Q & As

When will I receive my benefit statement?

A: You receive a benefit statement at least once every year, usually a few months after your Fund's financial year-end (or according to your Fund's practice).

Don't forget, you can see your current Fund value online, by logging onto https://www.adminportal.nmg.co.za and using your unique login details and password provided to you by NMG. You can also use NMG's smartphone application to access your Fund values.

Will my benefit statements always show positive growth from year to year?

A: Not necessarily. The markets may give negative investment returns for short periods of time. However, this does not mean that your Fund value has gone down.

Remember, your Fund value will only stop growing with investment returns when you take your benefit in cash before retirement or when you retire.

If you save your Fund money between jobs for retirement, your retirement savings will have approximately 30-40 years to grow with investment returns, during your years of employment. Short term market movements will not affect your long term savings.

Are all the contributions that I make to the Fund and that the employer makes on my behalf, allocated to my retirement savings?

A: No. Any Fund expenses which need to be paid towards the cost of running and managing the Fund, are taken off your contributions. Also, any insurance premiums for risk benefits (like death and disability benefits and possibly funeral benefits, if these are provided) will be taken off your contributions before they are allocated to your retirement savings.

Will Government be imposing a tax on my Fund benefits or will they be taking our whole Fund benefits, in the future?

A: No. There were many rumours in the media and spread by Fund members about how the retirement fund reform (called the "T-Day" changes) could affect you. Most of these rumours are not true. Your money is safe and there will be no extra government tax on retirement funds, or nationalisation of retirement funds.

Some of the T-Day changes have come in already from 1 March 2016 (i.e higher tax deductible contributions for all fund members). This means that your fund contributions will be taken off your salary before you pay tax. Government has said that changes to the structure of provident funds will take place on 1 March 2018, but this will be negotiated by Government, with labour and the industry.

How are my Fund benefits protected? What are the exceptions to this?

A: Funds must be run strictly in line with the Pension Funds Act. The Government body that supervises funds to make sure of this, is called the Financial Services Board.

The law (Pension Funds Act) provides that members' money cannot be reduced, ceded, handed over to another or used by creditors.

That is why your Fund cannot pay your money to anyone else but you, when you leave the Fund. This is tightly regulated. As an example, if you owe money on your Edgars account, Edgars can't attach your Fund benefits. There are a few exceptions to the legal protection of your benefits:

- The taxman, i.e the South African Revenue Services ("SARS") can take your whole benefit for tax, if you owe tax to the Government for a number of years
- If your Fund benefit has been used as security for a housing loan which has not been paid off, this housing loan balance can be taken off before your Fund benefit is paid to you
- If you agree, medical aid contributions or insurance premiums which you owe, can be deducted from your Fund benefit
- If you owe maintenance in terms of a court order, this maintenance can be taken off your Fund benefit
- If you get divorced, part of your Fund benefit may be paid to your spouse, in terms of the divorce agreement
- If you commit fraud, theft or dishonesty against your Employer, or if you owe money in respect of a Fund or Employer related housing loan, these amounts may be taken off your Fund benefit.

What are my options on leaving the Fund before retirement?

A: When you leave the Fund before retirement you can either:

1. Transfer your withdrawal benefit to a preservation fund
2. Transfer your withdrawal benefit to a retirement annuity fund
3. Transfer your withdrawal benefit to your new employer's fund
4. Take your withdrawal benefit in cash.

Option 3 would be the most cost effective option, as group arrangements such as your new employer's fund will generally charge lower administration and investment fees than preservation or retirement annuity funds, which are priced on an individual basis.

Your Trustees do not recommend that you take your benefit in cash when you leave the Fund, or you will not be able to save enough to maintain your lifestyle after you retire.

Why is updating my nomination of beneficiary form so important?

A: Every year you receive a nomination of beneficiary form with your benefit statement. You must update this whenever your personal circumstances change, such as if you marry, divorce or have a child. This will help the trustees to know who your dependants are and how you would like your death benefit to be distributed, if you die while in service with your employer.

We all want to make sure that our loved ones and family are taken care of, if the worst happens and we pass on. If you don't fill out your nomination of beneficiary form, the Fund may battle to trace and pay some of your beneficiaries.

How will my death benefit be paid out to my beneficiaries?

A: The nomination of beneficiary form which you fill out, helps the trustees to know who your beneficiaries are and what your wishes were regarding your death benefit payment, if you die as a member of the Fund. However, the trustees will not necessarily follow your wishes shown on your nomination of beneficiary form. They must investigate your beneficiaries and then decide how to distribute your death benefit amongst your beneficiaries, in a way that is fair for all.

Section 37C of the Pension Funds Act gives trustees a duty to apply their minds to each death benefit and distribute benefits in the most fair way to all your beneficiaries, taking into account their dependency on you, their relationship with you, their age, education, employment, circumstances and needs. Your beneficiaries are divided into two groups:

Dependants	▶ Dependants include your spouse, life partner, children and anyone else who may be financially dependent on you ▶ Dependants also include people that you support financially who may or may not be related to you.
Nominees (Non dependants)	Nominees are beneficiaries who are not financially dependent on you, such as friends or distant relations.