

A full-page background image of a sunset over a beach. The sun is a bright, glowing orb in the upper right, casting a long, shimmering path of light across the ocean's surface. The sky is a deep, warm orange. The beach in the foreground is composed of fine, golden sand, with a series of footprints leading from the bottom center towards the water's edge. The overall mood is serene and contemplative.

► **Options on Leaving  
NMG Umbrella SmartFund**

## ► Contents

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### Fund details

#### Fund names:

NMG Umbrella SmartFund (pension section)  
NMG Umbrella SmartFund (provident section)

#### FSCA registration number:

NMG Umbrella SmartFund (pension section) – 12/8/36758/1  
NMG Umbrella SmartFund (provident section) – 12/8/36750/1

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## 1. How your benefit in the fund is structured

If your employment terminates, for example you resign, are retrenched, or dismissed, you will need to make some choices. First, it's important to understand how your benefit in the fund is structured. Your benefit is made up of different pots, like this:

|                           | Vested Pot                                                                                                                                                                                      | Savings Pot                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Retirement Pot                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| What is it?               | This pot holds net contributions to the fund to 1 September 2024 and net investment returns on that.                                                                                            | Starting from 1 September 2024, a portion of your retirement savings, specifically 10% of what you've saved by 31 August 2024, went into the savings pot, but it couldn't be more than R30 000.<br><br>This pot also holds one-third of the net contributions made to the fund for you from 1 September 2024 and net investment return on that.<br><br>If you have taken savings withdrawals from your savings pot while you were in employment, then it would have come out of this pot, and the pot will hold less. | This pot holds two-thirds of the net contributions made to the fund for you from 1 September 2024 and net investment return on that.                                                                                                                                                                                                                                                        |
| How does it get paid out? | The benefit in the vested pot can pay out in cash if you resign, are retrenched or dismissed.<br><br>On retirement, the benefit in the vested pot will pay out in cash and as a pension income. | This pot can pay out in cash on withdrawal IF (a) you have not taken money from your savings pot in the same tax year as you are withdrawing from the fund OR (b) if you have taken money from your savings pot in that tax year, but the amount in the savings pot is less than R2 000.                                                                                                                                                                                                                              | This pot may only pay out as income when you retire. It never pays out when employment is terminated. You can't use the money in this pot until you reach your normal retirement age. When you retire, all the money in the retirement pot must be used to buy a pension from an insurance company. This pension will give you regular payments for the rest of your life after retirement. |

### Important to note:

- If you started saving for retirement **after 1 September 2024**, you may not have a vested pot.

### Only if:

- You were a member of the NMG Umbrella SmartFund (provident section) on 1 March 2021, **and**
- Were 55 or older at the time, **and**
- You chose not to be in the two-pot system,

then you only have **one pot – the vested pot** - and you have different rules that apply to you when you withdraw about how much you can take as cash or a pension income. **You can choose to take your whole withdrawal benefit in cash when you retire (the whole amount in your vested pot is vested).**

Your withdrawal benefit options remain the same as those set out below (please note you only have the vested pot).

## No splitting of pots

There is a tax law that says that when your employment terminates, you can't leave some pots in the fund and move some pots off the fund. You must either (after choosing to take any cash) leave all your pots in the fund or move them all off the fund.

## 2. Options when you leave your employer

If you have resigned, are retrenched, or dismissed, you will need to make a choice of what you wish to do with your benefit in the retirement fund. The options are as follows:

| 1                                      | 2                                                 | 3                                              | 4                                                   | 5                                  |
|----------------------------------------|---------------------------------------------------|------------------------------------------------|-----------------------------------------------------|------------------------------------|
| Keep your benefit paid-up in the fund. | You can move your benefit to a preservation fund. | Move your benefit to your new employer's fund. | Transfer your benefit to a retirement annuity fund. | Take some of your benefit in cash. |

### 2.1 Option 1: Keep your benefit paid-up in the fund.

If you do not make a choice of where your benefit should be paid, in writing, it will remain in the fund as a paid-up benefit until you tell the fund what you want to do with your money.

#### 2.1.1 How it works

**While you are a paid-up member in the fund:**

- You can't make further contributions to the fund.
- You will have access to your savings pot (once every tax year) if you have at least R2 000 in your savings pot. This will be taxed at your marginal rate.
- If you have taken a housing loan from the bank using your money in the fund as security, the outstanding loan amount will be deducted from your benefit when you leave employment. The remaining amount in the fund will be made paid up.
- Your death benefit is your benefit in the fund - there is no insured benefit. The law requires that if you have not made a written election to the fund about how you want your benefit paid, the benefit must be paid to your dependents and nominees and not automatically to your estate.

#### 2.1.2 Investments

The benefits of paid-up members are invested in the SmartActive Life Stage model. The SmartActive Life Stage model will start investing in less aggressive investment portfolios from age 58.

#### 2.1.3 Withdrawals

If your benefit has been made paid-up, you can still withdraw from the fund before your retirement by making a choice in writing. You will then have the same options as you had at the time you left employment. You will need to inform the fund of your choice in writing on a withdrawal claim form.

#### 2.1.4 Costs

The service fee for paid up members is currently set at 0.25% excluding VAT of assets a year, with a maximum monthly fee of R40 excluding VAT. The investment fee will be on the same fee basis as the SmartAssets portfolios for active members of the fund. You can find these fees in the fund's investment booklet. There is a governance fee payable which changes every year, depending on the costs of the fund. There will also be a fee if you decide to take a savings withdrawal from your savings pot.



## 2.2 Option 2: You can move your benefit to a preservation fund.

With this option, you choose to move your retirement fund benefit into a preservation fund of your choice, without paying any tax on the benefit. You may need to get financial advice to access a preservation fund and should ask your financial advisor about the tax rules surrounding preservation funds.

### 2.2.1 How it works

Your pots will be moved “as is” to the preservation fund. This means that your vested pot, savings pot, and retirement pot in the fund move to the preservation fund as they are. You will need to move all your pots to the preservation fund.

#### In a preservation fund:

- You can't make contributions to the fund.
- You can access your vested pot once before retirement. You can take the whole amount in the vested pot or less. This will be taxed under the lump sum withdrawal tax tables.
- You will have access to your savings pot (once every tax year) if you have at least R2 000 in your savings pot. This will be taxed at your marginal rate.
- You will not have access to your retirement pot until you retire (or on your death).

### 2.2.2 Investments

You are likely to have investment flexibility. Preservation funds typically allow members to control where their retirement benefit is invested.

### 2.2.3 Costs

A preservation fund may not have the benefit of economies of scale as in the umbrella fund or your new employer's fund, which could result in higher investment fees and administration charges.

### 2.2.4 Withdrawals

Preservation funds allow you to take one withdrawal from your vested pot if you need emergency savings at a later stage, but only if you did not take a portion in cash when you left service. You can take all or part of your vested pot in this once-off withdrawal. It's important to remember that if you take this one withdrawal, it will reduce your retirement savings and you will have to pay tax on any cash that you take out of the preservation fund in accordance with the lump sum withdrawal tax tables. It will also reduce the tax-free amount you will be entitled to when you retire.

If any deductions are made before you transfer to a preservation fund (for example for a housing loan), that deduction will be your once-off withdrawal from the vested pot, and you won't be able to take any more money from the preservation fund's vested pot before you retire. The only deductions that won't count as a once-off withdrawal are those that are made for divorce order or maintenance order payments.

If you withdraw from the fund, you may decide to take some of your benefit in cash and transfer the rest to a preservation fund, retirement annuity fund or your new employer's fund. The administrator will deduct the cash portion from the non-vested portion of your vested pot. This means that you will have more cash available to take when you retire from the fund that your benefit was transferred to. The vested portion of your benefit is an amount that you can take in cash when you retire (even if you transfer it to another fund).

This option would require that your benefit is disinvested from the market and transferred into the preservation fund's investments.

If you do not have a vested pot in the retirement fund (for example, if you joined the fund after 1 September 2024), then you will not have a vested pot in the preservation fund. As your one withdrawal is only allowed from the vested pot, a preservation fund is a less attractive option. You should talk to your financial advisor about this before making a choice.

Preservation funds will allow you to take a savings withdrawal from your savings pot in the preservation fund once every tax year as long as you have at least R2 000 in your savings pot. This amount will be taxed at your marginal rate.

## 2.3 Option 3: Move your benefit to your new employer's fund.

You can transfer your retirement savings to your new employer's fund without paying tax.

### 2.3.1 How it works

Your pots will be moved "as is" to your new employer's fund. This means that your vested pot, savings pot, and retirement pot in the fund move to your new employer's fund as they are. After taking any cash, you will need to move all your pots to your new employer's fund.

- You will have access to your savings pot in your new employer's fund (once every tax year) if you have at least R2 000 in your savings pot. This will be taxed at your marginal rate.
- Your benefit will be locked into your new employer's fund until you leave your new employer. When you leave your new employer's fund, you will have access to your vested pot and maybe your savings pot, but not your retirement pot. You will not have access to your retirement pot until you retire (or on your death). Any cash you take from your vested pot will be taxed in terms of the lump sum withdrawal tax tables and cash from your savings pot will be taxed at your marginal rate.
- Your benefit will need to remain in your new employer's fund until, among other events, retirement or you leave that fund because your employment terminates.
- Please ensure you understand the benefits available from your new employer's fund.

Getting financial advice is recommended, but not compulsory.

### 2.3.2 Investments

You should check with the new employer's fund where your retirement fund benefit will be invested and whether that fund allows you a choice of where to invest your benefit.

This option would require that your benefit is disinvested from the market and transferred into your new employer's fund investments.

### 2.3.3 Costs

You should check the costs that apply in your new employer's fund, such as administration and investment fees.

## 2.4 Option 4: transfer your benefit to a retirement annuity fund.

You can transfer your benefit in the fund tax free to a retirement annuity fund. You may need to get financial advice to access a retirement annuity fund. After taking any cash, you will need to move all your pots to the retirement annuity fund.

### 2.4.1 How it works

Your pots will be moved "as is" to the retirement annuity fund. When you move your benefit from the fund to a retirement annuity fund it is not taxed.

- If you want to make further contributions, you can contribute in a tax efficient way to the retirement annuity fund.
- Please check the benefits available from the retirement annuity fund with that retirement annuity fund, especially any amounts allowed to be withdrawn before retirement.
- When you retire from a retirement annuity fund, the amounts you are permitted to take in cash or as a pension/ annuity depends on what is vested or non-vested.
- You will need to check the rules of the retirement annuity fund to see what benefits you will have access to before retirement.

### 2.4.2 Investments

You will probably have a large degree of control of your investments in the retirement annuity fund and will be allowed to switch investment portfolios but should check this.

### 2.4.3 Costs

You will need to check the costs that apply to the retirement annuity fund.

## 2.5 Option 5: Take some of your benefit in cash.

Your benefit is made up of different pots. You can choose to take cash from these pots like this:

|                    | Vested Pot                                                                                                                                                                                  | Savings Pot                                                                                                                                                                                                                                                                                                                   | Retirement Pot                                                                                                                  |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| What is available? | <p>Your vested pot includes anything you saved in the fund before 1 September 2024 plus investment return on that.</p> <p>You can choose to take everything in your vested pot in cash.</p> | <p>You can choose to take everything in the savings pot in cash if you have not already taken a savings pot withdrawal from your savings pot in this tax year.</p> <p>If you have already taken a savings withdrawal from your savings pot in this tax year, you may only take cash if your savings pot is below R 2 000.</p> | <p>Nothing from the retirement pot may be paid to you in cash. This amount is only available as an annuity when you retire.</p> |
| Tax                | <p>This is taxed in terms of the lump sum withdrawal tax tables.</p>                                                                                                                        | <p>If you choose to, and are permitted to, take cash from your savings pot, it will be taxed at your marginal rate.</p>                                                                                                                                                                                                       | <p>Not applicable.</p>                                                                                                          |

### 2.5.1 If you take money out of the fund in cash, it is less likely that you will have enough money to retire

If you choose to take some of your benefit in cash, you will have to save for your retirement from the start again and you may not be able to stay on track with your long-term financial goals. It's strongly recommended that you preserve your benefit for its original purpose – providing you with an income in your retirement.

Statistics consistently show that very few South Africans have enough money saved to provide them with the income they need in retirement and that, in many cases, this is because members have taken cash out of the fund before retirement.

In 2024, the state pension is R2 180 a month, which means that you cannot rely on a state pension in retirement. You need to rely on your own savings, and especially the savings you make through your employer's retirement fund, to support you in retirement.

Many South Africans are forced to retire earlier than they had planned, they live longer (thus need support for longer) and inflation takes its toll. If you want to maintain the same standard of living in retirement that you had when you were working, you are going to need a sizeable amount of money. Taking cash out of the fund will not help you to retire comfortably.

### 2.5.2 Tax

The fund will deduct tax from your benefit before it is paid to you.

Any money you take in cash from your vested pot will be taxed according to the tax tables applicable at the time. There are different tax tables for if you change jobs as opposed to when you are retrenched. These are set out below.

When you take a withdrawal benefit from your vested pot in cash, you will have less money to take in cash tax-free when you retire.

**This is the tax table that will be applied when you take cash from your vested pot:**

| Amount of money taken in cash when you change jobs | Rate of tax |
|----------------------------------------------------|-------------|
| R 0 – R 27 500                                     | 0%          |
| R 27 501 – R 726 000                               | 18%         |
| R 726 001 – R 1 089 000                            | 27%         |
| R 1 089 001 +                                      | 36%         |

| Amount of money taken in cash when you are retrenched | Rate of tax |
|-------------------------------------------------------|-------------|
| R 0 – R 550 000                                       | 0%          |
| R 550 001 – R 770 000                                 | 18%         |
| R 770 001 – R 1 155 000                               | 27%         |
| R 1 155 001 +                                         | 36%         |

The above R550 000 of tax-free benefit applies over your lifetime. For example, if you experience a tax-free qualifying retrenchment before you retire, you will have to take less (or nothing) tax-free when you retire.

Any money you take in cash from your savings pot will be taxed according to your own marginal rate.

You may not take any amount in cash from your retirement pot.



### 3. This section only applies to certain members of the NMG Umbrella Smartfund (Provident Section) who are not subject to the Two-Pot System

If you are a member of NMG Umbrella SmartFund (provident section) **and** you were a member of the fund on 1 March 2021 **and** were 55 years or older on that date, then there are different facts you need to be aware of.

If you are such a member and have previously chosen to be part of the two-pot system and you are withdrawing from the fund (not retiring) then you have the same options on leaving the fund as are described above. However, it is recommended that you speak to a financial advisor before you do, given how close you may be to retirement age.

If you are such a member and have previously chosen **not** to be part of the two pot system (**which is the default position if you did not make a choice**) then you have different options on leaving and must please refer to the “Options on leaving for members not subject to the two pot system” communications **and disregard this communication**. If you have been given this communication in error, please notify the fund’s administrator on email [queriesrfa@nmg.co.za](mailto:queriesrfa@nmg.co.za) or telephone 0861 222 588.

### 4. Making a decision and forms

The fund provides you with access to retirement benefits counselling. This is when the fund discloses and explains the options available to you when you leave the fund. Retirement benefits counselling is not the same as advice.

This document is retirement benefits counselling. It is not advice, and it is not tax advice.

You can access information about the fund on the fund’s online portal, <https://www.adminportal.nmg.co.za/>. You can also obtain information from your human resources or payroll department.

You can speak to your human resources or payroll department to put you in contact with your fund consultant if you need further assistance with information about the fund and your options.

Once you have made your decision, you will need to complete a withdrawal claim form (available from your human resources or payroll department) and provide this to your employer to advise the fund. If you want your benefit to be transferred to a preservation or retirement annuity fund, you will need to attach the application form for that fund. It is important to submit the claim form as soon as you can, before or once you have left your employer.



## 5. Getting advice

Before making a decision about your options when leaving the fund, it's a good idea to get advice from a registered financial adviser.

An expert adviser can help you reach your financial goals. They can help you create a roadmap so that you are able to make objective and unemotional decisions around money issues. They can also help you understand if you are on track financially and if not, how to get the most from your hard-earned money.

A financial adviser should be able to help you with your overall financial planning – for example, setting a budget, choosing the types of investments that would work for you, tax and estate planning and ensuring that you are adequately insured.

You may have group insurance benefits through your fund or employer that won't be available when you leave. Some insurance policies give you the option to continue the cover you had when you were employed by changing it to an individual policy, without having to provide medical evidence of good health. A financial adviser will be able to help you with this.

A financial adviser will be able to help you if you need advice or if you would like to transfer your benefit into a preservation fund or retirement annuity fund.

**You can choose any financial adviser. If you would like to speak to an NMG financial adviser, please contact the NMG offices on these numbers:**

Johannesburg (Phone) (27) 11 509 3000

Cape Town (Phone) (27) 21 943 1800

Durban (Phone) (27) 31 566 2133

Port Elizabeth (Phone) (27) 41 397 3400

You can also email [finplanning@nmg.co.za](mailto:finplanning@nmg.co.za) to contact the NMG financial advisers.



This communication is not advice or tax advice and does not amount, under the Financial Advisory and Intermediary Services Act, to a proposal or personal recommendation or guidance nor is it a recommendation regarding any financial product or service. The funds, their administrator and these entities' directors, employees and officers do not take liability for any action you take or loss you suffer arising from this communication as you will need to obtain advice from a registered financial advisor so that your own circumstances can be taken into account. In addition, the funds' registered rules always take precedence if there is a disparity between the rules and this communication.

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## ▶ Finding a Better Way

**NMG Benefits** is a financial advisory firm that provides unbiased advice, fosters industry competition, and simplifies complex financial matters. Our global reach, powered by proprietary insights and smart technology, enables us to deliver innovative solutions to our clients and members.

Healthcare | Retirement | Investment | Financial Planning | Actuarial | Insurance