



► **NMG Umbrella SmartFund**
Your Options on Retirement

► Contents

1. There are critical decisions that need to be made when you retire, but you don't need to make them alone	3
2. How your benefit in the fund is structured	4
3. Your options at retirement	5
4. Do you want to defer getting a pension income until later?	6
5. Do you need to start getting a pension income right away?	7
6. Do you need to take cash?	10
7. Making a decision	11
8. Please complete a retirement notification form	11

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

Registered office:

9th Floor, 19 Ameshoff Street, Braamfontein,
Johannesburg, 2001 South Africa
Telephone 0861 222 588
Email: queriesrfa@nmg.co.za

1. There are critical decisions that need to be made when you retire, but you don't need to make these decisions alone

It's a good idea to get advice from a qualified, registered financial adviser to help you consider all the options available to you at retirement.

Qualified, registered financial advisers are experts in their field and specialise in helping people reach their financial goals. Your financial adviser will gather relevant information from you to help you create a financial plan. They will be able to guide you to an objective decision that is appropriate for you. Importantly, the financial adviser will be able to help you get the maximum benefit from your savings.

The financial adviser will make a recommendation that is best for you and that is based on your own needs.

Here are some things to discuss with your financial adviser:

- Am I going to retire now?
- How much money will I need every month and what is my cost of living?
- What financial position am I and my spouse in?
- What savings do I have?
- What is my health like?
- What are the chances that I may live longer than I expect?
- Am I married and does my spouse need a pension income if I pass away?
- How old am I and my spouse?
- Will I need to leave money for my spouse and dependents?
- How much tax am I going to pay?
- Tell me about the different types of annuities, including from the fund's annuity strategy.
- You should discuss what your adviser will charge you (and what income the adviser will receive) to provide you with advice. Advisers are able to charge once off, upfront advice fees when they provide you with the advice and may also charge an on-going advice fee. You should discuss and negotiate the fees that will be paid with your adviser.



2. How your benefit in the fund is structured

When you retire, 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. 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. 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?	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 retirement.	This pot may only pay out as income when you retire. 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**. You will have different rules that apply to you when you retire about how much you can take as cash or a pension income. **You can choose to take your whole retirement benefit in cash when you retire (the whole amount in your vested pot is vested).**

Your retirement benefit options remain the same as those set out below (remember you only have the vested pot).

3. Your options at retirement

You have some options of what to do with your retirement benefit when you retire.

Defer receiving your retirement benefit by:

- | | |
|--|--|
| <p>1. Keeping your retirement benefit in the fund (you become a deferred retiree).</p> | <p>2. Transferring your benefit to a retirement annuity fund or preservation fund.</p> |
|--|--|

You can start receiving a pension income now by purchasing an annuity:

- | | |
|---|---|
| <p>1. Purchase one of the annuities from the fund's annuity strategy.</p> | <p>2. Purchase an annuity from any annuity provider that you have chosen.</p> |
|---|---|

OR

If you want to start receiving a pension income now, you can also take cash.

The options available to you at retirement as to how much cash you can take versus how much pension income you must buy depends on how much of your benefit is in your savings pot, retirement pot and how much is 'vested' and how much is 'non-vested' in your vested pot.

You can tell how much of your retirement benefit is in the different pots or how much is vested or non-vested in your vested pot, by looking at your benefit quote/statement.

Cash allowed, by law, to be paid from the pension fund or the provident fund

You may take everything in your savings pot in cash;

PLUS

You may take a maximum of the vested part of your vested pot plus one-third of the non-vested part of your vested pot in cash. (The rest, including your retirement pot, must be taken as pension income.)

How much of your vested pot is vested depends on, among other things, your age on 1 March 2021 and when you joined the fund. Please ask us if you are unsure. (Please see the note above about specific provident fund members over 55 on 1 March 2021.)

The rest must be used to buy a pension.



4. Do you want to defer getting a pension income until later?

You don't have to retire from the fund when you retire from your employer. You can choose to retire from the fund later, even after you retire from your employer's service. You should receive a higher income the longer you defer, depending on investment returns.

There are two ways to defer your retirement from the fund if you are 55 years or older:

You can defer your retirement from the fund, by retiring from your employer, but leaving your retirement benefit invested in the fund until you choose to take your retirement savings from the fund. If you choose this option:

- You won't be able to make contributions or be entitled to insurance benefits from the fund.
- There will still be investment and administration fees. The administration fee for deferred retiree 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.
- The investment return on your retirement savings will depend on the investment return on the portfolio(s) you are invested in. You will remain invested in the investment portfolio you were invested in before retirement, provided the retirement benefit is invested in the SmartAssets portfolio range. If you are not invested in the SmartAssets portfolio range, you will need to select a portfolio from this range.
- As long as you have at least R2 000 in your savings account, you can, at any time (and once every year of tax assessment) take a savings withdrawal from your savings pot (even before you take your retirement benefit). This payment may be subject to the payment of a fee and will be subject to tax. Both of these would be deducted from the payment before it is paid to you.

You can defer your retirement by retiring from your employer but transferring your retirement benefit to a retirement annuity fund or a preservation fund. You can choose any appropriate pension or provident preservation fund or a retirement annuity fund. If you choose this option:

- You will not be allowed to take one withdrawal from the retirement annuity fund or preservation fund before your retirement from this fund.
- You won't pay tax on the retirement benefit transferred from the fund to the retirement annuity fund or preservation fund.
- Your pots will be moved as is to the preservation fund or retirement annuity fund. Once you are in the retirement annuity fund or preservation fund you still have control over where your retirement benefit is invested and can switch between the available investment portfolios when you need to.
- The costs of the retirement annuity fund or preservation fund would need to be disclosed by the retirement annuity fund or preservation fund and your financial adviser can help you with this.

5. Do you need to start getting a pension income right away?

If you want to get a pension income straight away, you can decide between:

- purchasing one of the annuities in the fund's annuity strategy, or
- purchasing any other appropriate annuity.

5.1 Types of annuity

Firstly, we need to give you some information about the main types of pension income (or annuities) you can purchase. There are two main types of pensions that you can buy when you retire – a living annuity and a life annuity. These will both provide you with an income once you are no longer working but they have different risks, advantages and disadvantages.

5.1.1 Living annuity

A living annuity is an investment where your retirement benefit is invested to provide you with an income after retirement. Each year, you choose how much income you want to take from the investment. The minimum that you can draw-down as income from the living annuity part of the annuity is 2.5% of the total investment value each year. The annuity provider will apply the maximum draw-downs provided for in legislation and regulation.

The income is paid to you every month. There is no fixed pension increase as the amount you draw as an income is up to you to decide.

You will need to decide where your retirement benefit is invested. You can't take the benefit out of the living annuity while you are alive, but any benefit left in the living annuity will pass to your nominated beneficiaries when you pass away. You will need to buy the living annuity from an annuity provider.

WARNING!

You can easily run out of money if you draw too much income too soon. The living annuity is only appropriate if you have enough retirement benefit to invest.

5.1.2 Life annuity

The life annuity will pay you an income for as long as you live. You can also choose your pension income to be paid for a guaranteed period. Should you die prematurely, the pension will continue to be paid to your spouse or beneficiaries for the remainder of the guaranteed period. You may also choose that the pension income be paid to your spouse for their lifetime after you pass away.

Your increases can be linked to inflation, be a fixed percentage or be linked to the investment returns of the portfolio you are invested in. The amount that you will get as a monthly pension income will differ depending on the option you choose. When you buy the annuity from the annuity provider, you will decide how your future pension increases will be calculated. The pension increase options are set out below.

A **level annuity** will not have future increases so the monthly pension income will always stay the same. Although your starting pension income will be higher, it won't keep up with inflation.

An **inflation linked annuity** is guaranteed to keep up with inflation as increases are based on the previous year's inflation rate. The starting monthly pension income is lower with this option and if inflation is low, the increases will also be low.

The pension income increases on a **with-profit annuity** are in line with the profits earned by the annuity provider in respect of the retirement monies of all the persons who have purchased those annuities. The profits are determined by investment earnings, inflation, what you paid when you purchased the annuity and the experience of the annuity provider as a result of the deaths of pensioners over the period. Pension increases are also based on the post-retirement interest and the income that you choose when you buy the annuity.

This does mean that the pension increases may not keep up with inflation. In years when the investment returns are poor, there may be no pension increase. The calculations of these pensions are, however, complex and you should consult with your registered financial adviser to decide what is more suitable for your personal circumstances.

5.2 Purchasing one of the annuities in the fund's annuity strategy

The fund's annuity strategy has been put in place to help members who are not sure what to do with their retirement benefit at retirement and don't have access to financial advice on an appropriate retirement solution. When you reach retirement, you have the option to purchase a pension (that gives you a monthly pension income) as selected by the fund's trustees. You would still need to make the choice to select this option. Of course, you do not need to choose an annuity from the fund's annuity strategy at all, you can choose any annuity.

The fund offers retiring members three types of annuity options, and you can choose the offering that is best suited to your needs. The three options are the NMG Smart Living Annuity, a "hybrid" annuity which blends the NMG Golden Living Annuity with a guaranteed annuity portfolio, and the Golden Income With-Profit Annuity.

5.2.1 NMG Smart Living Annuity

The features of a living annuity are set out in point 5.1.1 of this booklet. In the living annuity offered in the fund's annuity strategy, you have a choice of investing in any of the four investment portfolios offered. These include:

- the NMG SmartActive Aggressive portfolio,
- the NMG SmartActive Moderate portfolio,
- the NMG SmartActive Conservative portfolio or
- the NMG SmartActive Preserver portfolio.

For this option, the provider is 27four Life.

Fees are as follows:

Platform fee	Investment fees
0.25% p.a. for assets between R0 to R1m, 0.20% p.a. for assets between R1 to R3m, 0.12% p.a. for assets between R3 to R10m, 0.08% p.a. for assets more than R10m.	The fee will apply for the selected investment portfolio. There is no switching fee or disinvestment fee if moving from SmartAssets investment portfolio in the NMG Umbrella SmartFund into the NMG Smart Living Annuity.

5.2.2 "Hybrid" annuity: NMG Golden Living Annuity, using Guaranteed Annuity portfolio

In this option, the annuity starts off as a living annuity and then converts to a life annuity over time. The legal structure is a living annuity, with the features of a living annuity that are set out in point 5.1.1 of this booklet. For example, the minimum that you can draw-down as income from the living annuity part of the annuity is 2.5% of the total investment value each year. The annuity provider will allow the maximum drawdowns provided for by law. If you draw down too much income, you may not have enough money to live on going forward.

You have a choice of investing in any of the four investment portfolios offered. These include:

- the NMG SmartEnhanced Aggressive portfolio,
- the NMG SmartEnhanced Moderate portfolio,
- the NMG SmartEnhanced Conservative portfolio or
- the Guaranteed Annuity portfolio.

If you are invested in the NMG Golden Living Annuity and select the Guaranteed Annuity portfolio, you can choose the specifications that suit your circumstances. The features of the Guaranteed Annuity portfolio are the guaranteed annuity are those of the with-profit annuity set out in point 5.1.2 of this booklet. The Guaranteed Annuity portfolio will pay a monthly guaranteed amount to the living annuity's Money Market portfolio. Your income drawdown from the NMG Golden Living Annuity is first taken from this Money Market portfolio and if more income is required, this is drawn from the other portfolio(s) you have selected.

When a Guaranteed Annuity portfolio is added to the NMG Golden Living Annuity, you will need to choose certain features that cannot be changed later. You will need to choose how much to invest in the Guaranteed Annuity and the period that the guaranteed part of the monthly pension income would be guaranteed to be paid for should you pass away. You can also add a spouse's pension income on this guaranteed monthly pension that will pay a pension income to your spouse if you pass away.

You are not able to invest more than not 80% of the value of the NMG Golden Living Annuity at the time of purchase into the Guaranteed Annuity Portfolio. You will receive a single monthly payment from your annuity.

For this option, the provider is Momentum.

If you choose this annuity that is a combination of a with-profit life annuity and a living annuity (called a hybrid annuity) then you should understand that:

- You cannot transfer the life annuity portion to another insurer,
- At least once every 12 months you can elect to move your hybrid annuity to another insurer (that will accept it) if you want to, and
- The fund may require you to receive benefit counselling in person.

Platform fee	Investment fees
0.35% p.a. for the first R1m of assets, 0.20% p.a. for the next R1.5m of assets, 0.15% p.a. for the next R5m of assets and 0.10% thereafter	The fee will apply for the selected investment portfolio. Your benefit in the NMG Umbrella SmartFund will be disinvested from your investment portfolio and be transferred to Momentum.

5.2.3 With-profit annuity – Golden Income With-Profit Annuity

This annuity uses only a with-profit life annuity that is paid for the rest of your life. You have the option to choose a period that the monthly pension income would be guaranteed to be paid should you pass away. You can also add a spouse's pension income that will be paid to your spouse if you pass away. You can also choose the level of increases from the range offered by the product. A financial adviser will be able to assist you with these options.

For this option, the provider is Momentum.

Administration fees	Investment fees
Initial fee: R3 900 (priced into policy) Monthly fee: R63.01 increasing with CPI each year	Guaranteed product total expense ratio: 1.20%, includes cost of capital and portfolio management fees and assuming no change in risk charge.

If you chose to get advice from a financial adviser, there will be a cost for this advice. You can agree the advice fee with your adviser.

5.3 Purchasing any other annuity

The annuities offered under the fund's annuity strategy are not the only annuity options that you can choose. They are simply the fund's preferred options. You can still choose any annuity that is appropriate for you.

Again, you should seriously consider obtaining advice from a financial adviser.

You may take a maximum of the vested part of your benefit plus one-third of the non-vested part of your benefit in cash. The rest must be used to purchase an annuity.

6. Do you need to take cash?

You may take everything in your savings pot in cash;

PLUS

You may take a maximum of the vested part of your vested pot plus one-third of the non-vested part of your vested pot in cash.

How much of your vested pot is vested depends on, among other things, your age on 1 March 2021 and when you joined the fund. Please ask us if you are unsure.

The rest must be used to buy a pension.

You will have to pay tax on the benefit you take in cash

You can take a maximum of R 500 000 from the fund in cash and not pay tax on it. This is because the overall tax-free amount at retirement is R500 000. It's important to know that when SARS determines the tax that is payable on your benefit, they will consider previous cash lump sums that you have taken from retirement funds and retrenchment benefits paid to you from your employers. If you have taken tax-free lump sum amounts previously, this will reduce the R500 000 you can get tax-free at retirement.

If you take cash of more than the overall R500 000 tax free amount, then you will have to pay tax on the benefit according to the tax table below.

Taxable amount	Rate of tax
R 0 – R 500 000	0%
R 500 001 – R 700 000	18% of taxable income above R 500 000
R 700 001 – R 1 050 000	R 36 000 + 27% of taxable income above R 700 000
R 1 050 001 +	R 130 500 + 36% of taxable income above R 1 050 000



7. Making a decision

The fund provides you with retirement benefits counselling. This is when the fund discloses and explains the options available to you when you retire. If you are between six and three months from your normal retirement age, the fund will provide you with this retirement benefit counselling about retirement.

Retirement benefits counselling is not the same as advice and can be provided through written material. 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 retirement options.

A financial adviser will be able to provide advice (including about tax) and help you if you need assistance with purchasing a pension that will provide you with an income in retirement. 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 to contact the NMG financial advisers.

8. Please complete a retirement notification form

Once you have made your decision, you will need to complete a retirement claim form and provide this to your current employer to advise the fund. You will need to attach the application form of the annuity you want to purchase with the claim form. It is important to submit the claim form before the date that you retire so that the claim processing is not delayed.

The fund's administrator will be able to process your claim once they have received the last contribution paid by your employer and allocated this contribution to your retirement benefit in the fund. They will also need to apply for a tax directive and arrange for the annuity purchase that will provide you with an income.

NMG Employee Benefits (Pty) Ltd – FSP 33426 and Co reg number: 2007/025310/07

NMG Consultants and Actuaries Administrators (Pty) Ltd – FSP 33424 and Co reg number: 1993/07696/07

NMG Consultants and Actuaries (Pty) Ltd – FSP 12968 – co reg number: 1979/001308/07

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' 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 adviser so that your own circumstances can be taken into account. In addition, the funds' registered rules always takes precedence if there is a disparity between the rules and this communication.



▶ 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