



RetFund

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Annuitisation of Provident Funds @ Retirement

Effective 1 March 2021

From 1 March 2021, new annuitisation rules on retirement will be introduced to provident funds.

These rules will be brought in line with the options applicable to pension funds.

Members who obtained the age 55 before 1/3/2021 will not be affected with this change.

This means that members younger than 55 on 1 March 2021, retiring from provident funds and members retiring from pension funds will be subject to similar rules regarding accessing their savings as a cash lump sum at their retirement. (max 1/3rd cash & balance must be used to buy a pension annuity)

It is important to note that this change **will not be applicable on the full member value**, and members younger than 55 may access their retirement savings as follows:

1. All retirement fund contributions already made into the provident fund, plus investment growth on these contributions, accumulated up until 28 February 2021, including any future investment growth on this accumulated amount from this date onwards, will still be available as a cash lump sum at retirement, or

Alternatively (member choice), an income for retirement can be purchased with the accumulated amount at retirement, should the member wish to choose this option instead.

2. Retirement contributions made into the provident fund after 1 March 2021, plus investment growth on these contributions until retirement will be treated the same as current Pension fund options, members can only access up to one-third of this accumulated amount as a cash lump sum, and the balance must be used to purchase an income in retirement.
3. If, however, the contributions from 01/03/2021 plus fund growth fall below the current R247 500 at retirement, the full amount may still be accessed as a cash lump sum (member choice) at retirement

Tax-free transfers between retirement funds

From 1 March 2021, Members of pension funds will be able to transfer their accumulated retirement savings to provident preservation funds tax-free, and members of provident funds will be able to transfer their accumulated retirement savings to pension preservation funds tax-free.