

**UMBRELLA
RETIREMENT FUND**
Options when leaving your employer

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Options when leaving your employer

As a member of the Allan Gray Umbrella Pension or Allan Gray Umbrella Provident Fund (collectively referred to as the Allan Gray Umbrella Retirement Fund or “the Fund”), when you leave your employer, your retirement savings can remain invested in the Fund for as long as you want, and you can access your money at any point in the future.

Take your time and make the right decision

We encourage you to carefully consider what to do with your retirement savings when you change jobs. You may want to speak to your scheme appointed adviser or your personal financial adviser to help you decide on the best course of action. If you do not have an adviser but feel that you need advice, we can help you find one in your area. Please visit our website at www.allangray.co.za/find-an-ifa. Alternatively, you can contact us on 0860 000 654, or email us at info@allangray.co.za.

Update your contact details to stay informed

Your contact details may change when you change jobs. Please log in to your secure Allan Gray Online account at www.allangray.co.za to check that your contact details are correct and update them if necessary. Alternatively, you can contact us on 0860 000 654, or email us at info@allangray.co.za.

There are three options for you to consider when you leave your employer:

Option 1: Preserve your retirement savings in the Allan Gray Umbrella Retirement Fund

When you leave your employer, your retirement savings can remain invested in the Allan Gray Umbrella Retirement Fund. This is known as **in-fund preservation** – i.e. leaving your money invested so that you can continue to benefit from compound growth over time. If you choose this option, you will become a paid-up member of the Fund.

You do not need to do anything for your investment to continue as is. The money you have saved so far can remain invested in your current portfolio allocation, which you can change at any time if you need to. If you remain invested in one of the trustee-approved defaults, your savings will automatically be placed in portfolios that are appropriate for your investment horizon to retirement. This is called “life-staging”.

Benefits of preserving your retirement savings:

- **Long-term growth:** The longer you leave your money invested, the more time it will have to grow and the higher your income in retirement could be.
- **Safeguard your retirement:** If you keep your retirement savings for its intended purpose – your retirement – you increase your chances of maintaining your lifestyle when you stop working.
- **Keep your tax benefits:** By preserving your savings, you keep all your tax benefits for when it really matters – when you retire. At retirement, the first R500 000 you withdraw as cash is not taxed. If you withdraw before retirement, for example when you change jobs, only the first R25 000 is not taxed. It is important to note that the South Africa Revenue Service (SARS) will take any pre-retirement withdrawals, severance benefits and retirement cash lump sums into account when determining your remaining tax-free benefit.

How do I preserve my retirement savings?

The good news is that you **don't need to do anything** for your investment to continue as is. Remember that your contact details may change when you change jobs, so please log in to your secure Allan Gray Online account at www.allangray.co.za to check that your contact details are correct.

Option 2: Transfer to another retirement fund

If you feel that a different retirement product is better suited to your needs, you may transfer your savings to another product. You **will not have to pay tax** if you transfer to a retirement annuity fund, a preservation fund, or your new employer's retirement fund.

You can transfer to a retirement product offered by Allan Gray or by another financial services provider.

Allan Gray offers two retirement products that are available to individual investors:

The Allan Gray Retirement Annuity Fund	The Allan Gray Pension/Provident Preservation Fund
<p>Contributions to a retirement annuity (RA) are tax deductible and the returns you earn while invested are tax-free. You can only access your money after the age of 55, except in certain circumstances, for example if you become permanently disabled.</p> <p>You can continue to add to your retirement savings in an RA. You can invest a monthly amount (the minimum is R500 per month) or an initial lump sum of R20 000 or more. The minimum for additional lump sums is also R500.</p>	<p>A preservation fund allows you to preserve and grow your savings until you retire, without losing the tax benefits you enjoyed within your original fund. The investment returns you earn are also tax-free.</p> <p>You cannot add to your retirement savings in a preservation fund. If you want to continue adding to your retirement savings, you can start another investment, such as a retirement annuity.</p>

The table below outlines the differences between preserving in the Allan Gray Umbrella Retirement Fund, transferring to the Allan Gray Pension/Provident Preservation Fund and transferring to the Allan Gray Retirement Annuity Fund:

	Preserving in-fund (Allan Gray Umbrella Retirement Fund)	Transferring to the Allan Gray Pension or Provident Preservation Fund	Transferring to the Allan Gray Retirement Annuity Fund
Investment choice	<p>You can remain invested in the portfolios that you are currently invested in. Where you are invested in a default investment strategy, life-staging will continue to apply to your investment.</p> <p>You will retain access to all portfolios available in the Fund. You also have the option of changing your portfolio selection at no cost and at any time.</p>	<p>You can choose your own selection of unit trusts from the Allan Gray Investment Platform list which has more options from various investment managers.</p> <p>You will no longer be able to access the default investment strategies nor the institutionally priced investment portfolios available in the Umbrella Fund.</p>	
Fees	<ul style="list-style-type: none"> ▪ Platform Administration fee ▪ Investment management fee ▪ Advice fee (where applicable) <ul style="list-style-type: none"> ▪ As a paid-up member, you will pay administration fees charged as a percentage of the market value across all your investments. ▪ You will pay the investment management fees applicable to the underlying investment portfolios you choose to invest in. ▪ Where there was a scheme adviser appointed by your employer, you will no longer have access to that adviser. You can appoint your own financial adviser. You will pay an advice fee as negotiated between you and your appointed financial adviser. 	<ul style="list-style-type: none"> ▪ You will pay administration fees charged as a percentage of the market value across all your investments. ▪ You will pay the investment management fees applicable to the underlying unit trusts that you choose to invest in. ▪ You can appoint your own financial adviser. You will pay an advice fee as negotiated between you and your appointed financial adviser. 	
Minimum balance required	There is no minimum balance required to remain paid-up in the Fund.	There is no minimum balance required to transfer to the Allan Gray Preservation Fund.	There is no minimum balance required to transfer to the Allan Gray Retirement Annuity Fund.
Additional contributions	Additional contributions are not allowed.		Additional contributions are allowed and are tax deductible.
Full withdrawals before retirement	You can make a full withdrawal from the Umbrella Retirement Fund or the Preservation Fund, if you transfer before retirement age. These will be subject to the withdrawal tax table. Please refer to page 3.		You can only access your money after the legal retirement age of 55, except in certain circumstances, for example if you become permanently disabled or if you emigrate.
Partial withdrawals before retirement	As a paid-up member, you can make a partial withdrawal, but the remaining balance must then be transferred to a preservation fund or retirement annuity, it cannot remain invested in the Umbrella Fund.	You can make one partial withdrawal before you reach your retirement age, depending on the rules of your original retirement fund. Your remaining balance can remain invested in the Fund. You can also withdraw on emigration or visa expiry if you are a foreign national.	

How do I transfer to another retirement fund?

1. Complete and sign the Umbrella Retirement Fund Member Exit instruction.
2. Complete and sign the relevant application form:
 - Transfer to the Allan Gray Retirement Annuity Fund by completing and signing the Retirement Annuity Fund Application instruction.
 - Transfer to the Allan Gray Pension/Provident Preservation Fund by completing and signing the Pension and/or Provident Preservation Fund Application instruction.
 - Transfer to your new employer's retirement fund by completing their application form.
3. Email copies of the above forms to instructions@allangray.co.za.

Option 3: Withdraw your retirement savings

When you leave your employer, you have the option of making a once-off withdrawal of some or all of your retirement savings in the Allan Gray Umbrella Retirement Fund. If you withdraw a portion, the balance will need to be transferred to another retirement product, for example the Allan Gray Retirement Annuity Fund or your new employer's retirement fund (refer to Option 2 on page 2).

Reasons this option may not be suitable for you:

- Withdrawing from a retirement fund **reduces the tax benefits** you enjoy in the fund.
- Pre-retirement withdrawals are **taxed significantly more** than cash lump sums at retirement.
- Using your retirement savings before you retire may **negatively affect your lifestyle** in retirement.

A withdrawal instruction cannot be cancelled

Many retirement fund members want to change their minds about making a withdrawal once they see how much tax they will pay, but they are not able to do so. It is important to realise that you **cannot cancel your instruction once you have submitted it**.

We are legally required to apply for a tax directive from SARS when we receive a withdrawal instruction. In terms of legislation, once SARS has received an application for a tax directive, the withdrawal instruction cannot be cancelled. The amount of tax owed, as stipulated on the directive, is final and will be paid to SARS from your account before the balance of your requested withdrawal amount is paid to you.

A tax directive simulation can give you an estimate of your tax impact

If you intend to withdraw your savings, you may want to **request a tax directive simulation** from Allan Gray. This allows you to **establish your estimated tax impact**. It is important to submit your simulation request before, or at the same time that you submit your member exit instruction, to ensure you are comfortable to proceed, given your estimated tax impact.

How will my withdrawal be taxed?

Resignation, dismissal and non-qualifying retrenchments

All previous withdrawals (including retirement cash lump sums and severance benefits) are taken into account when calculating how much tax you will pay. This means that your withdrawal amount may be significantly reduced by tax.

Taxable lump sum (R)	Rate of tax
R0 - R25 000	0%
R25 001 - R660 000	18% of the taxable amount above R25 000
R660 001 - R990 000	R114 300 + 27% of the taxable amount above R660 000
R990 001 and above	R203 400 + 36% of the taxable amount above R990 000

Example 1: If you withdraw R150 000 and have not previously withdrawn from any of your retirement funds, you will pay R22 500 to SARS (18% of R125 000).

Example 2: If you withdraw R800 000 and have not previously withdrawn from any of your retirement funds, you will pay R152 100 to SARS (R114 300 + 27% of R140 000).

Qualifying retrenchments

A qualifying retrenchment means that your instruction will be taxed according to the retirement tax table instead of the withdrawal tax table. Your retrenchment may be considered a qualifying retrenchment if:

- Your employer stopped or intends to stop doing what you were employed to do.
- You became redundant as a result of a general reduction in personnel.

All previous withdrawals (including retirement cash lump sums and severance benefits) are taken into account when calculating how much tax you will pay. This means that your cash lump sum amount may be significantly reduced by tax.

Taxable lump sum (R)	Rate of tax
R0 - R500 000	0%
R500 001 - R700 000	18% of the taxable amount above R500 000
R700 001 - R1 050 000	R36 000 + 27% of the taxable amount above R700 000
R1 050 001 and above	R130 500 + 36% of the taxable amount above R1 050 000

Example 1: If you take a cash lump sum of R650 000 and have not previously withdrawn from any of your retirement funds, you will pay R27 000 to SARS (18% of R150 000).

Example 2: If you take a cash lump sum of R1 200 000 and have not previously withdrawn from any of your retirement funds, you will pay R184 500 to SARS (R130 500 + 36% of R150 000).

How do I withdraw my retirement savings?

1. Complete and sign the Umbrella Retirement Fund Member Exit instruction.
2. If you withdraw less than the full amount, any remaining balance must be transferred to another retirement fund.
 - Transfer to the Allan Gray Retirement Annuity Fund by completing and signing the Retirement Annuity Fund Application instruction.
 - Transfer to the Allan Gray Pension/Provident Preservation Fund by completing and signing the Pension and/or Provident Preservation Fund Application instruction.
 - Transfer to your new employer's retirement fund by completing their application form.
3. Email copies of the above forms to instructions@allangray.co.za.

Important information for investors

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Additional information for retirement fund members

The Allan Gray Retirement Annuity Fund, the Allan Gray Pension Preservation Fund and the Allan Gray Provident Preservation Fund and the Allan Gray Umbrella Retirement Fund (comprising of the Allan Gray Umbrella Pension Fund and the Allan Gray Umbrella Provident Fund) are all administered by Allan Gray Investment Services Proprietary Limited, an authorised administrative financial services provider and approved under section 13B of the Pension Funds Act as a benefits administrator. Allan Gray Proprietary Limited, also an authorised financial services provider, is the sponsor of the Allan Gray Umbrella Retirement Fund. The underlying investment options of the Allan Gray individual products are portfolios of Collective Investment Schemes in Securities (unit trusts or funds).



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