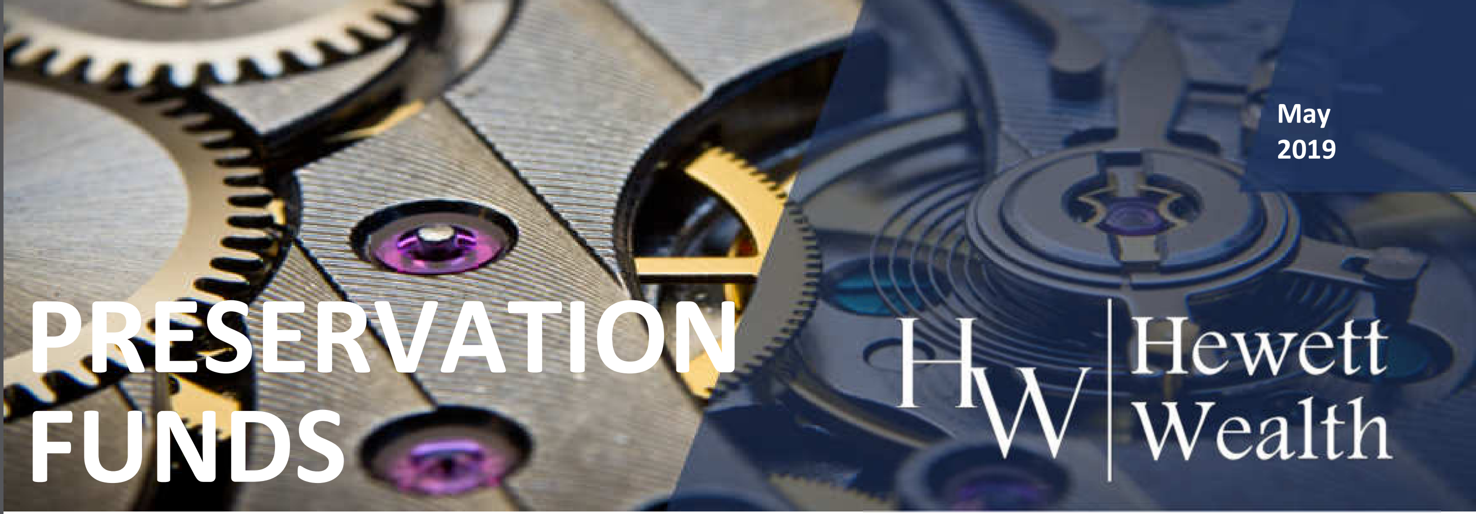

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PRESERVATION FUNDS

WHAT IS A PRESERVATION FUND?

Preservation funds are designed to enable the tax-free transfer and preservation of pension and provident fund investments in the event of resignation or retrenchment.

KEY BENEFITS OF PRESERVATION FUNDS

- All investment returns (interest, dividends and capital gains) within the product are completely tax-free.
- The funds are protected against claims by creditors.
- Retirement from the fund can be delayed and can thus aid retirement income planning.
- One withdrawal prior to retirement is available subject to relevant tax tables.
- The full fund value is accessible, after tax, in the event of death or early retirement due to ill-health or infirmity, subject to scheme rules where applicable.
- A wide range of underlying investment options are available.

KEY CONSTRAINTS

- No contributions are allowed to preservation funds.
- The investment needs to comply with Regulation 28.
- Preservation funds cannot be used as security for a loan.
- Minimum investment amounts may apply.

TAX IMPLICATIONS AFTER RETIREMENT

- The full fund value is accessible at retirement subject to scheme rules.
- Lumpsum withdrawals are subject to the applicable withdrawal tax tables and all previous withdrawals are aggregated to determine the tax liability at retirement.
- The first R500 000 lump sum can be withdrawn tax-free, subject to the above aggregation.
- A maximum of 1/3rd of the fund value may be withdrawn from a pension preservation fund, while the balance must be used to purchase a living annuity or life annuity.
- The full fund value or any portion thereof may be withdrawn from a provident preservation fund or alternatively transferred to a living annuity or life annuity.
- No tax is payable on amounts transferred to a living annuity or life annuity.
- All income withdrawals from the living annuity or life annuity are taxed at individual marginal income tax rates.

IMPLICATIONS ON DEATH

- Beneficiaries can be nominated to receive the proceeds.
- A lump sum benefit, annuity or a combination of the two may be elected by beneficiaries.
- Both lump sum and annuity benefits are generally free from Estate Duty but are subject to taxation.
- Lump sum and annuity benefits received by beneficiary/ies are subject to taxation.

You can obtain advice and more detailed information from Hewett Wealth directly by calling 010 597 7506 or by emailing enquiries@hewettwealth.co.za

+27 (0)10 597 7506

enquiries@hewettwealth.co.za
www.hewettwealth.co.za

Block 16 B | Willowbrook Office Park
Van Hoof Street | Ruimsig | Johannesburg | 1724