

YOUR MONEY SORTED



YOUR BENEFIT STATEMENT

By LETITIA WATSON

Send suggestions for topics and requests for info to yourmoney@you.co.za. We may answer your questions in this column but won't reply personally.

Is your retirement fund information all Greek to you? We help you decipher it

YOUR FUND CREDIT

Your fund credit is the amount of money you receive when you resign or retire, and represents the total value of your investment. It includes all contributions and yield to date. Markets vary continually and this means your value may differ from that of your latest statement. The golden rule for a comfortable retirement is your fund credit should equal 10 to 12 times your annual salary, says Michelle du Toit of Old Mutual Corporate Consultants.

YOUR INVESTMENT PORTFOLIO

This shows which investment funds your retirement money are invested in and what the yield is. Many retirement funds have a default investment strategy. This means the trustees choose a specific investment portfolio that's suited to most members.

Some funds offer an option where the member doesn't have to invest in the default option and can decide where to invest themselves. You should talk to a financial adviser because various investment options can mean a difference of five to 10 percent in yield a year, Du Toit warns.

DEATH BENEFIT

This is the amount paid to dependants or beneficiaries if the member dies. The dependants or beneficiaries shouldn't expect the payment necessarily to be made immediately. It can take three to 12 months to complete the paperwork. To prevent delays you should make sure your beneficiary nominations are up to date. When you join a new fund, change jobs or your family circumstances change a new beneficiary form must be completed.

YOUR CONTRIBUTIONS

Your contributions are usually calculated on your pensionable salary and are shown on your statement. There's a difference between pensionable and nonpensionable income.

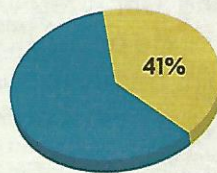
Your nonpensionable income is the portion of your salary that isn't taken into account when calculating your employer's and your own contribution to the pension fund, for example your bonus.

The contributions should be about 15 percent of your salary if you start saving 35 years before retirement, Du Toit says.

FIVE QUESTIONS ABOUT YOUR PENSION FUND

- 1** How often do I receive the retirement fund's benefits statement? Usually once a year. But most retirement funds have online portals and call centres where you can obtain the information throughout the year.
- 2** How are my contributions divided between my retirement savings and death benefits? Your contribution may seem big but it's important to find out the amounts used for death benefits and for the fund credit.
- 3** What are the benefits of a company pension fund? In terms of fees and tax benefits it's one of the best ways of saving for retirement, says Old Mutual Corporate Consultants' Michelle du Toit.
- 4** Where do I get advice? A financial adviser assesses your general financial wellbeing, your specific risks, debt and goals. On the basis of these they suggest an affordable and effective savings plan.
- 5** Where do I find a suitable financial adviser? The Financial Services Board has a list of licensed advisers, as do organisations such as the Financial Planning Institute.

ONLY 41% INFORMED ABOUT PENSION WITHDRAWALS



Women seem to be less informed financially about pension-fund decisions. Only 41 percent of women understand the consequences of withdrawing pension money rather than reinvesting it when they change jobs, according to Sanlam, while

61 percent of men understand the consequences. Only 41 percent of women understand the tax implications of such a decision, compared with 55 percent of men.

SOURCE: SANLAM EMPLOYEE BENEFITS 2015 BENCHMARK SURVEY

TIP!

Don't withdraw retirement fund money when you resign or are retrenched - you'll pay a hefty tax and won't easily make it up.

GET MORE HELP HERE

- Pension Funds Adjudicator: pfa.org.za
- Report pension fund fraud: 0800-111-667 or email opfa@tip-offs.com
- Financial Services Board: fsb.co.za

Retirement kills more people than hard work ever did

- AMERICAN PUBLISHER MALCOLM FORBES (1919-90)