



Types of retirement investments



PENSION FUND

This is a long-term saving option that provides a pension for a person when they retire. A pension fund is usually arranged by an employer for a group of employees. The person receives a third of the total amount in one lump sum payment when they retire and the remaining two-thirds is paid out on a monthly basis, as a pension.



PROVIDENT FUND

A provident fund is also a retirement savings option arranged by an employer. Prior to 01 March 2021, the main difference was that with a provident fund, at retirement you could take all your savings as a lump sum cash. With the reform that came into effect on 01 March 2021, both provident and pension funds are going to be similar. Members of both funds can now only take one third of their savings as a cash lump sum at retirement. The remaining two thirds will buy an annuity to provide a monthly pension. This new legislation excludes those who were 55 years by the 1ST of March 2021, this group can still take all their savings as cash on retirement. For those less than 55 years, the new rules will apply to all new contributions made after 01 March 2021. Those whose total savings are below R247 500, may also take all their savings as a cash lump sum.



RETIREMENT ANNUITY

An investment where a person saves regularly so that they can have an income when they retire. The person receives a third of the total amount in one payment when they retire and the two-thirds is paid out monthly as an annuity. Individuals who are self-employed or whose employers don't provide a pension or provident fund can save in retirement annuities. Consult a certified financial planner to discuss which retirement annuity would be best for you.



PRESERVATION FUNDS

If you are moving to a new job or have been retrenched or lost your job it is important to think about keeping your retirement savings intact. You can transfer your pension fund to a preservation fund. The full fund credit will be transferred tax free giving you maximum tax benefits as well as keeping your valuable retirement savings protected. If you are currently in a pension fund you would transfer to a preservation pension fund and if you are in a provident fund you would have to transfer to a preservation provident fund.

