THE ELECTRICAL CONTRACTING INDUSTRY
PENSION & PROVIDENT FUNDS



Retirement Guide

Navigating Your Retirement with Confidence!

Contents

01 Welcome

02 Retirement Age

03 Options at Retirement

04 Where to get advice or assistance

05 Documents to be completed

06 In Conclusion

WELCOME

Congratulations on approaching your retirement milestone! This is a crucial and exciting phase in your life, brimming with opportunities and important decisions. This information pack is designed to guide you through the essentials you need to understand as you prepare to retire as a member of the **Electrical Contracting Industry Pension and Provident Funds**.

We'll cover various options and insights to help you make informed decisions for your future.

RETIREMENT AGE

Your normal retirement date is the last day of the month in which you turn 65.

Early retirement is permitted from age 55. Should you continue working after age 65, you can continue to be a fund member up to age 70. Fund membership after age 70 is not permitted.

Please bear in mind that should you continue working past age 65, any insured benefits associated with the Fund will no longer be applicable as these benefits terminate at age 65. Please consider this as part of your holistic financial plan.

PREPARING FOR A COMFORTABLE RETIREMENT

A Five-year Countdown Checklist

Five years before retirement is a critical time for financial planning and lifestyle adjustments. Here are some key considerations to ensure a smooth transition into retirement:

- **Debt reduction:** Aim to pay off high-interest debts like credit card balances and personal loans. If you have a home loan, consider increasing payments to reduce this debt before retirement.
- **Maximise retirement contributions:** Increase contributions to boost your retirement income. As a member, you are allowed to make additional voluntary contributions to enhance your retirement funding

  Effective 1 March 2016, annual tax-deductibility of contributions increased to 27.5% of taxable income (inclusive of all contributions made to pension, provident and retirement annuity funds) subject to a maximum of R350 000 per annum.
- **Review your investment strategy:** Assess your investment portfolio after speaking to a financial planner.
- **Budget adjustments:** Start adjusting your budget to reflect your expected retirement income. This helps in transitioning smoothly to a lower income level and also helps you save more in the lead-up to retirement.
- **Healthcare planning:** Consider your future healthcare needs and how you will fund them. Investigate health insurance options and consider setting aside savings for medical expenses.

- **Emergency fund:** Ensure that you have an emergency fund to cover unexpected expenses, aiming for around six months to a year of living expenses.
- **Retirement lifestyle planning:** Think about how you want to spend your retirement and whether your plans *(like travel, hobbies, or relocation)* align with your expected retirement budget.
- **Professional advice:** Consider seeking advice from a financial planner who can provide personalised advice based on your overall financial situation, your options in the ECI Pension Fund and your retirement goals. Remember that ultimately, retirement planning is a personal responsibility.
- **Legal affairs:** Ensure that your will, power of attorney and other legal documents are up to date.

OPTIONS AT RETIREMENT

When you retire, you will have a few important decisions to make. We will take you through them step by step.

The following applies for each category of your retirement savings when you retire:

Vested pot: "OLD" savings up to 31 August 2024	**Savings pot: "EMERGENCY" money – only for emergencies!**	**Retirement pot: NO TOUCHING**
You may withdraw a portion in cash and purchase an annuity with the balance.	You may withdraw the full balance in cash. *	This money must be used to purchase an annuity when you retire.
Taxed in line with tax tables for retirement.	Taxed in line with tax tables for retirement.	The annuity that you buy will be taxed as and when you receive your monthly pension income, in line with tax tables for retirees.

*If you have withdrawn from your savings pot in the tax year of exit, then the remaining balance in the savings pot may only be withdrawn in the following tax year or must be transferred to a preservation fund or a retirement annuity fund unless the remaining balance is less than R2 000, then the full savings pot value can be taken in cash.

Note: If you were 55 or older on 1 March 2021 (i.e. you were born before 1 March 1966) and have been a member of the Provident Fund since then, your options are slightly different, unless you opted in to the Two-Pot System. Only the vested pot applies to you, and you make take a portion in cash, subject to tax in line with the tax table for withdrawal.

The following retirement options may also be elected:

- Buy an annuity with 100% of your benefit (pension for life);
- Transfer 100% of your benefit to a retirement annuity/preservation fund; or
- Keep 100% of your benefit in the Fund as a deferred retiree.

Decision One

Will you need the money immediately upon retirement?

Will you have an alternate income source? Or will you need to receive an income from your money in the Fund immediately upon retirement?

Decision Two

Will you take a cash lump sum at retirement?

According to legislation, you may withdraw a portion of your vested pot savings, as well as the value in your savings pot savings, as a cash lump sum. Savings Pot claims can only be paid into the account to which your salary is paid.

Important Points to Consider Before You Elect to Take a Portion in Cash

- If your retirement fund savings are below the minimum amount prescribed in the Act (R247,500) you have the option to take the entire amount as a tax-free lump sum.
- A larger lump sum withdrawal will result in a lower monthly pension as you will have less retirement fund savings available to purchase a pension/annuity.
- If you've made previous withdrawals from your retirement fund, these will be taken into account when the tax-free allowance is calculated.

How much of this will be taxed?

Up to R550,000 of this withdrawal is tax-free, but amounts higher than this are subject to tax as set out in the tax table below:

R0 – R550 000	**0%**
R550 001– R770 000	**18%** of the amount exceeding **R550 000**
R770 001– R1 155 000	**R39 600** plus **27%** of the amount exceeding **R770 000**
R1 155 001 and above	**R143 550** plus **36%** of the amount exceeding **R1 155 000**

Decision Three

If you need the money immediately upon retirement, which option would be best for you?

If you don't want to defer, then you can choose from the options below. .

If you need money immediately, you can take a cash portion and purchase an annuity with the balance. Your annuity will take one or two months to set up, so you need to ensure that you have made financial provision during this period.

The Fund's default annuity strategy: Liberty Corporate Group Living Annuity

The Trustees engaged with Liberty Corporate to provide you with a cost-effective and easy to understand default annuity strategy. It should suit the characteristics and retirement needs of most members in the Funds.

The benefit counselling team can assist you with familiarising yourself with this strategy and it is encouraged that you take advantage of this service at no additional cost to you.

The advantages of choosing to use the default annuity strategy are as follows:

- Seamless transitioning into retirement: for example, if you purchase the Liberty Corporate Group Living Annuity, you could remain invested in the same investment portfolio/s you were in before retiring. This means that no cash payment is made to you, which allows for a smooth transition into retirement.

- Low cost: you can access the annuity products at institutional prices, which means you would typically receive a higher income in retirement compared to a retail annuity. There are no administration or platform fees. The all-in fee is dependent on your investment portfolio choice and can be as little as 0.35% per annum.

- Simple and easy to understand: The Default Annuity Strategy requires little decision making from you at retirement.

The Liberty Corporate Group Living Annuity allows you to choose investment portfolios that enable you to grow your retirement savings as well as the level of income you wish to receive by selecting a drawdown rate. However, it is important to monitor your investment choices and drawdown rates carefully in order to have a sustainable income for the duration of your retirement. Since your income is not guaranteed, it is recommended that you consult a financial advisor to assist you.

The Trustees have selected certain portfolios and drawdown rates that may be suitable for you. You have the flexibility of changing these to meet your specific needs. If you pass away, any

remaining retirement savings you may have would be made available to your dependants. They could continue to receive a living annuity in their name or take it as cash.

- Flexibility of choosing investment portfolios, drawdown rates and payment frequency. However, drawdown rates are limited in line with industry prescribed standards:

Age	Male	Female
55	4.5%	4.0%
60	5.0%	4.5%
65	5.5%	5.0%
70	5.5%	5.0%
75	6.0%	5.5%
80	7.0%	6.0%
85	8.0%	7.0%

- Income and increases are not guaranteed.
- If you pass away, you could leave a legacy as any remainder retirement savings reverts to your dependants.
- Choice of investment portfolio/s and drawdown rates needs to be monitored to ensure sustainability, i.e. that you will not run out of money during your lifetime.

Retiring outside of the Fund

Members can choose to receive a Living annuity or a Life annuity (or both) from a registered insurer other than the default described above. They can also choose to receive cash, up to the amount allowed by the law. Once members make this choice to retire outside of the Fund, the Fund has **no further obligation towards them**. The members will need to agree on terms and conditions with the insurer, and fees will be those applicable to retail/individual investors.

The differences between Life and Living Annuities in summary

The main differences between the Life Annuity and Living Annuity are summarised below.

LIVING ANNUITY	**LIFE ANNUITY**
• You decide what level of pension to draw each year from your retirement investments (within limits set by SARS –	• You know exactly how much you are getting each month until you pass away. • Your pension – or a percentage of your pension – can continue to be

currently between 2.5% and 17.5% of total capital). • You keep the responsibility for choosing how to invest your retirement savings. • You have flexibility to choose how much pension you would like to draw each month, but drawing a higher percentage means that you could run out of money. It is important that you consult with a financial advisor before making this choice each year. • Any remaining money left in your investment account when you pass away can be passed on to your dependants. • Main disadvantages: Could be riskier than a Life Annuity as you assume the longevity risk (risk of living longer than expected); and investment risk (losing money from poor investment returns).	paid to your spouse or partner if you pass away, should you elect this option at retirement. • Your monthly pension is paid for life. You are therefore insured against longevity risk (risk of living longer than expected) and investment risk (losing money from poor investment returns). • Investments are managed on your behalf. • Main disadvantages: Your family will forfeit any savings if you die sooner than you expected; and your choice is final and cannot be changed.

The types of life annuities (guaranteed annuities) are listed below.

1. **Level Annuity**: Fixed income, no adjustments for inflation, higher initial payout but loses purchasing power over time.

2. **Inflation-Linked Annuity**: Income increases with inflation, lower initial payout but maintains purchasing power.

3. **With-Profit Annuity**: Income adjusts based on the insurer's investment performance, balancing growth and stability.

4. **Joint Life Annuity**: Income continues until the death of both the annuitant and their spouse.

5. **Guaranteed Term Annuity**: Income guaranteed for a set period, even if the annuitant dies.

Documents to be completed

1) Fully Completed Benefit Claim Form **(available from the ECI Call Centre and Fund Website)**
2) Certified Copy of Member's Identity Document
3) Confirmation of banking details not older than 3 months
4) Confirmation of SARS Income Tax Number (ensure that your tax affairs are in order and that you do not owe SARS any outstanding tax, as this could delay the process)
5) If benefit is being transferred, a transfer detail/application form from your financial advisor
6) Divorce decree if applicable
7) Maintenance order if applicable

Please ensure that your contact details are complete and up to date at all times.

Where to get help if you need assistance/advice

It is important to get advice from knowledgeable, professional advisors before you make any big decisions about your retirement savings.

Speak to an accredited benefit counsellor:

The benefit counselling team aims to assist you by providing educational material and support on the Funds' Default Annuity Strategy. This service is provided in multiple languages at **no additional cost**. It is important to note that benefit counselling is not financial advice. If there is a need for financial advice, the Benefit Counselling team can connect you with an accredited financial adviser. You can contact Liberty by emailing benefitcounselling@liberty.co.za or phoning 0800 456 235.



Speak to an accredited financial planner/advisor: If you need advice about what you should do: Always ensure that you speak to an accredited financial advisor to help you make an informed decision. Visit the Financial Planning Institute (FPI)'s website to find a qualified financial advisor who can offer expert advice.

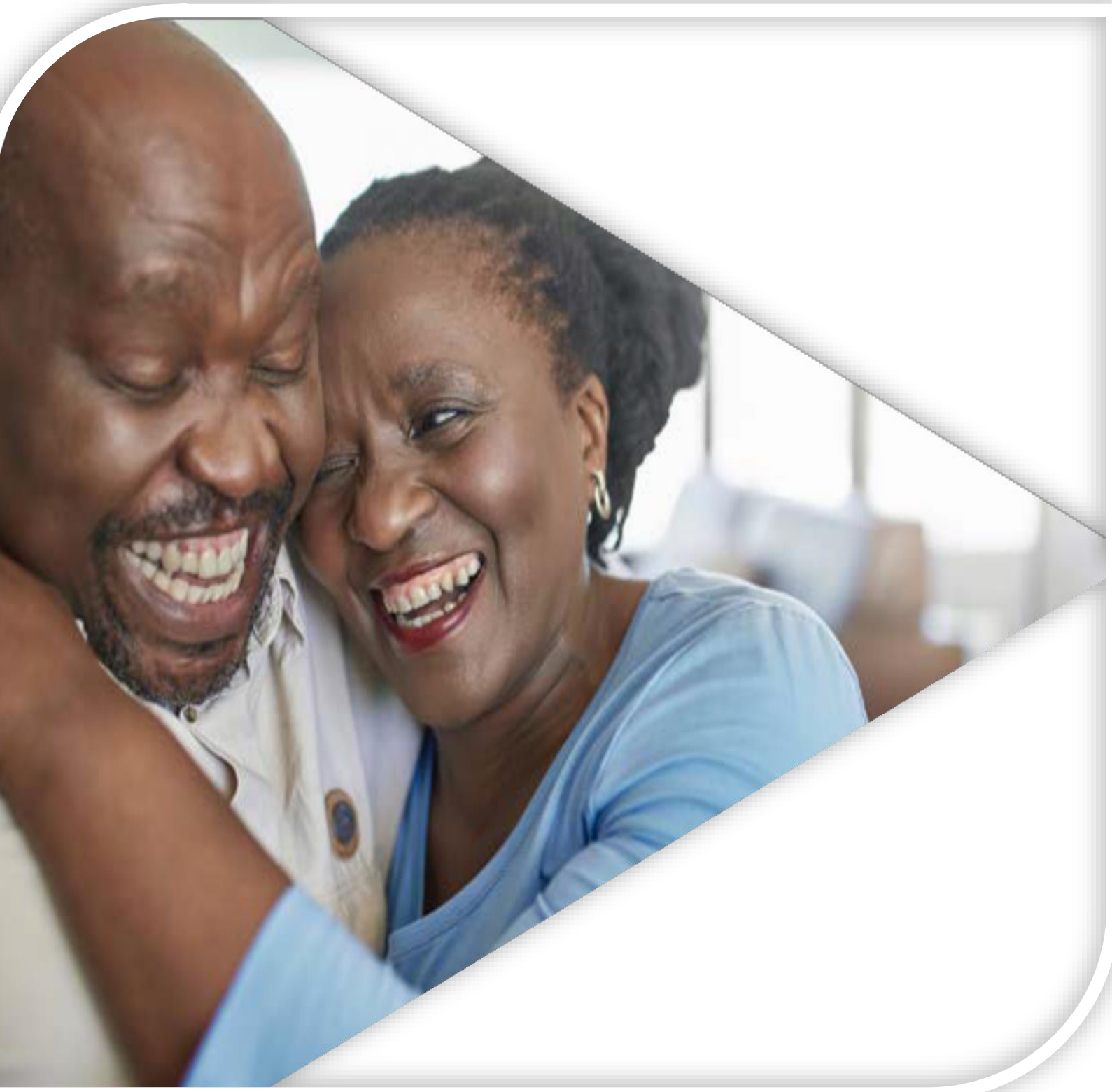
Financial Planning Institute
https://fpi.co.za/

IN CONCLUSION

Approaching retirement can be a complex journey, but with diligent planning and a thorough understanding of your options, the Fund aims to facilitate a seamless and rewarding transition. It's important to begin this process early, well before your retirement date. Gather all essential information and consider consulting a professional financial advisor to assist you in making well-informed decisions. Your retirement is a time to look forward to enjoying the rewards of your hard work. Therefore, dedicating time now to careful planning is crucial to fully benefit from this significant phase of your life.

DISCLAIMER

This guide was prepared for information purposes only. Members should obtain financial advice where appropriate and should be aware and understand the risk profiles of the Fund's respective retirement options. Please note that the Fund, the Board, the Principal Officer of the Fund, any participating Employer, the Fund's Administrator (NBC), or any Advisor of the Fund cannot be held liable for any claim arising from the final and irrevocable written retirement decision made by a member.



RETIREMENT WITH DIGNITY

THE ELECTRICAL CONTRACTING INDUSTRY
PENSION & PROVIDENT FUNDS