

Dear Advisor

November 2012

IMPACT OF RETIREMENT FUND PRACTICE NOTE 1/2012

We wish to inform you of the following practical outcomes as a result of RF1/2012, which replaced RF1/2011 from 1 November 2012.

1. Benefits paid or transferred into a pension preservation fund

Amounts or unclaimed benefits referred to in paragraph (b) of the definition of a "pension preservation fund" derived from a pension fund or pension preservation fund may not be paid or transferred in such a way that it is split between more than one pension preservation fund.

This means that interest payments may only be accepted if it originates from the same fund as the initial investment.

2. Benefits paid or transferred from a pension preservation fund

Amounts or unclaimed benefits referred to in paragraph (b) of the definition of "pension preservation fund" derived from a pension preservation fund may only be paid or transferred to:

- one pension fund;
- one pension preservation fund;
- one retirement annuity fund;
- a combination of one pension preservation fund and one retirement annuity fund;
- a combination of one pension fund and one pension preservation fund and; or
- a combination of one pension fund and one retirement annuity fund.

3. Translocation of benefits

A member may commute a portion of their benefit in cash upon exiting their former occupational fund and transfer the balance to a preservation fund. The commutation portion is subject to tax, and is not regarded as the member's once off withdrawal prior to retirement when becoming a member of the preservation fund.

The transfer portion is transferred on a tax-neutral basis.

4. Transfer from a preservation fund to a retirement annuity fund

The transfer from a preservation fund to a retirement annuity is not regarded as the member's once off withdrawal prior to retirement and will be processed on a tax-neutral basis. It should be noted that if an amount is transferred before the promulgation of the Taxation Laws Amendment Bill of 2012, the transfer will be tax-neutral. However there is a risk that the benefit might be regarded as the member's once off withdrawal if the legislation is not promulgated with retrospective effect.

Should you have any enquiries, please contact your Product Specialist or one of our Client Service Consultants on 0800 117 180 or clientservice@psgam.co.za.

Kind regards



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