THE FURNITURE INDUSTRY
PROVIDENT FUND
OF THE WESTERN CAPE

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MEMBER NEWSLETTER

MESSAGE FROM THE PRINCIPAL OFFICER

Dear Member

As we enter 2021 with trepidation and anxiety with the covid pandemic which impacted significantly on South African lives and the finances of many individuals, significant Provident Fund changes have now been legislated. It is not all doom and gloom as this will encourage responsible spending at retirement.

Stay safe and best wishes.

Andre Davids
Principal Officer

TAX CHANGES EFFECTIVE – 1 MARCH 2021

The Taxation Laws Amendment Act was published and gazetted and confirmed **the implementation date for the alignment of the annuitisation requirements between pension, provident and retirement annuity funds to be 1 March 2021.**

SHOULD YOU RESIGN, ARE RETRENCHED OR DISMISSED FROM YOUR EMPLOYER AND WITHDRAW FROM THE PROVIDENT FUND, YOU ARE ENTITLED TO YOUR FULL SAVINGS IN THE FUND.

Where the change comes in, is when you **RETIRE** from your Provident Fund. You are still entitled to your full savings in the Fund – depending on your circumstances, though you may have to use a portion of your retirement savings to buy a pension (annuity).

<u>This is how it impacts on you:</u>

Age 55 and older at 1 March 2021:-

- No impact on the manner and amount which you receive for your Provident Fund retirement benefit;
- Should you transfer to another Fund, new limits will be applicable when transferring funds.

Age less than 55 years at 1 March 2021:-

- You are entitled to your full benefit or retirement and your fund credit balance at 28 February 2021 together with Fund growth at your retirement date;

- The amount contributed and growth of your retirement benefit between 1 March 2021 and retirement date is subject to the following withdrawal limit:-
    - Above R247 500 you will only be entitled to one-third of your Fund credit and the balance will be utilized to purchase an annuity;
    - If below R247 500 you are entitled to 100% cash withdrawal upon retirement.

Some of your savings in the Provident Fund will always be allowed to be taken as a cash lump sum on retirement.

From my perspective, these legislated changes attempt to ensure that Provident Fund members are not enticed to spend their retirement savings too quickly after they retire.

The impact of the above changes is outlined in the table below:-

	Provident Fund Members (Currently)	**Provident Fund Members (Changes from 1 March 2021)**
Benefit payment at retirement	Can take their entire benefit as a cash lump sum.	**<u>55 years or older as at 1 March 2021:</u>** Can take their entire benefit as a cash lump sum when they retire in the future – this will, however, only apply if they remain in the same retirement fund. **Younger than 55 as at 1 March 2021:** • **Retirement savings** (with growth) **built up before 1 March 2021** - Can take this entire portion as a cash lump sum when they retire in the future • **Retirement savings** (with growth) **from 1 March 2021** - Can take a maximum of 1/3rd of this portion as a cash lump sum. The balance of this portion must be used to buy a pension (annuity).
Taxation of retirement benefit	Lump sum taxed according to retirement tax tables.	Lump sum taxed according to retirement tax tables. Pension (annuity) taxed at member's marginal tax rate.
Exception	N/A	If the benefit amount built up after 1 March 2021 is less than or equal to R247 500, the member can take the entire benefit as a cash lump sum.

KEY CONTACT

Provident Fund, Nomination forms, Risk benefits and queries:-

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