SENTINEL
Retirement Fund

MEMBER WITHDRAWAL BENEFIT BROCHURE

Your Retirement - Our Passion

January 2018

Sentinel Retirement Fund • Reg No 12/8/1215
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Introduction

If you are reading this brochure, it is likely that you have either already left or are planning to leave the service of your employer. Making decisions about what to do with your retirement savings should, therefore, be at the forefront of your mind.

In this booklet, we wish to equip you to make the best decisions with regard to your retirement planning. Your options, the tax implications and the procedures that must be followed are explained. Please take the time to read this brochure carefully and do not hesitate to contact the Fund should you require more information, assistance or advice.

Please note that information in this booklet is a summary of the Rules of the Fund and does not create any rights and obligations. In the event that differences or disputes may arise, the Rules will prevail. The full set of Rules is available on the Fund's web-site and at its offices.

Qualification criteria

If you have not yet reached your Normal Retirement Age, a withdrawal benefit may only be claimed if you have left the service of your employer.

You will not be entitled to withdraw your accumulated savings if:

- You have already attained your normal retirement age;
- You leave your employer and immediately join another employer who also participates in Sentinel and you continue contributing through your new employer; or
- Your employer dismissed you and legal proceedings through the Commission for Conciliation, Mediation and Arbitration (CCMA) have been instituted but not yet finalised.

Decision making period

Once your former employer notifies Sentinel of the termination of your employment you will become an interim member of Sentinel and your Fund Credit will be automatically disinvested to the Money Market Portfolio. During this interim membership period, you will have 24 months in which to consider your options and make an informed decision. You may exercise investment choice during this period to move your investment to a portfolio of your choice, or into the life stage range of portfolios. Interim membership may not extend beyond the date that you reach NRA.

Options and tax implications

Option 1: Preserve and protect your savings until retirement or death

If you decide to preserve your retirement savings, you have a number of options:

1.1 You may join another employer who also participates in Sentinel

You may continue membership, and only the elements of your conditions of employment that may be

different at your new employer (that is, contribution rates, retirement age, and such) will change.
To ensure a smooth transition of your retirement savings, it is advisable that you give Sentinel advance notice of your plans.

1.2 You may elect to become a non-contributory member of Sentinel

The fact that you have terminated employment with the employer that gave you access to Sentinel does not mean that you have to leave the Fund.

The Fund allows members to extend membership until re-employment by another participating employer, retirement or death.

This option must be exercised in writing before the interim membership period expires and the implications are as follows:

- No tax, transition costs or commissions are levied at the stage that you exercise this option. Tax will only be levied once a benefit becomes payable. Sentinel will continue to recover “total costs” from your investment account in exactly the manner as it was done when you were contributing to the Fund;
- You may make voluntary contributions, either regularly or once off, as and when you desire and can afford it. Transfers from other approved retirement funds (excluding retirement annuity funds) that you want to consolidate with your investment in Sentinel are also permitted;
- As employers are compelled to pay risk benefit contributions and this will cease when you terminate employment, additional death and disability cover will cease on the date that you terminate employment; and
- Your accumulated retirement savings will remain in Sentinel and you will have exactly the same member investment choice options that you had when you were still contributing to Sentinel until you retire or pass away and benefits become payable by Sentinel.
- You will not be able to take a withdrawal benefit or transfer to another fund.
- You may extend your retirement to a desired date beyond NRA.

1.3 You may retire early, if you qualify

The Fund's unique retirement product allows you to retire up to 10 years before normal retirement age, provided that you are at least 50 years old. Should you qualify and decide to retire, you may take a lump sum to a maximum of one third of your Fund Credit and provide for a monthly pension from Sentinel's sensibly structured Pension Income Choice model with the balance of your money.

This option is available to all members, including non-contributory members. Please read the Retirement Benefit Brochure if this option appeals to you.

1.4 You may transfer to another approved retirement fund

In essence, you have three types of retirement funds to consider for voluntary transfers:

- **Your new employer's approved retirement fund.** Provided that your new employer participates in an approved pension fund, your Fund Credit can be transferred tax-free. Transfers to approved provident funds are subject to tax prior to transfer;
- **An approved Retirement Annuity Fund.** A full or partial transfer may be selected and the transferred portion will be effected free of tax; or
- **An approved Pension Preservation Fund.** A tax-free full transfer to a preservation fund will be effected and will allow you one opportunity to withdraw all or part of your investment in cash from the preservation fund before retirement.

Ensure a good understanding of the fund to which you plan to transfer, including the rules, costs, commissions and tax consequences at transfer and thereafter, before making a final decision.

Option 2: Take a cash withdrawal

Because of the negative impact that a withdrawal option will have on your future retirement, this option should only be considered if you are experiencing a serious financial crisis. Remember, a desire to settle outstanding debt or to buy a family home does not necessarily constitute a serious financial crisis.

Should you, however, be in a position where you have no other alternatives, you could consider withdrawing your accumulated retirement savings in cash.

Tax is determined by means of the following prescribed tables that are applied accumulatively to all retirement fund and employer lump sums received in the event of withdrawal or retrenchment, during your lifetime. You will enjoy the tax-free portion once and any future lump sums will be taxed at the rate that you have reached with previous lump sum payments.

WITHDRAWAL LUMP SUMS	
Taxable Income	**Rates of Tax**
R0 – R25,000	0%
R25,001 - R660,000	18% of taxable income above R25,000
R660,001 – R990,000	R114,300 + 27% of taxable income above R660,000
R990,001 +	R203,400 + 36% of taxable income above R990,000

RETRENCHMENT LUMP SUMS (Treated as Retirement Lump Sums)	
Taxable Income	**Rates of Tax**
R0 – R500,000	0%
R500,001 – R700,000	18%
R700,001 – R1,050,000	R36,000 + 27% of taxable income above R700,000
R1,050,001 +	R130,500 + 36% of taxable income above R990,000

Members who qualify for retirement, including early retirement, and have Fund Credits below the threshold will be able to take their full Fund Credit in a lump sum.

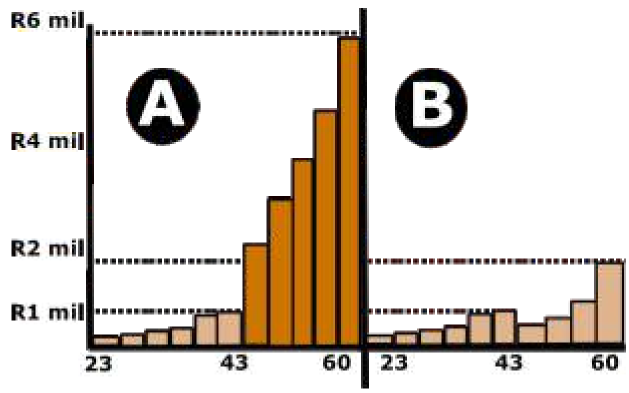
Please read this before you decide

The option to take a cash withdrawal may look attractive, but your responsibility to provide sufficiently for your retirement will not fade and may be seriously hampered if you make the wrong decision.

Let's look at a case study that reflects the consequences of prematurely cashing in on accumulated retirement savings.
This case study revolves around twin brothers, let's call them brother A and brother B. Both brothers started working and took up membership of Sentinel Retirement Fund on the same day. They both earned R5,000 per month, received 6% salary increases per year and contributed a total of 17.5% of their salary to Sentinel on a monthly basis. The brothers each earned a net investment return of 10% per year.

Twenty years later, both brothers resigned. They took jobs with a new employer, where they started with the same salary and conditions of employment, giving them membership to Sentinel once again. Given the option to continue contributing to Sentinel or to withdraw the accumulated retirement savings, brother A decided not to withdraw his savings but rather continue with his monthly contributions. Brother B, however, decided to withdraw his savings, amounting to R1,016,505 at that time and, as a result, was required to pay R212,941 in tax. He then began accumulating savings anew. In the end, both brothers retired after 35-year working careers. Let's take a look at the financial consequences of the brothers' decisions:

Pension Withdrawal Consequences



Description	Brother A	Brother B
Total working career	35 years	35 years
Actual savings term	35 years	16 years
Final monthly salary	R 36,255	R 36,255
Fund credit at retirement	R5,9 mil	R1,8 mil
Income replacement rate		
No lump sum taken	**89%**	**27%**
Max 1/3 lump sum taken	**60%**	**18%**

As you can see from the above, time is your biggest asset when it comes to retirement planning. The longer you wait to start saving for retirement, the more you miss out on the benefits of compound interest. The same principle applies to cash withdrawals. When you take a cash withdrawal, you sacrifice the benefits of compound interest by withdrawing the amount already saved, as is shown by the significant difference in the figures above.

Because of the negative impact that a withdrawal option will have on your future retirement, this option should only be considered if you are experiencing a serious financial crisis.

Application procedure

Your former employer will notify Sentinel of your termination of employment. This notification and the payment of your final contributions are normally done simultaneously, on or before the seventh day of the month following your discharge from employment.

Once this notification has been received, Sentinel will be able to execute the option that you select. Please remember that you have 24 months, or until you reach your retirement age, to make an informed decision.

Should you decide to apply for a benefit, your completed application form and all the supporting documents must be submitted to Sentinel, who will then process the benefit and obtain a tax directive before payment is made.

Sentinel's Contact Details

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