

DISTRIBUTION OF DEATH BENEFIT

INTRODUCTION

The proceeds of benefits arising from the pre-retirement death of a pension, provident, preservation or retirement annuity fund in respect of a member is governed by section 37C of the Pension Funds Act.

Hence, death benefits are paid in accordance with the Pension Funds Act.

TO WHOM ARE BENEFITS PAID

Death benefits may only be paid to the following beneficiaries:

- Dependants
- Nominees
- Estate
- Guardians Fund / Unclaimed Benefits Fund

Usually benefits are paid to dependants and nominees. In the absence of dependants and nominees, benefits are paid into the estate or guardians fund / unclaimed benefit fund.

DESCRIPTION OF DEPENDANTS AND NOMINEES

Dependants

- Any person that you are liable to maintain:
Example: minor children, indigent parents
- Any person that you factually maintain
- Your spouse
- Your children
This includes adopted children, adult children and children born out of wedlock
- Any person that you would have become legally liable to maintain had you not died.

Nominee

A nominee may be any person who is not a dependant.

You must record your nominees in writing.

THE ALLOCATION AND DISTRIBUTION PROCESS

The Trustees will confirm all dependants and nominees and determine the extent of financial dependency.

The Trustees will consider various factors to determine the extent of dependency. Some factors are:

- the level of dependency;
- the ages of the dependants;
- the relationship to the deceased member;
- financial status of the dependants;
- future earning capacity;
- level of education and qualifications;
- the amount available for distribution;
- the wishes of the deceased member.

Once the extent of dependency has been established, the Trustees will allocate and distribute the benefit equitably amongst dependants and nominees.

The Trustees will also decide on the mode of payment. For example, if a benefit is allocated to a minor child, the benefit could be placed in a beneficiary fund, given certain circumstances.

BENEFICIARY NOMINATION FORMS & INFORMATION

Beneficiary nomination forms play an important role. Members record their personal wishes therein. It also serves the purpose of recording nominees.

This is the first document which the Trustees examine and consider.

It is also important to provide additional information if you have any unique circumstances or to clarify certain relationships. These may be recorded and lodged with the beneficiary nomination form.

DISPUTES

Any beneficiary or connected person who may be aggrieved with the distribution or decision of the Trustees may lodge a complaint with the Pension Fund Adjudicator.

TAXATION

Tax directives are applied for in the name of the deceased member. The following tax scale applies to a benefit arising from death.

Lump Sum	Rates of Tax
R0 to R500 000	0%
R500 001 to R700 000	18% of amount by which taxable income exceeds R500 000
R700 001 to R1 050 000	R36 000 plus 27% of amount by which taxable income exceeds R700 000
Over R1 050 001	R130 500 plus 36% of amount by which taxable income exceeds R1 050 000

It is important to note that all lump sums received from any retirement fund, annuity fund or preservation fund (and from an employer in respect of a severance benefit) are taxed on a cumulative basis.

FURTHER INFORMATION

Should you require further detailed information on the distribution of death benefits, kindly contact your financial advisor or Multilect Administrators (Pty) Ltd.