

YOUR MONEY SORTED



PENSIONS & INHERITANCE

By LETITIA WATSON

Send suggestions for topics and requests for info to yourmoney@you.co.za. We may answer your questions in this column but won't reply personally.

Being the nominated beneficiary is no guarantee all the proceeds will come to you

OTHER POSSIBLE BENEFICIARIES

A reader's late husband made her the only beneficiary of a small annuity. But then she heard that under Section 37C of the Pension Fund Act she's not automatically entitled to the proceeds of the policy. All other possible beneficiaries first have to be traced – and she was her husband's second wife. Her late husband had little contact with his two adult children from a previous marriage but they're now demanding their share of the annuity, even though they weren't nominated beneficiaries.

WHO ARE THE DEPENDANTS ?

Under the Pension Fund Act the following people are regarded as dependants:

- A person the deceased was legally liable to pay maintenance.
- A person the deceased wasn't legally liable to pay maintenance but: (1) according to the trustees in reality was dependent on the deceased; (2) was the spouse of the deceased; or (3) a person who would have become dependent on the deceased had he or she not died.

FUND TRUSTEES DECIDE ON DEPENDANTS

Retirement fund proceeds are treated differently to for instance personal assets in a will, such as a house or car, says Angélique Visser, chairperson of the Fiduciary Institute of SA (Fisa). In the event of a member's death the retirement fund's trustees decide how and to whom the fund proceeds must be paid. The fund first determines who was financially and legally dependent on the deceased and divides the proceeds in a way it considers to be fair.

HOW PAYMENTS ARE MADE

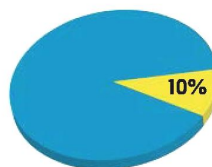
Section 37C refers to four different situations of which this reader's is the third, Visser says. In the case of:

- Dependants but not beneficiaries – trustees use their discretion to divide the fund proceeds
- Beneficiaries but not dependants – trustees divide the fund proceeds according to the nomination of beneficiaries
- Dependants and beneficiaries – trustees use their discretion to divide the fund proceeds
- Not dependants or beneficiaries – trustees pay the fund proceeds to the deceased's estate to be divided according to the will or Intestate Succession Act.

5 QUESTIONS ABOUT INHERITANCE

- 1** What is the purpose of section 37C? It's to ensure the dependants of retirement fund members receive enough support and don't become a financial burden to the state.
- 2** Are pension payments exempt from estate duty? Yes, all pension and annuity benefits including single payments are currently exempt, but this is expected to change in the future.
- 3** What are contractual retirement annuities (RAs)? These are RAs offered by an insurance company. You are contractually bound to pay a premium with a fixed increase for a set period. Usually any changes to contractual RAs attract a penalty.
- 4** What are non-contractual RAs? These RAs are usually managed by unit trusts. There's no contract binding you to pay a fixed premium. You can also change the investment plan to suit you without incurring any penalties.
- 5** What does the Intestate Succession Act entail? If someone dies without leaving a will stipulating beneficiaries the act determines how the assets in the estate are to be divided among the deceased's next of kin.

10% DIE UNNATURALLY



Sanlam's statistics show 10 percent of deaths which give rise to claims are the result of unnatural causes such as motor vehicle accidents, murder, suicide, fire, drowning, poisoning and animal bites – of these 35 percent are aged between 36 and 45.

SOURCE: SANLAM LIFE SURPRISES 2014 SURVEY

TIP! Read your pension fund's newsletters – they're more interesting than you think.

GET MORE HELP HERE

- Fiduciary Institute of Southern Africa: fidsa.org.za
- Brokers and advisers: Financial Intermediaries Association of Southern Africa, fia.org.za
- Pension Funds Adjudicator: www.pfa.org.za

*I would never die for my beliefs,
for I might be wrong*

BRITISH PHILOSOPHER BERTRAND RUSSELL