

Would your kids get your retirement fund money if you pass away?

If you're saving for retirement in a retirement annuity or in your employer's retirement fund, you may wonder what would happen to this hard-earned pot of savings if you passed away. Giving your options some consideration is important to ensure your wishes are respected.

Refresher: What happens when your retirement fund matures?

"When you retire, you are allowed to take up to one third of your retirement savings as a lump sum," says Waldette Stoffberg, a Business Development Manager at Glacier by Sanlam. "With the remaining two thirds, you need to buy an annuity that will provide you with a regular retirement income." There are some exceptions to this rule which your financial adviser can outline.

But what happens if you pass away on or before retirement? Do your family or dependants automatically receive your retirement savings?

How a beneficiary nomination works

With private retirement funds, you need to nominate beneficiaries whom you'd like your retirement benefit to be paid to if you were to pass away. Every retirement fund has a board of trustees that manages it, and it's on your death that they would get involved.

Waldette explains: "It is the duty of the trustees of the fund to determine who was dependent on the investor at the time of their death, and then make an equitable distribution of the benefits. Once this has been determined, and the allocations have been approved by the trustees, the beneficiaries receiving the benefit have the option to take that amount in cash, buy an annuity, or a combination of both."

How an annuity is treated on your death

On retirement, you can choose either a life annuity or a living annuity from which to receive your income. Your choice will have implications for your dependants though.

If you choose a living annuity, for example, whatever capital is left when you pass away can be inherited by your beneficiaries.

Life annuities, whether single or joint annuities, work slightly differently. "If you as a retiree choose a single or joint life annuity, a term certain of up to 20 years can be added. "For a single life annuity, this means that if you as an investor pass away within the first 20 years (if this is the term chosen), the remainder of the term's income is available for your beneficiaries," explains Waldette.

In the case of a joint life annuity, after both you and whoever was the joint life have passed away and it is within the first 20 years (if that is the chosen term), the remainder of the term's income will be available for the beneficiaries.

If a capital retention type of life annuity is chosen, after death (for single life after the death of the investor and for joint life after the death of both the investor and the joint life) a capital amount that is chosen at inception by the investor to the maximum of the initial investment amount is paid to their beneficiaries.

All of these investment solutions are available via Glacier. Our investment platform allows investors to access a wide range of funds to suit their retirement savings and retirement income needs. With the help of your financial adviser, you can customise your fund selection for ultimate personalisation, mixing and matching leading local and international funds for a portfolio perfectly suited to you.

How to ensure your wishes are respected

To have the peace of mind that your retirement benefit goes to the right beneficiaries when you pass away, review and update your beneficiary nominations regularly.

With the help of a financial adviser, and using the functionality of Glacier's investment platform, you can ensure your beneficiaries are well taken care of when you pass away. "We have always had a strong focus on investors who are retiring, and offering them the best possible solutions to fulfil their needs," says Waldette. "Glacier is a fully intermediated investment platform, and we believe that by working together with your financial adviser, you as an investor can find the best possible solution for your needs. We have put solutions together to enable investors to make provision for their beneficiaries if required," she concludes.

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