



## How well do you understand your death benefit?

As members of a retirement fund, most of us are aware that there is a lump sum death benefit (usually expressed as a multiple of your annual salary), over and above any accumulated savings, that will be payable on death. However, how well do you understand how or if the amount is taxed, and to whom it will be paid?

### Approved death benefits



If the cover is provided under a tax-approved pension or provident fund, this is referred to as 'approved' cover. The policy is held by the retirement fund for the benefit of the members.

Member contributions to approved retirement funds are tax-deductible up to 27.5% of remuneration. However, the death benefit is subject to tax – which needs to be taken into account when calculating how much death cover you have.

Death benefits will be distributed to dependants and/or nominees in terms of Section 37C of the Pension Funds Act. It is important to understand that fund trustees may depart from a completed nomination form in order to comply with the Act. All benefits (lump sums and pensions) paid from an approved retirement fund are exempt from estate duty.

### Unapproved death benefits



If the cover is provided under a separate (free-standing) group life insurance policy this is known as 'unapproved' cover. The policyholder is the employer or company on behalf of the members. Please note that 'unapproved' cover simply means that it is not offered under a tax approved retirement fund, and doesn't affect its legitimacy in any way!

Contributions in respect of unapproved cover are not tax deductible. However, the full benefit is tax free, and the policy proceeds will be paid according to the wording in the policy (usually to a nominee, the deceased estate in the absence of a nominee, or to the dependants and/or nominees in proportions determined by the employer).

The lump sum benefit will be subject to estate duty. However, the value of any benefit received by a surviving spouse as a result of the death of the deceased is deducted from the estate before estate duty is calculated.

### To summarise...



It's important to know whether your retirement fund death benefits are 'approved' or 'unapproved' to understand if the lump sum will be subject to tax or estate duty, and what the extent of the potential liability is likely to be. You will then be in a position to assess if your life cover is sufficient or not. Your PSG employee benefits adviser will gladly refer you to a suitably qualified financial adviser if you need assistance in this regard.

### CMS is encouraging members of medical schemes to take charge!



The Council for Medical Schemes (CMS) is encouraging members to take charge of their affairs by participating at their medical scheme's Annual General Meeting (AGM), see selected schemes dates below:

Annual General Meetings 2016	
Topmed Medical Scheme	21 June 2016
Motohealth Care	22 June 2016
Bonitas Medical Fund	23 June 2016
Discovery Health Medical Scheme	23 June 2016
Momentum Health	23 June 2016
Sizwe Medical Fund	24 June 2016
Umvuzo Health Medical Scheme	24 June 2016
Fedhealth Medical Scheme	29 June 2016