

On-Route

Motor Industry Provident Fund
YOUR VEHICLE TO FINANCIAL FREEDOM
Motornywerheid Voorsorgfonds – Koersvas

Making regular payments on your pension-backed housing loan is required

It is important that members who make use of the pension-backed housing loan facility make regular payments, and ensure that the employer continues to deduct the monthly instalments until the loan is settled. If you change employer within the motor industry it is your responsibility to ensure that your new employer continues to deduct the monthly instalment from your salary. Members who do not make regular payments on their housing loans will be black-listed at Standard Bank and will not be able to apply for further loans for which the Fund will be required to provide security.

It is important to remember that your Fund aims to provide you with retirement benefits and therefore it is a requirement that your loan be paid in full before you reach retirement age. Failure to make regular monthly payments will result in you having to settle the outstanding balance. This may result in the settlement being paid from your retirement fund benefits, thus reducing your retirement fund savings.

Gereelde betalings op u pensioengesteunde huislenings word verlang

Dit is belangrik dat lede wat gebruik maak van die pensioengesteunde huisleningsfasiliteit, gereelde betalings maak, en verseker dat die werkgewer voortgaan om die maandelikse paaieimente af te trek totdat die lening gedelg is. Indien u van werkgewer verander in die motorindustrie, is dit u verantwoordelikheid om te verseker dat u nuwe werkgewer voortgaan om die maandelikse paaieiment van u salaris af te trek. Lede wat nie gereelde paaieimente op hul huislenings maak nie sal by Standard Bank op die swartlys geplaas word en sal nie vir verdere lenings, waarvoor die Fonds verlang word om sekuriteit te bied, kan aansoek doen nie.

Dit is belangrik om te onthou dat u Fonds ten doel het om u van aftreevoordele te voorsien en dit is dus 'n vereiste dat u lening ten volle betaal is voordat u aftree-ouderdom bereik. Versuim om gereelde maandelikse paaieimente te maak, sal tot gevolg hê dat u die uitstaande saldo sal moet vereffen. Dit kan daartoe lei dat u skikkingsbedrag uit u aftreefondsvoordele betaal word en sal gevolglik u aftreefondsbesparings verminder.

Content: Indeks:

- | | |
|--|----------|
| 1. Update on financial markets | page 1 |
| 2. Jongste nuus oor die finansiële markte | bladsy 2 |
| 3. Summary of your fund benefits | page 2 |
| 4. Preserve your retirement savings | page 3 |
| 5. Making regular payments on your pension-backed housing loan is required | bladsy 4 |
| 6. Gereelde betalings op u pensioengesteunde huislenings word verlang | page 4 |

Update on financial markets

The South African All Share Index (ALSI) grew fivefold from 2003 to May 2008. Retirement funds enjoyed good long-term returns during this period. However, since September 2008, when the USA subprime banking crisis broke, a number of global banks either failed or came close to collapse. These failures have shocked global markets. This has led to banks not extending further loans to other banks or companies and is referred to as the "credit crunch".

A co-ordinated global effort to save the banking system is under way, with the US committing over \$1 trillion to assist the struggling banking sector and economy.

The uncertainty has filtered into share markets all around the world, including SA. This is despite SA banks not having had any significant exposure to subprime assets, and thus being relatively safe. The South African banks and insurance companies are not as severely affected by the global turmoil due to sound economic policies by government and the reserve bank, and therefore are not in as bad a position as their overseas counterparts.

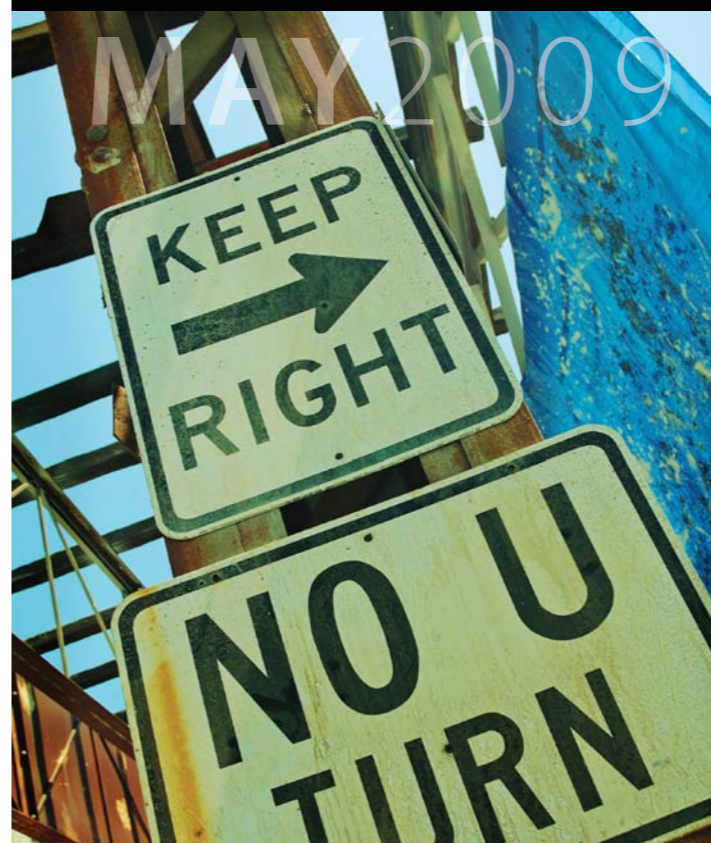
With companies unable to borrow cash freely to fund expansion, and consumer growth slowing world-wide, a global recession is almost inevitable. Many countries including the UK are already officially in a recession.

In the short to medium term investment markets will continue to be volatile (sudden upward and downward movements), which could lead to a period of lower growth in your Fund investments. However, if the history of the JSE is anything to go by markets will recover over the longer term.

The way that your Fund investments are structured, however, means that when the markets recover, so too will the value of the investments in your Fund. You should keep in mind that retirement fund investments are long-term investments and that most members will have many years to make up for this period of lower growth.



**Motor Industry Provident Fund
Private Bag X10095, Randburg, 2125**



It is impossible to predict the future course of markets. The evidence set out above suggests however that there is a reasonable chance that investment returns may be muted for some time to come.

WHAT ARE YOUR TRUSTEES AND ADVISORS DOING?

- It is not appropriate for trustees to react to short term volatility when retirement savings is a long term plan.
- The Trustees will continue to monitor and stay close to the markets and the events as they unfold, and appropriate actions and decisions will be made to ensure the long-term well-being of your Fund to the greatest extent possible.

Jongste nuus oor die finansiële markte

Die Suid-Afrikaanse Indeks van Alle Aandele (IAA) het van 2003 tot Mei 2008 vyfvolldig gegroei. Gedurende hierdie tydperk het aftreefondse goeie langtermynopbrengste verkry. Sedert September 2008, toe die VSA se subprima-bankkrisis ontstaan het, het 'n aantal internasionale banke of hulle deure gesluit, of naby aan ineenstorting gekom. Hierdie mislukkings het globale markte geskok. Dit het daartoe gelei dat banke nie verder lenings aan ander banke of maatskappye toegestaan het nie en dit is die kredietkrisis ("credit crunch") genoem.

'n Gekoördineerde internasionale poging word aangewend om die bankstelsel te red en die VSA het homself verbind tot meer as \$1 triljoen om die sukkelende banksektor en ekonomie by te staan.

Die onsekerheid het deurgedring tot aandeelmarkte regoor die wêreld, ook in Suid-Afrika. Laasgenoemde het plaasgevind desondanks die feit dat Suid-Afrikaanse banke geen merkwaardige blootstelling aan subprima-bates gehad het nie en dus relatief veilig was. Die Suid-Afrikaanse banke en versekeringsmaatskappye is nie so erg geaffekteer deur die globale beroering nie, weens gesonde ekonomiese beleid deur die regering en die reserwebank en is dus nie in so 'n swak posisie as hul oorsese eweknieë nie.

Aangesien maatskappye nie daartoe in staat is om kontant vrylik te leen om uitbreiding te finansier nie en verbruikersgroei wêreldwyd verlangsaam, is 'n globale resessie bykans onvermydelik. Vele lande, insluitende die Verenigde Koningryk, is reeds amptelik in 'n resessie.

In die kort- tot mediumtermyn sal beleggingsmarkte onbestendig bly (skielike opwaartse en afwaartse bewegings), wat tot 'n tydperk van laer groei in u Fondsbeleggings kan lei. Indien die geskiedenis van die Johannesburg se Sekuriteitebeurs enigsins in ag geneem word, sal die markte oor die langer termyn herstel.



Die wyse waarop u Fondsbeleggings egter gestruktureer is, beteken dat wanneer die markte herstel, die waarde van die beleggings in u Fonds ook sal herstel. U moet in gedagte hou dat aftreefondsebeleggings langtermynbeleggings is en dat die meeste lede baie jare tot hul beskikking sal hê om vir hierdie tydperk van laer groei te vergoed.

Dit is onmoontlik om die optrede van die markte in die toekoms te voorspel. Die situasie soos hierbo uiteengesit, dui egter daarop dat daar 'n redelike kans is dat beleggingsopbrengste vir 'n tyd in die toekoms gedemp sal wees.

WAT DOEN U TRUSTEES EN ADVISEURS?

- Dit is nie toepaslik vir trustees om op korttermyn-onbestendigheid te reageer wanneer aftreebesparings 'n langtermynplan is nie.
- Die trustees sal voortgaan om die markte te monitor en om 'n fyn oog te hou op die markte en op gebeure soos dit plaasvind, en toepaslike aksies sal geneem word en besluite sal gemaak word wat die langtermyn welvaart van u Fonds tot die grootste moontlike mate sal verseker.

Summary of your fund benefits

The Motor Industry Provident Fund is a defined contribution fund where the level of investment returns or bonuses declared has a direct influence on the benefits of the members at withdrawal or at retirement. The full value of your retirement fund benefit at any given time is known as the fund credit.

Your Fund is a provident fund and all your benefits are paid as a cash lump sum.

Contributions

You contribute 7,5% of your pensionable salary to the Fund every month. This contribution is known as the member contribution and is deducted by your employer and paid across to the Fund.

Your employer pays 8% of your pensionable wage/ salary to the Fund on your behalf every month. This contribution is known as the employer contribution.

The Fund's Administrator, MIFA, receives the member and employer contributions and invests the money on your behalf.

Retirement and withdrawal benefits

At retirement, or withdrawal you will receive your fund credit consisting of your capital (contributions) plus returns earned, less administration costs as a benefit.

Death and disability benefits

If you become permanently disabled or pass away whilst you are a member of the Fund you or your dependants will receive a benefit equal to three times your annual salary PLUS a refund of your contributions to the Fund.

Certain limitations may exist if you become disabled within five years after joining the Fund.

Preserve your retirement savings

When you leave the motor industry and withdraw from the Fund you should consider preserving your retirement savings. Your benefit can be preserved and kept in the retirement funding system by placing it in a retirement annuity, transferring it to your new employer's fund (employer outside of the motor industry) or transferring it to a preservation fund. The various options are explained below:

You may transfer the money to a retirement annuity. There is no tax on a transfer of this nature. But such a transfer has certain limitations that make your money less accessible at retirement. Everything now goes into what is effectively a private pension fund so the facility to get capital at retirement as provided by the provident fund is largely done away with.

Also the fund cannot be touched until you reach age 55 and then only one third is available in cash. The balance must be used to purchase a pension (annuity) from a registered insurer unless the total value of the fund at 55 or older is R75, 000 or less, in which case it may be taken as a lump sum.

You may transfer the money to a preservation fund. There is no tax on this transfer either. The provident fund benefits must go to a preservation provident fund. Members who take this option will be able to make one cash withdrawal from the preservation fund before age 55. From age 55 on you may retire as you would have from a normal provident fund. This provides them with exactly the same options at retirement as are provided by the Motor Industry Provident Fund.

You may also transfer the money to the retirement fund of your new employer (if the employer is outside of the motor industry and if this is permitted in the new employer's fund rules). There is also no tax on this transfer but the process to be followed is quite time-consuming.

Most funds allow people to transfer money from their previous employer but it is extremely important that you understand the rules of any new fund before taking this course of action.

You may take the cash. This should be your last option. You will have to pay income tax according to set tax tables (as shown below) except for the first R22,500 which is tax-free. The new tax-free threshold of R 22,500 will be cumulative and will apply to the total amount of a member's withdrawals from pension and/or provident funds over the member's lifetime. Please bear in mind that accumulating a sum of money of this size may never be possible again. This option should be your last resort. New tax table with effect from 1 March 2009:

| Lump sum withdrawal benefit | Tax liability |
|-----------------------------|--|
| R0 to R22 500 | 0% |
| R22 501 to R600 000 | 18% of the amount above R22500 |
| R600 001 to R900 000 | R103 950 + 27% of the amount above R600 000 |
| R900 001 and above | R 184 950 + 36% of the amount above R900 000 |

The speed of cash payouts is limited by the need to obtain a directive from SARS that instructs the Fund how much tax must be deducted. If your tax affairs are not in order this process could take even longer.