

# Essential Tips

What's the difference between a pension fund, provident fund and retirement annuity?

1.

## Pension or provident funds

Provided by your employer (no private membership)

Typically, both you and your employer make monthly contributions into these funds

Often a condition of employment

**Is there any difference between a pension and provident fund?**



Currently (until 1 March 2021), a provident fund provides more freedom to access your funds: you can cash out all the proceeds as a lump sum. With a pension fund, you can receive a max. of one third of the proceeds as a lump sum at retirement; the rest must be used to provide you with an income in retirement.

2.

## Retirement annuities (RAs)

Anyone can contribute to an RA – whether self-employed or if you already have a retirement fund through your employer

You own your RA privately, so wherever you work throughout the years, your RA isn't impacted by this

RAs typically offer wider investment fund choices than provident or pension funds

**They're all equally tax efficient**



All contributions qualify for the same tax benefits in terms of the Income Tax Act.

