

The Retrenchment Roadmap

Everything you need to handle — on one page

1. Exit Documents

- Certificate of Service
- UI-19 form — verify code 11 or 16
- Final payslip
- Pension or Provident Fund forms
- VSP Agreement (if applicable)
- SARS Tax Directive (request copy)
- Retrenchment letter

2. Tax Treatment

- Salary, leave, notice → normal PAYE
- Severance → retirement lump sum tax
- First R550k tax-free (lifetime, cumulative)
- Two-Pot Vested → shares R550k pool
- Two-Pot Savings → marginal income tax
- Two-Pot Retirement → must be preserved
- Tax directive code matters

3. Pension or Provident

- Cash withdrawal — lump sum tax table
- Uses same R550k tax-free pool
- Transfer to preservation fund (tax-free)
- Transfer to new employer fund (tax-free)
- In-fund preservation also available
- 60-day rule before defaults apply
- Two-Pot system changes the choices

When You're Retrenched

Six things to handle

4. Medical Aid

- Continue as direct paying member (30 days)
- Join spouse's medical aid scheme
- New scheme — waiting periods may apply
- Switch gap cover to individual paying
- Check MSA clawbacks before exit
- Don't cancel impulsively — 90-day rule
- Late-joiner penalties for over-35s

5. Group Life & Disability

- Cover ends with employment
- Conversion option varies by scheme
- May be excluded in S189 retrenchments
- No medical underwriting if eligible
- Voluntary cover may also continue
- Premium moves to individual rate
- Critical if health not optimal

6. First Actions

- Don't sign anything — take 24-48 hours
- Register UIF within 6 months
- Claim credit / bond retrenchment cover
- Set up own debit orders (payroll stops)
- Update beneficiaries on policies
- Review your Will
- Get a free Tax & Portfolio Snapshot