

QUANTUM LEAP

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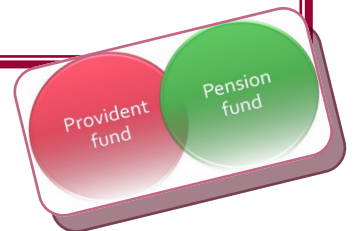
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It's never too early to begin planning for your retirement

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UNDERSTANDING RETIREMENT FUNDS: WHAT YOU NEED TO KNOW



Most people do not give their retirement fund much thought, until the time they are nearing retirement. At that stage they often come face to face with the reality that their retirement fund savings is not enough.

So what do you need to know about your retirement fund, and where can you obtain the relevant information? And what does it all mean?

This article is a guideline of what you need to know about your retirement fund and what it means.

Remember that you are responsible for your own financial planning, and it is important to understand the implications of the benefit structure of your fund. Your employer has taken the effort to implement the fund, the deductions of contributions and possibly also accompanying risk benefits. Now it is up to you to make the most of this, and to tailor and improve it to your needs.

If you can answer the questions posed below, you are well on your way to understanding your retirement fund.

What is your normal retirement age?

Most funds have a retirement age of 65, but some have a normal retirement age of 60. If you have a retirement age of 60, you should know that you will need more money at retirement than your friend who retires at age 65, as you will have 5 years longer to live off your retirement benefit. The earlier you retire, the more money you require to see you through retirement.

Do you belong to a Pension or Provident Fund?

Your Human Resources department will be able to tell you, and your annual benefit statement will indicate it clearly. The only difference between a Pension Fund and a Provident Fund currently is that people who retire from a Provident Fund may take the whole of their retirement benefit in a cash lump sum .

If you retire from a Pension Fund, you will have to convert at least two thirds of your benefit to a monthly income.

If you want to retire at age ...

55 you will need to have saved

12x

your average annual income.

60 you will need to have saved

11x

your average annual income.

65 you will need to have saved

10x

your average annual income.

You will need the advice of a personal financial advisor before you should decide what type of income will be best suited to your needs.

Government is looking at changing this provision, but no final decision has been at the time of preparing this leaflet.

What is the contribution rate that is being invested towards your retirement?

Your Human Resources department, or any member of the Management Committee should be able to tell you. You should be aware that there are costs deducted from the contributions towards the fund. The cost of administration, consulting, death and disability benefits will be deducted from your and your employer’s contributions before the balance is invested towards your retirement. If the percentage that is invested is less than 12% of your monthly earnings, you should know that it will not be enough to provide you with a meaningful retirement benefit. In other words, if you earn R10 000 per month, the portion that is invested towards your retirement (after costs have been deducted) should be R1 200 per month, or more than that.

The experts disagree on the percentage that should be saved. The suggested range is between 12% and 17%. If you at any stage in your career take a withdrawal benefit in cash, you will need to save more to make up for the savings which you have lost.

Note that in some cases the employer pays for the additional costs over and above the contributions to the fund. Find out what percentage of your salary is saved towards your retirement benefit, and if it is less than 12% of your salary, you should consider making addition-

Why do I need so much money when I retire?

There are a couple of reasons for this.

Higher life expectancy

We live longer now, so our money needs to last for longer. A couple of decades ago people lived until 67 or 70 years, but now people live well into their 80’s or even 90’s before they pass on.

Cost of living

Year after year, inflation is increasing the cost of living. So if you do not have enough to last through your retirement, you will not be able to maintain your standard of living.

Early retirement

There is a growing trend for people to retire early. People often don’t realise that with early retirement, not only do they have fewer years in which to save and earn investment returns, but they also have longer to live during retirement.

al voluntary contributions to increase your retirement benefit.

What is my “fund credit” ?

The term “fund credit” refers to the total of your contributions and your employer’s contributions, plus all the investment returns over the period of your membership of the fund, minus the costs associated with the fund, such as administration, risk benefits and investment charges. The administrator of your fund will be able to tell you exactly which costs are deducted on a monthly basis.

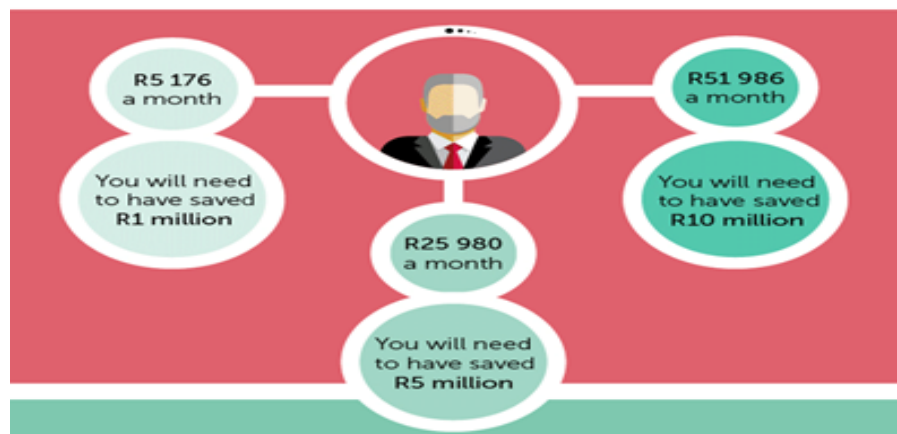
You may encounter other terms which have the same meaning for example: Equitable share, Share of Fund or member value.

What is the value of my fund credit?

Your Human Resources department should be able to obtain this information from the administrator, and at any time. If you wish to consult a personal financial planner, it will be advisable to take a current fund statement with you to the meeting.

By law you should receive at least one audited benefit statement per annum. Fairsure is in the process of preparing benefit statements which will be distributed soon.

Want to retire today with...



When you receive your benefit statement, don't just file it away! It contains important information. Have a look at your value to see if your savings are on track. If not, arrange with your human resources department to make additional voluntary contributions.



How is my fund credit invested?

Your Human Resources department or any member of the Management Committee should be able to tell you. You'll need to know if it is invested in a market related fund, where you can expect volatility of returns and where you may have a negative return in any year. Bear in mind that you don't want your fund value to suddenly reduce as a result of market movements when you are nearing



retirement age. Your fund credit could also be invested in a smooth bonus type of fund, where all, or a portion of your fund credit is guaranteed. This will limit volatility and you may rest assured, as you are nearing retirement age, that your fund value is unlikely to reduce suddenly.

Withdrawal benefit

If you resign, or is dismissed or retrench, you will be entitled to your withdrawal benefit. You are allowed to take this benefit in a cash lump sum, but that is not the best decision, as you will erode

all the savings that you have made, and you will have to start from nothing and build up a retirement benefit.

If you take your money in cash, you will have to contribute much more in the remainder of the years before retirement to make up for the money that you have taken in cash.

It is in your best interest to transfer your withdrawal benefit to a future employer's retirement fund, or to a preservation fund, where your money will continue to earn interest and grow in value until you retire.



Fairsure is a Registered Financial Services Company. We are registered as Consultants and as an Administrator of retirement funds in terms of Sec 13 B of the Pension Funds' Act . We are also licensed to provided advice with regard to retirement funds. We provide consulting services to more than 120 Funds.

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