

# QUANTUM LEAP

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## Your *meaningful* retirement benefit

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Most people dream about their retirement. These dreams are filled with relaxed holidays, travel, health, friends and money. The sad reality is that less than 5% of people who retire do so comfortably.

Research indicates that there are a few factors that contribute to this inadequacy in retirement funding.

Few members take their retirement fund seriously. Little attention is paid to the level of contributions or the investment vehicle, and not much is done to improve matters if it is found lacking.

It is for instance allowed for any fund member to make

additional voluntary contributions to a fund if he wants to improve his retirement funding, yet less than 2% of fund members make additional voluntary contributions.

As a rule of thumb, you need to save 12% to 15% of your monthly salary over your lifetime of employment, in order to accumulate a meaningful retirement benefit.

Our advice to you as a member is to find out what the percentage is that is going towards your savings on a monthly basis, and to consider additional voluntary contributions in order to improve your savings. Based on certain assumptions, an additional 1% saved over 25

years will lead to approximately an additional 1 times your annual salary at your normal retirement date.

Finally, a member does much damage to his retirement funding when he leaves an employer and takes the withdrawal benefit in cash. Every time a member leaves a fund and takes his benefit in cash, he needs to start over from zero, and all his savings in the previous years of employment is spent, and lost to him as a retirement benefit.

Withdrawal benefits can be preserved in a Preservation Fund, or transferred to another employer's retirement fund, or to an individual Retirement Annuity, all free of taxation.

**Enemies of your  
*meaningful*  
retirement benefit**



- 1: Lack of interest from members**
- 2: Not saving enough**
- 3: Not preserving accumulated benefits on withdrawal**

## Focus on disability benefits



THERE ARE TWO KINDS OF DISABILITY BENEFITS;

### PERMANENT DISABILITY BENEFITS

Permanent Disability benefits pay a lump sum to you in the event that you become permanently and totally disabled to work. This means that there must be no chance of recovery. This type of disability cover is relatively inexpensive, but there are strict criteria to be met before a claim is successful.

### TEMPORARY DISABILITY BENEFITS

Temporary disability benefits offers a monthly income which is paid while you are disabled, and these payments will come to a stop when you recover, reach normal retirement age, or die, whichever event occurs first. This kind of disability cover is more expensive, as it is easier to

## Your investments: Default Portfolios

“where most funds offer individual investment choice, the majority of members remain in the default portfolio.”

Most retirement funds have a default investment portfolio or strategy in which members’ contributions are automatically invested. The Trustees or the Management Committee decides what the default portfolio should be, and in some cases more than one portfolio makes up the default investment strategy.

The default portfolio or strategy is generally a conservative strategy. The investment growth experienced by a conservative portfolio is often less than that experienced by a moderate or aggressive fund.

On the other hand, the returns in a moderate or aggressive fund would be more

volatile. This means that the value of your fund credit would increase and decrease to a greater extent along with market movements compared to investments in a conservative fund.

If you feel you are not equipped to decide how your contributions are invested, the administrator of your fund will invest your contributions according to the default strategy.

We find that where most funds offer individual investment choice, the majority of members remain in the default portfolio.

It is important for members to find out what the default

strategy is in their particular fund, and to decide for themselves if this strategy is appropriate in their individual circumstances, considering their age, other investments or assets, and their willingness to take small risks and to bear volatility in the value of their fund credit.

If you are currently invested in the default strategy as set by your fund’s Trustees, it is in your own interest to find out what other investment options are available to you and to consider changing to a portfolio which is better suited to your individual needs. You will need to consult your personal financial planner before you make any changes.

## Performance: Guaranteed Funds

Guaranteed funds offer a certain capital guarantee to investors. This guarantee will protect the investor from losing capital during times when markets lose value, but it will also prevent the investor from achieving exceptional market related returns during times when markets are gaining value. This type of investment portfolio is often suggested for members who have less than 5 years before they retire. **The performance figures as at August 2014 are listed below. Note past performance is never an indication of future performance.**

Name of Guaranteed Fund	1 year	3 years	5 years
Old Mutual Absolute Stable Growth	19.5%	16.2%	14.1%
Sanlam Monthly Bonus Fund	18.6%	13.9%	12.1%
Quantum Elite Money Market Fund	5.6%	5.9%	6.1%
Momentum MM Smooth Growth Global	21.40%	15.72%	11.59%

## Performance: Conservative Market-linked Funds

By its very nature conservative funds offer a certain level of protection to its members. In times when the financial markets are losing value, your assets would be protected by a conservative investment strategy. Note that conservative market linked funds,

as opposed to guaranteed type funds offer no capital guarantee on your money.

In times when financial markets are gaining value, the conservative nature of these funds would often prevent the conservative fund from sharing,

fully in this growth. There are many conservative funds available in the market. Below we list the performances of a few conservative funds as at August 2014.

*"By its very nature conservative funds offer a certain level of protection to its members"*

Note Past performance is never an indication of future performance

Name of Conservative Fund	1 year	3 years	5 years
Quantum Elite Absolute Growth	13.9%	13.5%	11.3%
Investment Solutions Conserver	13.00%	13.53%	12.29%

## Performance: Moderate Market –linked funds

Moderate market related funds offer a balanced outlook to investors. There are no guarantees and investment returns are somewhat more volatile than those of .

Conservative funds. Research indicate that an average moderate fund will have a negative return once in every eight years. Moderate funds are often recommended for fund members

who will be invested for 5 years or longer before retirement.

There are many moderate funds available in the market. Below we list the performance figures of a few as at August 2014.

Name of Moderate Fund	1 year	3 years	5 years
Quantum Elite Moderate Portfolio	18.9%	14.9%	12.7%
Investment Solutions Performer	18.82%	20.76%	17.51%
Stanlib MM Moderate Balanced	18.19%	18.83%	15.93%

Note Past performance is never an indication of future performance



## Performance: Aggressive Market-linked funds

Aggressive funds aim to maximize returns by investing aggressively in a high percentage of equity shares. Investors can expect a greater level of volatility in these portfolios.

Returns are likely to rise and fall regularly along with market movements.

Over the long term, however, these funds are expected to achieve greater levels of return than conservative or moderate funds.

Aggressive funds are often recommended for fund members who have ten or more years to retirement.

Name of Aggressive Fund	1 year	3 years	5 years
Quantum Elite Growth Fund	20.6%	15.1%	13.0%
Symmetry Aggressive Fund	22.2%	20.4%	16.8%

**Note Past performance is never an indication of future performance**

All performance figures above are shown as at August 2014.

Sources of information : Novare, Investment Solutions, Liberty, Old Mutual, Sanlam

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**We are also licensed to provided advice with regard to retirement funds. We provide consulting services to more than 120 Funds which are administered by administrators other than Fairsure, such as Old Mutual, Liberty, Sanlam and Momentum.**

**We also administer and consult to the SALA Retirement fund, with a membership of more than 19 000.**