



# WOOLWORTHS GROUP RETIREMENT FUND

MAKING THE DIFFERENCE TO YOUR RETIREMENT

# YOUR OPTIONS WHEN YOU RETIRE

A GUIDE TO SECURING YOUR FINANCIAL FUTURE



## IT IS IMPORTANT TO CONSIDER YOUR OPTIONS WHEN YOU RETIRE

- At **what age** is it best to retire?
- Should you draw your pension immediately or defer it for later?
- What is a **life annuity** compared to a **living annuity**?
- What are **your pension options** when you retire?
- What are the **advantages and disadvantages** of the different pension options?
- You can choose the **In-fund Living Annuity** option and remain a member of the Fund.

THINK BIG. START SMALL. ACT NOW!

# AT WHAT AGE IS IT BEST TO RETIRE?

**THE LATER YOU RETIRE,  
THE MORE PENSION YOU WILL RECEIVE.**

RETIRING AT AGE 63 RATHER THAN 53 CAN ALMOST DOUBLE YOUR RETIREMENT INCOME.

If your pensionable salary on retirement is

**R10 000**

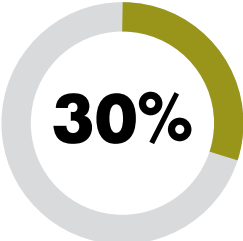
**REPLACEMENT RATIO**

is the percentage of your salary that is paid to you as your pension when you retire.

**Example:** If your salary is R10 000 and your replacement ratio is 30%, you will receive R3 000 a month when you retire.

**RETIRING AT AGE 53**

If you have a replacement ratio of

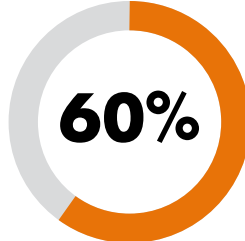


**30%**

You will receive **R3 000** per month

**RETIRING AT AGE 63**

You will have a replacement ratio of



**60%**

You will receive **R6 000** per month

**RETIRING JUST 2 YEARS LATER CAN ADD UP TO 15% ADDITIONAL RETIREMENT INCOME.**



Your pension if you retire at **AGE 61**

**R5 218** per month

Your pension if you retire at **AGE 63**

**R6 000** per month



# OPTION A

# DEFER YOUR PENSION

THIS MEANS THAT WHEN YOU RETIRE FROM WOOLWORTHS, **YOU KEEP YOUR RETIREMENT SAVINGS INVESTED IN THE FUND.**

## If you keep your retirement savings invested in the Fund:

- Your Fund Credit will stay invested in the Fund.
- You and Woolworths will no longer be contributing to your Fund Credit.
- You will no longer have all of your usual benefits, such as life or disability cover.
- You will still be subject to investment and admin fees.
- Your Fund Credit will be subject to positive or negative investment returns. But remember, your retirement savings are long-term.

**Tip:** We recommend getting financial advice from a qualified financial adviser. Contact Alexforbes Individual Advice Centre (IAC): Call **0860 100 444** or email [iac@aforges.com](mailto:iac@aforges.com)



## DEFER IN THE FUND

- **You keep your money in your employer's retirement fund.**
- Fees and costs may be less than with other options.
- You will stay invested in the investment portfolio that you were invested in when you retired. That is unless you are invested in a closed portfolio or make an investment switch.

## DEFER OUTSIDE THE FUND

- **You transfer your money into an approved retirement fund** until you are ready to withdraw.
- When deciding to transfer, consider the fees and whether you can continue making contributions. You should always get advice from a [certified financial planner](#).

## OPTION B

# DRAW YOUR PENSION

IF YOU WANT TO START RECEIVING AN INCOME WHEN YOU RETIRE FROM WOOLWORTHS, **YOU CAN DRAW YOUR PENSION.**

The Woolworths Group Retirement Fund is a pension fund. This means that when you retire, you are required to buy a pension with a minimum of two thirds of your Fund Credit.

### Your Fund Credit

During your working life you contribute a part of your salary to the retirement fund. Your employer also makes contributions. These contributions are invested for you and accumulate over time. The total amount is called your Fund Credit. The smaller your Fund Credit, the less pension you will receive when you retire.

### Your options when you retire

- You can use your full Fund Credit to buy a pension.
- **You can take up to one third of your Fund Credit in cash. You must then buy a pension with the balance of your Fund Credit.**
- The Income Tax Act states that if your fund credit is less than R247 500 then you can withdraw the entire amount as a cash lump sum.

### The cash lump sum is taxable

- **The cash lump sum is taxable.**
- **However, the first R550 000 is tax-free and you will be exempt from paying tax on this** – provided that you have not already withdrawn from a retirement fund prior to your retirement.
- During your lifetime, you can withdraw a total of R550 000 of your retirement savings tax free.

### WHEN YOU RETIRE

Cash you withdraw	Rate of tax
R0 to R550 000	0%
R550 001 to R770 000	18%
R770 001 to R1 155 000	R39 600 + 27%
R1 155 001 and above	R143 550 + 36%

### Points to consider

- What is your current cost of living?
- Once you retire, how much money will you need every month? Take inflation into account.
- How is your health? Will you be able to cover unforeseen medical costs?
- If you have a spouse, will your spouse need an income if you die?
- Do you have any other savings to boost your income?
- Do you need to leave money for your loved ones when you die?

### There are two types of pensions

You will need to consider what kind of annuity will be best for you. You should always get advice from a [certified financial planner](#).

- **LIFE ANNUITY**
- **LIVING ANNUITY**

# LIFE ANNUITY

A LIFE ANNUITY IS A PENSION WHERE YOU PAY AT LEAST TWO THIRDS OF YOUR CONTRIBUTIONS TO AN INSURER OF YOUR CHOICE. **IN RETURN, THE INSURER PROMISES TO PAY YOU A CERTAIN PENSION FOR THE REST OF YOUR LIFE.**

- The insurer carries all of the risks associated with the investment of your Fund Credit and how long you live for.
- Any of your retirement benefits that remain when you die are retained by the insurer.
- Should the investments run out while you are still alive, the insurer will be required to continue paying your pension regardless.

## Your income

- Your income is guaranteed for life.
- Your income will never reduce.

## Investment risk

There is no investment risk.

## Flexibility

Your income is not flexible as it is fixed for life once you have chosen a specific pension.

## Inflation

**Your money may lose buying power if you don't choose an inflation-linked annuity.**

## If you die

With most Life Annuity pension options and insurance products, your Fund Credit will be paid to whoever you nominate.

## TYPES OF LIFE ANNUITIES

### 1 FIXED INCREASE

- You choose a flat yearly increase in advance, for example 3%, 5% or 10%.
- The greater the increase, the lower the initial pension you will receive.

### 2 WITH-PROFIT

- Investment performance affects increases.
- Increases are determined by the insurance company based on the investment performance.
- Your increases can be more or less than inflation.

### 3 INFLATION LINKED

- Your income is guaranteed to keep up with inflation.
- Increases are based on inflation during the year.

### 4 LEVEL

- You receive the same amount of income for the rest of your life.
- Your initial pension is high compared with other options.
- Inflation reduces your buying power.



# LIVING ANNUITY

A LIVING ANNUITY CAN BE PURCHASED WITH AN INSURER OF YOUR OWN CHOICE OR YOU CAN STAY INVESTED IN THE FUND BY CHOOSING THE WGRF IN-FUND LIVING ANNUITY.

## Your income (draw-down)

- The pension you draw can be anything from 2.5% to 17.5% of your Fund Credit.
- You choose your pension draw. We suggest that you speak to a [certified financial planner](#) when making this decision as it is important that your Fund Credit does not get depleted.
- There is a risk that you may outlive your Fund Credit.
- Your pension is not guaranteed for life.
- Your pension may reduce over time if your draw does not match your investment growth.

## Investment risk

- You choose your investment portfolios.
- There is the risk of your investments under-performing.

## Flexibility

**It is flexible, as you can choose to increase or decrease your pension draw once a year.**

## Inflation

Your money may lose buying power if your investments do not keep up with inflation.

## If you die

You nominate beneficiaries to your annuity, but in the event of your death, the trustees will allocate the death benefits in a manner that they deem fair.

## THE WGRF IN-FUND LIVING ANNUITY

CHOOSE THE IN-FUND LIVING ANNUITY OPTION AND REMAIN A MEMBER OF THE FUND.

### Lowest cost

**This is the pension option that has the lowest fees.** The administration fees and the investment portfolio fees are substantially lower than if you buy a pension with an external provider.

### It's easier

With the WGRF In-fund Living Annuity, your retirement savings remain invested in the Woolworths Group Retirement Fund when you retire. As a retiree in the Fund, **you will be supported and kept informed.**

### Continuity

**Your investments will continue to be managed by the trustees of the Fund.** A default investment strategy will apply but you will continue to be able to make your own investment choices.

### Flexibility

- **You decide on the level of pension** you wish to draw once you retire.
- **You decide on how your retirement savings are invested**, based on your need to preserve your capital or to continue wealth accumulation.

### Transferability

If you are at any stage unhappy with the In-fund Living Annuity, you can transfer to another pension or provider at any time. **You are never locked in.**

### Part of the Woolworths family

Once you retire, you remain a retiree in the Fund and **stay part of the Woolworths family.**

# LIVING ANNUITY

## Your pension payments (draw-down)

When you retire and have a living annuity, you will draw from your Fund Credit. If this is ever depleted you will run out of money and no longer receive a pension.

**When you choose a living annuity, you must decide:**

- How much pension you wish to take per year.
- How often do you wish for this to be paid?  
Monthly / quarterly / bi-annually / annually?

The amount of pension you take per year is called your draw-down rate and is expressed as a percentage of your Fund Credit. The higher your draw-down, the sooner you will run out of money.

**Example:** If you have a Fund Credit of **R200 000** and want a pension of **R10 000** per year, then your draw-down percentage is **5%**

- The SARS requirements are that the draw-down rate is between 2.5% and 17.5%.
- **If your Fund Credit is poorly invested or your income draw is too high, you could run low on money and will receive little pension later in life.**
- The risk of depleting your Fund Credit also increases the longer you live. You can sometimes outlive your investments.

The pension payment date is the 25th of each month and your monthly pension is subject to normal tax rates.

## Your insurance benefits will stop

Once you retire, neither you nor your employer will pay contributions to the Fund and **you will no longer qualify for any of the insured benefits** offered by the Fund.

## Annual review for sustainability

**If you choose a Living Annuity, you will need to manage it yourself.**

- As it is reviewed every year, you will receive an Annual Review Form and will need to confirm your draw-down percentage and investment strategy for the following year.
- This review process ensures that your draw-down percentage is within the prescribed limits and also includes a sustainability test – to check if your pension will be depleted whilst you are still alive. If so, you will be required to either amend your draw-down rate accordingly, or you will need to purchase an appropriate annuity outside of the Fund.

Speak to a [certified financial advisor](#) to help you make the right decisions. You will benefit in the long run.

## If you die as a retiree while on a Living Annuity

Living Annuities are regulated by the Pension Funds Act. This means that while you may nominate beneficiaries to your annuity, in the event of your death it remains the duty of the trustees to allocate the death benefits in a manner that they deem fair.

**Always keep your [Nomination of Beneficiary Form](#) up-to-date.**

The Trustees use this as a guide as to who should receive your remaining Fund Credit. They are under no obligation to honour your wishes but instead conduct an investigation to establish who your financial dependants are, and distribute accordingly.



# YOUR PENSION OPTIONS WHEN YOU RETIRE

## IN-FUND LIVING ANNUITY

The In-fund Living Annuity option is limited to the investment portfolios as chosen by the trustees.

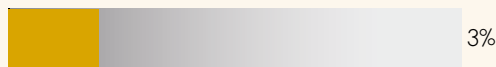
These are:

- Balanced Growth Portfolio
- Conservative Growth Portfolio
- Banker Portfolio
- Shari'ah Portfolio

### FEES

**The lowest investment fees.**

**0.3 to 0.6% per annum**



## AFRIS OUT-OF-FUND LIVING ANNUITY

Here you are limited to four portfolios chosen by the Fund's trustees. These are:

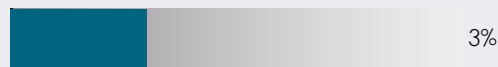
- Performer
- AF Protector
- AF Passive Bold
- AF Passive Protector

When you retire, you will move out of the Woolworths Group Retirement Fund and no longer be part of the Woolworths family.

### FEES

**The fees here are low.**

**0.5 to 0.8% per annum**



## RETAIL OUT-OF-FUND LIVING ANNUITY

There are a broad choice of portfolios available. You can have up to 100% invested offshore. When you retire, you will draw from your Fund Credit.

### FEES

**Here the fees are higher.**

Some providers will quote low or nil administration fees, but their margin is made on their high investment fees.

**0.4 to 2.2% per annum**



## OUT-OF-FUND LIFE ANNUITY

Life Annuities are purchased from an insurer of your choice and the pension is guaranteed for the rest of your life.

There is a 'capital charge' that is included in this investment fee. The insurer levies this charge for the cost of the guarantee of longevity.

### FEES

**These investment fees and costs are much higher** as this is an insurance product.

**1.0 to 2.5% per annum**





# ALWAYS GET EXPERT FINANCIAL ADVICE

WHEN YOU ARE PLANNING FOR YOUR RETIREMENT, EVERY DECISION YOU MAKE TODAY WILL IMPACT YOUR FINANCIAL FUTURE.

## FOLLOWING ARE SOME TIPS TO IMPROVE YOUR FINANCIAL WELL-BEING:

- Preserve your retirement savings whenever you can.
- Contribute as much as possible to your savings.
- Ensure that you are protected for emergencies by having an emergency fund and adequate insurance.
- Try and get out of any debt you may have.

## Get free financial advice

You may want to get advice from your own Financial Planner. Their fees will vary. **Ensure that they are certified by the Financial Planning Institute.**

**For FREE financial advice** you can contact the Alexforbes Individual Advice Centre. Call **0860 100 983** or email: [iac@aforbes.com](mailto:iac@aforbes.com)

## The value of good advice

**The value of getting financial advice from a qualified, professional financial adviser cannot be underestimated and is highly recommended.**

## Qualified financial advisers:

- They are experts in their field and are dedicated to helping you reach your financial goals.
- They gather information that is relevant and can assist you by developing a financial road map.
- They make objective decisions and take the most appropriate actions.
- They assess your retirement goals and help you structure your affairs accordingly.
- They look at your retirement needs and make appropriate recommendations.
- They can help you understand the differences between various products and decide which one is best to meet your financial objectives.
- They help you find strategies for achieving your goals. They also help ensure that you don't sacrifice more important goals for less important ones.



**HOW MUCH DO YOU HAVE SAVED IN THE FUND?** To find out what your Fund Credit is, go to [online.alexanderforbes.co.za](http://online.alexanderforbes.co.za). You will require your pin and password. Alternatively, please visit PeopleSoft.

**THE VALUE OF EXPERT ADVICE:** We recommend getting financial advice from a qualified financial adviser. Contact Alexforbes Individual Advice Centre (IAC): Call **0860 100 444** or email [iac@aforbes.com](mailto:iac@aforbes.com)

**FUND QUERIES:** For information about the Fund, call **021 401 9300** or email [wgrfmbqueries@aforbes.co.za](mailto:wgrfmbqueries@aforbes.co.za)  
**You can write to us:** Woolworths Group Retirement Fund, PO Box 680, Cape Town 8000

[WWW.WGRF.CO.ZA](http://WWW.WGRF.CO.ZA)

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