



# WOOLWORTHS GROUP RETIREMENT FUND

MAKING THE DIFFERENCE TO YOUR RETIREMENT

## MEMBER NEWSLETTER

QUARTER 3 • 2017

# NEVER CASH IN YOUR PENSION SAVINGS

SAVING OR SPENDING  
IMPACTS ON YOUR  
RETIREMENT AND THE  
QUALITY OF YOUR  
LIFE WHEN YOU STOP  
WORKING.

### WHEN YOU RESIGN YOU CAN EITHER:

- **PRESERVE** your retirement savings, OR
- **CASH IN** your retirement savings.

If you change jobs, you have the choice of preserving or cashing in your retirement savings. Unfortunately, members are often **unaware of the disastrous consequences** of cashing in their pension savings for short-term gains such as paying off debt.

**You currently contribute 7.5%** of your monthly salary towards your retirement savings. This money is invested for you and over the long term it will grow into a significant amount. **Woolworths contributes 8.23%** each month (for TCOE members this is paid from your total salary).

If you cash in your pension, in the future you will need to **save more every month** to make up for the savings you have lost.

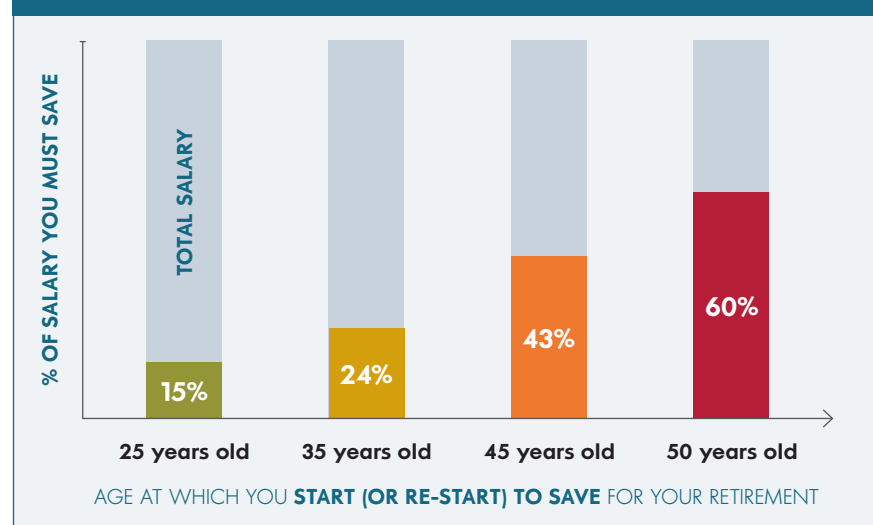
The graph below shows the **impact of cashing out your retirement savings** and indicates the increased percentage of your salary you should save each time to make up for the loss of your retirement savings.

Unfortunately 93% of people resigning from Woolies cash in their pension, and only a tiny percentage use this to settle their bond. The majority needs the money to get out of serious debt.

**July was Savings Month and this is another nudge for you to start taking control of your money so that you do not end up with a lower standard of living when you stop working and retire.**



### HOW MUCH OF YOUR SALARY MUST YOU SAVE TO ACHIEVE A COMFORTABLE RETIREMENT?



**CONCLUSION:** It is always better to preserve your retirement savings. **Never cash in your retirement savings.**

THINK BIG. START SMALL. ACT NOW!

# 12 HABITS FOR GOOD FINANCIAL HEALTH

July was Savings Month, and this is the ideal motivation to start saving. The decision to save and actually doing it are often very different. So just how do you go about saving?

Basically it's all about developing new financial habits, such as drawing up monthly budgets, putting money away and delaying gratification.

## HERE ARE 12 FINANCIAL HABITS YOU CAN START DEVELOPING

### 1 INVEST IN YOUR FUTURE

- Make a start when you **begin your first job**, even if it's saving only R100 a month.
- Explore **retirement annuities and pension funds** and find the one that offers you the best returns.

**Remember, the younger you are when you start saving, the more you will have when you retire. Let compound interest work for you!**

### 2 DRAW UP A BUDGET



Go to the [wgrf.co.za](http://wgrf.co.za) website and download the 'Create a Monthly Budget' brochure.

A budget is the **only effective way** to take control of your money and your spending.

When done correctly, a budget is one of the **most empowering tools** to achieve financial health.



### 3 USE THE ENVELOPE SYSTEM

This simple system helps you **keep track of how much money you have for spending**.

Once you have paid all your bills, put aside separate amounts from your budget each payday.

As an example:

- an envelope for **fuel/transport**
- an envelope for **groceries**
- an envelope for **entertainment**.

Put the money in different envelopes and use only those envelopes for those expenses.

1. The first advantage is that you **won't overspend**.
2. The second advantage is that you will have to **rework your budget** if you regularly run out of money.

### 4 PAY YOUR BILLS IMMEDIATELY

The easiest way to do this is to set up **debit orders**. Most online banking sites also offer you the facility to arrange for regular payments to certain accounts, which makes paying your bills that much simpler.

### 5 CONTROL IMPULSE SPENDING

The "see it, want it, buy it" attitude could easily be the single biggest problem for most people. Impulse spending, such as spending on fast food because you don't feel like cooking, online purchases you "just couldn't resist" or "sale" items you probably won't ever need, are sure-fire budget breakers.

Rather set aside some money for impulse buying in your budget, use it thoughtfully and when it is finished, resist the urge to take money from somewhere else. If you can't afford something this month, rather **buy it when you can afford it** – by which time you will probably find you don't actually need it!



### 6 EDUCATE YOURSELF ON FINANCIAL MATTERS

This doesn't mean you need to know exactly what's going on at the stock exchange, but you should know which **financial indicators affect you**, such as

- the oil price
- the repo rate
- the CPI (Consumer Price Index).

Keeping an eye on these can **help to ease their effect** on your wallet.

For example, if you notice an increase in the price of oil, then petrol will be increasing and you can see where you can save to offset the extra cost.

South Africa is in a recession – **so it is important to be clever with your finances.**

## 7 EVALUATE YOUR EXPENSES

Financially successful people **know what they spend their money on**, from the snack bought on the run to the brand new flat-screen TV. This knowledge helps them to **live well within their means.**

To start living within your means, **keep a diary of all your expenses**, big and small. At the end of the month, mark all your expenses as either **essential** or **non-essential**, and then cut out the non-essential ones. Keep a similar diary the next month, and watch how your financial standing changes.



Go to the [wgrf.co.za](http://wgrf.co.za) website and download the 'Keep a Spending Diary' brochure.

## 8 GROW YOUR NET WORTH

Net worth is defined as **“what is owned minus what is owed”**. It is important that you grow your net worth through a combination of:

- **reducing your debt**
- **increasing your savings**
- **steadily increasing your income.**

## 9 ELIMINATE AND AVOID DEBT

If you are in debt, put a strategy in place to get out of debt:

- 1 **List your debts** in order from smallest to largest.
- 2 **Focus on the debt at the top first.**
- 3 Pay off **as much as you can** towards it, even if it's just R100 a month extra.
- 4 Once your first debt is paid off, take the total amount you were paying and add it to the payment of your next debt.

This will help you **decrease the interest on the debt** and allow you to pay it off much quicker.



## 10 AUTOMATE YOUR SAVINGS PROCESS

Make sure you **pay yourself every month**. Make it the first payment that comes off your account by setting up a debit order facility.

It is imperative that you also have an **emergency fund** that can deal with anything from admission to hospital to paying an excess on your insurance. Don't even think about it; just make sure it happens, each and every payday.

## 11 KEEP YOUR FAMILY SECURE

- If you have a spouse or dependants, make sure that your **life insurance** will be sufficient to take care of their needs when you are no longer there.
- **Draft a will** and ask someone you trust to be the executor.
- Last but not least, take out **car and home insurance** that offers you the **best value for money.**

Remember to **compare premiums versus excess**, and research the benefits.



## 12 GO ON A CONSUMPTION DIET

If you cannot meet all your financial obligations timeously, such as paying all your accounts and credit cards every month, then you need to put yourself on a consumption diet and get yourself back into financial health and wellness.

The consumption diet plan is simple and is the **only effective way to manage your financial wellness.**

**When buying something new, ask yourself:**

- Do I **need** it?
- Do I **want** it?
- **What difference** will it make in my life?
- Will I still need or want it in a **month's time?**

### FOR EXAMPLE

If you gave up your daily cappuccino, you could easily save R90 000 over the next 10 years (and that is without even adding the interest).

The extra R25 a day doesn't seem so bad, but when you add it up, you realise that it is not money well spent.

**Rather make it a treat, not an everyday occurrence.**



# CHANGE YOUR VALUES

AT PRESENT LESS THAN 1% OF THE WORLD'S POPULATION IS FINANCIALLY INDEPENDENT.

## BECOME PART OF THE 1%.

The majority of people don't place a high value on wealth building. Instead, they place a high value on immediate gratification, which leads to buying items that depreciate in value. To most people it is important to be seen to be living the high life, even if it is all on credit.

The **National Credit Act** was supposed to help you avoid getting over your head in debt. But it is all too easy to open an account and shop up a storm.

Often you grow bored of the items long before you are rid of the debt!

It takes a **little effort** to become part of the 1% who are financially independent – and this does not mean having vast wealth and being one of the super-rich.

**The 1% is largely made up of people like you who have control over their money.**

**Unless there is a shift in your values**, don't expect to get ahead financially. Einstein said that doing the same thing over and over and expecting a different outcome is the definition of insanity!

You have to be the one who takes responsibility for your money and your wealth status.

According to the World Bank, South Africans are the world's biggest

borrowers, as **86% of South Africans are in debt**.

According to IMB Financial Services, South Africans are drowning in debt and it is only getting worse, with **120% growth in debt** between 2013 and 2015.

Before we can focus on savings, we first need to get out of debt.

**It isn't as hard as it seems – it just takes one step at a time and determination to manage your money better.**



# TEACH YOUR CHILDREN

GOOD ADVICE FROM HAPPY NGALE – A FINANCIAL WELL-BEING CONSULTANT AT ALEXANDER FORBES

Millennials have fallen into the same trap as their parents – they spend without worrying about the consequences. Parents today indulge rather than educate their children about money!

## TEACH CHILDREN TO BUDGET

Getting into the early habit of good money management is key to later success. Pocket money should not just be for spending on socialising, it should also be used for buying personal items. It is a great starting point in terms of learning to manage money and to budget.

### Teach your children to:

- know what items they need to buy each month
- document their spending
- reconcile at the end of the month.

This is a great exercise that will help your child!

**But the best lesson is to encourage them to save a little of their money every month.**

## AVOID BUYING THINGS THEY CANNOT AFFORD

Peer pressure is huge and we all want to fit in, which means having what someone else has. But the lesson to be learnt is to wait and save for it. All too often when you can afford it, you no longer want it.

**Delayed gratification is a sign of emotional maturity!**

## OPEN A SAVINGS ACCOUNT

Encouraging the mindset of saving is important and the earlier you start, the better. Teaching children to save a portion of their pocket money (and later their salary) gives them more financial freedom.

### Happy Ngale says:

**Millennials** (born after 1980) prefer to earn their money to spend it now.

**Generation X** (born 1965–1980) are conservative and prefer to save.

**Baby Boomers** (born 1940–1964) prefer to buy on loan and spend their lives paying off debt.

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Let us know if you want us to cover particular topics, if you would like to know more about something, or want to raise a concern. We'd like to hear from you!

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