W
WOOLWORTHS GROUP RETIREMENT FUND
MAKING THE DIFFERENCE TO YOUR RETIREMENT

MEMBER NEWSLETTER

QUARTER 4 • 2017

ARE YOU SAVING ENOUGH FOR RETIREMENT?

We are constantly measuring our wealth and our health.
The number of steps we take per day, our average heart rate per exercise session, our Smart Shopper points, W Rewards, eBucks, share portfolios … You name it, we're measuring.

BUT HOW OFTEN DO WE CHECK WHETHER WE'RE ON TRACK FOR ONE OF THE MOST IMPORTANT EVENTS OF OUR LIVES – **RETIREMENT?**

You recently received your annual Benefit Statement and on page 3 of the Benefit Statement you will find excellent indicators of how prepared you are for retirement.

EXAMPLE: A member **earns R9 063 per month** and **saves 15.77% per month** (her own 7.5% and the WW 8.27%).

These are her projected retirement figures:

	LOW GROWTH	MODERATE GROWTH	HIGH GROWTH
Projected monthly pension in today's money terms (assuming no commutation to cash)	R5 152.46	R6 102.68	R7 224.98
Projected pension as above, expressed as a percentage of your current annual pensionable salary	**56.8%**	**67.3%**	**79.7%**

This table tells you what percentage of your final salary you can expect to receive as a pension – if you continue to save the same amount that you are currently saving until retirement at age 63.

PLEASE NOTE: This is shown in today's money terms, in other words if you were retiring today, this is what you could expect.

The S&P downgrade to Junk Status means that South Africa is in a low-growth investment environment and getting double-digit returns will be next to impossible. It is a safer bet to **look at the LOW GROWTH figures** above (and on your own statement) to determine your need to save more.

In the above example, the member will receive a pension nearly **R4 000 less than what she currently earns**. This means her standard of living will drop by 44%. She will have to adjust to living on far less each month.

OR SHE COULD IMMEDIATELY START SAVING MORE EVERY MONTH.

THINK BIG. START SMALL. ACT NOW!

HOW MUCH MUST YOU SAVE?

HOW MUCH MUST YOU SAVE EVERY MONTH OR YEAR IF YOU WANT TO RETIRE COMFORTABLY?

One number that is easy to understand is to express your retirement savings as a **multiple of your current salary** at different points in your working life.

The multiple of your salary that you should have saved is based on the following assumptions:

- You **retire at age 63**;
- You **save 15% of your annual salary** (including your annual bonus/13th cheque) each year;
- Your investment **earns a return of 10% a year** (not possible now and for a while due to Junk Status);
- Your **salary increases by 6% a year**;
- You should have **saved 15 times your final salary** by the time you retire; and
- If you are married, both you and your spouse contribute towards retirement savings.

INVESTMENT NOTICE:
SHARI'AH PORTFOLIO

The trustees have been monitoring the returns of our **Oasis Shari'ah** portfolio on the LifeStage Choice option.

After due consideration, the trustees have **moved the portfolio** to the **Investment Solutions Multi-Manager Shari'ah** fund in the hopes that we are able to obtain **better returns** on your investment.

We will keep you updated.

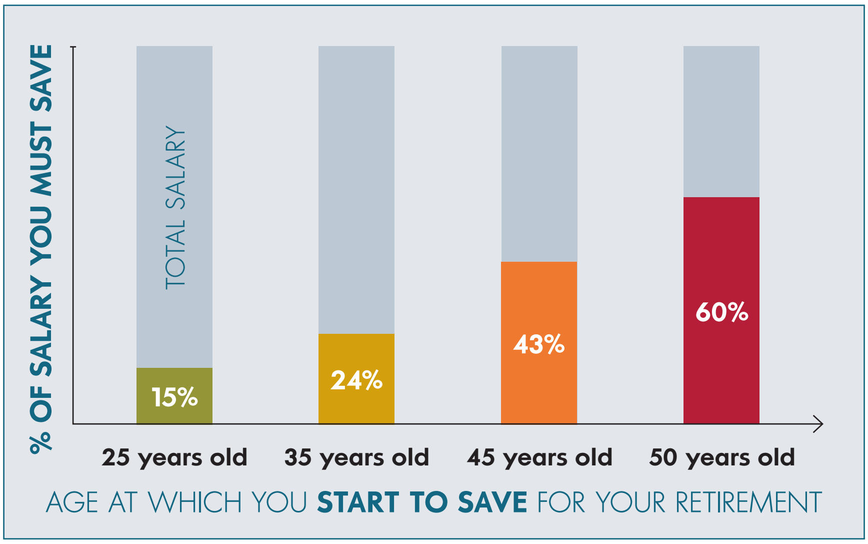
Based on these assumptions and that you should have saved **15 times your final salary by the time you retire, TABLE 1 sets out some goalposts on your road to retirement.**

Currently, for each R1 million that a 65-year-old member has saved;

- a man will receive a monthly pension of about R6 000,
- while a woman (because she is expected to live longer) will receive about R5 400, both growing with inflation every year.

So, if you want to invest in an inflation-linked annuity at the age of 65, you will need to have **saved 15 times your final salary by 63** to buy an annuity that will replace your salary.

TABLE 2 sets out the percentage of your salary that you should save if you start saving at different stages of your life.



As the table shows, **if you haven't started saving at age 25**, saving 15% of your salary will not enable you to achieve a multiple of 15 times your final salary at retirement.

Late starters have to save much more every month.

PLEASE NOTE: Cashing in your retirement savings each time you change employment means you have to save more each month to catch up.

WHERE ARE YOU POSITIONED ON THE ABOVE TABLE?

LONG-TERM INVESTMENTS

'INVESTING SHOULD BE MORE LIKE WATCHING PAINT DRY OR WATCHING GRASS GROW. IF YOU WANT EXCITEMENT, TAKE $800 AND GO TO LAS VEGAS.'

– Paul Samuelson

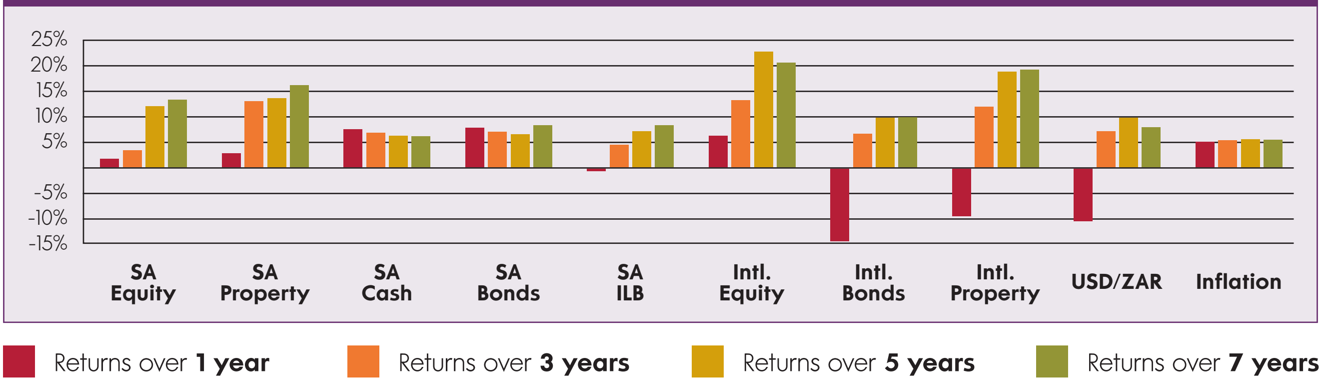
Paul Samuelson was a Nobel Prize winner and Professor of Economics at Harvard University. Paul makes the critical point that **investing is about the return you achieve over the long term**; what happens in the short term is often just a distraction and 'noise'.

The chart below shows the returns of the major market indices for periods of up to seven years to 30 June 2017. It demonstrates the difference between **short-term noise** and **long-term returns**.

As soon as you focus on the **7-year periods, the returns** from all the asset classes, and in particular local and global equities and property, **are much better.**

Inevitably there will be times when even long-term returns are poor. Such events are difficult to predict accurately, but the Board of the Fund has appointed **investment managers who focus on preserving your money over the long term**.

MAJOR INDEX RETURNS FOR PERIODS OF UP TO 7 YEARS

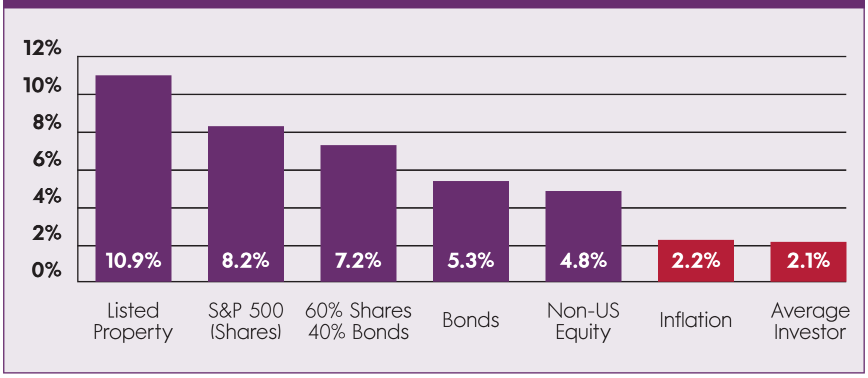


Some impatient investors are tempted by excitement to time the market. That means they sell equities when they think the market will fall, with the hope of buying them back later at a much lower price. However, research shows that it is very difficult to consistently and accurately predict the future course of investment markets.

For this reason it is generally better to:

- maintain a **long-term investment** horizon
- hold a **well-diversified portfolio**
- **ignore the noise and excitement** that the market routinely provides.

20-YEAR ASSET CLASS AND AVERAGE INVESTOR RETURNS



DON'T TRY AND TIME THE MARKET

The dangers of trying to time the market are demonstrated in the table on the left. The table shows the annualised performance of the main asset classes in the USA for the 20-year period 1996 to 2015, compared to the estimated return earned by the average US unit trust investor.

Remarkably, the average investor did worse than every asset class shown and even earned less than inflation.

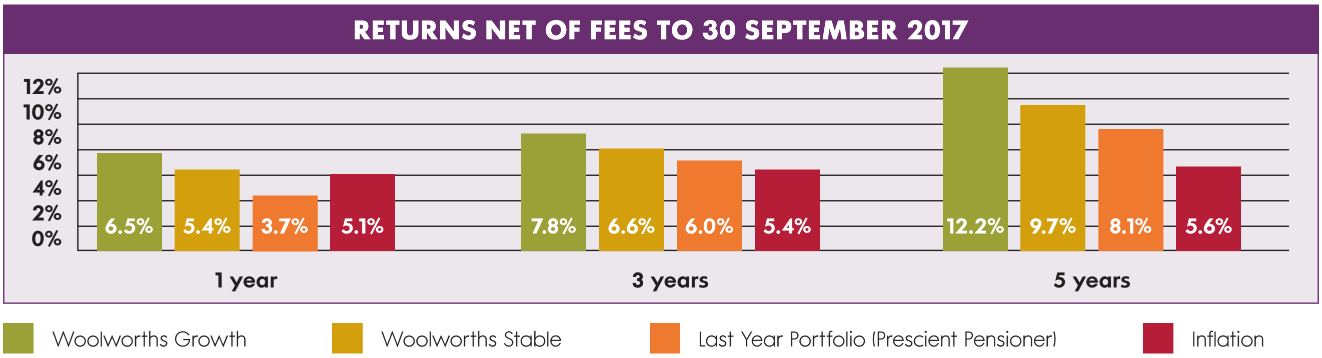
The reasons for this very poor outcome will include manager under-performance compared to market indices after deducting fees. However, a significant component is due to human behaviour, whether it be in the form of a naïve belief in their ability to time the market, or simply fear and greed.

HOW HAVE YOUR INVESTMENTS PERFORMED?

The Fund has invested your money in a mix of asset classes (e.g. local and global equities, bonds) and **the risk profile depends on how close you are to retirement**.

The chart below shows the performance of the three portfolios that make up the 'Life Stage Model' compared to inflation for periods to 30 September 2017.

Over periods of five years and longer the portfolio returns are well above inflation, especially for the **Growth Portfolio** where most of the members' money is invested.



HOW TO SAVE MORE

Your retirement savings MUST be tax efficient.
There are a number of options to consider:

IN THE FUND:

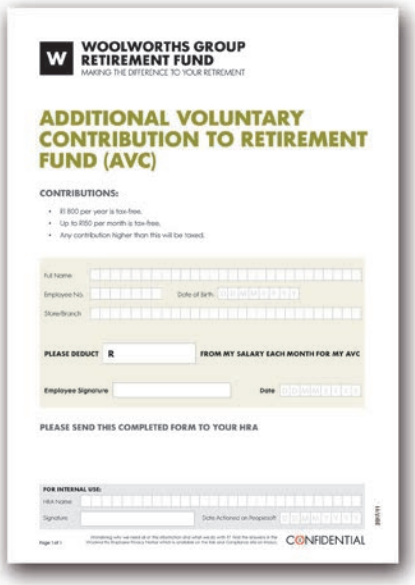
1. R150 (or more) **Additional Voluntary Contribution** (AVC). The form is on our website – www.wgrf.co.za.
2. **Additional contributions** via the Modelling Tool.

EXTERNALLY:

1. **A Retirement Annuity** (RA) from an insurance company – the contributions you make are tax efficient.
2. Open **a tax-free savings account**.
3. Invest in **retail government bonds**.
4. Invest in an **ordinary unit trust fund**.
5. Owning a second (or more) **property for rental**.

This combination will give you more flexibility in terms of investment choice and the ability to access your investment.

THE BOTTOM LINE: You have to **sacrifice income today** in order to save and have a comfortable future. Think about this a little differently – you work now to save for when you are old and need to pay yourself an income. When you have retired, **you pay yourself** with the money you have saved. **So your retirement is entirely in your hands.**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ADDITIONAL VOLUNTARY CONTRIBUTION TO RETIREMENT FUND (AVC)

CONTRIBUTIONS:
- R1 800 per year is tax-free.
- Up to R150 per month is tax-free.
- Any contribution higher than this will be taxed.

Full Name
Employee No. Date of Birth
Store/Branch
PLEASE DEDUCT R FROM MY SALARY EACH MONTH FOR MY AVC
Employee Signature Date

PLEASE SEND THIS COMPLETED FORM TO YOUR HRA

FOR INTERNAL USE:
HRA Name
Signature Date Actioned on Peoplesoft

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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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