WOOLWORTHS GROUP RETIREMENT FUND
MAKING THE DIFFERENCE TO YOUR RETIREMENT

MEMBER NEWSLETTER

QUARTER 2 • 2019

PLAN FOR YOUR FUTURE

YOUR RETIREMENT IS IMPORTANT. THIS NEWSLETTER OUTLINES SOME FINANCIAL RESCUE REMEDIES AND HELPS YOU FORMULATE A FINANCIAL PLAN.

Planning is a detailed map for accomplishing a defined purpose. Without a map, how will you know where you're going?

All too often retirement is seen as a long way off and not necessarily something we give much thought to. We are too busy living to even plan for the future.

Some of us may be making additional savings and others hope that our pensions will be enough.

Unless you have actually sat down and thought about what you will do when you retire, where you will live and whether you will have enough money, you have not yet planned. Not many people have a plan, and without a plan, you have nothing.

Of a hundred 50-year-olds now, when they are age 63:
38 will be forced to continue working
36 will be dependent on the government
17 will need family support
5 will be financially independent
4 will be comfortably well-off

Only 9 have PLANNED for their retirement.

THE BIG QUESTION – WILL YOU HAVE SAVED ENOUGH?

Most people do not save for their retirement for the full 43 years for a number of reasons:

- They cannot get a job.
- They skip from job to job and have long gaps between various jobs.
- They leave to have a baby or babies.
- They take time off to travel.
- They withdraw their pension savings to pay for debts, holidays, or to live on while looking for another job.

We can come up with a multitude of reasons for not saving for the full 43 years, **but the main reason is CHOICE.** We make choices and have to live by the consequences of those choices.

THINK BIG. START SMALL. ACT NOW!

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Parents pay 20 yrs	Employer pays 43 yrs	You pay 27 yrs	
0	20	63	90
Birth	Start work	Retire	Die

From the age of 20 you have the potential of working for 43 years until age 63. If you stay in employment and contribute to a pension fund for the 43 years, you will not need to read this newsletter!

Example:

Assuming you retire after 43 years, the Fund would hope to ensure that your pension is 70% of your final salary:

- Final salary **R10 000** per month
- First pension **R7 000** per month

To earn a pension equal to your final salary at retirement, you will need to invest in a pension fund for 43 years without a break. You need to save 15 times your final annual salary for this retirement plan to work. Then you can expect your pension and your final salary to be about the same.

BEING FINANCIALLY INDEPENDENT DOES NOT HAPPEN ON ITS OWN – YOU HAVE TO MAKE IT HAPPEN. IT IS AN ACTIVE PROCESS AND REQUIRES HARD WORK, SACRIFICES AND, MOST OF ALL, KNOWING WHERE YOU'RE GOING.

RETIREMENT RESCUE REMEDY RULE #1

ELIMINATE DEBT – THE BEST THING YOU CAN DO FOR YOUR RETIREMENT

The life you live today is due to the choices you made yesterday. It therefore stands to reason that your quality of life in the future depends on the choices that you make today.

Because of poor choices, most people are not living the life they desire, particularly when it comes to their personal finance. They say that they don't have the opportunity to become financially independent. But this is not really true. Recent statistics show that the average South African saves 0.1% of their income and spends a whopping 65% of their income on servicing debt. South Africans are funding their lifestyles with debt – which is a poor choice.

COMPOUND INTEREST WORKING AGAINST YOU

To understand the true cost of debt, you have to understand the concept of compound interest. Compound interest is the interest being added to the interest on your debt.

The longer you take to pay off debt, the more interest you pay. The interest you pay on your debt is much higher than the interest you earn on any investments or savings.

So it makes sense that, to prepare for your retirement, it is important to get out of debt as soon as possible and start saving. **You must be debt-free by the time you retire.**

RAPID DEBT REDUCTION

There are a number of ways to reduce debt:

1. INCREASE YOUR CASH FLOW

To increase your cash flow, you need to begin by taking stock of where your money is going. Jot down all your expenses, from your bond to the magazines you buy, the cups of coffee you bought and your debit orders. Once this is done, decide where you can cut your costs. Record every rand you spend in a month, so you can see just where your money is going.

2. INJECT CASH

Take stock of all your possessions. If you can do without something, sell it and inject the money into your rapid debt reduction plan. Use your bonus to settle your debts.

3. ONE GIANT ACCOUNT

Draw up a list of your debts, from the smallest to the largest – from the overdue clothing account to the car loan and the bond. Now add them all up and look at the total as one giant account, and not as individual accounts.

4. ONE GIANT INSTALLMENT

Add up all your monthly installments of each and every one of your debts. See this grand total of all your installments as one giant installment that you need to make every month on one giant account.

NOW HERE'S THE MAGIC...

1. Using the money you have saved by cutting back on expenses, pay off the smallest debt first. **Easy!**
2. Now use this money towards your installments on your next smallest debt.
3. As one debt is paid off, you need to use the extra money towards paying off the next, and the next, and the next until you have no further debt.

During this process you must pay your other monthly accounts on time or you will have to pay interest.

It goes without saying, that while doing this, you may not acquire new debt!

YOUR HOUSE MORTGAGE – THE BIGGEST DEBT, THE BIGGEST SAVING

Interest on your home loan is calculated daily on your balance, so extra money parked in your mortgage account saves you paying interest.

The best way to save on your mortgage is to put every spare rand into your mortgage account. To do this you need to cut your daily expenses and put the spare money into your mortgage. You can also use your bonus or any extra money that comes your way.

Reduce all your other debt, avoid using credit cards, retail accounts and loans, and so on. Try to stay debt free.

RETIREMENT RESCUE REMEDY RULE # 2

MINIMISE EXPENSES, BUDGET AND ASSESS YOUR FUTURE NEEDS

Answer the following questions:

- Where does your monthly income go?
- What are your bank/credit card charges?
- On average, how much do you withdraw from the ATM in a week?
- What do you spend the money on?
- Do you know what your partner spends on average?
- What does it cost to manage your home monthly?

MINIMISE EXPENSES NOW

There are few people who will slip seamlessly from working into retirement with no ill effect on their standard of living. For most of us there is a good chance that when we retire, our income will be reduced by at least 50%.

For this reason, it is a valuable exercise to **try to reduce your current expenditure by 50%**. That's a huge reduction, and you probably won't make it! It is important to consider cutting back now rather than having the shock at retirement.

DRAW UP A BUDGET

Budgeting is usually a chore that we avoid. But the time has come to draw up a budget, which will help you spend more carefully and eliminate your debt. Your aim is to SAVE, SAVE, SAVE.

It is important to know where you are going financially. It helps you to keep track of money coming in and money going out.

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Budgeting also has other benefits:

- It puts you in charge of your finances.
- It encourages you to keep proper financial records.
- It will help you to save money and reduce debt.

Once you have drawn up a budget, pay the essentials first. Bond repayments, accounts, loans, school fees, rent, car repayments and food are the essentials. These are often neglected because uncontrolled spending on credit has swallowed up your salary.

If you are spending so much on paying off clothing and appliance accounts that you cannot afford essentials and have to resort to going into debt to buy food, you are in serious trouble. If you do not control this you will sink deeper and deeper into debt each passing month.

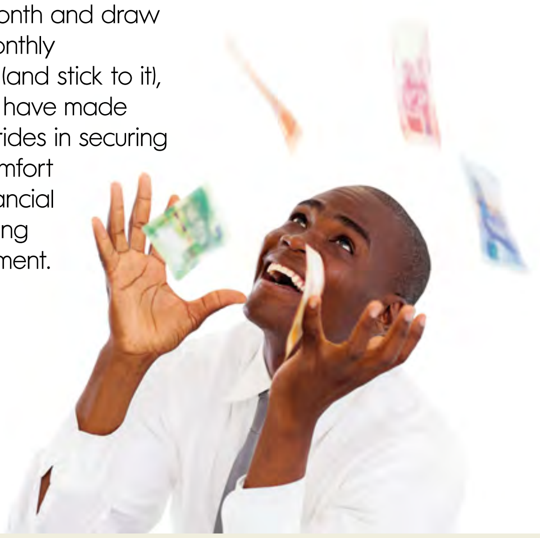
Your aim is to have no debts by the time you retire:

- List all your debts.
- Decide on a time-frame for paying off your debts.
- Draw up the plan and review it every month.

Luxuries today are robbing your retirement. **You need to make sacrifices today for your financial security – saving and sacrificing go hand-in-hand.**

Money that you pay in interest on your accounts is money you could be using to save for your retirement.

If you seriously make the effort to clear all debt by the time you retire, start reducing monthly expenditure a little each month and draw up a monthly budget (and stick to it), you will have made huge strides in securing your comfort and financial well-being in retirement.



ASSESS YOUR FUTURE NEEDS

If you haven't got a plan, how will you know where you're going? You build a house with a plan, you go on a trip with a plan, you make a dress with a plan – why not have a plan to ensure you retire comfortably?

Preretirement:

- Manage your debt.
- Minimise expenditure now.
- Budget.
- **Start planning for the day you retire:**
  - Where will you live?
  - How can you supplement your pension?
  - If you plan to live in a retirement village – have you put your name down on a waiting list?
  - Do your appliances need replacing?
  - Does your house need maintenance?
  - Is your car in good shape – do you need a newer, cheaper one?
  - What will get you out of bed every day?

WORKING AFTER RETIREMENT – YOUR NEXT CAREER

Very few of us will be in a position to actually stop working at age 63. Also, for most of us the reality of living on a much reduced income will be difficult. Age 63 is still very young, considering we have another 30 years to live!

- How will you fill those 30 years?
- How will you supplement your income?
- What could you do to make more money in retirement?
- Do you need to acquire those skills now?
- Do you need to buy some equipment now?

While you are earning a salary now, why not use it to prepare for your next career?

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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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