WOOLWORTHS GROUP RETIREMENT FUND
MAKING THE DIFFERENCE TO YOUR RETIREMENT

MEMBER NEWSLETTER

QUARTER 2 • 2020

LOOKING AFTER YOUR RETIREMENT SAVINGS DURING A CRISIS

Because of Covid-19, many people are experiencing tough times. They are fearful and anxious about their health and that of their loved ones, and worrying about their jobs as well as having financial challenges. On top of this, many of us will be concerned to see the value of our retirement savings falling at the same time.

SUCH FEAR AND ANXIETY ARE ENTIRELY UNDERSTANDABLE, BUT **NOW IS NOT THE TIME TO PANIC**. IN THIS NEWSLETTER WE GIVE THE REASONS WHY YOU SHOULD REMAIN CALM AND INVESTED IN THE FUND.

WELL DONE, SOUTH AFRICA

An analysis of data shows South Africa's efforts to flatten the Covid-19 curve are among the **most effective in the world** – nothing short of world-class.

HOW DO WE INVEST YOUR RETIREMENT SAVINGS?

For the majority of our members, the Woolworths Group Retirement Fund offers an Automatic Life Stage investment option. This is an appropriate long-term investment strategy.

The Automatic Life Stage investment option is a 'balanced' investment approach where our investment managers decide on the best equity content of each portfolio based on their reading of the prevailing investment conditions.

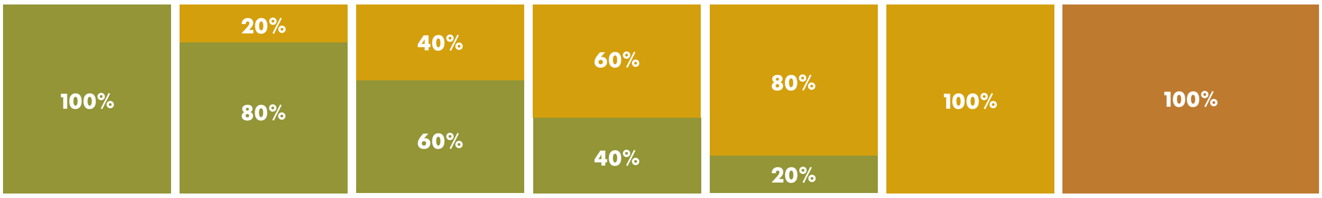
If you are invested in the Automatic Life Stage option, you will have your fund credit **allocated to a specific portfolio based on the number of years that you have to normal retirement age** (63 years old).

Take a look at the table on page 2.

THINK BIG. START SMALL. ACT NOW!

THE AUTOMATIC LIFE STAGE INVESTMENT OPTION

The Automatic Life Stage option is designed to protect you from excessive market volatility the closer you get to your normal retirement age. You are automatically disinvested from a more aggressive portfolio, and moved to a more conservative portfolio – which de-risks your fund credit – the closer you get to your normal retirement age.



HIGH GROWTH	GROWTH	MEDIUM GROWTH	MEDIUM CONSERVATIVE	CONSERVATIVE	STABLE	FINAL YEAR PORTFOLIO
Up to age 56	At age 57	At age 58	At age 59	At age 60	At age 61	From age 62 to 63

BALANCED PORTFOLIO

TARGETS INFLATION + 5,5% PER YEAR OVER 7 YEARS

If you are more than seven years from normal retirement age, your retirement savings will be fully invested in the **Balanced Portfolio**.

This is the Fund portfolio that has been most negatively affected by the recent fall in share markets in the first quarter of 2020.

Fortunately, if you are invested in the Balanced Portfolio, you still have some time before you retire. There is reason to believe that **your savings will recover** from any recent losses with this longer time horizon. Take a look at the article on page 4, which shows that historically the investment markets have always recovered.

DE-RISKING PORTFOLIO

TARGETS INFLATION + 3% PER YEAR OVER 3 YEARS

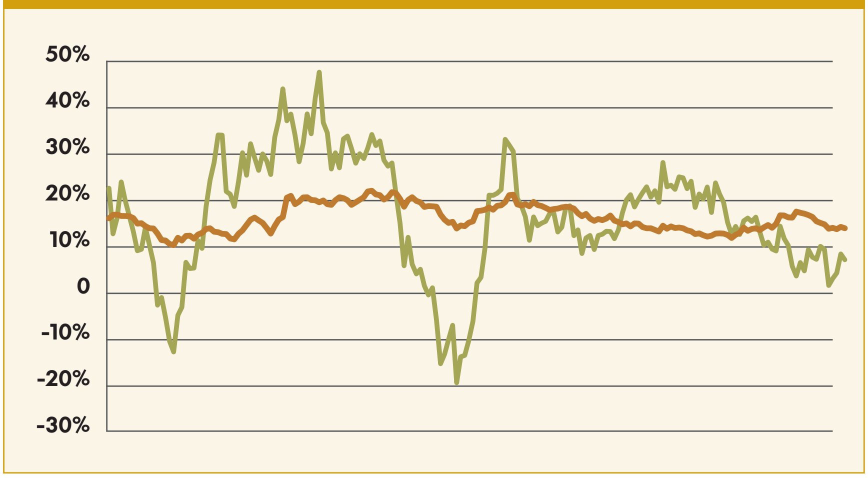
For members aged 59 to 61 who are leading up to retirement, a portion of your retirement savings is invested in the **De-risking Portfolio** until age 61, when all your retirement savings will be invested in the De-risking Portfolio. This portfolio offers less exposure to the share markets than the Balanced Portfolio, which in turn will reduce the impact of recent market falls.

FINAL YEAR

TARGETS INFLATION + 2,5% PER YEAR

Members aged 62 to 63, are invested in this portfolio – which will see 80% of your retirement savings invested in the De-risking Portfolio with the residual 20% invested in cash.

SHORT-TERM RETURNS VS LONG-TERM RETURNS



Short term – unstable returns **Long term – stable returns**

SHORT VERSUS LONG TERM

Approximate returns earned by the average pension fund in South Africa

- over a **one-year** period
- and a **seven-year** period

The chart shows that **returns over one-year periods (short term) are much more unstable** than returns over seven years (long term). The one-year returns are influenced by short-term market cycles, such as those caused by the Covid-19 pandemic. The returns over longer periods are smoother and less uncertain.

WHAT GOOD FINANCIAL HABITS CAN YOU LEARN FROM LOCKDOWN?

FOR MOST OF US, THE COVID-19 LOCKDOWN MEANT STAYING AT HOME, EXCEPT TO BUY GROCERIES. **LET'S SEE WHAT TIPS WE CAN GET FROM THIS CHANGE OF LIFESTYLE.**

1 Eat at home

Now that you have spent weeks enjoying your own home-cooked meals, keep up the good habits and you will be saving a fortune in restaurant bills. If you find yourself eating out three or more times per week, your restaurant habit is a major expense without you even realising it.

2 Cut down on your spending

During lockdown you have probably spent much less. Imagine the money you normally use for entertainment, those impulse purchases, and your daily cappuccinos. All these small amounts add up over time. Now that you have been spending less during lockdown, why not keep up those good habits?

3 Drive your car less frequently

We are now used to only using our cars to get to the local grocery store, so **why not try and use your car less in the future**? This will mean cutting down on your petrol bills as well as spending less on maintaining your car. There are also insurance products that reduce your premiums the less you drive.

4 Live within your means

During lockdown you have been spending less and probably learned that you do not need much of the costly stuff that you own. **A key strategy to saving money is to live within your means.** As your savings and investments grow, your financial situation will improve dramatically.

5 Cut down on your credit card usage

You most likely used your credit card a whole lot less during lockdown – so keep up this excellent habit. Also, if you do not pay the full balance at each billing cycle, you pay interest on your credit card purchases. Why not use the money you can save on paying interest, to pay off other debts?

6 Give to others

During these challenging times, think of those less fortunate than ourselves. Many people are struggling financially right now, so why not donate your time to a charity or cause? You can also give food or clothing to those in need. **If you care about others, the payback is immeasurable.**

7 Track your spending

Now is a good time to start tracking your spending. If you don't have a budget, then you probably don't have any idea where your money is going. A budget is the best way to take control of your finances.
By tracking your spending, you will identify your areas of excess spending and save money.

8 Learn to say 'NO'

Avoid impulse buying. Often when you see something you like, you buy it because it doesn't cost that much. Even worse is the ease of purchasing online nowadays. It all adds up.

This also means learning to say 'no' to your children. You can save money by learning to say 'no' to the random things they see and want. This will help with their attitude toward money when they grow up.

9 Sell the things you don't need

You most likely found the time to clear out some unwanted or unused items in your home. **Why not sell them and turn them into cash?** Alternatively, donate them to charity or give them to someone in need.

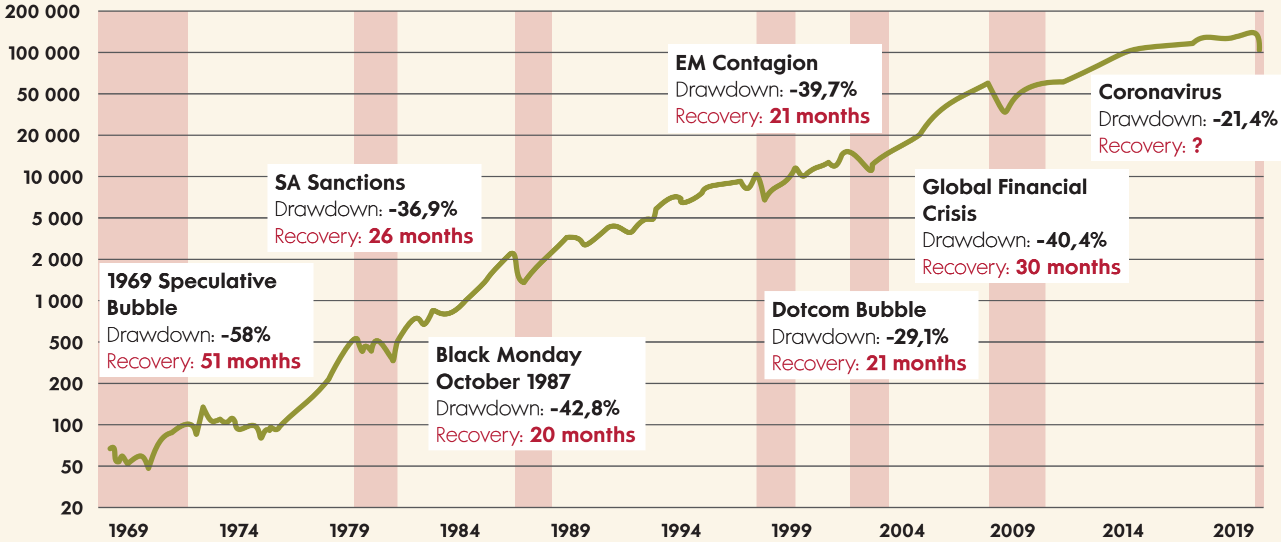
INVESTMENT MARKETS WILL MOST LIKELY RECOVER

In order to get high returns on your investment over long periods of time (such as those targeted by the Balanced Portfolio), you need to invest a large proportion of your portfolio in shares.

However, share prices are volatile. Inevitably, there are times when share prices fall, causing the same anxiety that you are experiencing during the current crisis.

The good news is that in the past markets have always recovered from similar 'crashes' and, given time, moved to new highs.

HISTORY OF MARKET CRASHES 1969–2020



The graph above shows the market crashes of the Johannesburg Securities Exchange (JSE) share index during the past 51 years. This somewhat unusual period was chosen to include the market slump of October 1969, which is the worst decline on record.

For each crash, the graph shows the extent of the 'drawdown', i.e. the negative return caused by the crash, and **the period (in months) for the index to recover**. It does not allow for the effect of inflation, which would make the recovery longer.

THE VALUE OF GOOD ADVICE

The value of getting financial advice from a qualified financial adviser should not be underestimated and is highly recommended. Speak to a financial adviser to help you consider your options.

Contact Alexander Forbes Individual Advice Centre (IAC): **Tel: 0860 100 444** or **Email: iac@aforbes.com**

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