



# WOOLWORTHS GROUP RETIREMENT FUND

MAKING THE DIFFERENCE TO YOUR RETIREMENT

## MEMBER NEWSLETTER

QUARTER 4 • 2019

# TIPS TO HELP YOU SAVE

ONCE YOU RETIRE, YOUR QUALITY OF LIFE WILL DEPEND ON HOW MUCH MONEY YOU HAVE SET ASIDE. THIS NEWSLETTER HAS SOME USEFUL GUIDELINES ON SAVING.

The money you save can be used to get you out of debt, and being debt free is very important. You can also invest and grow your savings over time. **Look after the future you.**



### ESTABLISH AN EMERGENCY FUND

**One of the first steps to becoming debt free is to set up an emergency fund.** It is often unexpected events that make you reach for your credit card or get yourself into debt.



**Getting rid of your debt is important.** Make a decision not to buy on credit and if you do, pay it off as quickly as possible. Think twice before making non-essential purchases.

**Ideally you need to put at least three months' of living expenses into a separate account that you only access in an emergency.**

Remember, a new car or a pair of shoes is not an emergency.

#### Here are some reasons why we need an emergency fund:

- Having funds set aside frees us up mentally to make better decisions.
- Rainy day funds give us resilience when the storms hit. They're a form of self-insurance.
- It keeps us from crisis borrowing and avoids excessive interest rates.
- A cash cushion gives us less to worry about and lowers our anxiety.

- It keeps us on track towards our financial goals. There's no point in setting goals if the first unforeseen cost wipes out our progress.
- **It establishes a habit** – the really important habit of saving.
- **It is a gateway to investing.** The act of building a buffer shows us how to create a surplus which is a necessary tool for investing.
- It empowers us and shows us what we can achieve over time. Just seeing how our regular savings can add up and earn compound interest gives us more confidence in what is possible.

It teaches us to **save first and spend what is left** instead of spend first and save what is left.

THINK BIG. START SMALL. ACT NOW!

# CREATE GOOD SAVING HABITS

IF YOU SUBTRACT YOUR SPENDING FROM YOUR INCOME, SAVINGS ARE WHAT YOU HAVE LEFT OVER.

**Save, save, save! You can then increase your income by investing and growing your savings.**

Now is a good time to kick some bad habits. Below are practical, sound habits to help you get back on track with your retirement road map and feel more in control of your financial situation. **Good luck!**



## LIVE ECONOMICALLY

- Don't buy things that you don't need and don't try and keep up with your friends and neighbours.
- Everybody's needs are different, so live according to your own needs.

## SAVING IS A MINDSET

- Save water, electricity and, most importantly, money. Don't waste anything of value – recycle, pass on old clothes, swap children's toys with other parents instead of buying new ones and convert things you no longer use into money by selling them.

## TEACH YOUR CHILDREN TO SAVE

- Children need to know about the household budget.
- Teach them to work for their pocket money.



- Help them learn that making a financial decision is about weighing up the value of one thing against another and choosing the best.

## LOOK AFTER THE THINGS THAT YOU HAVE

- Take pride in what you have worked hard for.
- Respect your own efforts and feel good about what you have achieved.

## DON'T MAKE EXCUSES ABOUT WHY YOU DON'T SAVE

- Saying "I'm too young" or "I'll save next month" or "only rich people can save" won't get you anywhere.

## PAY OFF YOUR DEBT AS FAST AS YOU CAN

- Handle your credit cards and store cards with caution.
- First pay off your debt before taking on more debt. You will save money on the interest that you pay.

## START SAVING EARLY FOR RETIREMENT

- Start saving consistently for your retirement years from the day you start your first job.
- Enjoy the magic of compound interest, one of the most effective ways to grow your savings.
- Put aside at least 15% of your income each month in a safe investment.

## USE CREDIT SPARINGLY AND CAREFULLY

- Save the money and then buy the item, rather than buying it using credit. It's much cheaper.
- It's better to spend money you have earned than to spend money you still have to make.

## SHOP AROUND



- Compare prices and benefits.
- Question the reason for each purchase you make. Will it build your assets or is it just to show off?
- Are there alternative products?
- If you are unhappy with an item, return it. These days, consumers are protected.

## DRAW UP A BUDGET AND STICK TO IT

- Draw up a monthly budget so that you can keep track of your expenses. You will be able to identify expenses that you can cut back on, e.g. restaurants, fast food and buying unnecessary clothing.

# FOCUS ON ACHIEVING LONG-TERM OBJECTIVES

Despite recent poor returns, the Fund's long-term returns (10 years) have been good, achieving its long-term investment objective.

The graph on the right shows the returns that most members would have earned, compared to inflation, over different time periods.

## WHAT HAS BEEN DRIVING THE RECENT INVESTMENT PERFORMANCE?

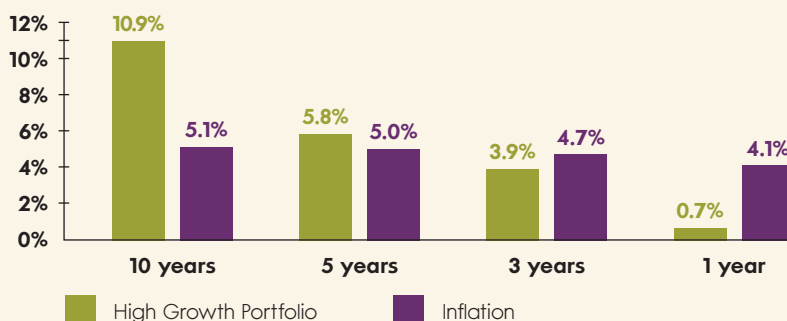
In 2018 the financial markets across the world experienced poor performance, but **there have been improvements in 2019**. We are not yet out of these challenging times – the investment environment remains tough and the issues that drove the poor performance of 2018 have not yet disappeared.

## THE USA AND CHINA

The USA has been accusing China of unfair trading practices, and China believes that the USA is trying to put a stop to China's economic rise. Both have imposed tariff restrictions on each other's goods, which makes it more expensive to buy Chinese imports in the USA and vice versa.

The USA is the largest economy in the world and China is its largest trading partner – **a dispute between the two creates a lot of uncertainty** since both have enormous influence over the global economy.

## RETURNS (PER YEAR) TO 30 SEPTEMBER 2019



## THE BREXIT ISSUE

In 2016 the United Kingdom voted to leave the European Union and return to using only its own currency, the British pound. There are many complicated repercussions of this vote, including trade uncertainty, as the UK would then no longer form part of the EU trade block and will have to renegotiate trade deals with all its trading partners.

## SOUTH AFRICAN DOMESTIC ISSUES

Our country continues to face challenges on multiple fronts – economic, social, environmental and political. Regrettably, there are **no quick solutions** to these challenges.

**Eskom is arguably our biggest challenge** – a stable, dependable and cost-effective supply of electricity is essential to economic growth at any level.

Government debt is increasing, and tax collections are decreasing. This means the government is paying off more debt with less income, which is not a healthy position for any economy.

## THE GOOD NEWS

- The corruption which gripped our economy has been exposed and **corrective action is being taken**.
- Investors factor in negative issues when determining the fair price for investments. This is known as being 'priced in'. When enough bad news is priced in, we can expect that local financial markets will react favourably to improvements.
- The Trustees, while being mindful of the short-term issues, remain focused on achieving the long-term objectives of the Fund, namely **to earn inflation-beating returns over the long term**.

## SUMMARY AND CONCLUSION

Financial markets continue to be influenced by geopolitical developments, particularly those that affect global trade among the big economies. In addition, we have serious challenges to deal with in South Africa, many of which could take years to resolve.

However, there are some positives amid these unfavourable conditions – when things are bad, investors tend to expect them to remain bad. For those who are patient, this creates opportunities

for markets to perform better in the far-off future – off the base of lower prices. Our Trustees remain focused on maintaining the Fund's well-considered investment strategy, in order to achieve the Fund's long-term objectives.

**The most important thing that you can do is to remain disciplined, saving as much as possible for your future retirement and keeping your savings invested for as long as possible.**

# SAVE OR INVEST? IT'S IMPORTANT TO DO BOTH

AND REDUCE THE RISK THAT YOU WON'T  
SAVE ENOUGH FOR RETIREMENT

## WHAT IS SAVING?

SAVING IS PUTTING MONEY ASIDE FOR FUTURE USE – OR SPENDING POSTPONED.

**When you save money for future use, you put that money aside with a goal in mind.**

It may be your annual holiday, your child's university education, or your emergency fund for a rainy day. Your objective is to not spend the money now, but to save it for a particular use in the future.

If you hide this cash in a drawer, you are saving, not investing. Left alone, that money will not grow by any amount or in value. On the contrary, it will actually lose value because of inflation. It will be worth less in a year's time than what it is worth today.



## WHAT IS INVESTING?

INVESTING IS WHAT YOU DO WITH MONEY TO EARN A RETURN.

**When you invest, your objective is to earn a return – which is to grow your money.**

The constant rise in the cost of living, known as inflation, steadily eats away at the purchasing power of your money. In other words, you can buy less in a year's time with the same amount of money.

Simply depositing your money in a bank will not grow your money or beat inflation. You should rather invest in assets that deliver a higher return that beats inflation over time. A tried-and-tested way of doing this is in higher-risk assets such as shares, which may prove volatile over the short term, but deliver inflation-beating returns over longer periods.

## THE VALUE OF GOOD ADVICE

The value of getting financial advice from a qualified financial adviser should not be underestimated and is highly recommended. It may help you reach your goals.

**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@aforges.com](mailto:iac@aforges.com)**

**W** **WOOLWORTHS GROUP  
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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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