



WELCOME BACK

Dear Members,

We trust this newsletter finds you and your family safe and healthy. We start this year knowing that everyone has been impacted by the pandemic in some way and that the disruption of the past two years will continue into this year. As we continuously adapt, we know that we all need to take care of ourselves, not only physically by following all the regulations, but also emotionally. It is vital that our community strives to support each other, to remain positive, and to communicate constructively.

Below you will find information that should assist you in making an informed decision regarding your pension planning; and the decision to leave your actuarial reserve in the RU Pension Fund or move it to the RU Provident Fund.

We look forward to a safe, positive and productive year! Please feel free to contact us with any questions or concerns.

Kindest Regards

The Rhodes Pension Fund Project Team

**Know
your pension
options to ensure
you make the right
decisions**

OPTIONS TO CONSIDER

Your retirement may still be a while away but it's never too early to start thinking about what you'll do with your retirement savings when your retirement day arrives.



What would you do with your retirement savings when you retire?

If someone gives you a box of chocolates, would you gobble them up all at once or treat yourself with one every now and then? Similarly, if you won the lotto, would you spend all the money at once or invest it so that you can live off the interest?

The sad reality is that if you apply poor financial habits to small amounts of money, chances are you'll apply poor financial habits to large sums of money. To break those bad habits, you need to investigate your options properly and then make informed choices.

Tip

Beware of family members who come out of the woodwork looking to borrow money from you when you are about to retire. According to a licensed financial adviser, this is unfortunately more common than we realise. And it puts terrible strain on relationships.

DECISION 1

Do I retire now or later if I earn another income?



Your first step is to find out if your employer allows you to retire later than your required retirement age. If not, but you don't need your savings just yet, you can postpone or 'defer' your retirement from the fund. You can leave your money invested in the fund and withdraw it when you are ready.

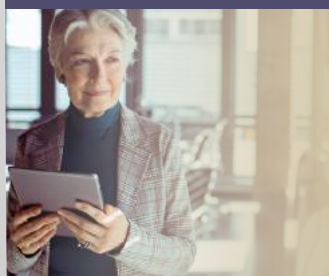
For more information on this option, refer to your member booklet.

Tip

Beware of friends or people in your community who offer financial advice but have no financial training or background. They might think they are helping you but without proper qualifications, they could really harm your financial well-being.

DECISION 2

I'm retiring now – do I need to take any of my savings in cash or can I use the full amount to buy a pension?



If you invest all your money, you can leave it to grow, with your interest itself earning interest over time. Once you take your money in cash, you may feel tempted to spend it all at once. It's always better to bypass that temptation by investing your savings where possible.

Tip

You must be very careful when taking cash. Spend some time thinking about what you need and not what you want. If you take cash, you may also need to pay tax.

DECISION 3

What type of pension should I buy?



Level pays you the same income for the rest of your life



With-profit gives you increases based on how investments perform



Fixed-increase allows you to choose a fixed yearly increase up front



Inflation-linked guarantees an income that keeps up with inflation, with certain limits, and it costs more

Tip

Each type of guaranteed pension will give you a unique monthly starting income. Don't just choose the highest income – each product works differently. For example, a level pension starts with a higher amount and might be best for someone who does not expect to live very long.

A flexible pension, i.e. a living annuity, allows you to decide how much money to draw each year as an income, up to a certain amount.

Tip

Even though this pension gives you flexibility, it's important to be aware that you could run out of money if you draw too much too soon. A flexible pension (living annuity) isn't guaranteed to give you an income for the rest of your life. We encourage you to speak to a financial adviser to find out about the advantages or disadvantages of fixed and flexible pensions

DECISION 4

If I buy a guaranteed pension, what are my options?



You can buy a guaranteed pension from your fund (depending on your fund's rules) or you can buy one from outside of the fund.

Whether you decide to buy a pension from the fund or outside the fund – flexible or guaranteed – it is important to get professional financial advice to make sure your decisions match your unique circumstances.

Tip

Don't feel pressurised to make decisions in a hurry. If you aren't sure, speak to a different adviser. You should never have to make big financial decisions in a hurry.

DECISION 5

If I choose a flexible pension, what are my options?

Depending on your fund rules, you can buy a flexible pension from the fund or outside the fund. The trustee annuity strategy may provide for different annuity options, depending on the size of your retirement savings and flexibility you require: an in-fund living annuity, or an out-of-fund living annuity may offer you more flexibility. If none of these suits your needs, you can buy a pension with any registered pension provider. Many funds have adopted the Alexander Forbes Retirement Income Solution (AFRIS).

The AFRIS living annuity offers:

Investment portfolios

Wide variety of portfolios to choose from

Leave money to your loved ones

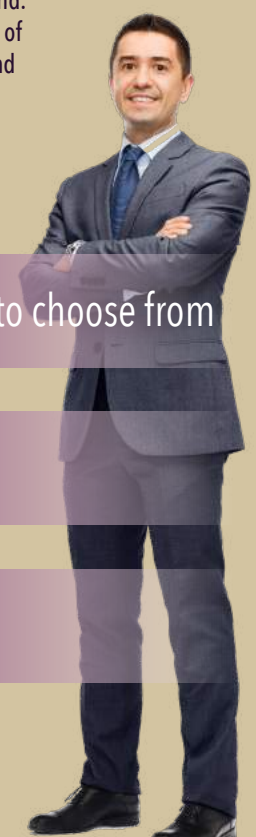
Yes

Amount to invest in this pension

R600 000 and more

Tip

If you decide to buy a pension – flexible or guaranteed – you will still need professional financial advice to make sure your decisions match your unique circumstances.



How tax affects your retirement savings at retirement



Cindy belongs to a **PENSION FUND**

On retirement Cindy must use two-thirds or more of the amount she saved before retirement to buy a pension. She can take the rest in cash.

If Cindy's savings are less than R 247 500 at retirement, she can take all her retirement savings in cash.

If she takes cash, she may need to pay tax.



Ayanda belongs to a **PROVIDENT FUND**

If Ayanda was 55 or older on 1 March 2021 he'd be able to take all of his retirement savings in cash when he retires (except if he transferred to another fund after 1 March 2021).

If Ayanda was younger than 55 on 1 March 2021, he must use two-thirds or more of the amount he saved after 1 March 2021 to buy a pension when he retires. He can take the remaining one-third and the amount he saved before 1 March 2021 in cash.

If Ayanda's savings after 1 March 2021 are less than R 247 500 at retirement, he can take all his retirement savings in cash.

If he takes cash, he may need to pay tax.

Article - Alexander Forbes AF Insights October 2021 issue.



Schedule of events for 2022

Coffee Information sessions (Webinars)

16 February, 16 March, 13 April, 18 May 2022

16 February -
Retirement Planning (Pensioners)

TOPIC: Options at retirement, including annuity (pension options at retirement)

Time: 10am to 11am

Presenter: Roy Morgan (Alexander Forbes – Financial Planning Consultants Division)

24 February
Active Members Town Hall

Time: 09:00- 11:00

16 March -
My retirement Picture (Active members)

TOPIC: Build up phase to retirement

Time: 10am to 11am

Presenter: Rob Rainier (Alexander Forbes – Financial Planning Consultants Division)

13 April -
Understanding savings options

TOPIC: The investment process:

- Asset classes
- Types of investment risks
- Retirement investment structures
- Personal investment structures
- Investment review process

Time: 10am to 11am

Presenter: Sinembasa Liwani (Alexander Forbes Member Education Division)

18 May 2022 -
Wills and Nomination of Beneficiary Forms

TOPICS:

- Death benefits provided on the fund
- Section 37C of the Pension Funds act
- Definition of dependence
- Importance of wills and nomination of beneficiaries forms
- Impact of divorce on your will
- Basic stages of estate planning

Time: 10am to 11am

Presenter: Sinembasa Liwani (Alexander Forbes Member Education Division)