



WELCOME BACK

Dear Pensioners,

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 whether to uplift your actuarial reserve out of the RU Pension Fund or whether to remain in the RU Pension Fund where you will continue receiving your monthly pension.

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**

Some additional factors to consider when engaging with your accredited financial planner on your decision to either leave your pension in the Rhodes University Pension Fund or to uplift and purchase a pension outside of the Fund.



By now much has been written on the different types of pensions that can be purchased at retirement and not too much on the factors that influence that purchase. This article aims to highlight some of these factors when engaging with your accredited financial planner on your decision to either leave your pension in the Rhodes University Pension Fund or to use the capital value to purchase a pension outside of the Fund.

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

Age of your spouse



The age of your spouse, actuarially one's female partner lives longer than their male counterpart! the question to ask is... 'What guarantees are in place to protect the surviving partner in their later years? To mitigate this, most annuities have a reversion benefit that protects the surviving spouse, this is usually a percentage of the main pensioners annuity payment and would depend on the type of annuity purchased. Knowing what this percentage is and whether it will be enough, is a very important consideration when purchasing your annuity,

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

Terminal illness



Terminal illness, if the genealogy of your family is short, or you find yourself suffering from a severe or terminal illness you may want to consider uplifting your benefit in order to provide capital to your heirs. (A Living Annuity could be used in this instance).

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

Sandwich generation

Sandwich generation, Baby Boomers often find themselves still looking after parents and adult dependent children. How will your pension purchase cater for these events?

DECISION 4

Tax efficiency



Tax efficiency, looking for the highest paying fully taxable income may not always make sense! Have a retirement budget and look to balance your purchase with annuities that can provide you with tax efficient income and potentially capital growth to supplement your annuity into the future. When consulting with your advisor be sure to reveal all your income assets as this will materially impact the advice given especially when it comes to your tax liability.

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

What does the future hold?

What does the future hold? although this may not play a part in your annuity decision, plan for the eventuality of selling off your home to move to a smaller property cottage on the childrens property or retirement village, investigate those options (from a financial and facilities point of view) and factor that into your planning.

As always speak to an accredited advisor that has your interest as heart to ensure that these most important life decisions are well informed.

Please feel free to use the consultwithalexanderforbes@forbes.com email address should you wish to consult with one of the team.

The legal process and some implications should a pensioner decide to purchase a pension outside of the Rhodes University Pension Fund

Pensioners have been invited to register their interest in taking up the option to uplift the cash value of their pension with a view to voluntarily purchasing an alternative pension in the open market of their choice. In order to be provided with the current capital value of your pension, the pensioner would need to complete the expression of interest form. Some pensioners have already received their values having completed the form.

For those pensioners who elect to uplift from the pension fund, the final values will be calculated as at the transfer date of 30 June 2022. It is possible that the final value calculated as at 30 June 2022 could be slightly different when compared to previous quotations provided. Reasons for this would be because:

- To take into account the fact that pension payments have been made since the previous quotation.
- to take into account any changes in the pension fund valuation discount rate which could be impacted by changes in bond yields since the previous quotation was provided.

On deciding to uplift, pensioners must be made aware of the following process, as this will affect their final transfer value.

The Financial Sector Conduct Authority ("FSCA") must approve the transfer out of the pension fund. This approval transaction is known as a Section 14 Transfer and is quite a complex process which can take some time before approval is obtained from the FSCA. This could be anything from 6 months to 9 months.

During this period, your pension will continue to be paid by the Rhodes University Pension Fund. Your underlying capital value will be transferred out of the current fund investment portfolios and invested in a money market portfolio thus securing your capital by protecting it against any market volatility typically associated with the Pension Fund's current market linked portfolios. The capital value that is eventually transferred to your selected annuity will be adjusted with pension payments made between 1 July 2021 up until the section 14 approval date PLUS investment growth on the capital in the money market portfolio during this period.

Based on your choice of pension outside of the Rhodes University Pension Fund, it would not be possible to exactly project what the level of your pension income will be at the time when the FSCA has approved the transfer out of the pension fund. This is because market conditions and annuity prices could have changed in line with market conditions at that time.

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.





Schedule of events for 2022 (See Attached)

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)

16 March -

Pensioners Town Hall

Time: 14pm to 16pm

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)