Retirement

AF Access Retirement Fund **newsletter**

Issue 1 for 2025

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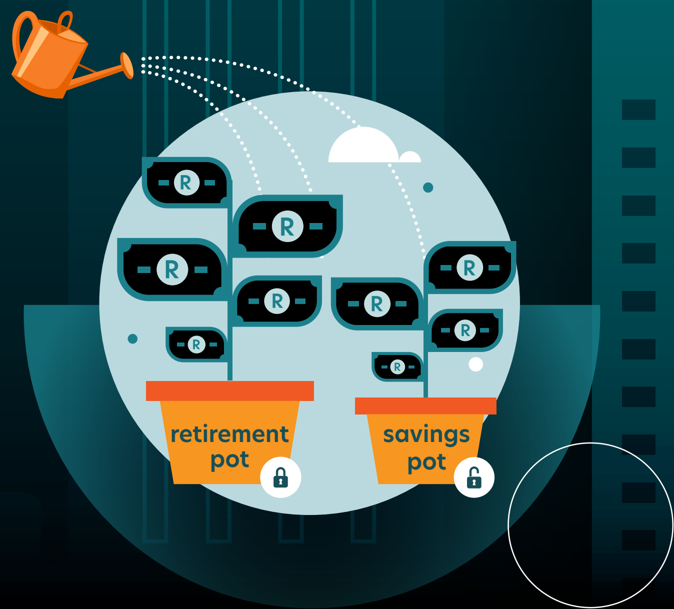
Smart steps for future security

Welcome to the first issue of the AF Access Retirement Fund newsletter for 2025. This newsletter shares important fund information and updates you on the latest news in the retirement fund industry. We give you important information to enable you to make informed decisions about your retirement savings.

The two-pot system: think twice before you tap into your savings pot



Since 1 September 2024, members of South African retirement funds can make one withdrawal of at least R2 000 from the new 'savings pot' each tax year. This change allows limited access to your retirement savings to help you during a financial emergency while keeping most funds secure for your future.

Two months after its introduction, SARS reported 1.6 million withdrawal applications, totalling R29 billion. But before you dip into your savings, let's look at how these withdrawals could affect your future.

Tax debt could shrink your payout

Many members applying for savings withdrawals found their actual payout was reduced due to outstanding tax debt. Across the whole industry, SARS withheld R7.2 billion in taxes, and a further R750 million went toward settling debts.

While retirement funds transferred an initial, once off amount into savings pots, the money in your savings pot will keep on growing as you contribute to your fund each month. This may tempt you to withdraw more in the future, but it's crucial to think about the consequences.

Short-term gain, long-term pain

It's easy to focus on the immediate benefits of a withdrawal, like extra cash, while overlooking the long-term negative effects. Taking money out early reduces what you'll have available at retirement – not just the lump sum but also the income it could generate to provide you with a pension after retirement.

When you withdraw, you lose out on:

- Tax-free investment growth
- Creditor protection
- Estate duty exclusions
- The magic of compound interest

The magic of compound interest

Compound growth is like a snowball rolling downhill – your money grows faster over time as you earn interest on interest. For example, R100 earning 5% annually becomes R105 after one year and R110.25 after two years.
The longer you leave it, the bigger the snowball.

If you withdraw from your savings pot, you interrupt this process.
Let's look at an example:

Lebo and Selina are 35 years old and contribute R5 000 to their retirement funds every month.

Lebo withdraws R200 000 from her savings pot at age 35

By retirement at 65, she'll have **R610 773** less because of this withdrawal. To make up for this loss, Lebo would need to contribute an **extra R1 497 per month** or work an extra 70 months to catch up within her remaining 30 years.

Lebo will pay R58 575 in tax for her savings pot withdrawal, meaning she will get a little over

R140 000 after fees and taxes.

Small withdrawals, big impact

Even small withdrawals can cost you dearly. Let's say Selina withdraws R30 000 from her savings pot at age 35 and continues to withdraw R2 000 every year from her savings pot. Fast forward to age 65, Selina loses out on R1.38 million because of the withdrawals she made.

In addition, you should be aware of the impact of tax on any withdrawal you make as each withdrawal is taxed at your tax rate.

If you withdraw R30 000 and earn R50 000 a month, you'll receive less than R19 000 after taxes and fees.

The assumptions used for the calculations are - current age 35, retirement age 65, monthly contributions R5 000, 5% annual interest rate, 6.5% annual salary increase. Both are invested in a moderate high risk portfolio. Tax is based on your marginal tax rates.

How to better fund your future

Build an emergency fund

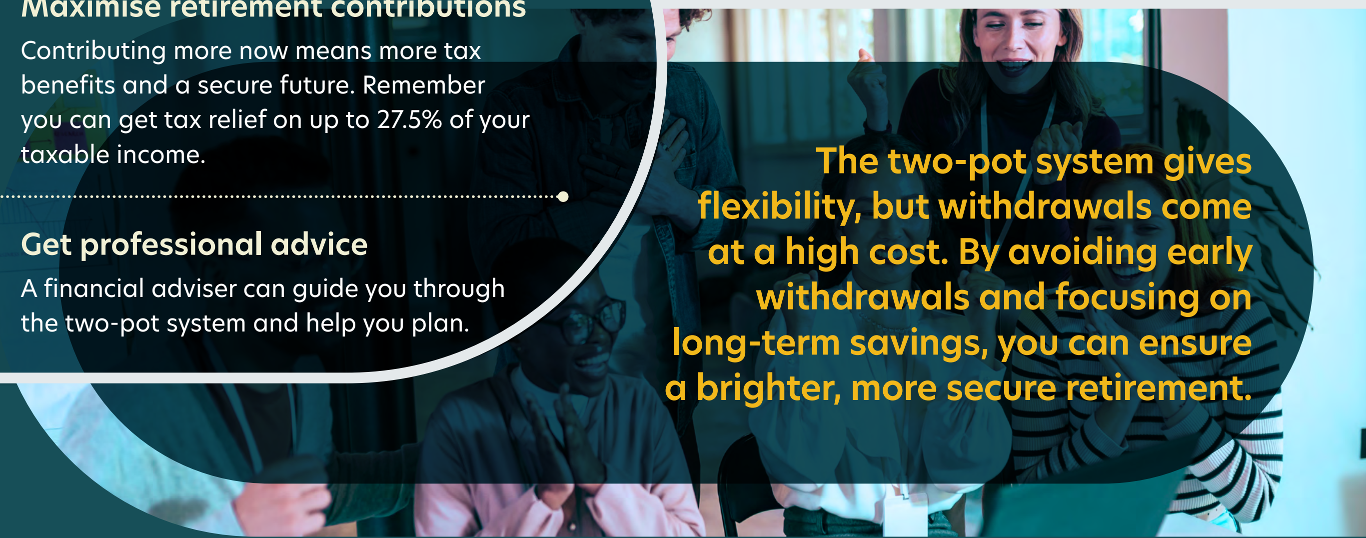
Save three to six months' living expenses in an account that earns high interest.

Maximise retirement contributions

Contributing more now means more tax benefits and a secure future. Remember you can get tax relief on up to 27.5% of your taxable income.

Get professional advice

A financial adviser can guide you through the two-pot system and help you plan.



The two-pot system gives flexibility, but withdrawals come at a high cost. By avoiding early withdrawals and focusing on long-term savings, you can ensure a brighter, more secure retirement.

Top tip

By not withdrawing from your savings pot, you could potentially give yourself up to a 33% increase in your take-home pay at retirement, leaving it to grow and work harder for you over time. Your future self will thank you!

Quick links

AF Connect

Ready to see how much you've saved for your future? AF Connect makes it super easy to check your retirement balance, update your nomination of beneficiary form, or even make a savings pot withdrawal when needed – all in one place! Plus, with a treasure trove of helpful resources, you can learn how to grow your savings with confidence. So, why wait? Jump in today and start taking control of your retirement journey by registering for AF Connect in three easy steps:

1. Log in here
2. Click on Register now
3. Complete the registration page

Important note: This may take a couple of days to link your profile.

AF Rewards

Save more, live better with AF Rewards

Why pay full price when you can save on everyday essentials? With AF Rewards, you can enjoy amazing discounts on groceries, airtime, data, travel packages, health products, and so much more! It's the smart way to stretch your budget and get far more for less.

Sign up today

your wallet will thank you!

My Money Matters

The ultimate financial toolkit awaits!

Ready to take control of your financial future? The My Money Matters website is packed with expert advice and educational articles that will guide you through every stage of your financial journey. Whether you're starting a new job, transitioning to a new employer or preparing for retirement, the My Money Matters website has everything you need to make informed decisions and secure a bright financial future. Start learning today and set yourself up for a fabulous future!

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Don't put all your eggs in one basket – a case for multi-management

Relying on one investment can be risky. It might be tempting to bet on last month's top performer, but markets change, and past results doesn't guarantee future results. What worked yesterday might fail tomorrow. Investment performance for retirement savings is like running a marathon, fast in some sections, slower in others, but a steady pace overall will take you to the finish line. That's why your retirement fund takes care of this for you, ensuring your savings are well-diversified through its multimanager approach.

Call to action

Your fund does the hard work for you:

- With the default LifeStage strategy, your retirement savings are already diversified.
- The multimanager approach reduces risk and provides long-term stability.
- If you'd like to learn more, speak to a financial adviser about how your fund's strategy supports your future goals.

The problem

The danger of relying on one investment:

- Past performance ≠ future results.
- Markets change – what works today might fail tomorrow.
- A lack of diversification increases risk and can lead to poor outcomes.

Real-life example

Thabo versus Lerato: a tale of two approaches:

- Thabo's approach: He relies on one asset manager and one investment type. When markets shift, his savings are exposed to significant risk.
- Lerato's approach: Her retirement savings are in a multimanager portfolio that diversifies across shares, bonds and property. When one area performs poorly, others balance out the losses, reducing her overall risk.

Your fund ensures all members benefit from Lerato's approach.

The solution

Your fund's built-in diversification

The Trustee's default LifeStage approach reduces risk by:

- Spreading your savings across multiple asset classes: shares, bonds, property and cash.
- Using a multimanager approach to diversify by asset manager.

The role of multimanager investing

Multimanagers: experts working for you.

Through the multimanager approach, your retirement fund:

- Selects top-performing asset managers.
- Combines different investment strategies, styles and philosophies
- Continuously adjusts portfolios based on market trends.

This ensures your retirement savings benefit from a carefully balanced and expertly managed portfolio.

The benefits of the multimanager approach

This is how your fund protects and grows your savings:

- Broad diversification: Money is spread across shares, bonds, property and other asset classes.
- Expertise in manager selection: Skilled professionals select top-performing multimanagers.
- Strategy variety: Combines multiple approaches to minimise risk and maximise growth.
- Ongoing management: Portfolios are regularly adjusted to seize opportunities and navigate market changes.

Top tip Think long-term, not short-term. By spreading investments across different asset classes and strategies the fund helps minimise your risk to market downturns and provide more growth over longer periods of time.

Disclaimer

This article is in relation to the trustee default investment portfolio and not applicable to Manco selected and bespoke portfolios.

Do you have any questions relating to the articles in this newsletter?

Contact details

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contactus@alexforbes.com (if there's something you feel the fund can improve on)

Investment returns

Performance of investment portfolios to 31 December 2024

Let's take AF Balanced High Growth as an example - (Trustee selected default)

The value of R100 invested over various periods to the end of December 2024

1

2

We measure how well a portfolio is performing by comparing it to a benchmark[1]. We can see that the portfolio is **better than** its benchmark over **most** periods.

Over a period of 10 years you would have grown to R260. You are getting R29 for every R100 you saved in this investment portfolio instead of its benchmark. benchmark.

Source: Alexforbes

4

Keep in mind that the value of your investments go up and down.

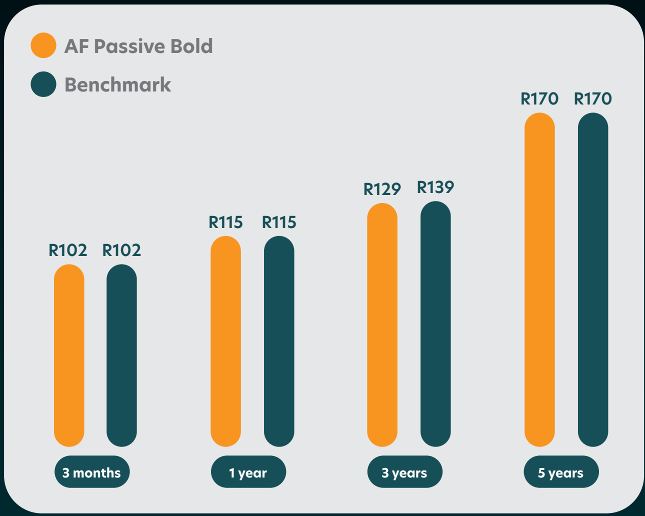
5

Invest over long periods for your money to grow – the longer the better.

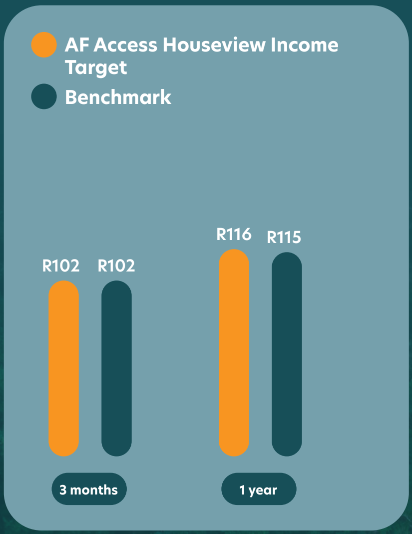
3

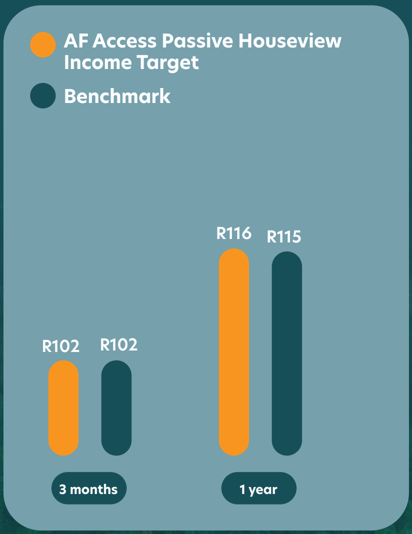
Over long periods, we expect the value of investments to grow in line with its target, which may not be the case in shorter periods. For this reason, it's better to focus on long periods like **five or ten years** when you look at retirement savings.

Growth portfolios

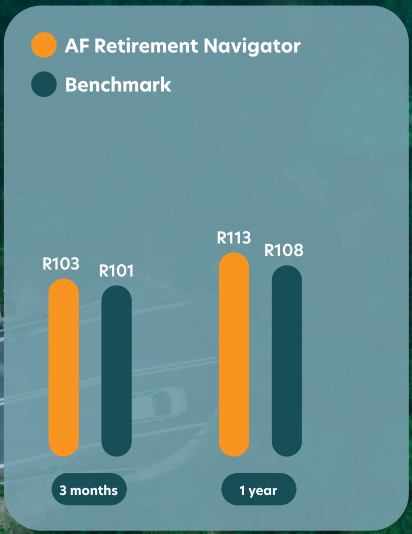


Income target portfolios





Source: Alexander Forbes Investements



Click here to view the full list of investment returns

Disclaimer

All investment returns are gross of fees.

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