

Retirement



AF Access Retirement Fund **newsletter**

Issue 3 for 2023



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A fresh take on your finances



Fund updates -
the latest
two-pot system
proposals



**Investing versus
saving** - giving
your money a
better chance
to grow



**Money
lessons** - how
inflation affects
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**Investment
returns to
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2023**



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Fund updates – hot off the press

The new **two-pot system** for retirement funds



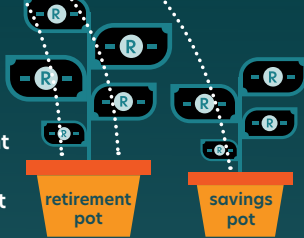
Changes to retirement funds coming soon

What do the changes mean for my retirement savings?

- 1 From next year in March any new retirement savings will be split into two new pots for your retirement

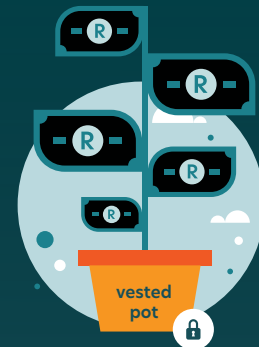


two-thirds (about 67%) of new retirement savings automatically go into your retirement pot



one-third (about 33%) of new retirement savings automatically go into your savings pot

- 2 What happens to my existing retirement savings?



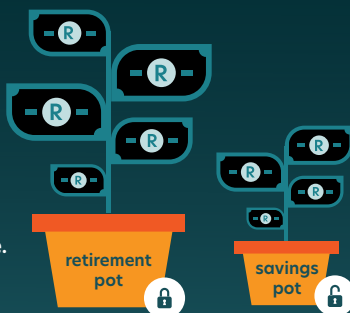
Today your retirement savings are invested in one pot for your retirement.

You can only withdraw cash from these savings if you leave your employer or retire. Rules apply.

Your retirement savings up to 1 March 2024, and any investment growth on these savings, **will not be affected by the new rules.**

- 3 How your two new pots work

You must use your retirement pot to set up a retirement income. No withdrawals allowed.



You can withdraw from your savings pot once a tax year if you need to. Limits and rules apply.



When will money be available in my savings pot?

A small amount of your savings from your vested pot will be moved to your savings pot on 1 March next year. This amount is expected to be 10% of your savings. This first amount in your savings pot can't be more than R25 000. You'll be able to withdraw the money in your savings pot if it's more than R2 000. You'll pay tax on any cash you withdraw.

>>> Save your savings pot for your future self!

Alexander Forbes Financial Services (Pty) Ltd is an authorised financial services provider (FSP 1177 and registration number 1969/018487/07), an approved retirement fund administrator (24/472) and an accredited Council for Medical Schemes organisation (ORG468).

Please speak to a financial adviser before you make any financial decisions.



Scan this QR code to watch a video or read more about the two-pot system.



Four top tips for those who are close to retirement

Whether you are close to retirement or a long way off, these top tips will help you plan and prepare for your big day.



Tip 1: Evaluate your expenses

List your monthly expenses to see what can be brought down – consider downgrading your cellphone contract, trading in your car for a smaller model or buying a smaller home that needs less maintenance. Start paying off clothing accounts and credit cards so you are debt free at retirement.



Tip 2: Evaluate your medical aid plan and insurance

Is your medical aid plan suited to the health conditions you have? There are many medical aid plans that are cheaper and better suited to your unique circumstances. A health broker or consultant can help you with this. They know the medical aids and the plans better than most. When it comes to your insurance – for your car, household, building (structural) or life – you need to make sure you aren't over- or under-insured. A financial planner can work with you to make sure your policies cover only what you need covered.



Rita Cool, head of individual consulting strategy at Alexforbes says, 'Having money opens up our options in life. Make sure that you've saved and invested enough to benefit from more choices – now and in the future.'



Tip 3: Open and regularly review a life file

Make sure you have all your most important documents in one safe place. Start a file or open a folder on your computer for these documents. Set a time of year, for example every January, to look through your file to make sure everything is still up to date – like your beneficiary nomination forms. Don't forget to tell your loved ones about your life file.



Tip 4: Find out if you are on track to retire comfortably

A financial adviser can advise you if you are on track for retirement or if you are falling short. If you don't have an adviser, you can use **My Retirement Picture** to help you assess your personal situation.



My Retirement Picture

On track for retirement?



Keep reviewing your finances regularly to stay on track



Not on track?



Think of ways to save more money for retirement. Consider:

- > working later if your employer allows it
- > thinking of small business ideas to bring in extra money
- > putting more money into your retirement fund

Speak to your HR department to find out if you can increase your contribution rate or make additional contributions to the retirement fund.



Key takeaway: Time is a valuable thing. If you have enough time, you can make positive changes that are not too demanding on your take-home pay. The sooner you start, the sooner you will get on track. It is much easier to stay on track than scrambling at the last minute. No one needs that kind of pressure as they reach the end of their working career.



Investing versus savings – give your money a better chance to grow

Many people believe that 'saving' money and 'investing' money are the same thing. Saving is important, but is it enough?

So, what is the difference between investing and saving?

Rita Cool says, 'It's important to remember that wealth has less to do with how much you earn and more to do with how much you save and invest.'



versus



Investing

When you invest you put your money in experts' hands so that they can grow it through things like shares, bonds, cash and property – giving you the best chance of retiring with enough money, without having to work any harder to increase your wealth.

- Grow your money for when you retire
- Enjoy earning interest on your interest
- Not easy to withdraw



Reason for investing

- Secure your future retirement
- Make your money work for you



Saving

When you save you put money away in a safe place so that you can use that same amount in the future. It's a good way to manage your money to pay for things while you're working, but it doesn't grow the way you need it to for retirement.

- Keep money safe for immediate needs
- Money doesn't grow, but it is protected
- Easy to withdraw



Reason for saving

- Achieve your financial goals (saving for a holiday)
- Build an emergency fund





Typical ways to invest and save

➤ Ways to invest

Your retirement fund

Preservation funds

Unit trusts

Retirement annuities

➤ Ways to save

A stokvel

A bank account

Fixed-term deposit account



If you'd like more information on ways to invest, **check out the Alexander Forbes Retirement Income Solution (AFRIS) website.**

Where we use investing and saving

Investing	Investing is best suited for growing your money over long periods (like five to ten years), for example saving for retirement or for your children's education	Because the value of your investment goes up or down over short periods like three months, investing is not suited to more immediate needs like a wedding in three months' time
Saving	When you save, you won't lose money. This means that saving is better suited for more immediate needs like a trip to visit family or a matric farewell dress for your daughter	If you save for retirement (instead of investing) your money will lose value over time because of inflation

➤ **Key takeaway:** Relationships and gardens need nurturing and time to blossom – so too do your retirement savings. Keep your retirement savings invested and add to them when you can so that they can keep growing over many years.



Money lessons: common questions and answers

What does inflation have to do with my retirement savings?



Remember when a chocolate used to cost under R5?



How much do you pay for a chocolate today?

That increase in the cost over time is called inflation. You are spending a lot more today on the same product you bought years ago. In a nutshell, when inflation goes up, the value of your retirement savings goes down because you can buy less today than you could last year. In other words, inflation won't affect your income once you've retired, but it will affect how much you can buy for the same amount of money.



Here's the effect inflation has on your money:

2022 to 2023



Peanut butter 400g

R35.69

R38.75



Ceylon/black tea 250g

R32.94

R41.63



Cheddar cheese per kg

R128.47

R137.36



Eggs 1.5 dozen

R51.06

R54.58



Sunflower oil 750ml

R31.24

R36.82



Oranges per kg

R29.27

R26.12



Beef mince per kg

R97.82

R108.48



Chicken portions 2kg

R84.71

R92.94



Loaf of brown bread 700g

R14.64

R17.16



Maize meal 5kg

R53.67

R68.90



Onions per kg

R15.19

R22.02



White sugar 2.5kg

R47.05

R51.48



What can I do to protect my retirement savings from inflation?

1

Save enough money: you'll need to invest at least 17% of your **monthly salary** for retirement over your entire working career - **without taking any withdrawals**.

Your full monthly salary



Your fund salary



Your **fund salary**

is the portion of your salary that your employer decides your retirement contributions can come out of - it's not your full monthly salary. It's important to contribute as much as you can to have more to live on when you retire.

2

If you've saved enough money, you can set up a monthly retirement income that increases in line with inflation or another amount - depending on what you choose.

3

Delay your retirement and carry on working to give your money more time to grow. This will also shorten the time that you will require retirement income.

Key takeaway: When you are planning and preparing for retirement, you must remember to think about how inflation will reduce your income over time.

The best way to guard against inflation is to make sure you contribute enough over your lifetime and avoid withdrawing your retirement savings when you change jobs.



Our noticeboard



Alexforbes Rewards – proof that it is still a big deal for some members

So many of our members are saving a lot of money by shopping on our Alexforbes Rewards platform. The savings they enjoy today will help them use their money more effectively tomorrow.

This is how much they've saved and how many coupons and vouchers they've used from 29 July 2022 to 31 May 2023:

- **Member savings**
R7 852 865.94
- **Coupons issued**
25 656
- **Mall vouchers issued**
15 933

Remember, there is no subscription fee – only great daily and monthly deals available 24/7/365!

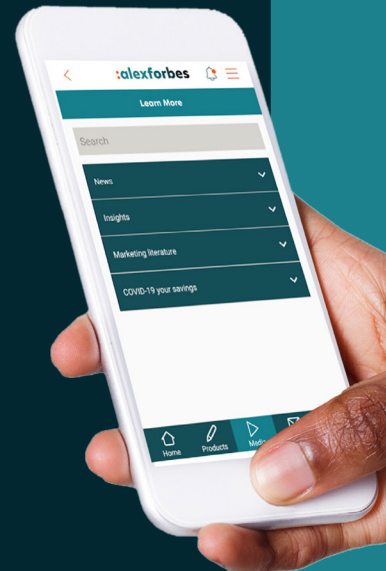
If you:

- haven't started shopping yet, you can start today by clicking [here](#)
- are struggling to sign up on Alexforbes Rewards, you can complete [this form](#)

Have you downloaded the AF Mobile app yet?

0860 60 61 62

This app is available as a free download on the Apple App Store and Google Play Store. Simply search for Alexforbes. Download the app from the SA, US or UK App Store. If you don't have an online profile, register by following the menu prompts. If you have an online profile, log on using the same username and password.



If you need help, contact
0860 60 61 62 or email

afonlinehelp@alexforbes.com

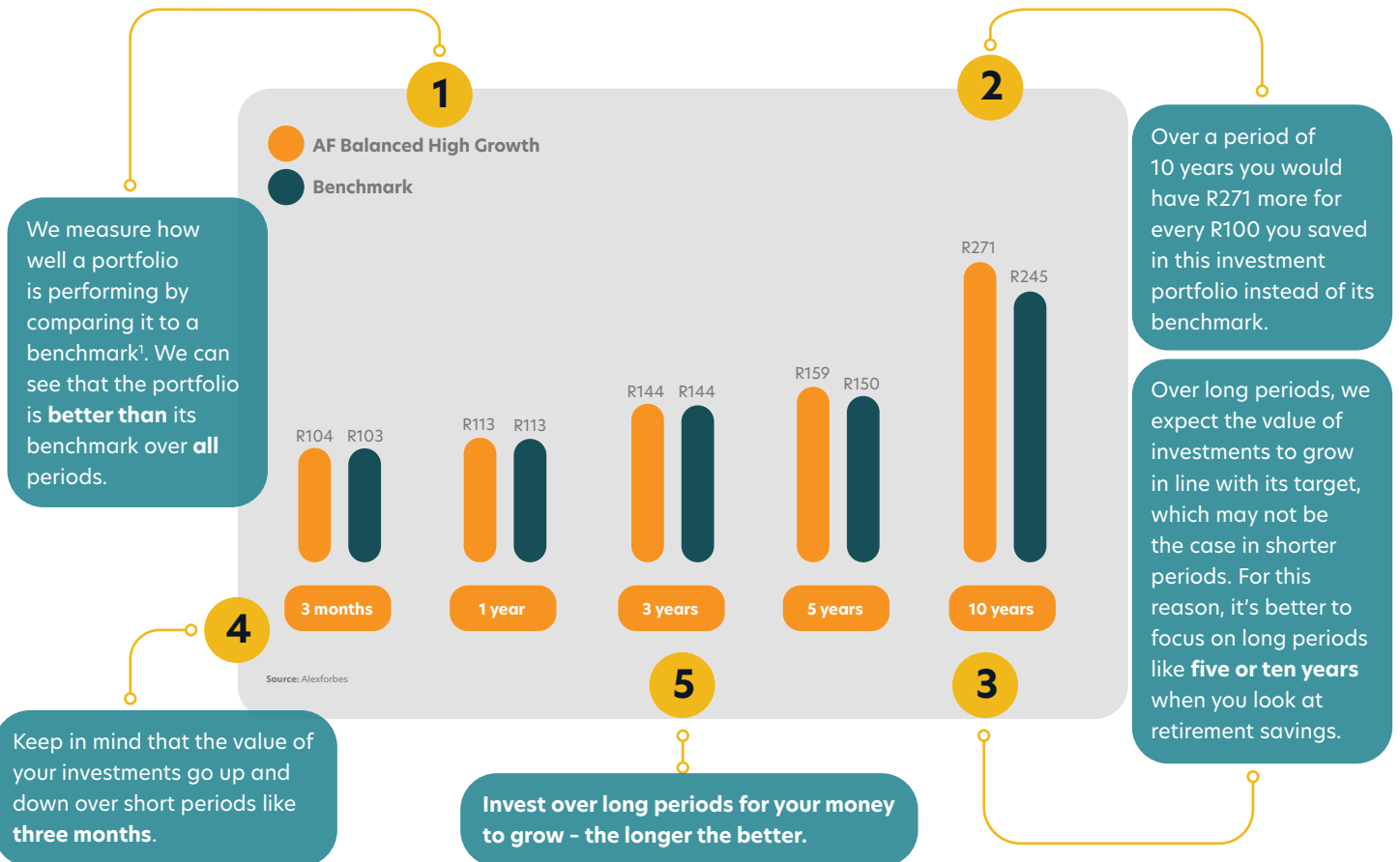


Investment returns

Performance of investment portfolio to 31 June 2023

Let's take AF Balanced High Growth as an example

The value of R100 invested over various periods to the end of June 2023



¹ **What is a benchmark?** A ruler shows us objectively how long a piece of string is. In the same way, we use a benchmark as a value to measure how an investment portfolio is performing and if it is delivering on its performance objectives.



Growth portfolios



Contact details

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