WOOLWORTHS
Woolworths Group Retirement Fund
Making the difference to your retirement

Member Newsletter

Quarter 1 • 2011

Dear Member

Welcome to our first issue for the year. The beginning of a new year is often the time when we think about starting new things, setting the budget for the year, etc. This is also a great time to review your retirement plan and to see whether you are on track to reach your retirement goals – regardless of whether you are close to or far from retirement.

The statistics still speak for themselves. According to a recent survey by Alexander Forbes, 81% of retirement fund members will retire with insufficient savings to sustain their pre-retirement lifestyle. Retirees will have to either reduce their standard of living or stay employed, either in their current job or in a job they find after retirement.

In this issue we take a closer look at retirement annuities and 10 compelling reasons to consider them as an additional form of retirement savings.

Remember that the sooner you take action, the better your chances of meeting your retirement goals.

Happy reading (and saving)!
Ed

10 reasons to invest in a retirement annuity (RA)

A retirement annuity (RA) is a long-term savings vehicle that primarily helps people to save for their retirement. For many members, their retirement fund savings will not be enough, so additional savings will be needed to make up the shortfall. Here are 10 good reasons to consider an RA as your additional retirement savings vehicle.

1 Preparing for retirement

An RA helps you to build up capital during your working years so that you have enough income to enjoy the same standard of living when you retire.

2 Ensuring sufficient savings

The rule of thumb is that, if you save 15% of your salary over 35 years, you will receive 75% of your salary as a pension, given reasonable returns.

The problem:

Your pensionable salary (the amount that your 15% pension contributions are calculated on) is usually about only 70% of your total salary benefits which include, for example, a bonus, a car allowance, medical aid and other benefits.

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This means that you could retire on 75% of 70% of your salary!

It is important to save for these 'extras' because that will help you meet your retirement living expenses.

For example:

If your monthly package is R20 000, you would need to retire on the equivalent of R15 000 (75%). But your pensionable salary is significantly less at R10 500 (75% x R20 000 x 70%).

By investing 15% of your non-pensionable income in a retirement annuity, you can make up the savings gap. A starting point is to always invest 15% of your bonus, tax-free, in an RA.

3 Tax benefits

You can invest up to 15% of your total income (less any amount that may be used for other pension fund contributions) tax-free. Not only can you invest with before-tax money, but you don't pay capital gains tax or income tax on your retirement investment.

Your investment growth will be higher over the long term because the growth remains in the policy. An RA will usually offer you a better after-tax return than other types of savings.

When you retire, you can take a third of your investment as a lump sum. Of this, the first R300 000 is tax-free with a favourable tax rate for higher amounts. The remaining two-thirds of the retirement annuity is invested in an annuity to provide you with income during your retirement.

4 The power of compound interest

Because you are saving over a long period, your money starts to work for you as you earn interest on the interest. If you save consistently over 30 years, less than 35 cents of each rand of income you receive will come from the contribution you paid in.

The balance will come from the growth earned on your contributions and savings in retirement.

5 Disciplined savings

You cannot access your retirement annuity savings until the age of 55. This may sound like a disadvantage, but it removes the temptation to dip into or deplete your savings while you are still working.

For example:

A 25-year-old needs about 15% of his/her salary through their working lifetime to secure an adequate pension. If they cashed in their savings at 35, they would need to save 25% to get to the same benefit.

Starting from a zero base at 45 requires an incredible 47%! The only remedy here would be to retire later.

6 Long-term growth

As markets fluctuate during different economic cycles, your consistent contributions will average out these fluctuations. You also hopefully draw your pension over a prolonged period. Therefore, what happens in a turbulent investment market is of less concern to you. Over the last five years, the average investment manager has delivered returns which are 11% above inflation, despite the recent global economic crisis.

7 Supporting your dependants

If your dependants are left to cope without you, your retirement annuity can provide a source of income for those you leave behind, especially if you buy death cover on your policy. The cash benefit from a retirement annuity falls outside your estate, so if you die and are insolvent, your benefit is paid to your family rather than your creditors.

8 Room to grow your savings

While pension funds generally require a contribution that is a fixed percentage of your salary, RAs offer more flexibility. Many people recognise the need to save but struggle in the short term to meet financial obligations.

A retirement annuity allows you to slowly increase your contributions over time. For example, you could take 3% from each of your next five years' salary increases to get to the full 15% contribution. You can also invest a portion of your bonus each year as a lump sum contribution.

9 Diversified portfolio

You have access to different asset classes in a retirement annuity. You can invest 20% of your savings offshore without needing Reserve Bank clearance. You can also invest in other types of portfolios through your RA, such as:

- direct property
- private equity
- a fund of funds.

10 Freedom of choice

With many retirement annuities you can choose your underlying investment, giving you some flexibility as to how your contributions are invested and therefore how they grow.

With acknowledgement to FA News.

Top up your retirement annuity and save on tax!

With the end of the tax year looming, it's time to think about topping up your retirement annuity (RA) with additional contributions.

Perhaps you've earned a bonus, or put aside money for a rainy day that never came.

If you've contributed less than the maximum tax-deductible amount to an RA up to now, you may want to use your additional cash to top it up and enjoy the full tax benefit allowed by SARS.

If you don't already have an RA, consider investing in one.

Healthy habits for 2011

The start of a new year is always a good time to kick some bad habits and start the year off on a fresh and new note.

Here are some practical, yet sound, habits you may want to consider. They could help you to get back on track with your retirement road map and feel more in control of your financial situation – good luck!

- Draw up a monthly budget so that you can keep track of your expenses. You will also be able to identify expenses you can cut back on, e.g. fast food, lay byes and credit card repayments.
- Get rid of your debt. 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 – you'll be surprised at how much you can save.
- Overpay your housing loan by R100 or more each month – you'll be amazed at the effect this will have on the amount of interest payable in the long term.
- Make additional voluntary contributions to the Fund to boost your retirement savings.
- Take an active interest in your retirement savings – what you don't do now could come back to haunt you when you are about to retire and you realise you have not made enough provision for your retirement.
- Invest in yourself by ensuring that you live a healthy, well-balanced life. It's no good getting to retirement and not being able to enjoy it due to poor health.

Keeping track

Portfolio	Returns for 3 months ended 31 December 2010	Returns for 6 months ended 31 December 2010	Returns for 12 months ended 31 December 2010
Woolworths High Growth	**4.19%**	**12.86%**	**14.12%**
Woolworths Growth	**3.90%**	**12.37%**	**12.95%**
Woolworths Medium Growth	**3.67%**	**10.57%**	**12.60%**
Woolworths Medium Conservative	**3.40%**	**10.20%**	**11.74%**
Woolworths Conservative	**3.10%**	**8.95%**	**10.53%**
Woolworths Stable	**2.74%**	**7.79%**	**9.62%**
Prescient Pensioner	**2.53%**	**5.94%**	**9.33%**
Banker	**1.72%**	**3.67%**	**7.68%**

The above returns are net, i.e. investment fees have been deducted.

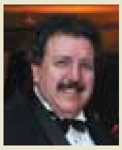
Trustee Corner

The Fund's member-elected trustees are available if you would like to talk to them about Fund issues, queries, etc. Please feel free to contact them via phone or e-mail – their details are listed here.

Inus van Zyl

Development Manager,
Food Supply Chain
at Head Office
Tel: 021 407 2733
E-mail: inusvanzyl@woolworths.co.za

Ronnie Gershman



Group Management Accountant
at Head Office
Tel: 021 407 3171
E-mail: ronniegershman@woolworths.co.za

Jacques Nel

Store Manager
at Centurion Mall
Tel: 012 643 4900
E-mail: StoreMGRCenturionMallPTA@woolworths.co.za

Simangele Lekena

Store Administration Manager
at Southgate
Tel: 011 942 0700
E-mail: simangelelekena@woolworths.co.za

Craig Watters

Foods Department Manager
at Canal Walk
Tel: 021 555 9911
E-mail: FoodsDMCanalWalkCT@woolworths.co.za

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Making the difference to your retirement

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!

E-mail us at:
jennywolhuter@woolworths.co.za

Or write to the Retirement Fund Post Box at:
Woolworths Group Retirement Fund,
PO Box 680, Cape Town 8000

Fund queries: For more information about the Fund or for Fund queries, you can also contact us on 021 407 2699.

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