Woolworths Group Retirement Fund
Making the difference to your retirement

Member Newsletter

Quarter 2 • 2011

Dear Member

Many people ask this question: "How much Fund Credit do I need at retirement?" The answer is not a simple one as it depends on your personal circumstances (e.g. dependants, assets, pensionable salary, age and other investments). However, it does help to have somewhere to start. Read the article below and get a sense of how you're doing in terms of accumulating savings for your retirement.

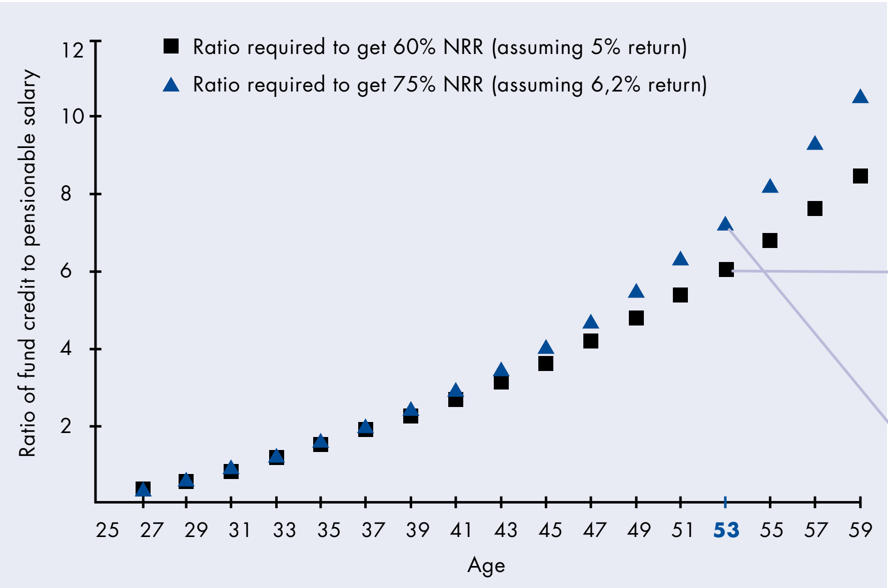
On page 2, read about the things you could be doing (depending on your age) to stay financially healthy as you head towards retirement.

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

Happy reading (and saving)!
Ed

WILL YOUR FUND CREDIT BE ENOUGH?

For many members, their savings in the WGRF are their only savings for retirement. Even if you have other savings, it's important to know whether what you've accumulated so far is on track to meet your financial needs at retirement.



The graph shows you what multiple of your annual salary you need to have accumulated in the Fund to reach your required Net Replacement Ratio (NRR) when you retire. Let's look at an example to explain this.

> Member A is 53 years old and earns a pensionable salary of R240 000 pa. For an NRR of 60% at retirement, his Fund Credit at retirement needs to be 6 times his annual salary, i.e. R1.4 million.

If, however, he wants an NRR of 75% at retirement, then his Fund Credit at retirement needs to be approximately 7 times his annual salary, i.e. R1.68 million.

See the investment return assumptions on the next page.

continued on page 2

"SAVING TODAY FOR FINANCIAL INDEPENDENCE TOMORROW"

continued from page 1

INVESTMENT RETURN ASSUMPTIONS:

- The ratios on the graph are based on your pensionable salary and not your total cost to company.
- The graph is based on certain investment returns and salary increase assumptions and assumes that you will continue saving until retirement age. If you have just received a substantial salary increase or are invested in an investment portfolio that will not provide the required investment returns, the results of this calculation will be skewed.

ARE YOU ON TRACK?

1. The first step is to find out what your Fund Credit is today (you can do this by logging in to AF Online – see Imbizo for details on how to do this).
2. Use the graph on page 1 to see what multiple of salary you require to retire comfortably with an NRR of between 60% and 75%.
3. Lastly, multiply this multiple by your annual pensionable salary and compare the result to your current Fund Credit.

If you realise that your Fund Credit will not be enough, then you need to put together a plan to save more, reduce your debt or adjust your lifestyle to ensure that you do have enough saved by the time you retire.

ARE YOU ON TRACK WITH YOUR RETIREMENT PLANS?

How far are you from retirement? Twenty years? Or perhaps it's just around the corner? Do you have a plan for retirement and, if so, are you on track? This article aims to give you some ideas as to the types of retirement planning decisions you could be taking depending on how close you are to retirement.

20–30 YEARS OLD

Start planning TODAY! It's never too early, but often too late! Many of the decisions and actions you take today will affect your life later. If retiring does not make sense now, take a look at your parents or their friends and ask yourself where you would like to be at that age.

The chances are that those who are financially secure in their retirement had to do some serious planning to achieve their lifestyle.

PRESERVE YOUR FUND WITHDRAWAL BENEFIT

People in this age bracket have either just entered the job market or may have changed jobs several times by the time they reach 30.

An important aspect of moving from employer to employer (and from one retirement fund to the next) is to ensure that your retirement savings are preserved – i.e. don't take the cash and blow it on a new car or overseas trip. Consider investing it in your new employer's retirement fund, an existing or new Retirement Annuity (RA) or a preservation fund to ensure that your retirement nest egg keeps growing.

KEEP A BUDGET

You're never too young (or too old) to keep a budget. Now is the time to become disciplined about saving and keeping track of your finances. Any disposable (spare) cash at the end of the month should be used wisely, e.g. to pay off any debts or invest.

MANAGE YOUR DEBT

Debt remains the biggest trap for most people. **Don't get caught up in huge amounts of debt just to wear the latest fashions or drive a faster car.** Stick to your budget and spend your money wisely. **Pay off your credit card/s each month and, if possible, try not to buy on credit, but rather save up for expensive items.**

BOOST YOUR RETIREMENT SAVINGS

The sooner you start to think about saving for retirement, the better. Consider making Additional Voluntary Contributions (AVCs) to the Fund or investing in additional savings vehicles. Other savings vehicles include, among others, Retirement Annuities (RAs), endowment policies or unit trusts. **It's always a good idea to discuss these and other savings options with your financial adviser to make sure you choose the ones that are most appropriate to your circumstances.**

FIND A FINANCIAL ADVISER

It's wise to start off with a good plan and to review it regularly as your circumstances change.

Getting professional and expert advice before you make inappropriate investment decisions could save you a lot of money in the long run.

31–45 YEARS OLD

Many of the principles discussed above will continue to apply during this phase of your life, for example, sticking to your budget and managing your debt.

REVIEW YOUR STRATEGY WITH YOUR FINANCIAL ADVISER

During this phase, you should be concentrating on consolidating your retirement planning strategy and reviewing the performance of your investments and making any necessary adjustments. Your personal circumstances (marriage, children, job status, etc) may also have changed and may require you to re-examine some of the decisions that you have made.

You could, for example, consider taking out additional Retirement Annuities (RAs) or unit trusts and other investment options if you have disposable income available to do so.

At this stage, it is a good idea to have a firm handle on your debt and look at ways to pro-actively reduce it, for example, overpaying your home loan so that you can be bond free as soon as possible.

46–60 YEARS OLD

You are now entering the run-up to your retirement. At this stage you may be contemplating early retirement. While for some this may be an appropriate decision, remember that your retirement benefit is directly related to how much both you and your employer have contributed to the Fund. The earlier you retire, the less the contributions compared to someone who contributes up to retirement age. It is a good idea to speak to your financial adviser about the pros and cons of early retirement. **Remember, today people are generally living longer and therefore spend more years in retirement** and subsequently need more money to fund this phase of their lives.

In addition, you should ideally have no significant debt and have made provision for adequate emergency funds.

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Income sources designed to combat inflation, and growth assets used to provide for eventualities (like living longer than expected or needing frail care facilities) should be in place.

Your planning should have been done with your dependants, tax, liquidity of funds and erosion of your capital in mind.

AT THIS STAGE YOU SHOULD ALSO BE CONSIDERING RETIREMENT ASPECTS SUCH AS:

- **Housing:** Do you want to stay in your current house or do you want to move to something smaller or even a retirement village?
- **Post-retirement job prospects:** Are there any skills you could be acquiring now, contacts that you should be making, etc. that will help you to take up a new "job" once you have retired?
- **Your health:** Medical aid costs are always on the rise. The more you look after your health now, the less your medical bills will be once you've retired.

Meet regularly with your financial adviser to review your retirement planning strategy and to ensure that you are still on track.

Estate planning and updating your will are all aspects that should be discussed, especially by members 10 years or closer to retirement.

KEEPING TRACK

PORTFOLIO	Returns for 3 months ended 31 March 2011	Returns for 6 months ended 31 March 2011	Returns for 12 months ended 31 March 2011
Woolworths High Growth	**0.94%**	**5.16%**	**10.83%**
Woolworths Growth	**1.19%**	**5.02%**	**10.28%**
Woolworths Medium Growth	**1.48%**	**5.26%**	**10.47%**
Woolworths Medium Conservative	**1.78%**	**5.23%**	**10.26%**
Woolworths Conservative	**2.09%**	**5.32%**	**9.54%**
Woolworths Stable	**2.35%**	**5.12%**	**9.26%**
Prescient Pensioner	**1.67%**	**4.56%**	**8.55%**
Banker	**1.67%**	**3.42%**	**7.36%**

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.

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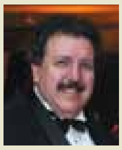

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Woolworths Group Retirement Fund

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!

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