Woolworths Group Retirement Fund
Making the difference to your retirement

Member Newsletter

Quarter 1 • 2012

WHAT TYPE OF SAVER ARE YOU?

PANICKED PROCRASTINATOR OR CONTENTED ORGANISER?

What type of saver you are does not depend on the income you earn. Panicked procrastinators and contented organisers are found across a range of income groups – even people who earn large salaries can be panicked procrastinators, whereas many contented organisers are in low-income households.

So which type of saver are you, and what can you do about it?

PANICKED PROCRASTINATOR

You are so worried about your finances that you try to ignore what is going on, but you have a nasty suspicion that your financial problems are just getting worse and worse.

YOU SHOULD:

- Make up your mind to take control of your finances.
- Draw up a budget; think about your future needs and time line.
- Consider speaking to a financial adviser or debt counsellor to help you get your debt under control.
- Start saving enough for retirement and other events, such as your children's education.

CONTENTED ORGANISER

You are concerned about your finances and have realised that you need to take control by understanding what is going on and taking the action necessary to address any problems.

YOU SHOULD:

- Keep up the good work by doing regular financial planning and protect the savings you have built up over time.
- Maintain control over your budget to ensure you continue saving, or perhaps save even more.

"We are all faced with a series of great opportunities brilliantly disguised as impossible situations."
- Charles R Swindoll

"SAVING TODAY FOR FINANCIAL INDEPENDENCE TOMORROW"

SAVING TIPS:

LIVE ECONOMICALLY

- Don't buy things you don't need and don't try to keep up with friends and neighbours.
- Everybody's needs are different, so live according to your own.

SAVING IS A MINDSET

- Save water, electricity and money. Don't waste anything of value – recycle, pass on old clothes, swap children's toys with other parents instead of buying new ones and convert things you no longer use into money by selling them.

TEACH YOUR CHILDREN TO SAVE FROM AN EARLY AGE

- They need to know about the household budget.
- Set them to work for their pocket money.
- Help them learn that making a financial decision is about weighing up the value of one thing against another and choosing which one to forgo.

LOOK AFTER THE THINGS YOU HAVE

- Take pride in what you have worked hard for.
- Respect your own efforts and feel good about what you have achieved.

DON'T MAKE EXCUSES ABOUT WHY YOU DON'T SAVE

- Saying "I'm too young" or "I'll save next month" or "only rich people can save" won't get you anywhere.

START SAVING EARLY FOR RETIREMENT

- Start saving consistently for your retirement years from the day you start your first job.
- Enjoy the magic of compound interest.
- Put aside at least 15% of your income each month in a safe investment.

USE CREDIT SPARINGLY AND CAREFULLY

- It's cheaper and more rewarding to wait until you have saved the funds yourself.
- It's better to spend money you have earned than spend money you still have to make.

IF YOU ARE IN DEBT, PAY IT OFF AS FAST AS YOU CAN

- Handle your credit cards and store cards very carefully.
- And remember, cuts in the interest rate should be used to settle debt first, not to take on more debt.

SHOP AROUND BEFORE YOU BUY

- Compare prices and benefits.
- Question the value of each purchase as you make it. "Will it build my assets? Is it just to show off?"
- Is it cheaper elsewhere?"
- Don't ever be afraid to ask questions when you want to know more.

WHAT IS COMPOUND INTEREST?

Compound interest is interest on your interest. Let's look at an example:

You invest	R10 000
Interest of 10%	**R1 000**

Your investment has grown by **R1 000** without you making another contribution.

New Investment Value	R11 000
Interest of 10%	**R1 100**

And so it grows. Your investment does not get to be the size it is simply by your contributions, it grows because of compound interest and/or investment returns.

The bigger your investment, the bigger your growth thanks to compound interest.

Imagine how much more your investment will grow if you add regular contributions to your investment. You will now earn compound interest on your initial investment and on every subsequent contribution.

INVESTMENTS: HOW TO GET STARTED

1. **Consult with an accredited financial adviser** – preferably not one who works for an insurance company as they will only sell you that insurance company's products.
2. Ask him/her to conduct a **full financial needs analysis.**
3. **Agree on how much you want to save** and for what purpose.
4. **Understand the fees that you will pay** and ask if you can agree on a fixed fee rather than allow advice fees to be deducted from your investments.
5. Ask about the **tax implications.**
6. Implement and **commit to the plan.**
7. Insist on an **annual review.**

Reference: Old Mutual Corporate

PRESERVE YOUR RETIREMENT BENEFITS

NOT PRESERVING RETIREMENT BENEFITS IS A TYPICAL DOWNFALL OF PANICKED PROCRASTINATORS!

Many people (especially those who would have to admit to being Panicked Procrastinators) see their retirement fund payout on resignation as a bonus to spend on that new car, clothing or a holiday, or even worse, to settle their debts. **However, while it is certainly tempting to take the cash, it could be a costly option.**

The problem with taking the cash, is that not only do you give up all your retirement savings up to that point and the possibility of participating in the magic of compound interest, but a large portion of your savings will go to the taxman. **A much better idea is to save (what is also known as 'to preserve') your withdrawal benefit from your retirement fund.**

One good way of doing this is to preserve the benefit by transferring it to an approved retirement or preservation fund, like the **Woolworths Preservation Option** with Alexander Forbes.

A preservation fund is a specially designed pension fund with its own board of trustees.

HOW DOES A PRESERVATION FUND WORK?

When you resign or are retrenched, your full Fund Credit can be transferred directly to the preservation fund. **In this way, you are safeguarding your financial well-being** after retirement by ensuring that your retirement savings remain intact and will continue to grow – enjoying the benefits of compound interest.

You do not contribute to a preservation fund; one assumes you will now be contributing to your new employer's pension fund.

When you retire, you will receive a retirement benefit from the preservation fund and from your other investments.

ADVANTAGES OF TRANSFERRING YOUR BENEFIT TO A PRESERVATION FUND

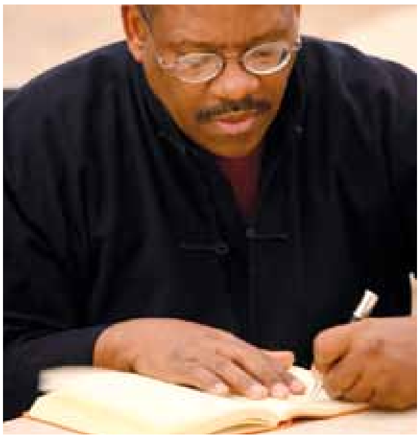
- It is tax-free.
- You may make one withdrawal from the preservation fund before you actually retire, so you can have access to your savings in case of an emergency.
- There are fees to pay to the broker and also for ongoing admin. The beauty of the Woolworths Preservation Option is that there are no upfront broker fees, so you save even more when you preserve your Fund Credit.

Do not underestimate the importance of preserving your retirement fund savings when changing jobs – even if you are young.

Many South Africans will not retire with enough money to allow them to maintain the same quality of life after retirement as they had when they were working. And one of the main reasons for this is that they do not preserve their retirement benefit when they change jobs. Don't be one of them!

SAVING FOR RETIREMENT IS A LONG-TERM INVESTMENT – THE SOONER YOU START, THE MORE YOU WILL HAVE!

GET TO KNOW YOUR SAVINGS VEHICLES



A pension fund is but one of many vehicles that will help you achieve your saving goals.

Let's say your goal is to save for a retirement income of 70% of your final salary. To achieve this you will need to contribute to a pension fund for at least 40 years. This means that you will need to start investing at age 20 to meet your retirement objective by age 60. If you only start saving when you are 30, you will have to save a lot more over the next 30 years.

HOW ELSE CAN YOU ADD TO YOUR RETIREMENT SAVINGS?

Consider acquiring growth assets, preferably in a balanced fund with exposure to a combination of equity, fixed-interest and property assets.

Most insurance and investment houses have a balanced fund which you can join. A balanced fund is intended to give you average to decent returns over the long term – 20 or more years. Balanced funds take the headache out of trying to invest your money yourself.

THINGS YOU NEED TO LOOK AT BEFORE YOU COMMIT TO A BALANCED FUND:

- The past performance of the fund
- What are the broker fees and are they ongoing?
- What are the admin fees?
- What are the investment fees?
- Are there any future advice fees?

Remember, if it sounds too good to be true it probably is, so run away!

KEEPING TRACK

PORTFOLIO	Returns for 3 months ended 31 Dec 2011	Returns for 6 months ended 31 Dec 2011	Returns for 12 months ended 31 Dec 2011
Woolworths High Growth	**4.89%**	**7.13%**	**9.34%**
Woolworths Growth	**4.62%**	**6.69%**	**9.31%**
Woolworths Medium Growth	**4.72%**	**6.08%**	**8.90%**
Woolworths Medium Conservative	**4.31%**	**5.80%**	**9.06%**
Woolworths Conservative	**4.51%**	**5.38%**	**8.86%**
Woolworths Stable	**3.94%**	**4.63%**	**8.37%**
Prescient Pensioner	**1.50%**	**1.54%**	**3.23%**
Banker	**1.64%**	**3.13%**	**6.53%**

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 telephone or e-mail – their details are listed here.

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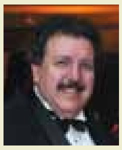

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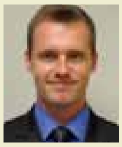

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Woolworths Group Retirement Fund
Making the difference to your retirement

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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