WOOLWORTHS

Woolworths Group Retirement Fund

Making the difference to your retirement

Member Newsletter

Quarter 4 • 2010

Dear Member

In this issue, we face the stark reality of what it takes to save for a financially stable retirement! While you may be financially stable today and earn a salary that allows you a comfortable lifestyle, imagine how things would change if you no longer earned a salary every month. This could be a reality at retirement if your retirement savings aren't enough to meet your post-retirement expenses.

If after reading this newsletter, you realise that you're behind with your savings – do something about it today! The sooner you start, the better your chances of reaching some level of financial stability. The purpose of the Fund is to help you to save today for financial independence tomorrow – how are you tracking against your goal?

Happy reading (and saving)!
Ed

Retirement reality check

The main reason why Woolworths has a retirement fund is to enable its members to save for retirement. With this in mind, the objective of the Fund is to provide members with the greatest chance of having a reasonable pension at retirement.

You should therefore be aiming to accumulate enough savings over your working life to provide for an annuity income after retirement of about 70% of your pensionable salary before retirement (this is also called the net replacement ratio or NRR) after 35 years of service.

Have a look at the retirement time line below. Say you start working at 20 – that's 40 years' worth of payslips (480) that you have to reach your retirement goal at age 60. With people living longer today, it's possible to be retired for as many as 30 years – that's 360 pension payments that you need to make provision for.

Birth

20 years of age

40 years to save:
480 payslips

60 years of age

30 years on pension:
360 pension payments you pay yourself

90 years of age

"Saving today for financial independence tomorrow"

What does your Net Replacement Ratio (NRR) look like?

The table to the right indicates what percentage of your final pensionable salary you can expect to receive from the Fund based on the number of years you were a member of the Fund before your retirement at age 60 (assuming you have not transferred in any monies from a previous employer's pension arrangement). If you have been a member of the Fund for 10 years before your retirement day, you can expect a pension equal to 14% of your final pensionable salary. If you've been a member of the Fund for 35 years, you can expect to receive a post-retirement income equal to 70% of your final salary. In a nutshell, the longer you contribute to the Fund, the higher your NRR.

Do the maths!

Work out how long you will have been a member of the Fund. That will give you a good idea of what percentage of your final salary you will get at retirement.

Years of membership in the Fund	Approximate percentage of annual salary
40	79%
35	70%
30	58%
25	46%
20	34%
15	23%
10	14%
5	6%

Look at the table below: If you've been a member of the Fund for 15 years, your NRR is approximately 23% of your final pensionable salary. What does that look like in rand terms based on the following pensionable salaries?

Your pensionable salary in the month before you retire	Expected monthly pension (23%)
R5 000	R750
R10 000	R2 300
R15 000	R3 450
R30 000	R6 900
R40 000	R9 200

My savings in the Fund will not be enough – now what?

If your NRR is below what you need at retirement, then you need to take action and fast! One of the best ways is to free up some income so you can start saving more. The way to do this is to analyse your budget and, importantly, to reduce your debt. Here are some practical debt-busting tips!

1. Reduce unnecessary spending, such as take-outs or eating out.
2. Don't borrow any more money, particularly from loan sharks, whose interest rates are very high and could lock you into years of misery.
3. Speak to the people to whom you owe money, particularly your bank. Your bank will do the best it

can to show you the way out of your problems. Your creditors will be more understanding if they see you have a plan to get out of debt and are prepared to make sacrifices to get there.

4. Pay off high-interest, short-term debt first, particularly credit cards. If you can switch your debt from a high-interest to a low-interest loan, do so. This could be possible if you have a long-term, secured debt, such as a home loan. However, you must increase the repayments on the lower interest loan.
5. Close accounts and cut up credit and store cards as you pay them off.
6. Do not gamble in the hope of scoring a big win. The odds of it happening are very small.
7. You should not be making any investments while you have high debt. Always pay off debt before you start investing. There are two reasons for this:
   - The interest you pay is likely to be higher than any returns you will receive on an investment; and
   - If interest rates move to high levels you could be forced to sell your investments to reduce your levels of debt. This may mean selling when the value of your investments is low.

With acknowledgement to Personal Finance, Independent Newspapers.

Start to save more

Now that you are managing your debt and you have some 'extra' income each month, you can consider other savings options, such as additional voluntary contributions or additional savings outside the Fund.

Additional voluntary contributions (AVCs)

These are fixed contributions that you make each month (or once a year as a lump sum contribution) over and above your normal contribution to the Fund. This is how they work:

- AVCs are voluntary so there is no minimum term.
- AVCs are tax deductible, up to R1 800 per year, if you are a member of a pension fund.
- AVCs are invested in your current investment portfolios.
- There is no administration fee.

To make AVCs, please complete the form on Imbizo and send it to your HRA.

Retirement annuity fund (RA)

A retirement annuity fund, or RA as they are more commonly referred to, is another way of saving for retirement. Anyone, whether they are employed, self-employed or a member of a pension or provident fund, can take out an RA policy.

How does an RA work?

You make monthly or annual contributions to the RA fund that you have chosen from a life assurance company. This money is then invested so as to earn a return.

What about tax?

Your contributions to an RA are tax-deductible up to the greater of:

- 15% of non-retirement funding income (income other than your monthly pensionable salary), or
- R3 500 less any contributions to a pension or provident fund, or
- R1 750.

Some reasons to consider an RA

- Contributions are tax-deductible.
- Contributions that were not tax-deductible in this tax year may be carried forward to the following tax year.
- Tax favourable lump sum at death or retirement.
- Compulsory annuity is estate duty free.
- Flexibility regarding how you take your pension at retirement.
- Protection against yourself and creditors.

> ***Note:*** As always, it's wise to get sound advice from an accredited financial adviser before investing in anything. This will ensure that you are selecting the investment that best suits your needs and will help you to meet your goals. If you have time on your side – use it.

If you are young with many years to retirement, now is the time to take advantage of it. Money needs time to grow so the sooner you start saving the better your chances of reaching your retirement goals.

Another important thing to remember throughout your working career is never to cash in your retirement savings. Rather preserve them by transferring them to your new employer's fund or preserve them in a preservation fund. This is a golden rule if you want to have enough saved by the time you retire.

Keeping track

Portfolio	Returns for 3 months ended 30 September 2010	Returns for 6 months ended 30 September 2010	Returns for 12 months ended 30 September 2010
Woolworths High Growth	8.35%	5.39%	14.97%
Woolworths Growth	7.73%	5.01%	14.19%
Woolworths Medium Growth	6.98%	4.92%	13.69%
Woolworths Medium Conservative	6.44%	4.79%	12.66%
Woolworths Conservative	5.62%	4.08%	11.20%
Woolworths Stable	5.11%	3.77%	10.94%
Prescient Pensioner	3.25%	3.98%	7.23%
Banker	1.90%	3.80%	8.01%

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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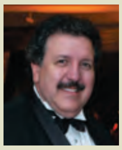

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Let us know if you want us to cover particular topics, if you would like to know more about something, or want to raise a concern.

We'd like to hear from you!

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