



Financial **SAFEGUARD**

RETIREMENT: Planning for Retirement



Content •

Words and meanings	1
Retirement Cycle	3
Why do I need to plan for retirement?	7
Retirement products	9
My rights and responsibilities	12
Complaints	13
Notes	15

Words and meanings •

Complaint

A complaint is a statement that something is not good enough or unacceptable.

Save

To put money away which can be used later. For example, you can save your money in a savings account at the bank. You can also save money by putting extra money in your money box.

Interest

The fee paid for using other people's money. If you are borrowing money, it is the cost you pay for using other people's money. If you are lending money, it is the amount you get paid for someone else using your money.

Ombudsman

An ombudsman is an official, usually appointed by the government, who represents the interests of the public by investigating and addressing complaints reported by individual citizens against insurance companies, for example.



Retirement Cycle •

Retirement cycle: The retirement cycle has 3 steps.

Step 1 – Getting started

- This stage is from age 25 through to 45
- This is the best time to save, as the earlier you begin to save, the easier it is to achieve your goals

Things you should consider when getting started

- Save as much as you can, as soon as you can
- Understand how much money you are willing to invest
- Set realistic expectations for returns and growth on invested money
- Have different types of investments
- Have the longer term in mind
- Receive a tax payback for having a retirement fund

Good



- Saving
- Planning
- Budgeting
- Live within my means

Bad



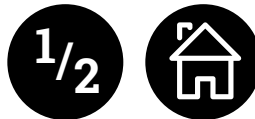
- No plan
- No savings
- Spending all your money
- Living outside your means (big house, big cars)
- Debt



Step 2 – Final Preparation

- This stage ranges from 45 to the date you retire
- It is during this stage that you must regularly review the status of your accounts and then adjust saving and organise/combine accounts in a way that increases the likelihood of success
- This stage is the last step before retirement; it is critical that it be done right

Good



- Saving half way to plan
- Saving plan for 5, 10 and 20 years
- Spending according to budget
- House / car paid off

Bad



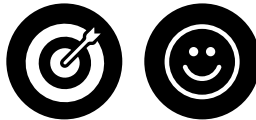
- No savings
- Car repossessed
- No maintenance on house
- Debt
- Holiday on credit

Retirement Cycle •

Step 3 – Retirement

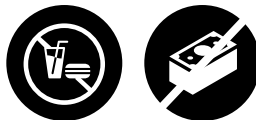
- This is the time when your lifetime of saving and proper planning pays off
- Once in this stage you will have accumulated enough assets to carry you through the rest of your life
- You will have determined how to best organise various investment accounts
- Retirement can be a very horrible time in your life if you do not plan and save properly

Good



- Saving target reached
- House paid off
- Car paid off
- Reached 5 year, 10 year and 20 year plan

Bad



- No savings
- No money



Am I on track?

Look at the Retirement Cycle

What do I want to do when I retire?

What I am doing now to prepare for retirement?

What must I change?

Why do I need to plan for retirement? ●

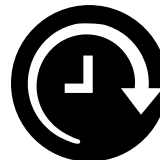


Many people dream about their retirement as a time they will spend doing what they love. However, to ensure that you are financially taken care of when you reach retirement you need to start planning in your younger years, because you may need more money than you expect.



Here are some reasons why you may find yourself without enough income:

- Increasing number of years spent in retirement
- Low returns on normal savings
- Unforeseen events
- Increasing medical costs
- Family unable to support older generations
- Money losing value over time
- Lack of SASSA grants benefits from government
- The want to enjoy hobbies, such as going fishing or doing bead work - you will need time and money to support hobbies
- Dependants still relying on you



Retirement products •



There are a lot of different retirement products and you need to find the one that best suits your retirement plan.

Pension fund



Monthly pension

Payout

- An employee annuity plan that is run by the employer or government
Employer contribution is a maximum of 20% of salary
- It pays out for the rest of your life
OR:
Can be transferred to a new pension fund, when changing jobs
A maximum of 1/3 of final benefit paid as cash
- Tax benefit - Max 7.5% of salary

Provident fund



It is a lump sum or transferred to another pension fund.
Additional benefits
(e.g. disability cover)

Payout

- An employee provident fund run by the employer
It has a maximum contribution of 20% of your salary
- It pays out at retirement age or pays out when an employee leaves their job
It can be transferred to a new provident fund, or taken as a lump sum (taxed)
- It pays out all the money you have saved in one payout upon retirement
- Tax benefit



Retirement annuities



- Pension taken out by an individual
- It pays out at retirement age
- Tax benefit

Lump sum or monthly payment

Payout

Life annuities



- An insurance product bought by an individual
- Payment ends at death

Monthly payouts from retirement age. It lasts as long as individual is alive

Payout

Living annuities



- An insurance product bought by an individual

Monthly payouts while the rest of the money is invested so it can grow, to make it last longer. You can run out of funds.

Payout

Term annuities



- An insurance product bought by an individual
- Limited payments

Annuity will give monthly payouts for a fixed period of time only

Payout

Retirement products •

What retirement products would suit me?



My rights and responsibilities •

Rights:

You have the right:

- To a set of the fund rules
- To a member booklet
- To a benefit statement at least once a year
- To elect board members
- To know who the fund board members are
- To know the administrator of the fund
- To timeous payment of contributions
- To timely payment of benefits, provided that all the necessary documents have been submitted
- The right to complain

Responsibilities:

You have the responsibility:

- To monitor the fund performance
- To hold the trustees of your fund accountable
- To notify the trustees or the fund of any changes to your personal particulars
- To obtain expert advice from a financial advisor who is registered with the FSCA, when necessary
- If you borrow from your fund, try to pay off the loan before retirement, so that you receive your full pension benefit when you retire



Complaints •

Step 1:

A formal written complaint is provided to the company.

Step 2:

If you are unhappy with the response you take it to the relevant FAIS Ombud, or if you are not being paid to the PFA.

Step 3:

You may decide to take legal action as a last resort to resolve the matter.



Speak to an authorised Financial Advisor to help you make informed financial decisions.



Questions

& Answers

1. What must I consider when selecting a retirement option?

When deciding on a retirement solution, you need to take into account what your investment plan indicates, i.e.:

- When will you need the money?
- How much are you willing to risk on investments?
- Which financial product will give you the most tax payback?
- What products provide you with the right estate planning advantages?

2. What fees are associated with the retirement funds?

You will pay the following fees:

- An ongoing investment administration fee, which is deducted from your investment account
- Asset management fees are paid to the asset manager in whose unit trust you have invested. These are incorporated into your unit trust price
- Advice fees are charged by the financial advisor if you used one
- Processing and governance fees are also charged to cover the RA (Retirement Annuity) Fund expenses

3. What are the risks with investing for retirement?

- Your investment is linked to the market value of an underlying instrument
- Retirement annuities are not protected in the event of a divorce
- Retirement annuities are also not protected from the Receiver of Revenue. SARS is entitled to use your cash lump-sum payout for any unpaid taxes that you may owe

Notes •

This image shows a full page of a document template designed for handwriting practice. It consists of approximately 20 evenly spaced, horizontal blue dashed lines extending across the entire width of the page. The background is plain white, providing a clear guide for letter height and placement. There are no margins, text, or other markings present.

Notes

[illegible]

Planning for Retirement

“

The purpose of this booklet is to make you think about your retirement and start planning for it.

”



© 2019 FSCA

Disclaimer

The information contained in this information booklet has been provided by the Financial Sector Conduct Authority (FSCA) for information purposes only. This information does not constitute legal, professional or financial advice. While every care has been taken to ensure that the content is useful and accurate, the FSCA gives no guarantees, undertakings or warranties in this regard, and does not accept any legal liability or responsibility for the content or the accuracy of the information so provided, or, for any loss or damage caused arising directly or indirectly in connection with reliance on the use of such information. Except where otherwise stated, the copyright of all the information is owned by the FSCA. No part of this information booklet may be reproduced or transmitted or reused or made available in any manner or any media, unless the prior written consent has been obtained from the Financial Sector Conduct Authority's Office of General Counsel.

FSCA Contact Details

Riverwalk Office Park, 41 Matroosberg Road, Ashlea Gardens, Extension 6, 0181, Pretoria, South Africa | 012 428 8000 |
Share call number: 0800 20 FSCA (3722) | info@fsc.co.za | www.fsc.co.za