Retirement

Your retirement, *your future*

2 - 5 year countdown

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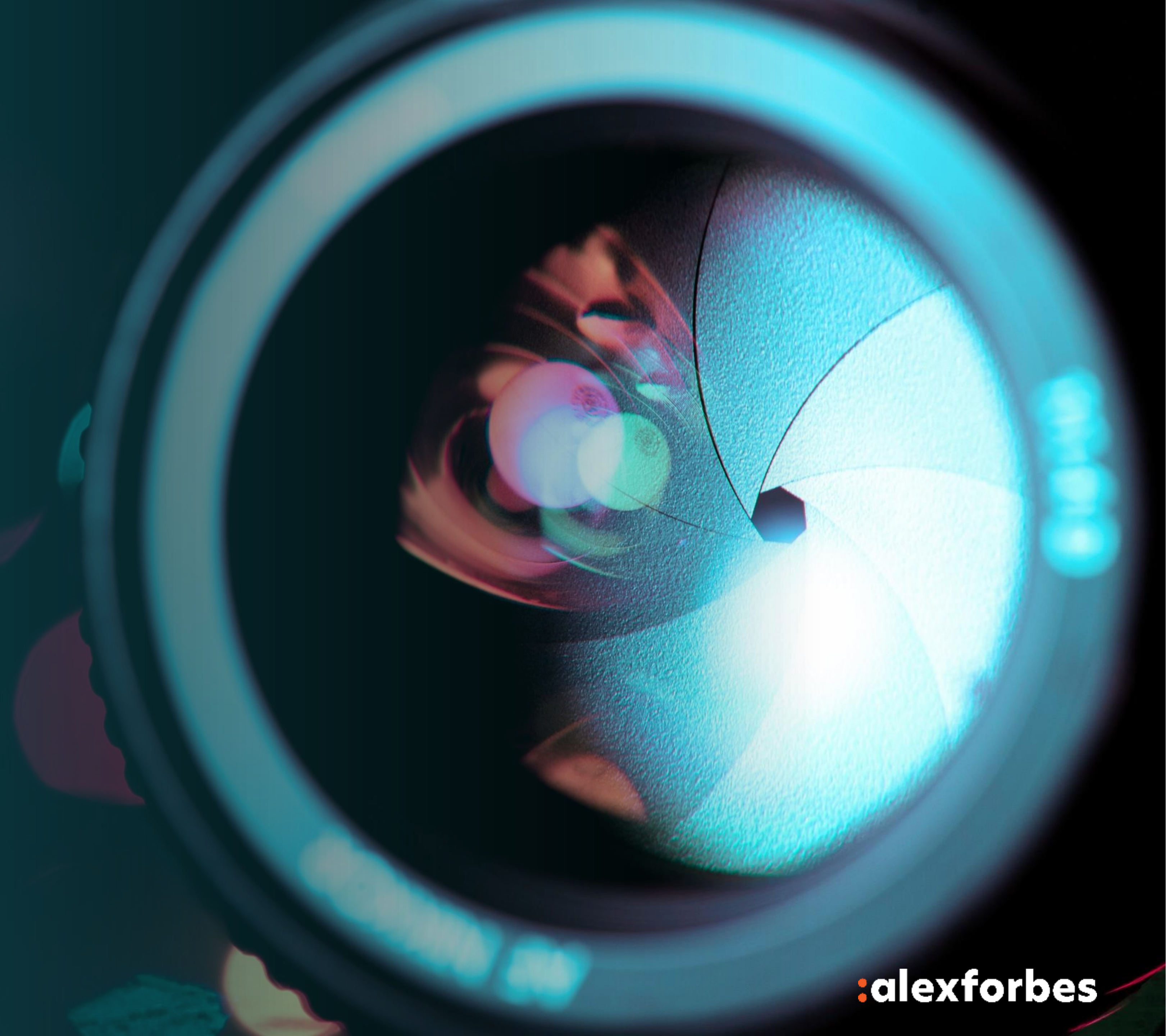

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The presentation's objectives

1. Discuss retiring in times when investments are losing value
2. Describe the retirement process
3. Discuss your retirement options
4. Show you how to get help with your decisions
5. Show you the benefits of playing an active role in your retirement journey

The impact of decreasing investment values on retirement

Most of us have seen the news headlines saying that share markets and other investments are decreasing in value because of the war and other factors

Some of us will know that markets go up and down and usually recover from crises over time

Very few of us will know that Covid-19 and other more recent market shocks can make it **cheaper to buy a pension**

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What can you do to prepare?

Understand your situation. Are you on track?

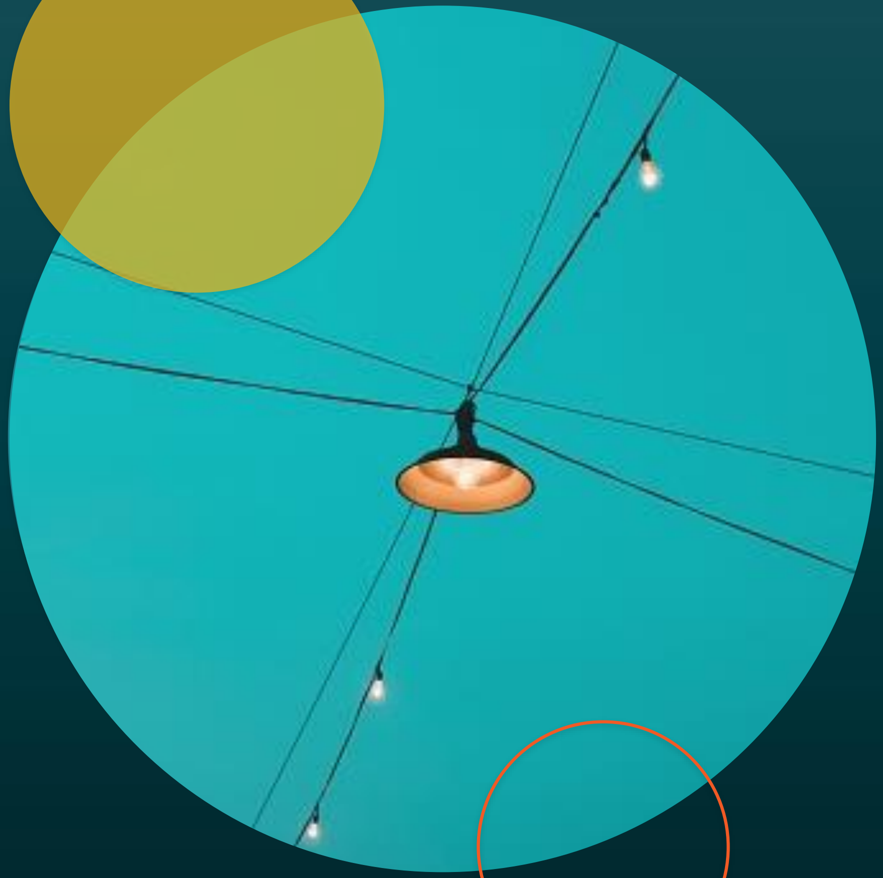
If not, look at your expenses. What can you change?

Next, take control of your planning

Stay on track by starting new positive habits

Retiring soon

Important decisions for you to make first



Your 1st important decision: start receiving a pension now or delay

Option 1

Delay getting a pension (defer)

Option 2

Start getting a pension as soon as you retire

How to get a pension

Use your retirement savings

Buy a pension from a pension provider

Receive a regular pension

How tax works when you buy a pension

No tax if you use your retirement savings to buy a pension

The pension you receive is **taxable** (like the money you earned while working)

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How tax works when you take some of your savings in cash

The first R500 000 you withdraw in cash at retirement is tax free unless you've previously withdrawn cash from your retirement savings or previously been retrenched and received a lump sum

Provident fund

Allowed to withdraw all in cash*

Pension fund

Allowed to withdraw all in cash if less than R247 500, otherwise can withdraw 33.3%

It is usually not a good idea to withdraw all your retirement savings in cash

*If you were older than 55 on 1 March 2021

How tax works when you take some of your savings in cash

The first R500 000 you withdraw in cash at retirement is tax free unless you've received previous tax-free amounts

Tax rate for cash withdrawals at retirement
1 March 2022 – 28 February 2023

Amount withdrawn in cash	Rate of tax
R0 to R500 000	0%
R500 001 to R700 000	18% tax on cash taken above R500 000
R700 001 to R1 050 000	R36 000 + 27% tax on cash taken above R700 000
R1 050 000 and more	R130 500 + 36% tax on cash taken above R1 050 000

Your 2nd important decision: what type of pension to buy

1 Guaranteed pension (life annuity)

2 Flexible pension (living annuity)

3 Combination of a guaranteed pension and flexible pension

Things to think about when choosing a pension

Think about **what could go wrong** and **what would concern you** the most if it happened

How a guaranteed pension (life annuity) works

You get income for the rest of your life, no matter how long you live

Remember:

Buying a guaranteed pension is a decision that can't be changed

Your spouse or dependants can continue receiving a pension after you die

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How much guaranteed pension can you buy with your retirement savings?

An example

1 January 2022
amount saved for retirement

R1 000 000

Monthly pension example
R6 936[1]

30 June 2022
amount saved for retirement

R971 020[2]

Monthly pension example
R7 500[1]

Increase of R560*

*The cost of buying a guaranteed pension influences the pension you can expect

*References/notes:
1. This estimated monthly pension is based on the with-profit life annuity from the Alexander Forbes Retirement Fund, which is the default for most members.
2. Based on the change in value of retirement savings for an amount invested in AF Protector Portfolio from 1 January 2022 to 30 June 2022.

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What affects the amount of guaranteed pension you can expect?

1. The amount you have saved for retirement
2. The type of guaranteed pension you choose
3. The cost of buying a pension at the time
4. How much income you want your spouse to receive after your death
5. Your age and gender and that of your spouse
6. How much you decide to leave for your dependents when you die

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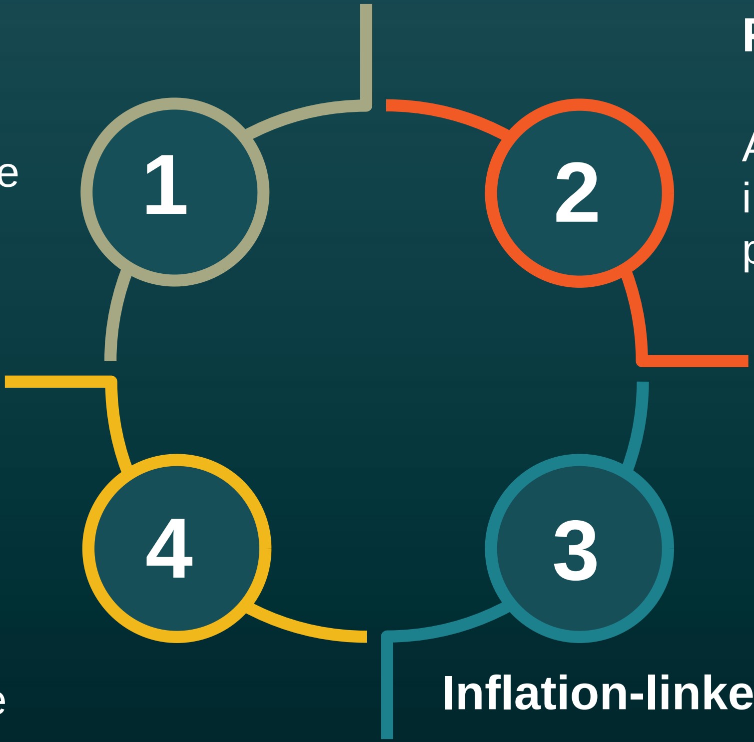
Four main types of guaranteed pensions



Level

The same income
for the rest of your life

Fixed-increase

A lower starting income, increases each year at a fixed percentage

Inflation-linked

Guaranteed to keep up with inflation up to certain limits. Usually pays the lowest starting pension

With-profit

Increases are linked to investment performance in a reference portfolio

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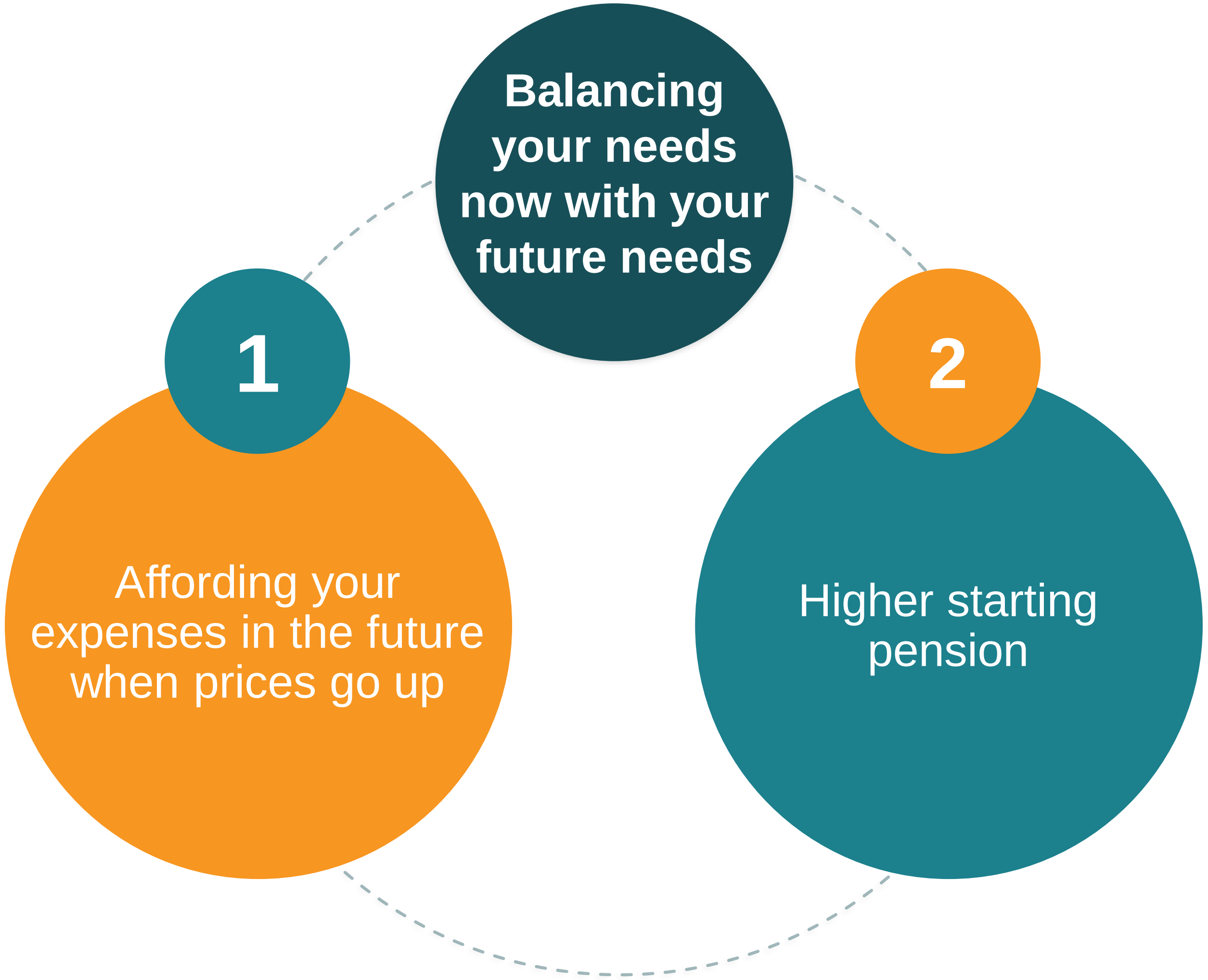
Choosing which guaranteed pension is right for you



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Affording expenses as prices go up – an example

Years into retirement	Level pension (no increases)	Buying power of a level pension as time passes	Fixed increase pension (5%)	Buying power of a fixed increase pension as time passes
1	R5 000	R5 000	R3 500	R3 500
5	R5 000	R4 114	R4 254	R3 500
10	**R5 000**	**R3 223**	**R5 429**	**R3 500**
15	R5 000	R2 525	R6 929	R3 500
20	R5 000	R1 979	R8 844	R3 500
25	R5 000	R1 550	R11 287	R3 500
30	R5 000	R1 215	R14 406	R3 500

*Inflation rate of 5% assumed

Another type of guaranteed pension for special circumstances

Based on individual lifestyle and medical factors

Certain factors can lead to a higher pension
e.g. Type of work, smoking, illness, chronic conditions

Up to 100% higher income than an ordinary guaranteed pension

What happens to a guaranteed pension after you die?

Your guaranteed pension usually ends when you die

Some retirees don't like this (especially in the first few years of retirement)

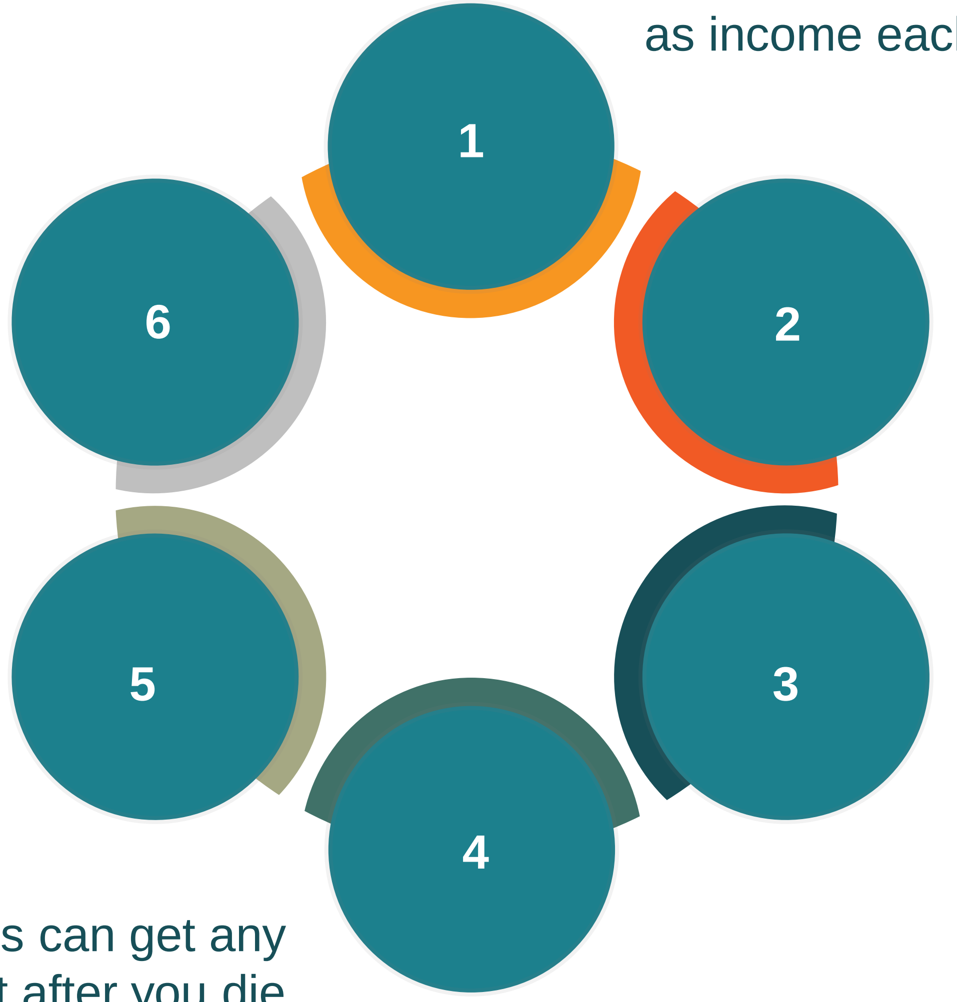
You can select options that can change this so that your dependents can receive:

- a lump sum amount
- an income

Important:

these extra options will reduce your initial pension amount

How a flexible pension (living annuity) works



1. You choose how much of your savings to get as income each year (within legal limits)
2. There is a chance that your income will reduce before you die
3. There is a chance that your money will run out
4. Your dependants can get any savings that are left after you die
5. Your savings can grow or shrink depending on investment values
6. You and your adviser must manage your investments

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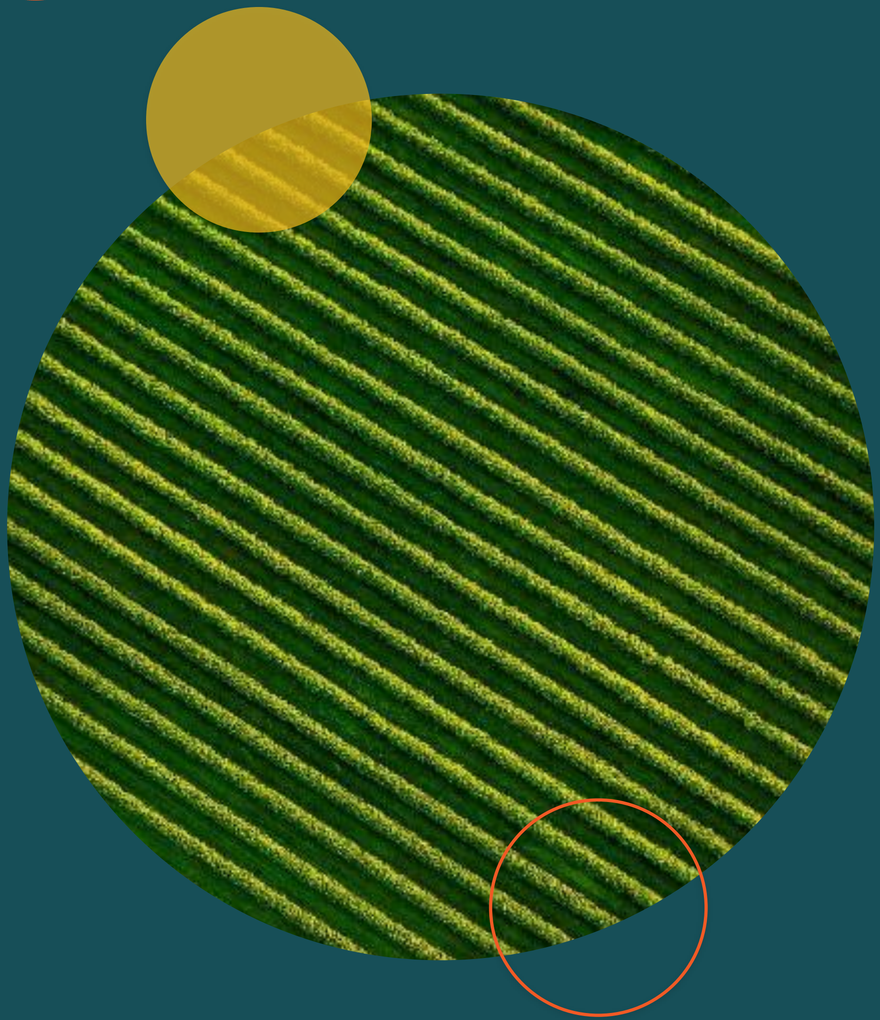
What affects the amount of flexible pension you can expect?



The amount you’ve saved for retirement

How your investments perform after you retire

The pension amount you withdraw from your savings each year

How long your money needs to last (how long you live) and how much you want to leave to your dependents

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A flexible pension is not guaranteed to last for life and must be managed

Your responsibilities if you select a flexible pension

- Choose your pension amount:
  - Decide how much income to get once a year (between 2.5% and 17.5% of your flexible pension amount).
- Manage your investments
- Manage your expenses so that you can afford them

A flexible pension is not guaranteed to last for life and must be managed

Having the right support

A financial adviser can help you:

- Manage your investments to give them the best chance of growing
- Decide how much pension to take each year to give you the best chance of having enough to live on for the rest of your life

General guidelines for the flexible pension amount to withdraw

Your age at last birthday	Yearly income withdrawal as a percentage of your flexible pension amount
Under 60	4%
60 – 64	4.5%
65 – 69	5%
70 – 74	5.5%
Over 75	5.75%

A cost-effective flexible pension option

In-fund flexible pension

- If the rules of your fund allow for it, the fund can pay your pension directly from the fund
- Low fee option

Option to convert any flexible pension to a guaranteed pension

Guaranteed pension and flexible pension summary

Guaranteed pension Offers security	Flexible pension Offers flexibility
Your money will last for life	Your income can decrease or your money can run out
No money for your beneficiaries unless you take extra guarantees	Your beneficiaries will receive what is left of your savings
You only need to manage your expenses each month	You need to manage your investments, decide how much pension to receive each year and manage your expenses each month

Combining a guaranteed pension and a flexible pension (also called a hybrid annuity)

- This option allows you to enjoy the benefits of both types of pension – flexibility and security
- It is more complex and financial advice is compulsory with this option

The Alexforbes combination (hybrid) pension - AFRIS

Benefits of: The Alexander Forbes Retirement Income Solution (AFRIS)

- Trustee approved solution
- **Lower fees** mean your retirement savings can last longer
- Combine other retirement savings and pay lower fees
- More flexible investment options – not governed by Regulation 28 of the Pension Funds Act
- Option to use a with-profit guaranteed pension in the flexible pension: best of both worlds

The benefit of paying low fees: AFRIS example

	Extra years		Extra income
How much money you have to buy a pension at retirement	R1 000 000	OR	R1 000 000
Standard retail living annuity	24 years		R4 166 income per month
AFRIS living annuity	28 years		R4 525 income per month
	4 extra years of receiving a retirement income before income reduces		**R359 extra income** per month over the same period

Note: Calculations are based on assumptions and are for illustrative purposes only. The amounts shown are not guaranteed and are based on the following: a drawdown rate of 5% for both annuities for extra years | a drawdown rate of 5% for the standard retail living annuity and a drawdown rate of 5.4% for the AFRIS living annuity for the extra income. We assume the drawdown rates increase by CPI inflation each year | CPI inflation of 6% | an investment return of CPI inflation of +3.5% | cost savings of 0.63% with the AFRIS living annuity compared with the standard retail living annuity.

Terms and conditions apply.

Investment portfolio matters

As you approach retirement

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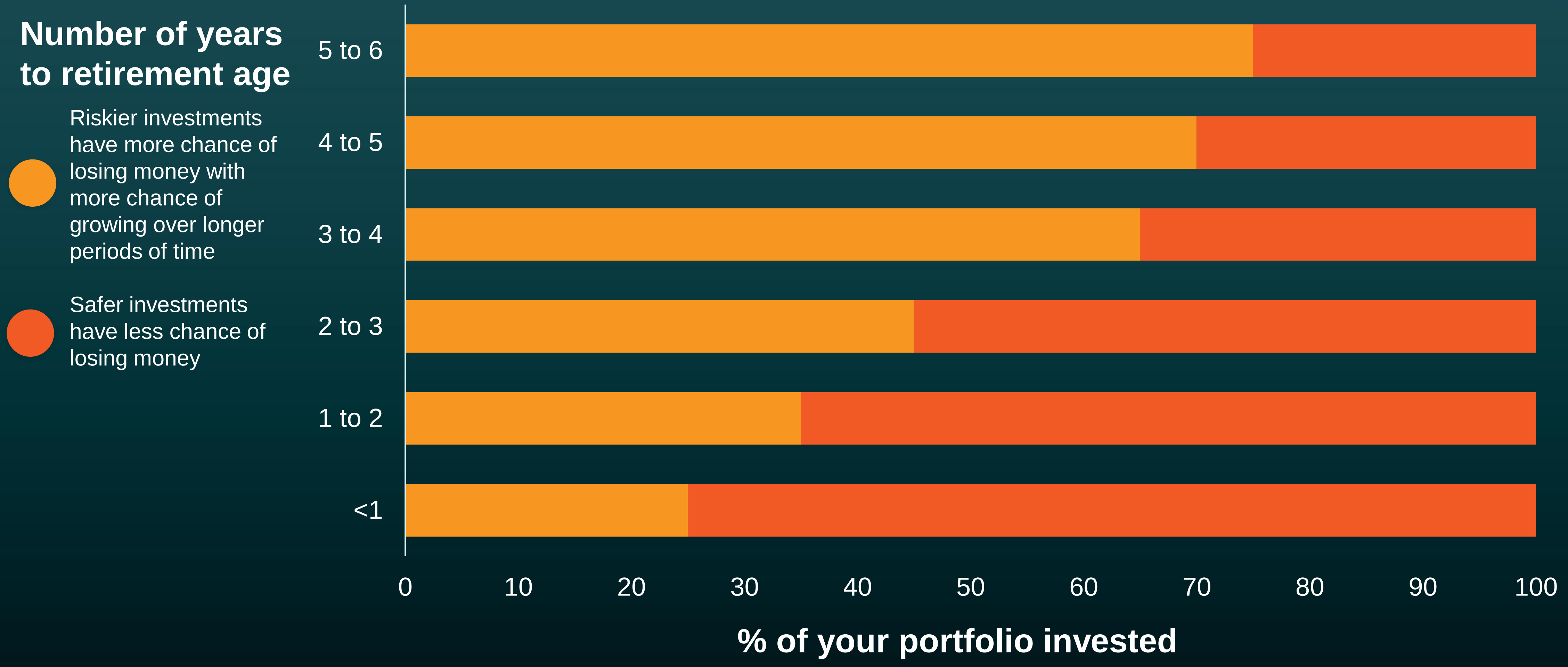
Investment matters to consider if you are in a life stage solution



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Plan for your life and your retirement savings

Thank You

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