

Retirement



Alexander Forbes Retirement Fund newsletter

Issue 1 for 2025



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Smart steps for future security



The two-pot system - think twice before you tap into your savings pot

2



Quick links

5



Our noticeboard

6



Don't put all your eggs in one basket - a case for multi-management

9



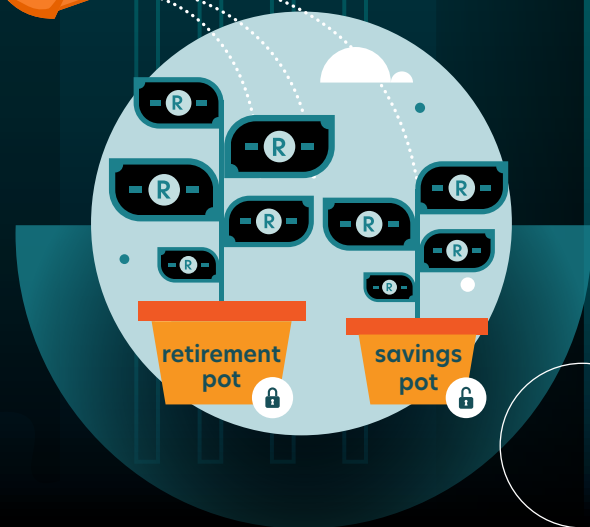
Investment returns to 31 December 2024

10

Welcome to the first issue of the Alexander Forbes Retirement Fund newsletter for 2025. This newsletter shares important fund information and updates you on the latest news in the retirement fund industry. We want to give you all the information you need so that you can make informed decisions about your retirement savings.



The two-pot system: think twice before you tap into your savings pot



Since 1 September 2024, members of South African retirement funds can make one withdrawal of at least R2 000 from the new 'savings pot' each tax year. This change allows limited access to your retirement savings to help you during a financial emergency while keeping most funds secure for your future.

Two months after its introduction, SARS reported 1.6 million withdrawal applications, totalling R29 billion. But before you dip into your savings, let's look at how these withdrawals could affect your future.

Tax debt could shrink your payout

Many members applying for savings withdrawals found their actual payout was reduced due to outstanding tax debt. SARS withheld R7.2 billion in taxes, and a further R750 million went toward settling debts.

While retirement funds transferred an initial, once off amount into savings pots, the money in your savings pot will carry on growing as you contribute to your fund each month. This may tempt you to withdraw more in the future, but it's crucial to think about the consequences.

Short-term gain, long-term pain

It's easy to focus on the immediate benefits of a withdrawal, like extra cash, while overlooking the long-term damage. Taking money out early reduces what you'll have available at retirement – not just the lump sum but also the income it could generate.

When you withdraw, you lose out on:



Tax-free investment growth



Creditor protection



Estate duty exclusions



The magic of compound interest

The magic of compound interest

Compound growth is like a snowball rolling downhill – your money grows faster over time as you earn interest on interest. For example, R100 earning 5% annually becomes R105 after one year and R110.25 after two years. The longer you leave it, the bigger the snowball.

If you withdraw from your savings pot, you interrupt this process. Let's look at an example:



Lebo and Selina are 35 years old and contribute R5 000 to their retirement funds every month.

Lebo withdraws **R200 000** at age **35**

By retirement at 65, she'll have **R610 773** less because of this withdrawal. To make up for this loss, Lebo would need to contribute an **extra R1 497 per month** or work an extra 70 months to catch up for 30 years.

Small withdrawals, big impact

Even small withdrawals can cost you dearly. Let's say Selina withdraws R30 000 from her savings pot at age 35 and continues to withdraw R2 000 every year from her savings pot. Fast forward to age 65, Selina loses out on R1.38 million because of the withdrawals she made.

In addition, you should be aware of the negative impact of tax on any withdrawal you make.

If you withdraw R30 000 and earn R50 000 a month, you'll receive less than R19 000 after taxes and fees.

The assumptions used for the calculations are - current age 35, retirement age 65, monthly contributions R5 000, 5% annual interest rate, 6.5% annual salary increase. Both are invested in a moderate high risk portfolio. The tax calculation is based on the 2024 withdrawal tax table.



How to protect your future

To avoid dipping into your savings pot, follow these tips:



Build an emergency fund

Save three to six months' living expenses in an account that earns high interest.



Maximise retirement contributions

Contributing more now means more tax benefits and a secure future.



Get professional advice

A financial planner can guide you through the two-pot system and help you plan.

The two-pot system gives flexibility, but withdrawals come at a high cost. By avoiding early withdrawals and focusing on long-term savings, you can ensure a brighter, more secure retirement.



Top tip

Before you spend, make saving a priority. Set up a monthly debit order to your emergency savings account as soon as you get paid. This ensures you're building your financial future without relying on your savings pot - leaving it to grow and work harder for you over time. Your future self will thank you!



Quick links

AF Connect

Ready to see how much you've saved for your future? AF Connect makes it super easy to check your retirement balance, update your nomination of beneficiary form, or even make a savings pot withdrawal when needed – all in one place! Plus, with a treasure trove of helpful resources, you can learn how to grow your savings and secure your future with confidence. So, why wait? Jump in today and start taking control of your retirement journey by registering AF Connect in three easy steps:

- 1 **Log in here**
- 2 **Click on Register now**
- 3 **Complete the registration page**



Important note:
This may take a couple of days.

AF Rewards

Save more, live better with AF Rewards

Why pay full price when you can save on everyday essentials? With AF Rewards, you can enjoy amazing discounts on groceries, airtime, data, travel packages, health products, and so much more! It's the smart way to stretch your budget and get far more for far less.

Sign up today

your wallet will thank you!

My Money Matters

The ultimate financial toolkit awaits!

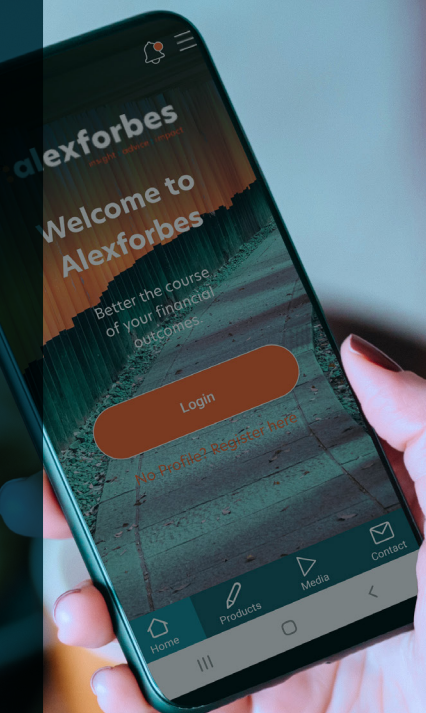
Ready to take control of your financial future? The My Money Matters website is packed with expert advice and educational articles that will guide you through every stage of your financial journey. Whether you're starting a new job, transitioning to a new employer or preparing for retirement, the My Money Matters website has everything you need to make informed decisions and secure a bright financial future. Start learning today and set yourself up for a fabulous future!



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Noticeboard

Second integrated annual report

The integrated annual report for the Alexander Forbes Retirement Fund (AFRF) for the 2024 financial year is now available. This report aims to provide a concise and clear overview of the fund's activities, performance, operating environment and journey towards continued resilience and sustainability, to be positioned as a Retirement Fund of the Future™.

The AFRF remains committed to navigating complex environments while prioritising member well-being. With strong governance, a forward-looking investment approach and dedicated member engagement, the AFRF is well-positioned to meet members' evolving needs and long-term outcomes.

Here are few highlights from the report:

Member impact

Insights driving member impact

This year's insights offer a deeper understanding of member impact based on our latest data analysis of the AFRF member profile. The analysis is based on new metrics that we introduced last year.

Contributions rates

Average
contribution rate

14%

2023: 14.1%

This is the percentage of pensionable salary contributed monthly

Average
expenses

1.4%

2023: 3.5%

This is the portion of the contribution that goes towards life and disability insurance and administration costs

Total average to
retirement fund

12.6%

2023: 10.6%

This is the total percentage of pensionable salary that goes into the retirement fund

Average pensionable
salary per year

R269 400

2023: R240 000

Average fund credit
(retirement savings)

R150 000

2023: R150 000

Minimum rate members
need to contribute
over a 40-year period
to achieve a 75%
replacement ratio

17%

2023: 17%

Average lump-sum death
benefit insured by the
fund (varies by industry)

R150 000

2023: R150 000

The funds' goal is to give the best service to both big organisations and individual members by providing clear, measurable benefits.

We achieve this by:



Offering thorough advice and support, and



Continuously enhancing and refining our consulting, managing and investing skills

It helps us grow bigger, work more efficiently and gain more advantages in our operations.

These member insights allow us to deliver better innovations to employers and members. That's why we put a lot of time and energy into getting to know our retirement fund members.

Retirement Fund of the Future™ – key characteristics and outcomes

In 2023, the AFRF supported the ideas behind the 'Retirement Fund of the Future'. Our world is changing very quickly, so it's important for retirement funds to know the risks and benefits of these changes. The trustees (the people who manage the fund) must make sure the fund is managed in a way that is good for the long term. This means making smart investments and running the fund responsibly to benefit both the fund and its members.

Based on the outcomes of in-depth research, Alexforbes has concluded that a future-fit fund should embody the following characteristics, each of which contributes to one or more strategic outcomes for the fund:

Key characteristics

Safeguards the financial future of members

Impeccable governance

Protects its social licence to operate

Acts responsibly

Transparent

Uses the allocation of its capital to reduce risk and lead positive change

Accommodates members in the future world of work

Takes a lead in creating the future

Responsive to shifting generational values

Based on the principles of shared value

Impact and outcome orientated

Is agile and adaptable to megatrends that are driving change

Drives innovation

Thinks outside of existing constructs

Strategic outcomes



Member-centric



Strategic long-term thinking



Impeccable governance



Impact-conscious



Transparent stakeholder communication



Don't put all your eggs in one basket – a case for multi-management

Relying on one investment can be risky. It might be tempting to bet on last month's top performer, but markets change, and past success doesn't guarantee future results. What worked yesterday might fail tomorrow. Like a marathon where leaders shift constantly, investment performance evens out over time. That's why your retirement fund takes care of this for you, ensuring your savings are well-diversified through its multimanager approach.

Call to action

Your fund does the hard work for you:

- With the default LifeStage strategy, your retirement savings are already diversified.
- The multimanager approach reduces risk and provides long-term stability.
- If you'd like to learn more, speak to a financial adviser about how your fund's strategy supports your future goals.

The problem

The danger of relying on one investment:

- Past performance \neq future results.
- Markets change - what works today might fail tomorrow.
- A lack of diversification increases risk and can lead to poor outcomes.

Real-life example

Thabo versus Lerato: a tale of two approaches:

- Thabo's approach: He relies on one asset manager and one investment type. When markets shift, his savings are exposed to significant risk.
- Lerato's approach: Her retirement savings are in a multimanager portfolio that diversifies across shares, bonds and property. When one area performs poorly, others balance out the losses, reducing her overall risk.

Your fund ensures all members benefit from Lerato's approach.

The solution

Your fund's built-in diversification

The retirement fund's default LifeStage approach reduces risk by:

- Spreading your savings across multiple asset classes: shares, bonds, property and cash.
- Using a multimanager approach to achieve even greater diversification.

What is diversification?

Diversification spreads risk by investing in different types of asset classes, such as shares, bonds, property and cash. Instead of depending on the performance of just one type of investment, diversification balances out ups and downs across various markets.

The benefits of the multimanager approach

This is how your fund protects and grows your savings:

- Broad diversification: Money is spread across shares, bonds, property and other asset classes.
- Expertise in manager selection: Skilled professionals select top-performing multimangers.
- Strategy variety: Combines multiple approaches to minimise risk and maximise growth.
- Ongoing management: Portfolios are regularly adjusted to seize opportunities and navigate market changes.

The role of multimanager investing

Multimangers: experts working for you.

Through the multimanager approach, your retirement fund:

- Selects top-performing asset managers.
- Combines different investment strategies.
- Continuously adjusts portfolios based on market trends.

This ensures your retirement savings benefit from a carefully balanced and expertly managed portfolio.



Top tip

Think long-term, not short-term. By spreading investments across different asset classes and strategies the fund helps you protect your savings against market ups and downs over longer periods.

Do you have any questions relating to the articles in this newsletter?



Contact details

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contactus@alexforbes.com (if there's something you feel the fund can improve on)

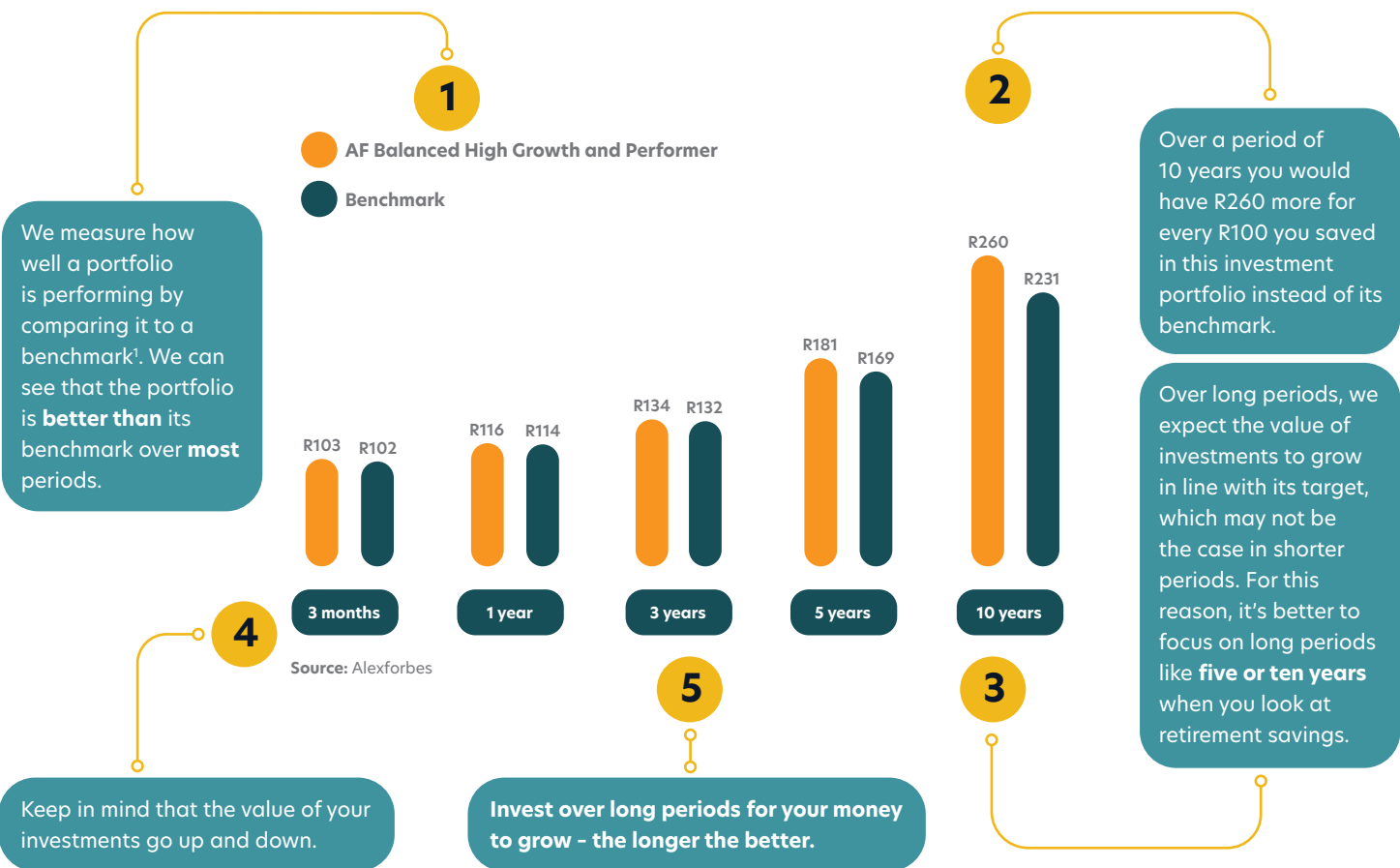


Investment returns

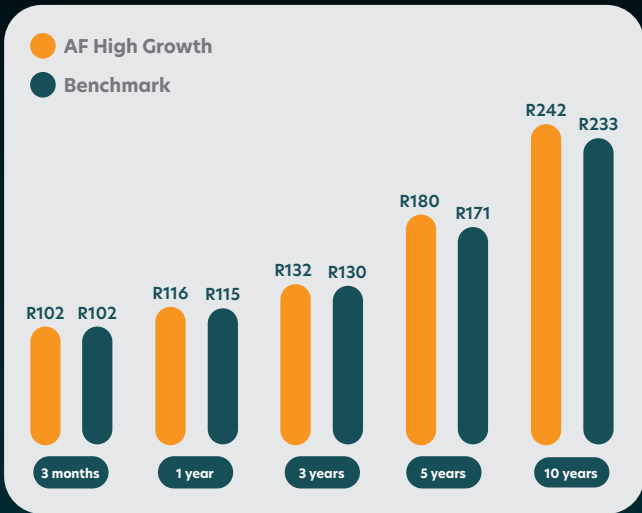
Performance of investment portfolios to 31 December 2024

Let's take AF Balanced High Growth as an example

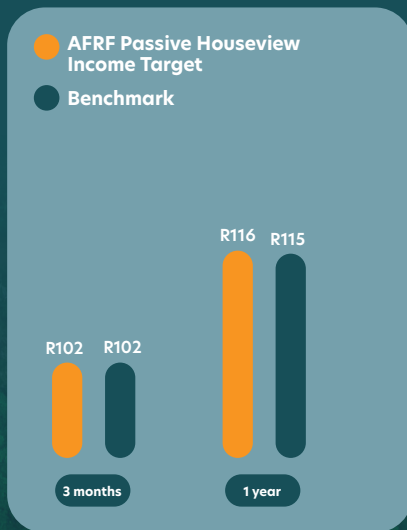
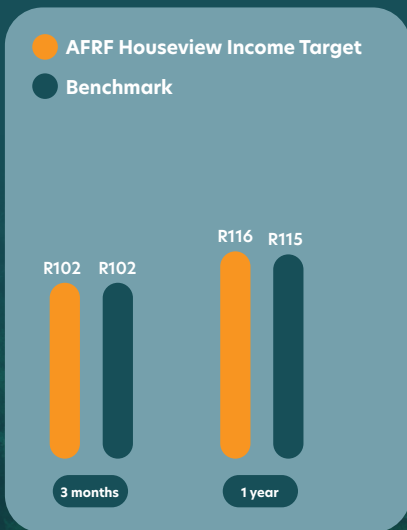
The value of R100 invested over various periods to the end of December 2024



Growth portfolios



Income target portfolios



Source: Alexander Forbes Investments



[Click here to view the full list of investment returns](#)

