

## Understanding your Retirement Projection Statement.

Attached, please find your annual **Projection Statement**. The purpose of this statement is to give you an idea of the level of income that you can expect from your company's retirement fund at your normal retirement age. Below is an explanation of how these projections were calculated and what the most important figures on your statement mean.

When one looks into the future there are certain **assumptions** that have to be made in order to do the projections. Also, our information about you is limited to your current salary, your fund credit, your age etc. We have no other personal and financial information about you and therefore need to make certain additional assumptions when calculating these future projected figures. Lets have a closer look at these assumptions:

### Assumption 1: Your income

Research shows us that after the age of 30, salary increases over the long term average out at about 1% above inflation. Prior to age 30 you can expect to receive merit or promotional increases above this. When we prepared your Projection Statement, we took your current salary and increased it by inflation + 1% (plus an allowance for merit or promotional increases if you are younger than 30) for every year you have left until your Normal Retirement Age (as per your fund rules) to estimate what your income could be at your retirement age.

A set percentage of **75%** of this income is then used as a target for your income *after* retirement. For example, if the calculations show that we expect you to receive R10 000 as a monthly income **just before** retirement, we set the target for your income **after retirement** at R7 500 per month, which is 75% of R10 000. It is not unreasonable to expect that a retiree will be able to survive with a 75% income after retirement. Please visit [www.afonline.co.za](http://www.afonline.co.za) or attend one of the presentations in your region for more information in this regard.

### Assumption 2: Your nest egg

Next we have to estimate what your **retirement capital** (your future Fund Credit) will be at retirement date. To do this we use your current Fund Credit, add the contributions that will **be added to your fund** by you and your employer between now and your retirement and also make provision for **the investment growth that your fund should generate**.

You will notice on your statement that there are **three possible outcomes** given ranging from **Low Growth to High Growth**. This is because we do not have any control (and have thus made assumptions) over your salary increases, the portfolio that you select within your fund or the investment markets themselves. In isolation, these three factors are not your most important concern. What you do need to monitor is **the difference** between the **growth** that you receive on your investment and your **salary increases**. If, for example, your salary increase is 6% and the growth of your portfolio is 9%, you have outperformed your salary increase by 3%. This would put you in a Low Growth scenario. A 4% outperformance equates to Moderate Growth and 5% to High Growth. Your trustee report will provide you with more information on market expectations and **investment growth** outlooks. This will assist you in deciding which one of the three outlooks is most likely to apply to you. Remember, however, that these Projections are NOT quotations but merely an indication of the range of **different possible outcomes that could be achieved**.

### Assumption 3: Your annuity

Once we have the **expected final value** of your Fund Credit, we assume that you will use this **total Fund Credit** to secure a monthly **retirement** income for yourself. Our calculations are based on the assumption that you will purchase an **annuity** from an insurer at retirement. There are various types of annuities available and on the day that you retire you will have the freedom to select a product that suits your needs. In our projections we assume that you will purchase an annuity that will **grow** at approximately 75% of inflation every year and that will also provide for a **spouse's pension** equal to 50% of your income, should you pass away. Please visit [www.afonline.co.za](http://www.afonline.co.za) for more information on the various types of annuities that you will have access to.

We can now compare the capital amount that you will need to purchase this annuity with the value that we expect your Fund Credit to grow to at retirement. This will indicate whether you are on track to reaching that **75% retirement income target** that we recommend and if not, how much you need to be saving in order to make up for the shortfall. There are many products that you can use to save extra money for retirement. For more information we strongly recommend that you speak to a qualified financial consultant.

Should you not be able to save more money for retirement, you may have to consider **postponing** your retirement date. This is usually much easier said than done. Many employers do not allow late retirement and we also need to keep in mind that our health may not allow us to extend our retirement age. For most people the reality is that if they want more money at retirement they need to save more money now!

Please read through the full list of assumptions used in our calculations on the back of your statement very carefully. When reading through all of these you may feel that they do not necessarily apply to you as an individual. You may feel that the 75% target is not enough for you. What if you want to retire earlier than the normal retirement age in your fund rules? What if you already have other investments to supplement your company fund? Perhaps you do not need to provide for a spouse after your death. All of these unique circumstances can be taken into account on the electronic version of your statement, which can be found on [www.afonline.co.za](http://www.afonline.co.za).

We recommend that you use your Projection Statement as a starting point to see what you can expect from your company fund. Then access the electronic Projection Tool on the website. You can include your personal investments and amend the assumptions to **suit** your personal retirement objectives. This will give you an indication of whether you need help from a qualified financial advisor. Remember that Projection Statements and Tools may be a guideline for your expected outcome at retirement, but they can never replace the comprehensive financial planning that is needed to ensure that all aspects of your financial situation are in order.

We trust that the Projection Statement will awaken you to the reality that awaits you at retirement. It is never too late to change your financial destiny - the sooner you start keeping track of your progress, the easier it will be to reach your personal retirement objectives.

For more information please visit [www.afonline.co.za](http://www.afonline.co.za) or call us on 0860 100 333.

Regards

The IPFM Team  
*"Creating Long-Term Financial Security Through Education and Advice"*

### AFOnline

[www.afonline.co.za](http://www.afonline.co.za) is Alexander Forbes's gateway to online values, information, financial planning tools, and related material, which has been designed to assist our clients with all of their financial planning needs, whether they be related to retirement planning, medical aid, death and disability cover, short-term insurance, estate planning, etc.

### The importance of a financial planner

When making important financial decisions it is always best to speak to a suitably qualified financial planner. Professional assistance in managing your financial affairs can provide substantial long-term benefits to both you and your family. The financial planner will be able to help you formulate a personalised financial plan that maximises the probability of you achieving your goals. For more information about how to choose a suitable qualified financial planner read the "**Choosing a financial planner**" brochure, or log onto [www.afonline.co.za](http://www.afonline.co.za).

Based on three different outlooks you can expect to receive a retirement income of between 41% and 55% of your projected Pensionable Salary at Normal Retirement Date.

Based on the moderate growth outlook your projected retirement income will be 47% of your projected Pensionable Salary at your Normal Retirement Age.

These different growth outlooks show the impact of varying returns in excess of salary increases. For more information about the different growth outlooks refer to the back of this statement.

**How to achieve a retirement income of 75% of your projected Pensionable Salary**  
Assuming you have no additional retirement savings, if you would like to retire at your Normal Retirement Age with a retirement income equal to 75% of your projected Pensionable Salary you need to increase your savings towards retirement or alternatively you will need to defer your retirement. The table below shows the additional amounts you will need to contribute, or alternatively until what age you will need to defer your retirement.

	Low Growth	Moderate Growth	High Growth
Projected retirement income as a percentage of projected Pensionable Salary at Normal Retirement Age	41%	47%	55%
Additional contributions required to attain a retirement income of 75% of your projected Pensionable Salary at Normal Retirement Age	14.7%	10.4%	6.5%
Age to which retirement must be deferred in order to be able to retire with a retirement income equal to 75% of projected Pensionable Salary*	69	66	64

\* This does not mean your employer will allow you to defer retirement.

Should you have already set aside additional monies for your retirement, or should you be setting aside additional contributions for your retirement (in addition to your contributions to your Company retirement fund), or should you want to alter some of the assumptions set out overleaf and you want to see how this impacts on the above calculations, please log onto <http://www.alexanderforbesonline.co.za> and use the online projection tool. Alternatively contact Alexander Forbes Contact Centre Tel: 0860 100 333 and arrange for a personalised financial review report.

Should you require assistance with your retirement planning needs please contact the Alexander Forbes Contact Centre on 0860 100 333.

① This is a quick summary of your expected income at retirement.

② Three potential **investment** growth outlooks are illustrated on your statement when we project how your **retirement fund** should grow between now and your retirement date:

- Low Growth - 3% real returns above salary increases.
- Moderate Growth - 4% real returns above salary increases.
- High Growth - 5% real returns above salary increases.

Please read through the assumptions on the back of your statement for more information or attend one of the presentations in your region for more information.

③ In our previous example, this member can expect a 47% income after retirement. So, if we assume that his income directly prior to retirement will be R10 000 per month, we are telling him that his income after retirement will only be 47% of that, i.e. R4 700 per month.

④ If this member wants to achieve the recommended retirement income of 75% of his income prior to retirement (or R7 500 per month in our example above), he/she needs to start saving an extra 10,4% of his/her salary immediately. This will be an additional saving over and above his current contributions to the company fund.

⑤ If this member cannot afford to save extra funds for retirement, he/she will not be able to retire at his/her normal retirement age (60 in our example), but will have to continue working and saving for retirement until the age of 66!

⑥ It is important to note that your employer may not allow you to postpone your retirement date.

⑦ Need more help? Want to start saving extra funds for retirement? More information is available on [www.afonline.co.za](http://www.afonline.co.za). You are also welcome to contact us on 0860 100 333.

**Important note:** This is an example only. Please refer to your personal projection statement which will be based on your fund rules and your personal financial information.

**Disclaimer:**

The information is protected by applicable intellectual property laws and cannot be copied, distributed or modified for commercial purposes.

Whilst every effort has been made to ensure that the information contained herein is current, fair and accurate, this cannot be guaranteed.

The use of this information by any third party shall be entirely at the third party's discretion and is of a factual nature only. The information contained herein does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act 2002. Alexander Forbes Group (Pty) Ltd does not expressly or by implication represent, recommend or propose that products or services referred to herein are appropriate to the particular needs of any third party.

Alexander Forbes Group (Pty) Ltd does not accept any liability due to any loss, damage, costs and expenses which may be sustained or incurred directly or indirectly as a result of any error or omission contained herein.