FRIDAY, 4 NOVEMBER 2022

irfa dispatch

THE RETIREMENT INDUSTRY NEWSLETTER

TABLE OF CONTENT

LOCAL NEWS

- Africa's largest pension fund, the GEPF, is still backing SA and investments in the country
- What happens to your retirement annuity when you die?
- Four easy ways to win the retirement savings battle
- If 65 is the new 51, how are you tracking for a longer retirement?

INTERNATIONAL NEWS

- German state pension on 'verge of collapse'

OUT OF INTEREST NEWS

- October economic update
- Make every cent count this World Savings Day

LOCAL NEWS

Africa's largest pension fund, the GEPF, is still backing SA and investments in the country

The Government Employees Pension Fund, which manages R2.24-trillion in pension savings belonging to 1.26 million public servants, is still optimistic about SA's economy and investment prospects. It is allocating most of its capital to SA-based investments and backing state-owned enterprises. The continent's largest pension fund is bullish about investments that are exposed to SA's economy and has not taken a dim view on state-owned enterprises, despite many being regarded as basket cases.

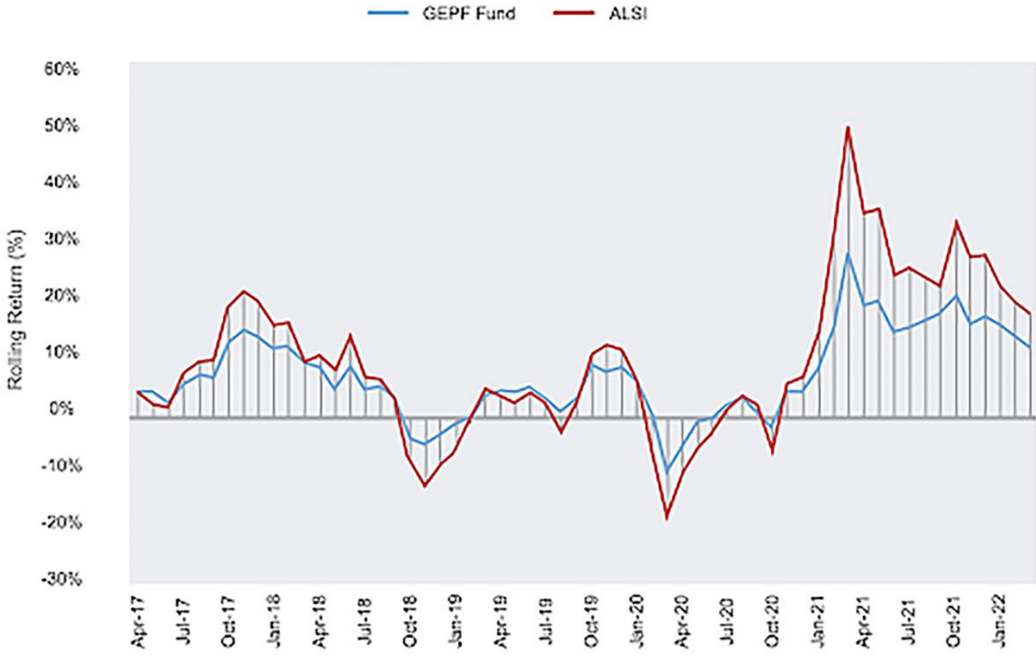
The Government Employees Pension Fund (GEPF) manages R2.24-trillion in pension savings belonging to 1.26 million public servants. The pension savings are then invested by the Public Investment Corporation into a portfolio of investments in local and international assets — including company shares, property, cash and debt instruments — to generate an investment return for the GEPF. This enables the GEPF to pay out pension benefits to working and retired public servants. The value of the GEPF's investment portfolio grew by 9.6%, or an increase of R201-billion, during the 12 months to the end of March 2022, driven by a recovery in financial markets from the Covid pandemic.

But the recovery became short-lived after the first quarter of 2022 due to increasing concerns about rising consumer inflation and interest rates and the war in Ukraine. Also improving the GEPF's financial performance is that the value of pension benefits paid to its public servant members (reaching R136-billion) is lower than the income it generated from investments (about R200-billion). The GEPF still sees growth prospects in South Africa and is not ready to allocate large sums of investment capital to offshore markets. During a briefing with journalists on Wednesday, the GEPF's principal executive officer, Musa Mabesa, said the pension fund still generates strong returns from the South African economy and is not in a hurry to pour money into offshore markets.

"We will remain invested in South Africa. We are committed to the local economy. Our investments are almost 90% exposed to the South African economy," said Mabesa. Since it was founded in 1996, the GEPF has largely invested in SA's economy. Only 15% of the GEPF's total investment funds are allowed to be moved into offshore investments — depriving public servants of exposure to rand hedge or foreign currency-denominated returns.

By the end of March 2022, the GEPF had a 10% exposure to offshore investments, mainly in company shares and bonds — a relatively small amount compared with the allocations of other private-sector retirement funds, which can invest up to 30% of their portfolios offshore.
“We will work to allocate to the maximum capital [15%] if opportunities are available. But we will be responsible,” said Mabesa. If the GEPF retreats from the JSE to increase its offshore investment allocations even by 2%, it will spark a major outflow of funds on the local exchange, given the pension fund’s enormous scale.

After all, the GEPF, through the Public Investment Corporation, is the single largest investor on the JSE. (Its investments in JSE-listed companies with a primary listing alone are worth R934.4-billion. Such companies include MTN, Naspers, FirstRand, Sasol, Vodacom, Standard Bank and many other giants). SA’s perennial poor economic climate has, in the past, eroded investment returns on the JSE for the GEPF. Over the past five years, returns from the local stock market, as measured by the JSE all-share index (Alsi), have been marginally higher than returns from the GEPF’s specific investment portfolio **(see below).**



Source: GEPF annual report 2022. ***Full Report: https://www.dailymaverick.co.za/article/2022-11-02-africas-largest-pension-fund-the-gepf-is-still-backing-sa-and-investments-in-the-country/***

Daily Maverick | 2 November 2022

What happens to your retirement annuity when you die?

It is important to understand the implications on your estate plan should you pass away before formal retirement.

A retirement annuity (RA) is a voluntary pension plan in which individuals can contribute in a tax-efficient manner to provide for their retirement years. Unlike pension and provident funds which are occupational in nature, RAs are private and, as such, an employee/employer relationship is not necessary for membership. Subject to a few exceptions, the earliest a member can retire from an RA is age 55, with no upper age limit for retirement, at which point they are required to use at least two-thirds of the fund to purchase an annuity income. But what happens if the member dies before retiring from the RA? How are the funds distributed and to whom?

When a member of a RA dies before retiring from the fund, the total fund value of the RA becomes payable as a 'death benefit'. As per the Income Tax Act, the death benefit does not form part of the member's deceased estate as it is distributed directly to the member's financial dependants and/or nominees. Importantly, the distribution of these benefits is strictly governed by Section 37C of the Pension Funds Act which places an onerous duty on the RA fund trustees to ensure the appropriate allocation of the death benefit. While freedom of testation remains a fundamental principle of our law of succession, Section 37C is a notable exception when it comes to the distribution of pension fund death benefits.

It is also important to note that Section 37C overrides any other laws which stand in contradiction to it. All pre-retirement products – including pension, provident, preservation and retirement annuity funds – are regulated by the Pension Funds Act, which includes the provisions of Section 37C. The main purpose of this section is to ensure that those people who were financially dependent on the deceased member are provided for financially, regardless of whether a legal duty of support existed or not.

This section places a duty on the RA fund trustees to ensure that the member's death benefits are distributed fairly and equitably amongst their financial dependants and/or nominees, meaning that a member's nominated beneficiaries may not necessarily receive a portion of the death benefit. This is because a member's death benefits must be used to provide for the member's surviving spouse, children, and other financial dependants in the event of their death. The rationale behind this is that the state has granted the member significant tax concessions in contributing to the retirement annuity and, as such, the funds should be used to provide for their financial dependants, thereby alleviating the burden on the state. Upon the death of the

member, the RA fund trustees are required to undertake an investigation to identify the dependants and nominees of the deceased, decide on an equitable distribution amongst those identified, and determine how the payment should be made. Note that a 'dependant' can be anyone who was legally or factually dependent on the deceased – and it is important to remember that being identified as a dependant merely means that the trustees are required to consider that person when making a determination, keeping in mind that there are different types of dependants. A *legal dependant*, being someone whom the member had a legal obligation to maintain, could include a minor child, parent, grandparent, or adult child who was still financially dependent at the time of the member's death.

Spouses, cohabiting life partners, civil union partners and customary marriage partners also qualify as dependants. On the other hand, a *factual dependant* would include anyone that was in fact financially dependent on the member, wholly or in part, even though no legal duty of support existed. Certain dependants, such as an unborn child or fiancé, can be deemed *future dependants* and should also be taken into consideration by the fund trustees. A *nominee* is anyone nominated in writing by a member of the RA to receive benefits in the event of death, although keep in mind that this nomination is merely a guideline to be used by the trustees when making a determination. If a nominee was financially dependent on the member, then that person should be treated as a dependant and not as a nominee.

A nominee's right to a share of the death benefit is not automatic and depends on several factors such as whether there are dependants and whether the member's estate is solvent, amongst other things. The trustees of the RA are required to take proactive steps to trace and identify the member's dependants, meaning that it is not sufficient for them to merely wait for dependants to come forward. Once the board has identified all dependants and/or nominees, they will need to apply their minds to ensure that an equitable decision is made in accordance with the provisions of the Act. Where the member leaves behind dependants only (whether factual or legal) the fund trustees will need to determine how the funds should be distributed amongst them.

Where the member leaves only nominees (i.e. no factual or legal dependants), the trustees are required to wait for a period of 12 months to ensure that no dependants are identified during this period, following which they may distribute in accordance with the member's nomination. That said, if there is any shortfall in the member's estate, the trustees are required to settle the shortfall before distributing the balance of the proceeds to the nominees. Where the member leaves behind dependants and nominees, the fund trustees will need to consider the matter carefully. Remember, the nominee does not need to prove dependency and the fact that they were nominated by the member means that they should be considered by the trustees. When considering the apportionment of the death benefit amongst the identified dependants, the

board is required to consider a broad range of factors including, but not limited to, the age of the dependants, to what extent they were dependent on the member, their relationship to the deceased, their current financial positions, their future earning potential, and the amount available for distribution. If the member leaves behind no nominees or dependants, the death benefit will be paid to the member's estate provided that it is solvent, although the trustees are required to wait for a period of 12 months to ensure that no dependants are identified during that period. In the case of a minor beneficiary, it is generally accepted that the trustees can make the payment to the child's legal guardian, whereas if the beneficiary is age 18 or over the benefit can be paid directly to him.

The beneficiary can take a cash lump sum which is subject to tax as per the retirement tax table and in accordance with the deceased member's withdrawal history. Currently, the retirement tax table allows for the first R500 000 to be tax-free, with any balance above this taxed on a sliding scale. Alternatively, the beneficiary can use the capital to purchase a life or living annuity and, while no tax will be paid when purchasing the policy, the annuity income will be taxed in the hands of the beneficiary. Lastly, the beneficiary can choose to implement a combination of the above. As is evident from the above, while RAs provide certain tax and estate planning advantages, it is important to understand the implications on your estate plan should you pass away before formal retirement.

Moneyweb | 2 November 2022

Four easy ways to win the retirement savings battle

Saving enough for retirement is entirely possible if you know how, and follow these tips.

You can win the retirement savings battle by making the right investment decisions, a positive indicator that the retirement savings crisis is not all doom and gloom. Some people are taking the challenge seriously and acting positively to turn the proverbial ship around on their savings status. Data collected for the Old Mutual SA Retirement Gauge 2022 clearly shows that many South Africans are bucking the retirement savings crisis, says Andrew Davison, head of advice at Old Mutual Corporate Consultants (OMCC). The Old Mutual SA Retirement Gauge 2022 takes an authoritative, in-depth look at the retirement savings habits and retirement readiness of South Africans belonging to umbrella funds through their employers' occupational schemes.

The gauge covered about 490 000 active members saving for retirement in retirement schemes set up by about 6 300 employers of all sizes and across all industries. Despite the sample of people making the right decisions is small, Davison says they demonstrate that saving enough

for retirement is entirely possible. “We just need to get more people to do the same.” The research found that four key elements distinguished people who saved enough for retirement from those who faced economic hardship. They saved for longer, stuck to the 15%+ savings rule, pushed back their retirement by whatever means possible and knew how much they needed.

Saving for longer

People who had long service with an employer managed to accumulate up to eight times their annual salary, on average, after 35 years of service. However, only a small number of employees remain with the same employer for that long. Many withdraw their pension or provident fund savings when they change jobs, pay the tax, spend the balance and start at a zero balance with their new employer. This leads to leakage from the system every time people change jobs.Davison says people who change jobs should rather opt to preserve savings from different employers by leaving them in the same fund, transferring the money to the new employer’s fund or investing in a preservation fund or a retirement annuity in your own name.

Sticking to the 15%+ savings rule

People who contributed above 15% of their salary to their retirement, have a much better chance of achieving a pension that is around 70% of their salary just before retirement. Encouragingly, a quarter of the members surveyed contribute at this level and a small group of super savers, 4% of provident and 2% of pension fund members, contribute 20% or more. “It is quite common to hear people say they cannot afford to save. The reality is that if you are fortunate enough to have an income, the challenge is about figuring out how to balance your current needs and those that are either unforeseen, like emergencies, as well as those that are foreseen but potentially may seem far off, such as retirement,” Davison says.

Saving during your working years is about deferring some of your income and consumption to a period when you will no longer be working, he says. “It is the careful management and spreading of your own income over your lifetime, not just consuming whatever you get today on the same day.” While nobody knows how long they might live or whether they will get to retirement, it is about planning for the future, no matter how uncertain, so that you are not left vulnerable if you do enjoy a long life. Davison says the first step to be able to afford to save is to reduce your debt.

“The same people who claim not to be able to save are often able to afford to pay installments on credit cards, personal loans or vehicle finance.” When you get rid of these debts, you must use the installments you do not have to pay anymore to save and in this way, Davison says, the pain of paying interest is replaced by the benefit of earning interest, which can dramatically improve your financial situation. If you save for your retirement, you must remember that any

credit facility is damaging for your financial situation. Instead, delay the purchase, avoid the loan, save the equivalent of the loan repayment and then you can afford the purchase without the need for debt.

Pushing back your retirement by whatever means possible

Employees with better retirement prospects do not retire before they reach 65. The Retirement Gauge found that just under half the members are working towards a retirement age of 65, with a third targeting 60.Retiring at an earlier age, for example at 60 instead of 65, requires you to accumulate a higher multiple of salary in a shorter time to provide the same level of replacement ratio. Davison says someone saving from age 30 would need to save an extra 6% of their salary every month to be able to attain the same 70% replacement ratio at 60. “The question one should ask is not when you should retire but whether you can you afford to retire.”

Corporate employers usually prescribe a retirement age and some do not allow you to work after your turn 60, but Davison says retiring from the corporate does not mean you must start drawing a pension. “Finding an alternative source of income, even if it is a contract position or a part-time can allow you to delay your retirement by deferment, where effectively you say that you would like your savings to be parked until you are ready to start to take a pension.” He says the longer you derive this income the further your retirement savings will stretch when you are ready to ‘hang up your boots’ for good.

Knowing how much you need

A common question for people approaching retirement is whether they have enough savings, but this is not an easy question to answer as everybody has different needs, family situations, dependants, tax, state of health, debt and annuities. “A good starting point is to aim for a pension that is about 70% of the salary you were earning before you retired. This is on a gross basis, meaning before tax is deducted. To be able to afford a pension of this level, a 65-year-old male would need savings of about nine times their pre-retirement gross salary and a female about 8% more capital than that.”

“Employees should not feel that it is almost impossible to save for a comfortable retirement. Many people of all income levels are showing that it is possible. That does not mean it is easy. It takes careful planning, thinking about your future self and not just your current self and then having the discipline to stay the course. The financial decisions you make during your economically active years will determine the quality of life you are able to sustain in retirement,” Davison says.

The Citizen | 30 October 2022

If 65 is the new 51, how are you tracking for a longer retirement?

Retirement isn't quite aligned to the time we live in. It's also not reflective of an individual's personal state of wellbeing, which is linked with biological age. Age is only one factor to consider when it comes to retirement. Populations are up against a tricky combination of challenges that have a direct impact on retirement savings. The question is: can anyone afford to retire comfortably?

The risk factors at play in today's retirement reality

Populations are living longer

Today's global population consists of more than 7.7 billion people. Per generation, millions are transitioning from the world of work. For context - between 2010 and 2030, an estimated 370 million baby boomers of the post-war era will be retiring. "Alongside rapid population growth, scientific advances in medicine, improved standards of nutrition and healthier lifestyle choices have given rise to what's been dubbed 'the longevity revolution'," says Discovery Life Deputy Chief Executive, Gareth Friedlander. Healthier living really does contribute to improved physical and mental health outcomes and longer life spans. This is where the concept of biological age comes from.

A 65 year old today is in a far better state of health than a person of the same age as little as 70 years ago. One could say that 65 is the new 51. Friedlander adds, "At Discovery, we've seen that Gold and Diamond Vitality status clients can live as much as 24 years longer than the average South African (around 65 years) and in a healthier state. The effect is that planning for retirement needs to factor in, firstly, longer retirement periods and, secondly, generating enough income to support potentially more than two decades of additional lifestyle needs."

The majority of South Africans are not saving enough

According to a poll conducted by Business Tech in January this year, more than a third of middle-class South Africans are not contributing any of their income towards retirement savings. Of the poll participants, 61% are saving no more than 10%, and only 23% are saving more than 20% of their salaries each month. "According to our National Treasury, contributions towards pension, provident and retirement annuity funds pre-COVID-19 amounted to at least R246 billion, with the largest contributions – around R100 billion - being made by employers to pension funds," says Friedlander.

"We have noticed that preservation levels in these funds are low, especially when clients change jobs. So, replacement values when these individuals retire are low too." According to Credit Suisse Research Institute, pre-COVID-19, a South African with an income equal to the

national average would receive a pension which would make up approximately 19% of their last earnings only.

Younger generations are still highly underinsured and only start thinking about latter life, later in life

"Not only are younger generations significantly underinsured, they're also only taking retirement planning seriously around the age of 40," says Friedlander. According to the latest Association for Savings and Investment South Africa (ASISA) insurance gap study, 9 million of South Africa's 15.6 million earners are under the age of 40. Most of these individuals are underinsured at a time when insurance risk needs are typically higher. Saving for retirement is challenging with many being heavily indebted with home loans and bonds, car payments, and funding children's education. "So, protecting future income through insurance is a major risk factor," Friedlander adds. Retirement planning then becomes a risk factor by default too. Like insurance risk needs, saving for retirement must start at earlier stages of a working career and this isn't happening.

How life insurance benefits can help to supplement your retirement plan

"Saving can be tricky in today's economic climate, even if you're a diligent saver," says Friedlander. "People will need to find new and innovative ways to supplement retirement savings. We're all up against numerous short term cashflow challenges juxtaposed against the backdrop of increased longevity and the associated conundrum of being able to sufficiently fund retirement savings. One option is life insurance, which can be a significant help with supplementation opportunities," he adds. Designed to meet post-retirement needs, Discovery Life's Buy-up Cash Conversion benefit allows clients to supplement their retirement funding using payments they receive from their life policy in retirement.

"Clients are encouraged to engage with the Vitality programme, which allows them to monetise their behaviour simply by living healthily and managing their finances well. Four equal payments based on the size of their life insurance sum assured are then made at age 65, 69, 73 and 77 – a time when additional funds would be most welcome to boost retirement savings," Friedlander explains. For a limited period, clients can get the 50% Buy-up Cash Conversion offer that gives clients a 100% premium discount on the benefit for the first three years. If clients want to take out the 100% or 200% Buy-up Cash Conversion options, they will still receive a discount equivalent to the 50% option premium for the first three years. Such a benefit is already making a difference in Discovery Life clients' lives.

"We've paid out Cash Conversions amounting to over R1 billion in total to our clients already, the largest of which was R11 million. During 2021 alone, we paid out R392 million in Cash Conversions to our clients. We also expect to pay out a further R5.6 billion on the benefit during the next 5 years," he continues. To counteract potentially serious financial implications of living longer with insufficient retirement funds, a benefit like this, which converts healthy pre-retirement behaviour into significant additional financial benefits in retirement, is a very effective way for our clients to solve this longevity funding challenge and live longer, healthier lives with their children and grandchildren at the same time.

Please note that the Buy-up Cash Conversion benefit is not an investment product, but a risk benefit. Therefore, this benefit does not have any lapse or surrender value before the payouts become due. Payments commence at age 65.

News24 | 2 November 2022

INTERNATIONAL NEWS

German state pension on 'verge of collapse'

Retirement age needs to rise in line with growing life expectancy, trade body warns

The German state pension system will collapse unless the retirement age is raised in line with a rapidly rising life expectancy, the head of an influential trade body has warned. Germany, which has one of the oldest populations in Europe, is expected to age rapidly over the next few decades. This means that its state pension system will be under strain from both weaker funding from a smaller workforce and higher demand for payouts from a growing number of retirees. Under Germany's current system, the state pension guarantees retirees at least 48pc of the average wage until 2025.

The current state pension age is 65, but is in the process of gradually rising to 67. Rainer Dulger, president of the Confederation of German Employers' Association, told the Bild am Sonntag newspaper that the system would break down within five years without intervention. He said: "For every 100 contributors, there are currently about 50 pensioners; in 15 years, there will be 100 contributors for every 70 pensioners. This means that the financing of our pension system is on the verge of collapse.

"The retirement age should be linked to the increase in life expectancy. It must not be the case that the further increase in life expectancy leads to an ever longer retirement." Mr Dulger added that the system would create a generational gap. "The citizen's income threatens to divide our society. It can't be right that some people who go to work in the morning have only a little more money available than someone who doesn't go to work in the morning. That's unfair and sets the wrong incentives." In Britain, the Government's "triple lock" on the state pension hangs in the balance. The policy, which was a Conservative manifesto promise, pledges to increase the benefit in line with the highest of the previous September's inflation, wage growth of 2.5pc. ***Full Article:*** ***https://www.telegraph.co.uk/pensions-retirement/news/german-state-pension-vergecollapse/#:~:text=The%20German%20state%20pension%20system,over%20the%20next%20few%20decades.***

Business Day | 12 October 2022

OUT OF INTEREST NEWS

October economic update

The Chinese economy continues to slow as the housing market and zero-Covid policy hamper demand.

- Markets rallied in October on hopes that major central banks would begin to slow the pace of interest rate hikes because data showed that economic conditions were deteriorating. Equities were also lifted by optimistic traders taking advantage of a market that was battered in September and trading in oversold territory. Consequently, the Morgan Stanley Capital International (MSCI) All Country World Index ended October up 6.0%. The MSCI Emerging Markets Index lost 3.2%, largely due to the severe drop in China which makes up over 30% of the index, whereas the MSCI World Index gained 7.1%.
- Manufacturing activity in the US unexpectedly fell in September, with the Institute of Supply Management's Manufacturing Purchasing Managers Index (ISM Manufacturing PMI) dropping to 50.9, the lowest level since 2020. New orders contracted, highlighting the fact that many companies are beginning to brace for lower demand by reducing stocks. On the other hand, the services sector remains resilient, with the ISM Services PMI pointing to growth after coming in at 56.7 in September.
- The US economy posted its first period of positive growth in the third quarter, with GDP expanding at an annual rate of 2.6%. While the advance has more than offset the decline in the

first two quarters of the year, economists are still expecting a mild recession to come as demand continues to be eroded away by high inflation and rising interest rates.

- Inflation in the US remains elevated with CPI data showing prices rose by 8.2% (year-on-year) in September, beating forecasts for a drop to 8.2%. The sticky components of inflation continue to rise, with annual core CPI jumping to 6.6% in September, as compared to 6.3% the month before. The inflation report highlights the fact that the Federal Reserve will likely need to raise rates by 75 basis points for the fourth consecutive time at their meeting in November.
- Chinese President Xi Jinping secured his third term as president in October and introduced a new leadership team full of loyalists. This has raised concerns regarding what stance he will take regarding the private sector, as many worry that he could introduce policies that will further hamper growth. Apart from this, the Chinese economy continues to slow as the housing market and zero-Covid policy hamper demand, highlighted by the fact that the Caixin China General Composite PMI fell to 48.5 in September from 53.0 in August.
- The United Kingdom's run of political instability continued in October after they made a historic policy U-turn after Jeremy Hunt, the new finance minister, scrapped Prime Minister Liz Truss's economic plan. Hunt, who replaced Kwasi Kwarteng, stated that it is "not right" to fund tax cuts with increased debt at a time when the UK is already dealing with a large current account deficit, a weakening currency, high inflation, and a looming recession. This subsequently forced Truss to step down and make way for Rishi Sunak to take control. The new prime minister will have to deal with an economy full of uncertainty and on the brink of a major recession.
- The South African economy continues to struggle as intensifying power cuts continued in October with no end in sight. Our reliance on commodity exports to China is also likely to hurt economic growth as the Chinese economy slows. Consequently, the National Treasury has revised the GDP growth forecast for 2022 to 1.9% from 2.1%.
- Adding to the struggle is the fact that annual inflation remained elevated at 7.5% for September. While down from 7.6% in August, the sticky components continue to advance, with annual core inflation jumping to 4.7% in September from 4.4% the month before. Retail sales also decreased by 1.8% in August as rising prices and interest rates continued to squeeze consumer demand.
- South African equities rebounded in October with the JSE All Share index advancing 4.6%. All sectors ended in the green with financials, resources, and industrials returning 12.7%, 3.9%, and 1.6% respectively. South African listed property broke its losing streak after finishing the month up 9.8%.
- One-month index movements:
    - JSE All Share Index: 4.62%
    - S&P 500 Index (U.S.): 7.99%
    - FTSE 100 Index (UK): 2.91%
    - Hang Seng Index: -14.72%

Moneyweb | 1 November 2022

Make every cent count this World Savings Day

The importance of putting aside some money for your goals or emergencies cannot be over emphasised. World Savings Day encourages you to make every cent count as the festive season draws near. World Savings Day started on 30 October 1924 and is aimed at encouraging people to adopt the habit of saving, while understanding the need to save for the future. This habit can be made practical – in a creative way – to help individuals, families or children get a grasp of the importance of starting to save at any age at any time. Himal Parbhoo, CEO of FNB Cash Investments, says, "South Africa has consistently had a low savings culture, due to our culture of consumption and limited use of formal savings instruments.

We would like to believe that most people see and understand the benefits of saving but tend to park it for a later stage in life when they have a better or bigger income. This challenge encourages us to help people adopt the discipline of a saving culture, which will help them in their future and with their short or long-term goals.""Whilst many people save for their short-term goals, we also need to start channelling our minds to think of the future and our different long-term needs or goals such as savings towards buying a car, house, education, retirement, or planning on getting married." Parbhoo shares different kinds of ways to activate the discipline of saving in the short-term:

• Money jar

This is an old school or traditional way of putting money aside, and South African's have creatively adopted this way of saving using either 2 litre bottles or ice-cream containers. Calculate how much money you've saved once the bottles or containers are full. You can either deposit that money in a savings account or use it to purchase that one item you've always wanted.

• Chores

An interactive or creative way of including children and family into grasping the savings culture is by rewarding their good deeds. This discipline can be introduced to your children and family as a whole. Chores like tiding the room, cleaning the house, washing dishes, or washing the car can earn them anything from R10 - R50 based on your agreement with them. The main rule is letting them know that for every chore they get paid for, they need to save a certain percentage towards an item that they've been begging you to buy for them, such as a branded soccer or rugby ball, bicycle, roller blades, skateboard, PlayStation 5, or Xbox.

• Reduce spending through daily activities

It is worthwhile for individuals or families to look at where their daily or weekly spending goes to. Instead of buying lunch every day at work or school, encourage your family to make their own lunch, whether it's a delicious sandwich, or pack last night's dinner with fruit and a bottle of water. With electricity reduction still upon us in different stages, you can invest in rechargeable solar lights or the classic paraffin lantern lamp lights which can help you save some money. If power outages hit on a weekend, a consideration is to have a braai instead of placing a takeaway delivery. Another idea to reduce spending and save a bit of money is to join or start a work lift club.

- **Bank Your Change®**

Save your spare change and, after a few months, see how much it comes up to. Bank Your Change® is a free feature linked to a savings account that allows all FNB customers with a transactional bank account to save a portion of their change when purchasing goods or services with their FNB debit card. This functionality rounds up each debit card purchase to the nearest Rand value chosen at activation and saves the difference into their linked FNB Savings Account, helping customers save for an emergency, going for a holiday, or celebrating a birthday or anniversary.

- **Group savings**

Group savings – also known as Stokvels in South Africa – are a genuine vehicle for saving as a collective with either family, friends colleagues or other acquaintances with same or similar financial goals. Many South Africans of all ages and income groups choose to start or join a stokvel as another way of saving in order to be disciplined while achieving a collective financial goal with other people. Starting or joining a stokvel with a group of trusted people will also help individuals go far with the savings journey, especially in the spirit of Ubuntu as South Africans. Stokvels are commonly known or used for burial or grocery society, but it has now evolved to people group savings for building or buying a property or a holiday.

"We strongly encourage people to save regularly and avoid taking unnecessary debt. We are passionate about helping people improve their ability to save and this is made possible by simplifying the process through our integrated customer-centric financial advice on our FNB App, online banking or at our branches," Parbhoo concludes.

FA News | 31 October 2022

Switchboard: 011 450 1670 / 081 445 8722
Fax: 011 450 1579
Email: reception@irfa.org.za
Website: www.irf.org.za

3 Williams Road
Bedfordview
Johannesburg 2008

Disclaimer: The IRFA aims to protect, promote and advance the interests of our members. Our mission is to scan the most important daily news and distribute them to our members for concise reading.

The information contained in this newsletter does not constitute an offer or solicitation to sell any security or fund to or by anyone in any jurisdictions, nor should it be regarded as a contractual document. The information contained herein has been gathered by the Institute of Retirement Funds Africa from sources deemed reliable as of the date of publication, but no warranty of accuracy or completeness is given. The Institute of Retirement Funds Africa is not responsible for and provides no guarantee with respect to any information provided therein or through the use of any hypertext link. All information in this newsletter is for educational and information purposes and