



UCT RETIREMENT FUND

Secure your future – it's never too late to start

# Retirement seminar

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# Agenda

- Accumulation of retirement savings, and conversion to income at retirement
- Questions to ask yourself in retirement planning
- Speaking to a financial advisor
- Options to enhance your expected retirement benefit
- Benefit options at retirement
- Questions



## The nature of the UCTRF

- **Defined contribution provident fund**
- *Defined contribution*: benefits determined by accumulation of contributions invested with investment return
- *Provident fund*: benefit provided as a lump sum, with member options for conversion into a retirement income



## Key contributors to retirement income

- Savings: how much was contributed, for how long?
- Investment strategy: the right balance between returns and volatility (risk)
- Conversion of retirement benefit to income: living or life annuity?



## Questions to ask?

- How much do I have?
- How much am I projected to have, and how much extra might I need to consider contributing?
- How much do I need?



## How much do I have?

- Your Annual Benefit Statement
- UCTRF website link to the Sanlam Retirement Fund Web
- Register in a few easy steps
- Check your balance whenever you need to



## How much am I projected to have?

- Try the Retirement Calculator in the toolbox on the UCTRF website for projected Retirement Benefits based on your chosen options
- Consider how much better the position might be with additional contributions



## How much do I need?

- This is a much more difficult question!
- For most members, the Retirement Fund Benefit is the largest asset they will ever own
- Sound management of Retirement Fund assets is crucial because members of a defined contribution fund carry the risks of investment
- Sources of guidance include the retirement calculator and financial advice

PROBABLY MORE THAN YOU THINK

Currently R1 million will purchase a CPI linked pension of around R5700 pm for a single male and R5100 pm for a single female.

Decreasing to around R4500 pm if married.





## Speaking to a financial advisor

- Financial advisor checklist:
  - ✧ Ask for referees/clients
  - ✧ Necessary FSB & FAIS registration?
  - ✧ Preferably CFP-qualified (or with equivalent professional credentials)
  - ✧ Independent or affiliated?
  - ✧ Relationships/networks with other players in the financial services sector?
  - ✧ Ensure costs and commissions disclosed in full
  - ✧ Be aware of vested interests; you want impartial advice!

- HR & UCTRF – provide information, not advice





## How can I enhance my retirement benefit?

- Increase your DPA
- Additional contributions
- Consider your investment choice
- Reduce your risk cover (provided your dependants remain adequately covered)
- If you were considering early retirement, reorient your goals towards retiring at age 65



## Changing your DPA

You may increase (or decrease) your DPA at an annual CoE review. Change will result in:

- ✧ a greater (or lesser) UCTRF contribution amount.
- ✧ associated increase (or decrease) in the Group Life Assurance cover, disability cover and the fringe benefit on the Separate Group Life Assurance cover.

(Staff who wish to decrease their DPA to less than the recommended amount must schedule an interview with their HR Advisor who will take them through the consequences of their decision and ask them to sign an acknowledgment of these consequences. If any changes in DPA or additional contributions result in your retirement contribution being greater than 20% of your earnings for the current tax year, UCT is legally obliged to advise SARS.



## Making additional contributions

You can request UCT to make additional contributions to your UCTRF retirement savings (HR152 form):

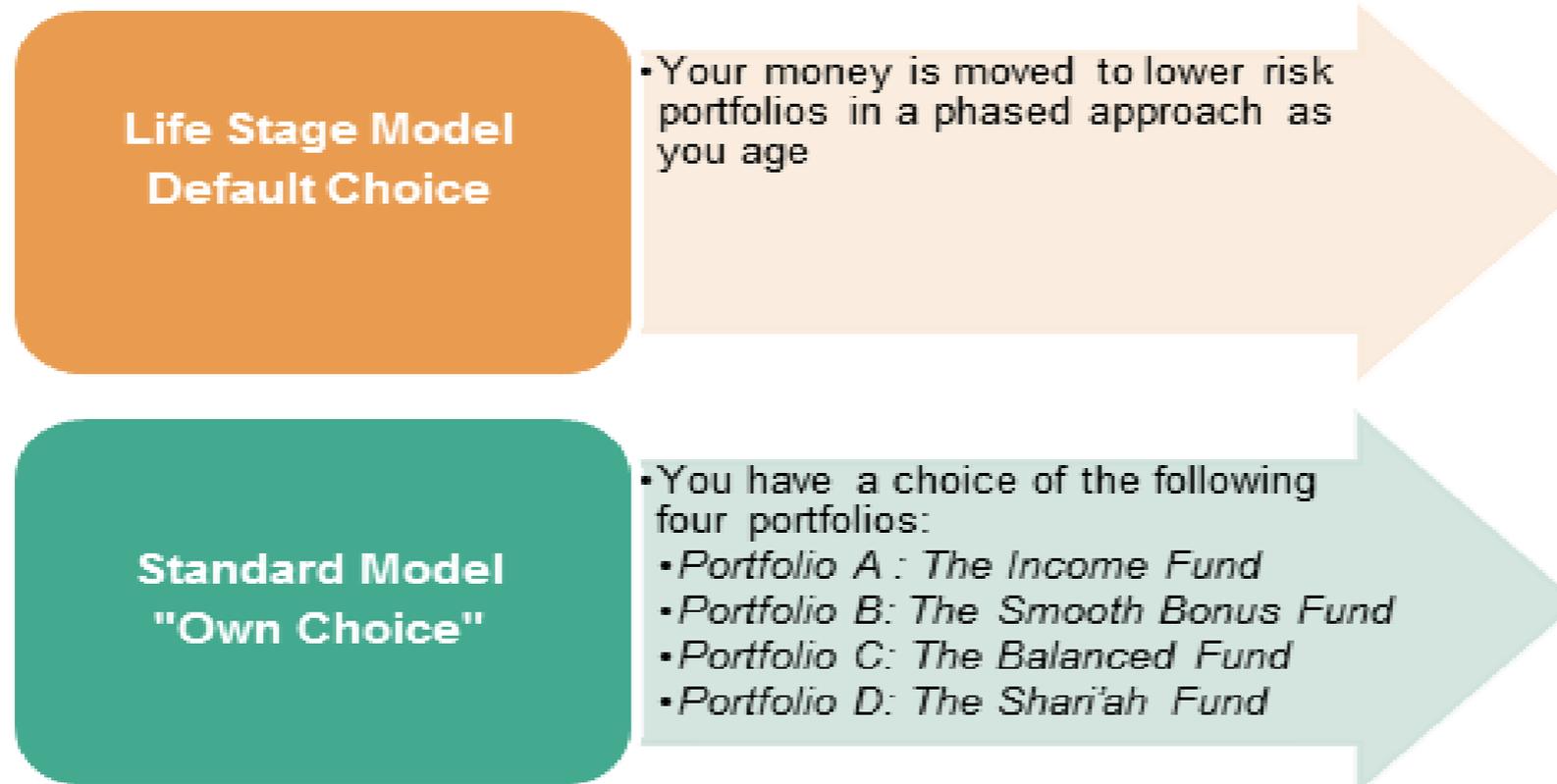
✧ 1, 2, 2.67%, 3% or 5.33% (or combinations thereof□)

These funds go directly into retirement savings; they make no contribution to admin. costs or risk benefits; they will reduce your take-home pay (but maybe by less than you fear, given the tax saving). Changes to the tax regime from 1 March 2016 limit the immediate tax relief on additional contributions for high earners (total cap on tax-deductible contributions of R350,000 p.a. to all qualifying funds).



## Investment strategy

Investment portfolio should maximise long-term return subject to acceptable risk. Risk concerns start to dominate as one approaches retirement.





## What is the Life Stage Model?

Members with 5 years or more to retirement, will initially have all their Funds invested in the Balanced Fund (Portfolio C). As returns from the Balanced Fund are expected to fluctuate from year to year, it is not an ideal portfolio for managing final payment risk. Members are therefore transitioned to the Income Fund (Portfolio A) and Smoothed Bonus Fund (Portfolio B<sub>LSM</sub>) as they near retirement.

May be inappropriate for:

- ⌘ Members intending to retire before Normal Retirement Age
- ⌘ Members intending to retain exposure to the markets through a living annuity after retirement (more on this later)



## Why not retire early?

- Thanks to the magic of compound interest, the greatest gains (in Rand terms) on your accumulated savings will occur between the ages of 60 and 65; so you'll have more cash if you delay retirement.
- And because life expectancy reduces with every additional year, every Rand of accumulated retirement benefits will purchase you more retirement income at 65 than at earlier ages; so your income conversion rate is improved.
- The combined effect means a healthier post-retirement income if you delay retirement to 65.

R1mil will purchase a pension of R5700 at age 65, but only R4900 at 60



## Benefit options at retirement

- Cash vs. income
- Type of income (living or life annuity)
- Other options
  - Post-retirement medical aid subsidy
  - Leave pay plus any deferred compensation policies
  - Continuation of death cover (separate 1xDPA) without proof of health; can be used to cover estate duty
  - Other policies and savings outside UCT



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## Useful information sources

[www.uctrf.co.za](http://www.uctrf.co.za)

[hr.uct.ac.za](http://hr.uct.ac.za)

[www.fsb.co.za](http://www.fsb.co.za)

[www.fpi.co.za](http://www.fpi.co.za)





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Thank you

Questions?

