

**WELCOME !**

The FIFA 2010 World Cup has now come and gone, leaving us all feeling a little deflated, nevertheless intensely proud of the showcase that South Africa was able to present to a worldwide audience. None of this happened by chance, it all resulted from years of meticulous planning and attention to detail.

With the excitement behind us, it is now time to get back to normal day to day business. Let's do so with an enhanced sense of need to plan for our own future economic well-being. Included in this newsletter are some articles that will assist you.

Please distribute to all fund members.

Kind regards

The Employee Benefits Team.

**2 POWERFUL REASONS TO "THINK FIRST" BEFORE SPENDING YOUR PENSION OR PROVIDENT FUND PAYOUT**

Getting any kind of payout is exciting. And one can hardly help oneself thinking about spending it, now, on "something nice". But there are powerful reasons why you should rather think first. What are they and what's better than spending it all now?

**2 Reasons to Think First**

- 1) **A comfortable, financially secure retirement.** Spending your payout now – perhaps on things carrying no real lasting value – could result in a struggle later in life, when one can least afford it, and when one's ability to earn a living is much reduced.
- 2) **Tax.** Yes, if you use your benefit before retirement you pay more tax on it. So the result is that you'll have less. More of your dedicated hard earned cash goes to the tax man when it doesn't have to.

So it makes much better sense to invest your payout.

94% of South Africans do not make sufficient provision for their retirement. If statistics are correct you will likely also live longer, to an older age, which means you'll need more money to see you through your retirement.

Preserving your benefits is crucial in your goal of saving for retirement.

**What You Should Do**

When you receive a payout you should place the proceeds into a Preserver Fund. Here's how it works:

- You place a once-off lump sum into the fund;
- No tax is payable when you transfer the money into the fund;
- The funds are invested carefully to ensure growth;
- You pay no tax on the growth or the investment returns within the fund.

Of course in addition to these features are the benefits you – the "think first" investor – receive. More money on retirement. More financial security. Less struggle in your 'golden years'. Less reliance on your family and the state to support you.

Those are worthwhile benefits. Contact Douw Steyn (CFP) on 086 000 4400 or (C) 082 302 3000 if you would like assistance in preserving your fund benefits, or require other financial planning advice.

**UMBRELLA FUNDS - WHY A WISE CHOICE FOR YOUR PENSION FUND**

Umbrella funds – pension funds in which many employers participate 'under one roof' - are becoming increasingly popular. And the reasons for this are many. Here are some of them:

- Lower costs;
- Governance, compliance and regulatory matters are taken care of; and
- Trustee functions are taken care of with lessened involvement by Employers.

Overall then, Employers have the satisfaction of a well run investment for their staff, without the work and worry load that a stand alone pension fund attracts.

As an additional benefit, many Umbrella funds offer some choice of investment portfolios. Trustees may choose several portfolios for the fund, based on stringent criteria and research. So, in this way, fund members who require some investment flexibility can be accommodated.

#### **Key Criteria to look for in an Umbrella Fund**

Experts identify the following factors as key when choosing such a fund:

- 1) Cost structures must be good – with reasonable economies of scale;
- 2) Governance must be in place with independent Trustees appointed;
- 3) Question or research whether governance failures have taken place before;
- 4) Investment mandates should be examined;
- 5) Systems should be efficient and should serve the customer adequately;
- 6) There must be member communication and transparency; and
- 7) Balanced choice should be provided – too much choice could raise costs.

The RBS Quantum Elite Umbrella Pension and Provident Funds were designed taking account of all the above considerations.

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### **WHEN TIMES ARE TOUGH, IS DUMPING EMPLOYEE BENEFITS THE ANSWER ?**

When times are tough, when the pressure's on, it may be a seductive thought to cut away anything that doesn't provide some immediate benefit or relief. Your company Employee Benefits program may be one of those. But is such action a solution?

No. In fact it could be just the opposite.

You may be underestimating the value your employees place on their benefits. Your chopping salaries, cancelling bonuses and reducing benefits could have a devastating effect on the very thing that keeps you in business: your people, the ones who make things happen (no matter how much you think they just don't "get it!")

The net result may be that you lose some of them. And the loss of that collective expertise may result in even greater pressure on the business, and certainly on those leading it.

In fact many employers are increasing benefits to employees. And it's not all financial. Some provide onsite childcare, reduced fees on cell phone contracts and concierge services, to name a few. Such employers clearly understand the value of their people and are looking creatively at providing practical solutions to help them and keep them happy.

There are surely other ways to make savings in ones business – ways that don't risk you losing good people. Cutting employee benefits should be the very last resort.

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### **WHAT'S THE BEST DECISION YOU'VE EVER MADE ?**

It's easy to think of decisions you've made where you've seen immediate good results. What's not easy is to make a decision based on a benefit that will only be experienced in say, 30 years time. And yet a decision like that could just turn out to be the decision of a lifetime. For the good.

Deciding to invest in your retirement and sticking to that decision is one example. Say on retirement you are earning R48 000 per year (R4 000 per month). These are the scenarios you could face:

- No retirement provisions – in which case you'll have to get by on the state pension which is currently R1 010 per month and face having to rely on family for assistance; or continuing to work well into old age.
- Some retirement provisions – in which case you get little assistance from the state, you use state healthcare and likely still need to rely on family for support.
- Adequate retirement provisions – this means you can sustain your lifestyle at a similar level to what you've been enjoying when earning your R4 000 pm. For this you'll need a lump sum to invest of between R480 000 and R960 000, up to 20 x your salary level on retirement. This buys you independence, more security than 94% of other retiring South Africans and a more relaxed, leisurely retirement.

You could well look back one day and decide that being determined to make provision for your retirement was "the best decision you ever made."

## NEW FUNERAL BENEFITS BY CAPITAL ALLIANCE

Capital Alliance really seems to understand what their customers need when it comes to the sad event of a death in the family. They've added important features to their funeral benefits and their product now serves customers in a superb way.

### The Additional Benefits

- 1) Transportation of the deceased's body. Available 24/7/365 this service will ensure that the body is repatriated to a funeral home nearest to the place of burial. Countries covered include South Africa, Namibia, Lesotho, Swaziland, Botswana, Mozambique and Zimbabwe.
- 2) Funeral assistance service. Support throughout the entire period and process – from counselling, choice of coffin, obtaining medical certificates, funeral arrangements through to transport and preparation of the gravesite – all is covered and a 24/7/365 advice line is also provided.
- 3) 24 Hour Client and Claims Assistance. This means that clients are never in the dark or stuck not knowing what to do in a crisis. Help is always available.

These additional benefits are only summarised here. There are many more features that truly mean that in the event of a death, policy holders will have no undue anxiety or expense. Everything will be taken care of.

Contact Lorraine Nel on 086 000 4400 for further details.

## WHO DOES RBS CHOOSE AS IT'S INVESTMENT MANAGER ?

After 18 months of research, closely analyzing their ability to deliver benchmark returns, security and excellent service to RBS clients, the trustees of the Quantum Elite Pension and Provident Funds have chosen Novare Investments as the multi-manager of our Quantum Elite Investment Portfolios.

Novare has a successful 10 year track record with assets under management of R27 billion and have managed similar portfolios for the past five years. The advantage of favouring their 'multimanager' approach is that it isn't subject to the risks (ups and downs) of a single investment manager or investment style. The result is more consistent performance.

Novare will be managing the following Quantum Elite Multi-Managed Portfolios:

- Growth Portfolio: actively managed and containing a relatively large exposure to equities; with an objective of outperforming CPI +6% over a rolling 3 year period.
- Moderate Portfolio: suiting a moderate risk profile and actively managed with 50% invested in equities; with an objective of outperforming CPI +5% over a rolling 3 year period.
- Absolute Return Portfolio: with the objective of achieving positive returns irrespective of movement in the equities market. Aimed at outperforming CPI +3.5% over a rolling 2 year period, with positive returns in more than 18 out of the 24 month period.
- Money Market Portfolio: invested exclusively in money market instruments with the objective to protect capital and outperform the SteFI call deposit index.

Please contact your consultant if you would like more information on these portfolios.



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