

PROJECTION STATEMENT



The projection statement and projection tool

The projection statement

The projection statement shows you what your pension at retirement might be, in today's money terms, as well as how much and for how long you need to save for a reasonable pension.

It's a useful tool for your retirement plan because it shows if you're saving and investing enough. You can then use this information to plan if you don't seem to have enough retirement savings for the pension you want.

The projection tool

The projection tool is an interactive web-based tool (available on www.afonline.co.za) that helps you plan properly for retirement by showing you different potential outcomes in today's money terms. The calculations are based on various assumptions and growth scenarios, as well as on your current fund credit, current pensionable salary, net contributions and your normal retirement age.

You can try different variables to get a more accurate picture and shape it to your personal circumstances. If you have other savings, are making additional contributions, or planning to retire at a specific age, you can put that data into the projection tool and see what difference it makes and whether your objectives are realistic or not.

Remember the projections are potential outcomes – not guaranteed outcomes.

The projections are based on these assumptions:

- They are expressed in today's money terms
- You'll target a pension of 75% of your pre-retirement salary.
- You'll retire at your normal retirement age.
- The net contributions you and your company make will stay the same.
- You have no other retirement savings.
- You're invested in either a favourable, unfavourable or expected scenario.
- You invest the full fund value at retirement and don't take your fund benefit as cash before retiring.
- You need the pension for the rest of your life.
- Your spouse will get 50% of your pension if you die.
- There is a five year guarantee term.
- The annual pension increases are targeted at 75% of inflation.

Keeping projections relevant

Alexander Forbes updates the economic and demographic assumptions of the projection model regularly to keep up with the latest long-term market conditions. To help you there is a projection statement guide on the next page.

For more information on financial planning you can visit www.afonline.co.za or contact the Alexander Forbes contact centre on **0860 100 333**. Our contact centre is open Monday to Friday from 8:00 to 17:00.

Don't stop at the statements

AF Online

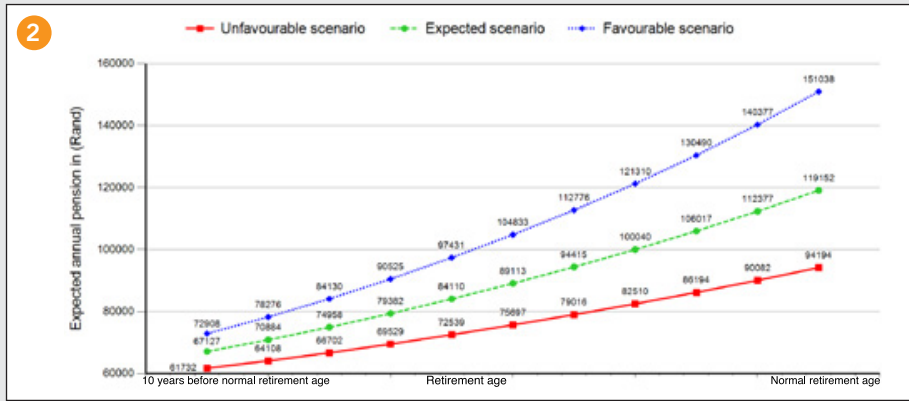
Visit www.afonline.co.za for up to date values and information on your retirement fund and investments with us. There are easy to use financial tools including budget tools, savings projections, a debt tool and a life cover tool. To access the site, you'll need to register and follow the prompts on the website.

Speak to a financial adviser

Most people wait too long before taking control of their retirement savings plan. The earlier you start, the more time you have to make a plan that will work for you. Speak to a financial adviser about your retirement income needs. They'll help you make sure you're on track to meet those needs.

Projection statement guide - example

- 1 Your expected annual pension at retirement, in today's money terms and based on three different growth scenarios, can be shown as follows:



The above figures are present value, meaning they are relative to your current salary.

- 3 Based on the three different scenarios and the assumptions on the back of the statement or www.afonline.co.za, you can expect to receive an annual pension of between R94,194 and R151,038 (in today's money terms) at your normal retirement date. This is between 43.4% and 69.3% of your expected salary at your normal retirement date. If you retire earlier, your pension will be lower.

The different growth scenarios show how different investment returns can change the expected amount of your pension. There is more information about the different growth scenarios on the back of this statement or www.afonline.co.za.

4 **How to achieve a reasonable pension**

Research has shown that it is reasonable to aim for a pension that is 75% of your salary before retirement. In your case, this is a pension of R163,461 a year in today's money terms. The amount may not be what you need though, given your personal circumstances. **Speak to a financial adviser to calculate what your requirements are.**

If you have no other savings for your retirement and would like to retire at your normal retirement age with a pension of R163,461 a year (in today's money terms) you will need to save more, or work longer. The table below shows the estimated amount you will need to save, or the age that you need to work until before you retire.

	Unfavourable scenario	Expected scenario	Favourable scenario
Your annual pension (in today's money terms) at normal retirement age	R94 194	5 R119 152	R151 038
Extra contributions needed to get a pension (in today's money terms) of R163,461 a year at normal retirement age	36%	6 17.3%	8.2%
Age you need to work to, to be able to retire with a pension (in today's money terms) of R163,461 a year*	77	7 70	65

- 8 * Most employers will not allow you to keep working after normal retirement age, so you might need to find other work. Please refer to your fund rules and employment contract for further details.

- 1 Three potential investment growth scenarios are shown on your statement when we project how your retirement fund should grow between now and your retirement date:

- Unfavourable: Investment return will exceed inflation by 3% a year.
- Expected: Investment return will exceed inflation by 4.5% a year.
- Favourable: Investment return will exceed inflation by 6% a year. Please read through the assumptions on the back of your statement for more information or attend one of the presentations in your region.

- 2 The graph shows your expected pension across a range of retirement ages. Your expected pension is also shown as a rand amount, in today's money terms.

- 3 This is a quick summary of your expected pension at retirement.

- 4 Your statement shows you how much your pension will be, in today's money terms, if you aim for a pension that is 75% of your salary before retirement.

- 5 Based on the expected scenario this member's annual pension, in today's money terms, would be R119 152 at normal retirement age.

- 6 If this member wants to achieve the recommended pension of 75% of their salary before retirement, they need to start saving an extra 17.3% per month of their pensionable salary immediately. This will be an additional saving over and above their current contributions to the company fund.

- 7 If this member cannot afford to save extra money for retirement and wants to retire with 75% of their salary they will have to continue working until they are 70 years old.

- 8 It is important to note that your employer (and your fund rules) may not allow you to postpone your retirement date.

Important note: This is only an example. Please look at your own projection statement which will be based on your personal financial information.

Do you need more help?

Do you want to start saving extra money for your retirement? More information is available on www.afonline.co.za.

You are also welcome to contact us on **0860 100 333**.

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