



LEGAL
PROVIDENT FUND

SPOTLIGHT

In this 2nd edition of 2024 of Legal Provident Fund ("the Fund") Spotlight we focus on the following:

Achieving a reasonable retirement outcome

Why its important to remain invested

How to find a financial adviser

Investment returns as at 31 September 2024

Reminder where to find information on the two-pot system

Where to find Fund information and documents

Register on AF Connect

What do you need to do?

Please read this important communication. The Fund strongly encourages you to:



- ✓ Register and use AF Connect.
- ✓ Visit the Fund's website to access information about the Fund and a summary of the Fund benefits, which is contained in the member booklet:
www.legalprovidentfund.co.za
- ✓ Obtain advice from an accredited financial planner to assist you in making any important financial decisions.



ACHIEVING A REASONABLE RETIREMENT OUTCOME

There are several decisions you need to make during your retirement savings journey that will play a part in achieving a reasonable retirement outcome. To ensure a secure and comfortable life when you retire, you need to understand how much is necessary to achieve your goals, based on the timeframe you have until retirement. The best way to calculate how much you need for retirement is through a comprehensive financial needs analysis, which will provide you with a clear picture of your financial health.

Financial needs analysis (“FNA”)

A FNA, is a detailed assessment of your financial situation and includes considering the following:

- Work out how much you need for your retirement and other financial goals;
- Determine whether you can afford to retire when you want to retire;
- Assess your financial dependants' needs if you can no longer provide for them;
- Write out your medium- to long-term financial plans;
- Define your retirement lifestyle goals and clarify what you can afford and what you cannot

The 3 stages of retirement planning

1 Early stages

In this stage, your focus must be on building a substantial retirement fund.

2 10 years before retirement

At least 10 years before retirement, you should tweak your retirement targets.

At this age you should have fewer financial obligations, allowing you to allocate more money towards your retirement savings.

3 Late stages

If you have not saved enough to retire comfortably, you can consider:

- Extending your retirement date by working an extra 5 years. This can increase your retirement savings by up to 12% due to compounding returns and a reduction in tax payments.
- Taking a job after retirement to help cover expenses.
- Starting a new business, however ensure that you have a well-thought-out business plan and the necessary skills. Avoid using all of your retirement savings to start a new business.
- Change your lifestyle to reduce expenses.



A qualified financial adviser can help you to calculate how much is necessary to achieve your goals, based on the timeframe you have.



WHY ITS IMPORTANT TO REMAIN INVESTED

To help you achieve a reasonable retirement outcome, we take a look at compounding and the importance of investing.

Compounding: The eighth wonder of the world

Compounding is often referred to as the “eighth wonder of the world” because of its incredible power to grow wealth exponentially over time. This famous quote, attributed to Albert Einstein, reflects, the awe that many people feel when they fully understand how compounding works.

Compounding is the process where an asset's earnings, from either interest or capital gains, are reinvested to generate additional earnings over time.

This means that not only do you earn returns on your original investment, but you also earn returns on the returns you've already made. It's often described as “earning interest on interest” or “growth on growth”.

For example, if you invest R1 000 at a 5% annual return, you'll have R1 050 after one year. If you leave that R1 050 invested, in the second year you'll earn 5% on the entire R1 050 - not just your original R1 000. Over time, this domino effect accelerates the growth of your investment.

How it works

- 1 Initial investment:** You invest an initial amount of money.
- 2 Earning returns:** The investment earns returns (dividends, interest, capital gains).
- 3 Reinvestment:** Instead of withdrawing the returns, you reinvest them.
- 4 Continuous growth:** Over time, as your investment and returns grow together, the amount of return earned in each period increases.

The longer the time you remain invested, the more powerful the effect of compounding become because you are reinvesting a larger amount each time. This exponential growth is why compounding and long-term investing is a golden partnership.

Benefits to long-term investors:

- 1 Exponential growth:** The key to maximising the benefits of compounding is time. Long-term investors see the most significant gains because compounding accelerates as time passes. The returns in later years are often much larger than in the early years.
- 2 Passive wealth creation:** Compounding allows investors to build wealth passively. By letting your investments grow without frequent withdrawals, your money works for you, generating more wealth without requiring additional capital.
- 3 Beating inflation:** Long-term investing with compounding helps investors outpace inflation. Short-term investments may not provide enough returns to do so, but compounded returns can significantly exceed inflation over a long period.
- 4 Risk mitigation:** Long-term investors benefit from the ability to ride out market volatility. Short-term fluctuations may negatively impact those who pull out their investment early, but compounding works best when investors stay invested despite short-term market conditions.

Investors who don't stay invested for the long-term miss out on the full power of compounding. Short-term investors may realise smaller gains or need to rely on timing the market, which adds risks. Long-term investors, on the other hand, enjoy the benefits of exponential growth and can amass significantly more wealth over time without the need for frequent intervention.

Compounding is revered as an “eighth wonder” because it transforms ordinary, gradual inputs into extraordinary outcomes, harnessing the power of time and growth to create wealth or success in ways that seem almost magical.

The importance of remaining invested

We provide you with some examples highlighting the importance of remaining invested and not trying to time the markets. Members who remain calm, do not switch and stick to their long-term goals are better positioned to achieve future investment success.

Meet the members

Alan, Bonga and Chiraag are members of a retirement fund and all three are invested in the Performer portfolio. Performer is an accumulation portfolio that is used by members in the growth phase of their retirement savings journey.

1

Short-term impact

Like many other savers and investors in March 2020, Alan, Bonga and Chiraag experienced feelings of anxiety, panic and uncertainty after the hard lockdown was announced. They saw how Covid-19 impacted financial markets, which resulted in losses of the value of their retirement savings (invested in the Performer portfolio). It was difficult for each of the members to watch their hard-earned savings fall in value, and each took a different course of action.

Alan decided to:

Disinvestment from the Performer portfolio on 1 April 2020 and invest proceeds in the Banker portfolio which is made up of cash investments. He remained invested in the Banker portfolio up to the end of August 2024.

Bonga decided to:

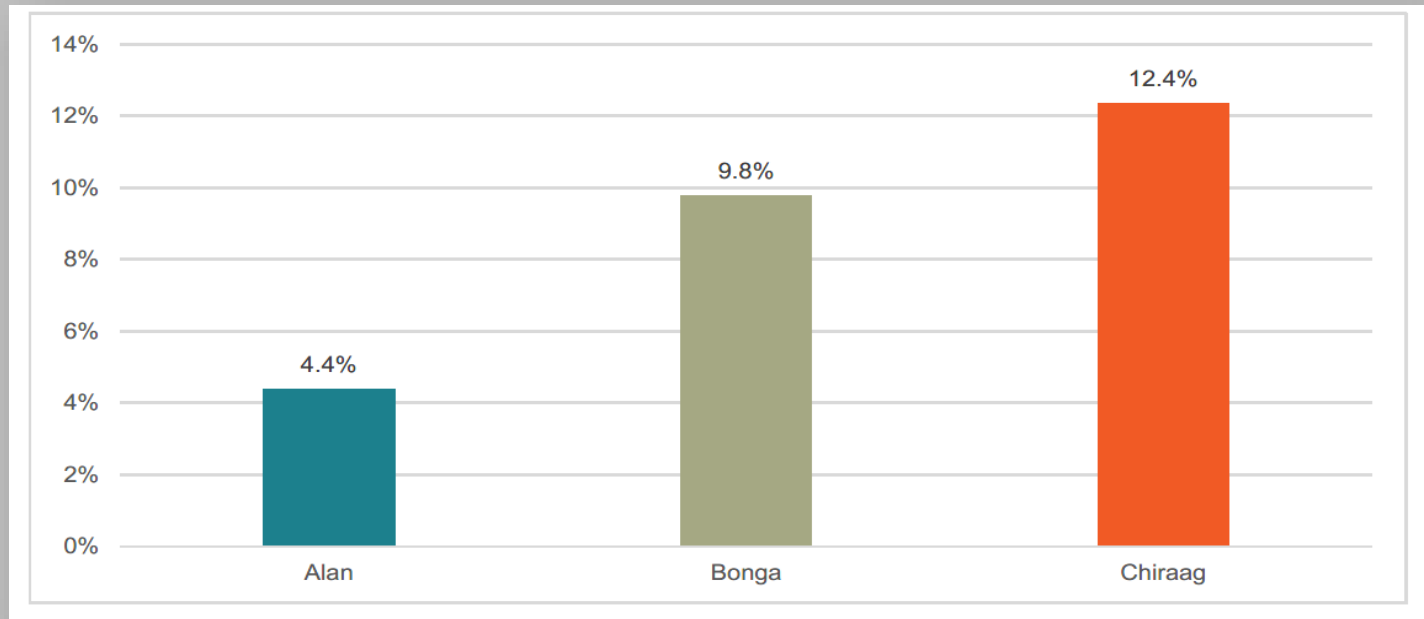
Disinvest from the Performer portfolio on 1 April 2020 and invest the proceeds in the Banker portfolio. Once financial markets began to recover, Bonga then decided it was a good time to move back into the Performer portfolios on 1 July 2020. Bonga remained invested in the Performer portfolio up to the end of August 2024.

Chiraag decided to:

Remain invested in the Performer portfolio throughout 2020 and up to the end of August 2024.

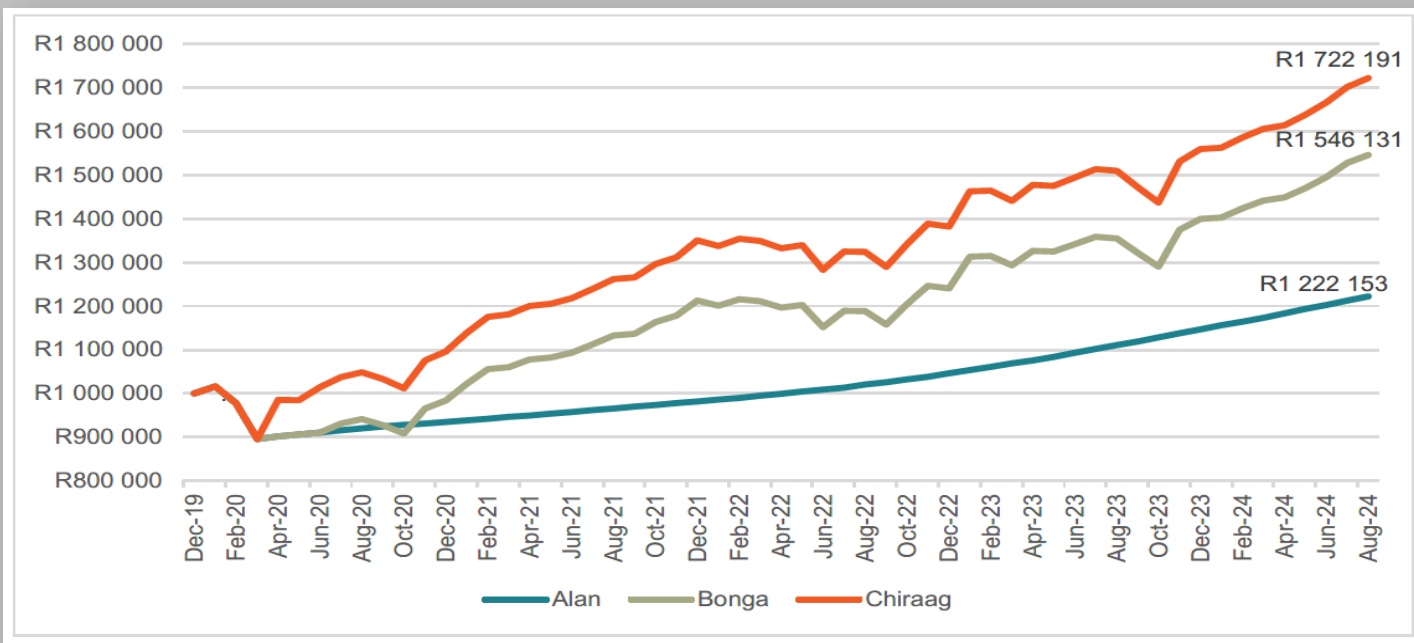
Let's have a look at how each member's investments performed during this time based on the different course of action that each of them took

Chart 1: Members Alan, Bonga and Chiraag's returns achieved (per annum) from 1 January 2020 to 31 August 2024



Difference between returns Chiraag achieved versus the return Alan achieved is 8% p.a.

Chart 2: Value of R1 million invested on 1 January 2020 by Alan, Bonga and Chiraag as at 31 August 2024



Difference between Chiraag's value and Alan's value as at 31 August 2024 was R500 038.

2 Effects on retirement outcomes

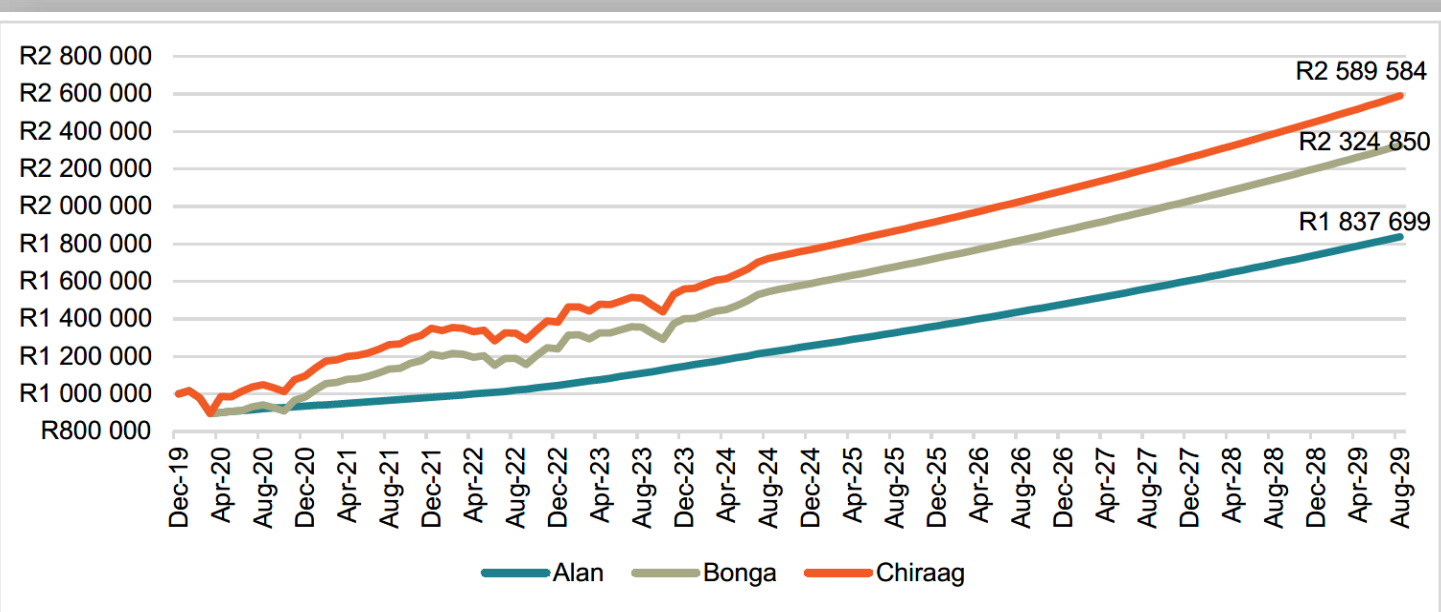
We took these example a step further and looked at:

- What the value of the initial R1 million as at 1 January 2020 would grow to at retirement, and
- What monthly income (a pension or annuity purchased from a product provider)) can be purchased by each member at retirement.

We show the ultimate impact of the “gap” created in Part 1 above at their retirement dates. The following assumptions were made:

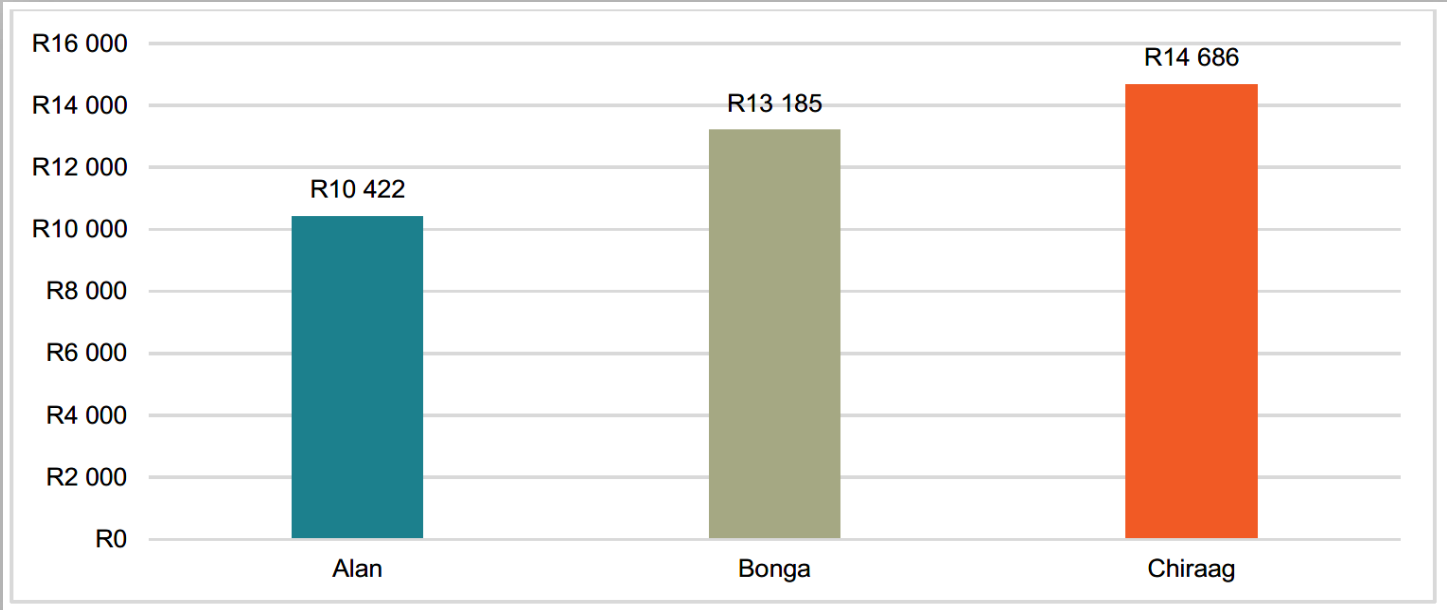
- The three members are the same age and are five years from retirement (retirement date is 31 August 2029).
- The three members are invested in the Performer as at 1 September 2024, Alan switched back into Performer on 1 September 2024 - note that this is often the part that does not happen. Bonga and Chiraag were invested in Performer on 1 September 2024.

Chart 3: Value of R1 million invested on 1 January 2020 by Alan, Bonga and Chiraag as at 31 August 2029



Difference between Chiraag's value and Alan's value as at 31 August 2029, based on the assumptions, would be R751 885.

Chart 4: Monthly annuities that can be purchased by Alan, Bonga and Chiraag at retirement in five year's time (31 August 2029)



Chiraag (remained in Performer) was able to purchase an annuity that was **40.9%** higher than what Alan was able to purchase as at 31 August 2029, based on the assumptions.



In conclusion, **your decision to switch** has lasting effects on your retirement outcomes. It is, therefore, important not to make investment decisions when stressed or to act impulsively.

Always speak to a certified financial adviser before making any rash decisions.



HOW TO FIND A FINANCIAL ADVISER

To find a certified financial adviser, you can search on the Financial Planning Institute of Southern Africa's website [here](#) or alternatively you can contact an Alexforbes Retirement Benefit Counselling team member in your area to provide you with information or direct you to a certified financial adviser:

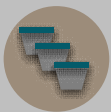
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INVESTMENT RETURNS AS AT 30 SEPTEMBER 2024

The investment returns for the Fund's chosen portfolios, over various periods to 30 September 2024, are provided below. Note that the Fund has not always invested in certain portfolios over all the periods reported, therefore, the returns for periods that don't apply will not be reflected.

Name	3 Months	1 Year	3 Years	5 Years	Since Inception	Launch Date
Accelerator						
Gross of Fees	7.02%	23.42%	13.22%	13.29%	10.40%	30 Jun 2016
Net of Fees	6.78%	22.47%	12.33%	12.35%	9.53%	
Benchmark	7.15%	23.73%	12.39%	11.64%	8.76%	
Banker						
Gross of Fees	2.49%	10.11%	8.31%	7.47%	8.52%	23 Aug 2001
Net of Fees	2.42%	9.83%	8.04%	7.20%	8.16%	
Benchmark	2.05%	8.25%	6.58%	5.70%	7.06%	
Conservator						
Gross of Fees	6.14%	18.74%	11.70%		11.49%	19 Apr 2021
Net of Fees	5.89%	17.62%	10.71%		10.49%	
Benchmark	5.70%	17.15%	10.15%		9.70%	
Performer						
Gross of Fees	5.54%	19.41%	11.58%	12.41%	11.80%	02 May 2012
Net of Fees	5.32%	18.43%	10.62%	11.45%	10.80%	
Benchmark	6.24%	20.14%	11.36%	11.32%	10.57%	
Real Return Focus						
Gross of Fees	5.64%	17.43%	11.25%	10.59%	9.90%	08 Aug 2006
Net of Fees	5.36%	16.16%	10.13%	9.45%	8.86%	
Benchmark	1.62%	8.53%	9.69%	9.03%	10.36%	
Shari'ah High Growth						
Gross of Fees	2.77%	14.02%	9.71%	10.81%	9.40%	03 Jul 2017
Net of Fees	2.48%	12.72%	8.50%	9.58%	8.20%	
Benchmark	2.28%	11.58%	6.35%	8.72%	7.57%	



REMINDER WHERE TO FIND INFORMATION ON THE TWO-POT SYSTEM

The Two-pot legislation started on 1 September 2024. The Fund has issued written communication to members regarding the two-pot system and invited members to attend webinars. If you need a reminder or more information, please visit the Fund's website or Alexforbes self-help portal.

Fund website:
www.legalprovidentfund.co.za

Alexforbes self-help portal:
<https://mymoneymatters.alexforbes.co>



Reminder: if you wish to claim a savings withdrawal benefit you must use AF Connect to lodge your claim. You are strongly encouraged to only claim if you face a desperate financial emergency and have no other option.

Rather save your savings component for your cash needs once you retire and take advantage of the more beneficial retirement tax tables.



AF CONNECT

Alexforbes has **three new ways** for you to connect with your retirement investments, making it easy for you to stay informed and in control.

AF Connect



- ✓ Visit mymoneymatters.alexforbes.com to log in.
- ✓ Select **Register** and follow the menu prompts.
- ✓ Once you have registered, you will receive confirmation that your registration is complete.

AF Mobile App



- ✓ App available as a FREE download on the Apple App Store, Google Play Store, and the Huawei App Gallery.
- ✓ Search for **Alexforbes**.

WhatsApp



- ✓ Save **+27 60 043 9601** to your contacts.
- ✓ Type **Help**, select **Register** and follow the menu prompts.

Reminder: Where to find Fund information and documents



FUND WEBSITE: www.legalprovidentfund.co.za

The Fund's [website](#) gives you access to the following at the click of a button:

- ✓ Information about the Fund
- ✓ Benefits and fees
- ✓ Investment strategy
- ✓ Communication
- ✓ Forms

Questions?

If you have any questions, please contact:

For Administration matters (such as billing schedules, claim payments, Fund statements, forms etc): zzlpfadmin@alexforbes.com