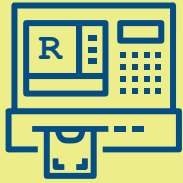


# NEWSLETTER 4



## YOUR RETIREMENT MONEY



**Living Annuity -**  
Draw money from  
your investment



**Life Annuity -**  
Buy an income from  
an insurance  
company



**Old Age Pension -**  
Claim money from  
the Government,  
should you qualify



## ACRAVEST NEWS



You can contribute  
to our **Retirement  
Annuity**



Contact us if you require  
more information, including  
the list of available  
investments



## INVESTMENT & ECONOMIC FEEDBACK



Markets are still  
performing poorly



The long term  
expectations are still the same

For more details on these topics please refer to the rest of the document.



## YOUR RETIREMENT MONEY



After retirement your salary falls away and the moneys that you have saved over your working life, needs to provide you with an income that replaces your monthly salary.

It is crucial to save as much money as possible over as long a period as possible, and not access this money before your retirement.

### Before retirement

At any event before your retirement date that presents you with the opportunity to access your retirement money, it is crucial to carry on preserving the money. Spending this money will most definitely leave you with a shortfall at retirement, which could dump you into poverty at that point.

The Acravest platform provides you with vehicles through which you can preserve money at these crucial life events where you change jobs, and keep your money in the investment portfolio of your choice at low costs. So when you leave your employer, and you want your money to carry on growing, you may leave it in the Fund, at "wholesale cost levels" and let it grow.



This is a way to make sure that your money stays saved and still has the opportunity to grow, while contributions have stopped. It is also important to carry on contributing from your next income stream, to create maximum money accumulation.

### After Retirement:



Once you decide to retire with the money that you saved up, you have one of two choices regarding the income that you want to receive from your savings if you don't take the full amount in cash (Note: The full amount is only available to Provident Fund members and taking this money in cash is not a smart choice):

#### A living annuity OR a life annuity

Summarized:

- A living annuity presents you with the opportunity where you utilise your saved money and growth, to provide an income. Should you pass away, the money forms part of your estate, or is allocated to your beneficiaries. In this product, you are exposed to market risk as well as your own discipline in terms of financial management. But the upside, if managed prudently, is that you utilise your long time horizon after retirement to optimise value through market exposure.

- A life annuity is where you buy an income from an insurer with your saved money. This annuity (pension) will pay a pension until you pass away. You may elect at the outset for the pension to carry on paying your spouse after you pass away, which will reduce your starting pension. Further, you may elect for a built-in annual increase, which will again reduce your starting pension. But once you activate this income, it is guaranteed and will provide in line with your election at the start. Should you and your spouse pass away early, the pension will stop. This solution provides a lot of certainty, but it is important to understand the cost implications associated with the product.
- In the event that you have not saved enough to provide an income at retirement, you may claim a pension from the Government. This pension is called "Old Age Pension".

### **Living Annuity in more detail**

You may elect to receive a living annuity from any of the Funds on the AcraVest platform. This means that after you saved enough money and want to retire, you can stay in the fund, with the same investment strategy and start earning an income from that investment.

The pension funds act's rules allows you to draw between 2.5% - 17.5% of your investment per year. For your money to last long enough, we suggest looking at only drawing 5% of your investment per year. If you receive sufficient growth while only drawing 5%, you should not have to use any of your investment (only growth). This will ensure that your money lasts long enough.

An important note regarding the living annuity is the fact that, at retirement, you still have a long time horizon (10+ years) which allows you to expose your savings to investment risk, which provides more growth over a longer period.

**OR**

### **Life Annuity**

A life annuity as briefly explained is an insurance product. When you decide to purchase a life annuity, the insurer takes the risk if you live a long life, but will at the same time profit if you live shorter than expected. You can also purchase a joint-life life annuity, which is for couples – in this case, if the main member passes away (after purchasing a life annuity), the remaining person will receive a reduced guaranteed income from the insurer.

The positive of a life annuity is that you are guaranteed the amount that you purchased (income and annual increases). If you live a long life, you do not carry any risk.

The negative with a life annuity is that if you pass away and there would have been investments compared to a living annuity, the insurer takes the remaining amount, and nothing goes to your estate (The insurer takes the risk if you live longer than expected – the insurer will pay according to the product that you purchased until you pass away).

## Old Age pension

Please note that the below information has been taken from the government's website where you can find all the information. Please refer to the website if you require updated information. Please visit the website:

<https://www.gov.za/services/social-benefits-retirement-and-old-age/old-age-pension>



Herewith a brief discussion:

*If your total income generating assets amounts to R 1,115,400 or lower, you qualify for an old age pension from the government:*

*Income generating assets will, for example, not include the house in which you stay, but will include a house that you rent out for purposes of receiving an income*

*The Old Age Pension is calculated according a sliding scale between the lowest- and the highest personal monthly income level shown below:*

*The maximum amount that you will get is R 1,700 per month. If you are older than 75 years, you will get R 1,720.*

More information regarding the Old Age Pension can be obtained from:

- [www.sassa.gov.za](http://www.sassa.gov.za)
- SASSA Toll free: 0800 60 10 11
- CPS: 0800 60 01 60
- E-mail: [grantenquiries@sassa.gov.za](mailto:grantenquiries@sassa.gov.za)

### To apply for Old Age Pension:

- a. Visit your nearest SASSA office and remember to take the following documents with you:
  - Your 13-digit bar-coded identity document (ID). If you don't have an ID:
  - Proof of your marital status (if applicable).
  - Proof of residence.
  - Proof of your income and/or dividends (if any).
  - Proof of your assets, including the value of the property you own.
  - Proof of your private pension (if any).
  - Your bank statements of the previous three months.
  - If you were employed, your Unemployment Insurance Fund (UIF) ('blue book') or discharge certificate from your previous employer.
  - If your spouse died within the last five years, a copy of the will and the first and final liquidation and distribution accounts where applicable.
  - Please note: If you are too old or sick to travel to the office to apply, a family member or friend can apply on your behalf. The person should take a letter from you and/or a doctor's note saying why you cannot visit the office.

- b. Complete the application form in the presence of the SASSA officer (note that only you as the applicant or a SASSA official may complete the application form). The officer will interview you and tell you if you qualify for the grant.
- c. You will be given a receipt. Keep it as proof that you applied.

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## ACRAVEST NEWS

### Retirement Annuity

Acravest has recently launched its Retirement Annuity Fund. If you would like to make an additional contribution to enhance your long term savings, you can join our Retirement Annuity fund.

The costs are as follows:

- Administration cost: R 48 per month
- Investment Platform fee: The lowest of: 0.1% of AUM per annum up to a maximum of R 17.87 per month
- Governance costs: R 25 per month

We have several investment strategies available – if you would like more information regarding our Retirement Annuity, please contact us: [info@iretire.co.za](mailto:info@iretire.co.za) or 012 941 9927

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## INVESTMENT & ECONOMIC FEEDBACK

### Notes on Investments and the economy



#### Investment feedback

The investment markets, up to the end of October this year, performed poorly over the past twelve months, with most of the strategies having a negative return over this period, coming off a high in October 2017.

#### A couple of things to remember when the funds are doing poorly:

1. A long term outlook is crucial. The expectations over the long term is to still receive the required growth.
2. When contributing while the markets are doing poorly – you are purchasing more shares / units in the fund, as the entry point into the market is “cheap”.
3. Because you are saving for retirement, you should still have a lot of time to realize growth on your investments. Patience is important when you want to realize the maximum potential that the financial markets offer.

## Economic feedback

The local inflation rate is at 4.9% year on year at the end of September 2018, which is still in the target inflation range set by the SARB. The interest rates remained the same in September, with the prime rate at 10%. If the inflation rate starts to show signs of increasing in the future, the Reserve Bank (SARB) will be expected to increase the interest rates.



Local circumstances for growth in the short term are still depressed, but confidence is slowly growing in the Government's ability to address the risks created by the previous regime. Petrol prices have also been increasing at a rapid pace over the last couple of months on the back of a high oil price and a weak SA currency against the US\$, which puts even more pressure on the consumers and depresses growth in the economy. Below is the price of a barrel of oil for the last 5 years, ending on 31 October 2018.

Crude Oil Price	USD
31/10/2013	105.43
31/10/2014	86.08
31/10/2015	46.96
31/10/2016	49.29
31/10/2017	54.92
31/10/2018	76.73

There are still uncertainties in the global markets which still needs to play out, including Brexit & the trade wars between America and China. Signs of a slowdown in the global economic growth is becoming visible and the oil prices came down to below \$70 over the past weeks.

Below is the 5 year returns for the large stock exchanges and the JSE:

### Global Market Indicators:

Stock Exchange Indices as at 31/10/2018	5 Years	3 Years	1 Year
FTSE (UK)	4.44%	-0.28%	-4.42%
Nikkei (Japan)	14.44%	9.52%	4.70%
SSE (China)	9.40%	-9.33%	-23.89%
FSE DAX (Germany)	6.30%	2.04%	-14.59%
FTSE/JSE All Share (RSA)	2.85%	-0.88%	-11.18%
Dow Jones (US)	10.07%	12.45%	7.44%

\* Percentages over a year are annualised

\* Returns are in each local currency

The rand weakened against majority of the large currencies, as a result of a combination of circumstances – stronger US economy as well as the interest rate that was increased in the US, weak local economy and no clear indication of recovery.

**Exchange rates:**


As at 31/10/2018

<b>South African Rand</b>	<b>1 Year</b>	<b>5 Years</b>
US Dollar	4.47%	47.59%
Euro	1.63%	23.04%
British Pound	0.65%	17.63%
Singapore Dollar	2.78%	32.20%
Japanese Yen	5.14%	28.31%
Chinese Yuan Renminbi	-0.66%	28.96%

*\* Positive percentages indicate depreciation*

**CONTACT US**

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**Find us on:**

