Independent Schools Association of Southern Africa

BACK TO BASICS MAXIMISE RETIREMENT PROVIDENT FUND *Savings*

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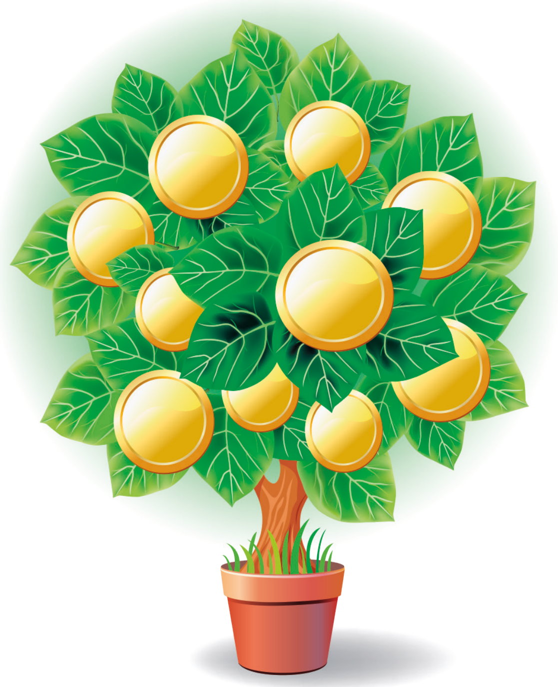
BACK TO BASICS - HOW TO MAXIMISE SAVINGS FOR RETIREMENT

The golden rule of retirement is to save as much as you can, for as long as you can.



The average person will be employed for about 40 years - this means that you have only ***480 pay days*** in which to save adequately for retirement. The truth is that just belonging to the ISASA Pension Scheme and Provident Fund may not secure your financial future.

WHAT CAN YOU DO TO SAVE MORE?

- ***Increase*** your savings by making tax-effective Additional Voluntary Contributions to the Fund (up to 27.5% of your salary to a maximum of R350 000 per year) - simply contact your Bursar or Human Resource (HR) department to find out how.
- ***Start*** early and save for as long as possible, and think carefully before retiring early.
- ***Consider*** making additional savings outside your Fund (unit trusts, retirement annuities or tax-free savings account).
- ***Avoid*** taking your Retirement Savings as cash when you change jobs, rather preserve your benefits by transferring them to a Preservation Fund or to another approved Fund.

THE BEST FINANCIAL YEARS OF YOUR LIFE

THE FIRST TEN AND THE LAST TEN YEARS OF SAVING

Your retirement savings in the ***first 10 years*** of your working life (i.e. assuming you contribute for 40 years), could contribute towards 50% of your pension.

The ***last 10 years*** before retirement is normally a period when you have no dependent children and less debt, allowing you to increase your savings. You are also able to realise greater growth on your investments due to the large capital that you would have built up in your Fund. This is when the full force of compound interest is at work. Albert Einstein said Compound Interest is one of the strongest forces on earth.

Compound interest occurs when interest is added to the original deposit which results over time in interest earning interest. The earlier you begin saving the more compound interest your money will earn.

CONSIDER YOUR DEBT

You should have paid off your debts by the time that you retire. You should postpone your retirement if you have a high level of debt. You will reduce your pension significantly if you use the lump sum benefit that you receive at retirement to pay off your debts.

DID YOU KNOW?

Financial advisors calculate that you will ***need between 12 and 16 times your annual salary as retirement capital*** in order to buy a pension that will sustain your standard of living in retirement.

Example: if you are earning R10 000 per month (R120 000 per annum) you will need R1,4 million as retirement capital, if you use 12 times your salary. If you have more debt at retirement you may need to increase this multiple towards 16 times your salary.

For more information, please contact **Old Mutual Call Centre** on **0860 455 455** or **e-mail the Fund** at: ISASA@oldmutual.com