

We are already into the second half of 2008. How quickly time flies! As you know, time waits for no one and we need to stop and assess our situation on a regular basis. In the current economic climate, it is a challenge just to keep our heads above water, let alone plan and look after the future! I hope that this monthly newsletter will help raise red flags, share valuable information and help people see a positive future for all. Please encourage your friends to subscribe.

The Wisdom and Skills Transfer Conference was a great success! This was a fantastic opportunity to network and meet like-minded people. The five speakers were outstanding and I thank them for sharing so generously with their time and knowledge.

I have recently read Marc Freedman's fantastic book entitled "Encore". In it, Freedman talks about how civil society is changing the landscape of the USA by using social innovation and people who are willing to learn and be involved in new ventures as they complete their tenure in the formal sector. Please read my article entitled "I have a dream", which was influenced by both this book and the speakers at my conference. In it, I challenge all foundations, as well as civil society, to take hands and help inspire change.

There is an important Conference on the horizon for all residents and builders of retirement homes and lifestyle villages. Please have a look at the banner in this newsletter and visit the website for more details. This is an event not to be missed! I will not only be speaking at this Conference, but will also be facilitating a full-day master class on the future of retirement in South Africa. This can be booked separately.

Our Primetime talk has been booked for an international conference in the UK in October. This is a great honour for us. Please see the details of what this presentation is about and give me a call if you would like to book.

Thank you to those that applied for the work opportunities mentioned last month. Please register your skills on my site so that you are on my radar for any opportunities that may come up in the future. Have a great July!

Lynda Smith

Refirement eZine July 2008

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**Investing in lifestyle!
Capitalise on investment
and development opportunities
in the aged care industry**





Refirement Strategies for your LIFE

Don't Retire- REFIRE

Lynda Smith , Wisdom Preserver from Refirement Network will share on the topic. Refirement Network helps the Baby Boomer generation (those born between 1946 and 1964) to understand why their road to the future will be so different from their parents and grandparents. Go to www.refirementnetwork.com for more details.

Investment pitfalls in retirement

The Seed Investment Consultants will share on your strategy to ensure a great future. Vincent Heys (actuary) and Ian de Lange (CA(SA)) from Seed Investment Consultants will discuss what the major investment pitfalls are leading up to retirement and in retirement. The discussion will particularly look at ways to enhance your retirement capital in order to secure the standard of living you planned for yourself. This presentation will be interesting for those baby boomers with questions like: How much capital do I need for retirement? What investment strategy should I follow? What is the probability that my capital will outlive me? Go to www.seedinvestments.co.za for more details.

Dates

Cape Town
19 th August
Commodore Hotel
Waterfront

Johannesburg
17 th September
Bryanston Country Club

Time: 9h30 till 12h00

Banking Details

Seed Investment Consultants
Absa Bank, Tokai
a/c 4054160666
Branch 631209

Please send a confirmation fax or
email to Helena

Contact details

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PrimeTime

Baby Boomers have been at the forefront of leadership and change for the past twenty years - during a time of unprecedented growth and prosperity throughout most of the developed world. However 'times are a changing', and particularly the world of work, with globalisation, exponential growth in technologies, new generations and cultures of staff, each of whom has different demands and expectations - all challenging the status quo.

Please contact Lynda Smith on +27 (0) 82 490 2822 or lynda@refirementnetwork.com for more details. Our web address is www.refirementnetwork.com

Boomers are under more pressure than ever to adapt, maintain relevance and add value. For most this is not coming as naturally as it has in the past.

PRIME TIME speaks to Boomers - it identifies with them, understands what shaped them, why they have been successful, and sees the world through their eyes. However it is their future that **PRIME TIME** particularly addresses and suggests options for their 'next phase in life'.

Boomers need a vision. They dream boldly and need to reinvent themselves to be relevant and contemporary in today's world. Instead of seeing 'Retirement' as an option, many feel forced to 'Retread' a few more years at the same company in a similar role - when they should rather be 'Retyred' and given a new set of personal and career wheels.

Baby Boomers the apprenticeship is over - welcome to your 'Prime Time'.

'Retyred' boomers will prove to be one of the key solutions to the global skills shortage. By understanding Boomers, Generation X leaders will discover new opportunities to use Boomers far more effectively in their organisations - and capitalise on their proven knowledge, wisdom and experience, without the concern that they will block the speed and effectiveness of a modern 21st century organisation.

PRIME TIME as a keynote talk, is classically 'Boomerish' - it's fun and nostalgic, it's inspirational yet practical, it offers wisdom and ideas for all. Ideal for conferences and any presentation where there is a core group of Baby Boomers.

Note:- PRIME TIME is also presented to organisations, in a concise format, entitled "Big Wheels Need Retyring" where it focuses on helping organisations understand Boomers, and the implications for organisations who have a large core of Boomers in key roles.



Refirement Network

I have a dream...

To build bridges in South Africa. For all South Africans

This is a dream bigger than any one of us, yet I know that it is a dream I share with many. How do we ensure that the see dreams become reality? How do we build a people and a nation that we can all feel proud of? Is this even possible?

I live my life with the glass half full, so I will do whatever I can to hold onto the view that this dream IS indeed possible.

As a fifty-something South African woman, I am constantly asking myself what it is that I do to help bring a small piece of this vision to pass. In the work I do at Refirement Network, helping the next generation to understand the road they are heading towards as they approach formal retirement, I often come across two very conflicting situations. On the one hand, the businesses all over South Africa are experiencing a skills shortage that is hindering our ability to make things happen. Yet on the other hand, I speak to many people who have skills but are unable to find anyone who wants to employ them. The solution seems only too clear - to build bridges!

As Marc Freedman states in his enlightening book entitled, ***Encore - Finding work that matters in the second half of life:***

"Now a new combination of forces is impelling change. The necessity today is to encourage people to continue to work in ways

that truly use their talents to support the economy as well as themselves. It is essential that those who have a strong need and desire to work in this new way have every chance to realize that objective and every opportunity to use their accumulated human and social capital in areas where it matters most.

In this context, a nascent but growing collection of innovative organizations, individual entrepreneurs and other leading-edge groups is stepping forward to change the landscape, demonstrating the potential of the Encore career.”

So how can we build these bridges?

Individual

- Understand your value and worth
- Learn to love all South Africans
- Discover your skills
- Have places where you can use these skills
- Help sustain your home and community by your actions

Companies

- Value your human capital
- Do a wisdom and skills audit
- Build capacity so that your older workers see a future beyond formal work
- Use your CSI funding to help build models for change
- Ask yourself what skills and capacity your organization can offer the country

Churches/Non Profit Sector

- Work together
- Remember that we all have the same vision but we need to find one wide, strong road to change
- Value the skills in your team
- Be innovative
- Embrace change and technology

Academia

- Work towards a collective vision
- Share research
- Integrate and assist models of change
- Open the doors of learning for renewing skills for older students
- Network and challenge government and business for change

Government

- Build bridges to allow for skills to be used
- Help people move beyond the past
- Build one united nation
- Change policies that hinder development
- Protect our children, elderly and the poor
- Eliminate crime
- Help individuals and organisations to focus on education, health and business sectors

Global

- Build a united nation that can stand proud in the world of the 21 st century
- Invite and assist those that have finance and skills to help us
- Become a nation that cares about our children, elderly and poverty stricken
- Build bridges to help the rest of Africa.

This is a big vision, and it will take many people, organisations and finance to bring about this kind of change. I hope to be part of the tipping point that will help to bring this about.

I will continue to knock on doors and voice my opinion until the tide turns. I value any comments, interaction and help. This is a dream for a future for my grandchildren and yours. Join me on the road to this future.

15 minute retirement plan ...

This document starts off by asking 7 of the most important questions we should all be asking ourselves as we're nearing, or are in retirement. The remainder of the document provides you with tools to get some of the answers you are looking for.

Those important questions to ask ...?

1. What actuarial calculations has someone else done for me ...if so ... what return is required on my assets to finance my future pension?
2. If I was brutally honest with myself ... what level of pension can my assets sustain in the future?
3. How robust is my investment strategy against market forces?
4. Have I realistically considered external factors that can drastically impact my assets?
5. What certainty do I have that my assets will sustain my expected standard of living?
6. What quality advice have I received to date ... what have I missed out on?
7. Have I really considered probability ... or have I generally been sold ...?

Ok let's look at questions 1 – 3 and find some solutions to those questions.

Leading up to retirement ...

The important considerations leading up to retirement are:

- How much capital do I need at retirement?
- How much do I need to save leading up to retirement?
- When can I afford to retire?
- What level pension can I draw down?

Table 1 below allows for all these considerations and provides some scenarios that could be used for your retirement planning. We will look at two examples.

Required rate of real return ...

Table 1:

	Number of years to retirement age 60		
	5 years	5 years	10 years
Contribution rate (% of Salary)	10.80%	10.80%	10.80%
Size of Current Salary	R 600,000	R 480,000	R 480,000
Value of Current Pension Fund	R 10,000,000	R 5,000,000	R 2,500,000
Relevant Replacement Ratio			
55% of salary	0.10%	3.00%	5.70%
60% of salary	0.60%	3.50%	6.20%
65% of salary	1.10%	4.00%	6.60%
70% of salary	1.50%	4.50%	7.00%
75% of salary	1.90%	4.90%	7.40%
80% of salary	2.30%	5.40%	7.80%

Source: Seed Investment Consultants

“Relevant Replacement Ratio” means the size of pension the year at retirement divided by the size of salary the year at retirement. This ratio is normally less than 100% because people in retirement generally require less income than when they were working.

Example A ...

If you are 5 years from retirement with a current salary of R600 000 pa, a current pension fund value of R10m, you save 10.8% of your salary on a yearly basis, and you require a pension equal to 70% of your salary at retirement then you need a return of **CPI + 1.5%** on your assets and future contributions in order to finance this pension.

Example B ...

If you are 5 years from retirement with a current salary of R480 000 pa, a current pension fund value of R5m, you save 10.8% of your salary on a yearly basis, and you require a pension equal to 75% of your salary at retirement then you need a return of **CPI + 4%** on your assets and future contributions in order to finance this pension.

The same can be done for all of the other scenarios. The table gives you an idea of what level of return you should be targeting over the long term.

Once you know the required real return you should be targeting, the next question is what asset allocation strategy you should follow in order to achieve that required real return.

After retirement ...

One of the biggest risks any investor faces is running out of money in retirement. However this should not make us fear the future, but rather plan diligently in order to enjoy your retirement years properly.

Too often investors misjudge their life expectancy. The table below illustrates the generally accepted life expectancy of a large group of individuals.

Current age	Life expectancy	Years expected to live
50	84.3	34.3
60	85.2	25.2
70	87.0	17.0
80	90.2	10.2
90	95.5	5.5

The bottom line ... prepare for many years to come and make sure that your assets outlive you!

The size of the pension you draw down is a very important decision to make. Let's work on R1m and view the impact of different levels of drawdown. Note that the drawdown is the size of the pension in the first year. Thereafter it increases at the rate of inflation.

Scenario 1:

R1m starting value over 30 year time horizon	10% cash flow		
	30% Equities / 70% Bonds	50% Equities / 50% Bonds	100% Equities
Probability of asset survival in 30 years time	2.7%	14.7%	34.5%
Average years survived	16.8	18.1	20.3
Minimum years survived	11.8	11.2	8.8
Average value in 30 years time	R 0	R 0	R 0

Scenario 2:

R1m starting value over 30 year time horizon	7.5% cash flow		
	30% Equities / 70% Bonds	50% Equities / 50% Bonds	100% Equities
Probability of asset survival in 30 years time	27.6%	43.4%	55.3%
Average years survived	24.4	27.8	30
Minimum years survived	16.1	14.8	11.1
Average value in 30 years time	R 0	R 0	R 290,009

Scenario 3:

R1m starting value over 30 year time horizon	5% cash flow		
	30% Equities / 70% Bonds	50% Equities / 50% Bonds	100% Equities
Probability of asset survival in 30 years time	80.5%	81.8%	77.9%
Average years survived	30	30	30
Minimum years survived	23.9	22.7	16.1
Average value in 30 years time	R 571,551	R 978,229	R 1,800,772

If you decide to withdraw 10% of your capital in the first year (which will increase by the inflation rate thereafter) and you invest only in equities then there is only a 34.5% chance that your assets will outlive you for 30 years. At the same time you may only have assets for 8.8 years to finance your income. However if you only drawdown 5% and you invest in a balanced 50% equities and 50% bonds then you have a 81.8% chance that you will have sufficient assets to finance your pension.

The bottom line ... it is better to drawdown only 5% of the assets as a pension as opposed to 10%.

From Scenario 1 above it is also clear that if you withdraw a large amount on an annual basis you are "forced" to take on more risk on your portfolio. This increased level of risk can work against you if the equity market falls. The result of this is that the R1m may only finance 8.8 years' of pension drawdown.

Scenario 3 shows that if you withdraw a lower amount you can take on more risk "by choice" (by investing 100% in equities) and as a result you may have R1.8m available to your estate after 30 years. Note that this amount is in today's monetary terms.

The bottom line ... if you drawdown less then you are able to take on more risk and as a result have a larger capital balance available in future years.

Conclusion ...

By ensuring that you follow a structured process you can increase the certainty of receiving the pension income that you want to draw down during retirement.

We trust you found this “15 minute retirement plan” helpful ...!!

Seed Investment Consultants

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