PSG Wealth

The Wealth Perspective

Second Quarter 2021

Contents

PSG Wealth offers a comprehensive range of products and solutions, underpinned by specialist advice, to set your up for long-term financial success.

Introduction

Etienne de Waal
Chief Executive Officer
PSG Wealth

In this edition of *The Wealth Perspective*, Chief Investment Officer Adriaan Pask explores the pivotal role a financial adviser can play in helping you reach your financial goals. Head of Sales, Nirdev Desai, reiterates the added value a financial planner can offer an investor. Then Madelein Steenkamp, Legal Specialist in Technical Advisory Support, explains the process of winding up a deceased estate. With retirement on the horizon for some, our Head of Actuarial and Product, Jan van der Merwe, provides a handy guide to annuity products and their suitability. Finally, Technical Legal Adviser, Marguerite Marais tackles the realities of retrenchment and what options are available to you.

Welcome to the latest edition of *The Wealth Perspective*

The average South African was already struggling to manage their finances before the Covid-19 pandemic. We entered the pandemic with household savings being discouragingly low and many people didn't even have an emergency fund – often relying on credit to cover unforeseen cases. The outbreak of Covid-19, its associated lockdowns, and the related economic downturn have since exacerbated financial pressures for many, forcing them to draw from their retirement savings and investments prematurely. With July being National Savings Month, this is an opportune time to review your finances, build up a sufficient emergency fund and save for other important goals in your life.

> *We need to continue cultivating a culture of saving to break the cycle of inter-generational debt.*

Saving in the time of Covid-19

Unable to spend on holidays, socialising and commuting costs, our finances are also on lockdown, and we have become forced savers. Some were purely motivated by fear, limiting their spending due to concerns about the growing threat of economic recession and the impact on thier job security. The SARB Financial Stability Review published in May 2021 shows an overall increased rate of savings for households in recent quarters. As a ratio of household income, savings reached a decade high in the third quarter of 2020 (1.4%) before moderating to 0.5% in the fourth quarter. The plus side to people's lives being turned upside down is that, for many, their finances have become (forcibly) healthier. It seems there is nothing like a global pandemic to knock your finances back into shape.

A pandemic-proof wealth plan?

Despite the progress made under pressure over the last year, South Africa still has one of the lowest household savings ratios in the world (see Adriaan's article). We need to continue cultivating a culture of saving to break the cycle of inter-generational debt. The first step to building this savings culture is better financial literacy. Knowledge will ultimately translate to better decision making and more sustainable approaches to creating and preserving wealth. If we change our attitude to saving going forward, many of us will not be caught vulnerable and unprepared when the crisis hits.

Get expert advice

Whatever investment environment you find yourself in, getting expert financial advice will help you understand and manage risk, and ultimately make good investment choices. I encourage you to meet with a skilled wealth manager to discuss your investment and savings objectives. From there, you can create a wealth plan that can help you achieve your short-, medium- and long-term financial goals.

A word from our CIO

Adriaan Pask PhD
Chief Investment Officer
PSG Wealth

Using a skilled financial adviser will deliver better savings outcomes

Substantial evidence shows that the global population is struggling to build sufficient reserves for a comfortable retirement. However, investors who make use of the services provided by reputable financial advisers tend to make better financial decisions. Skilled advisers support clients to approach saving in a more disciplined fashion and make better decisions.

Putting the global savings shortfall crisis into context

According to a Schroders Global Investor Study conducted in 2020, over 40% of investors globally fear that they won't have adequate savings for retirement, a challenge which has been exacerbated by the Covid-19 pandemic. A 2019 World Economic Forum (WEF) report also notes that most people will outlive their retirement savings by approximately 10 years or more as life expectancy continues to increase, putting pressure on pension systems. The report concluded that "retirees in six major economies (the US, UK, Netherlands, Australia, Canada and Japan) should expect to outlive their savings by eight to nearly 20 years on average." This is due to retirees being in an overdrawn state and employee retirement funds forcing individuals to rely on their own savings, which in most cases are inadequate. Moreover, the global retirement shortfall is projected to grow to $400 trillion by 2050. The global savings gap is rising at $3 trillion a year in the US alone and is expected to widen even faster in emerging market economies like China and India, at growth rates of 7% and 10% respectively.

South Africa is no different; according to the Organisation for Economic Co-operation and Development (OECD), SA has one of the lowest gross replacement rates in the world at 12%, compared to the global average of 70%. This means that on a current monthly salary of R10 000, locals have only saved enough to withdraw a monthly income of R1 200 on retirement. Perhaps even more chilling is the fact that less than 10% of South Africans have saved enough to retire comfortably, while the rest will be forced to either work for longer or save a lot more aggressively before they can retire.

SA has one of the lowest gross replacement rates in the world at 12%, compared to the global average of 70%.

The value of sound financial planning

A large body of research suggests that investors who incorporate professional advice into their financial planning are more likely to reach their financial goals than individuals who decline the services of an adviser. Until recently, the value of financial advice has been difficult to gauge for investors questioning whether it was worth paying for advice.

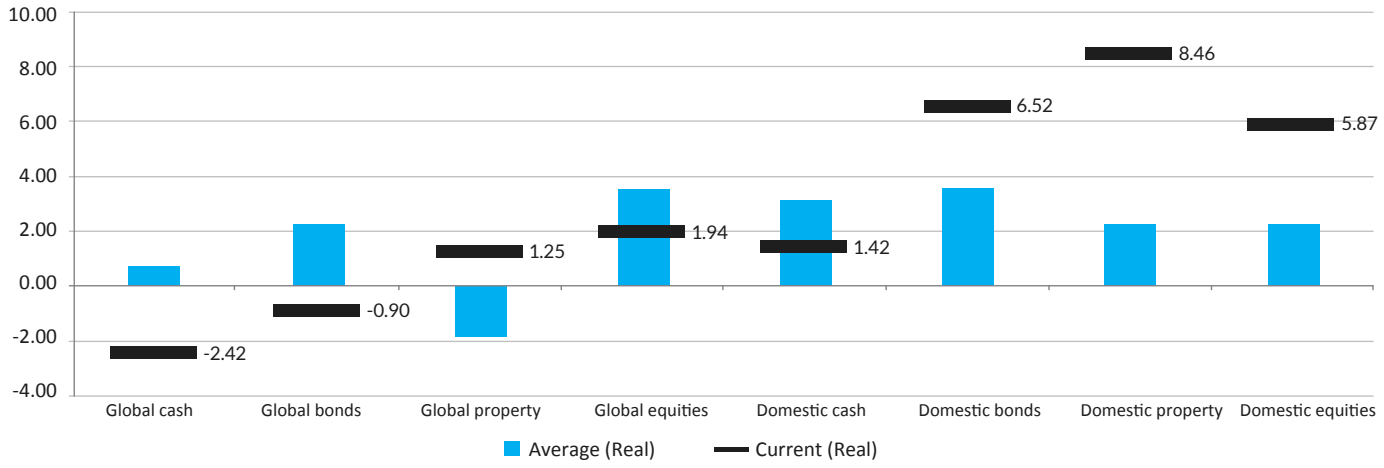
Research from *Morningstar*, titled *Alpha, Beta and now Gamma*, illustrates the greater returns investors can generate towards their retirement by using a well-thought-out investment plan. While terms such as Alpha (manager skill) and Beta (market performance) are quite popular in the world of investing, this research introduces a new term, Gamma, which is essentially the value added by simply making informed financial decisions. This highlights the crucial role advisers play in helping clients save more. The research concluded that achieving the Gamma-type return was almost always guaranteed if investors followed specific steps (outlined in table 1). The *Morningstar* research showed that the retirement income for a hypothetical retiree would be approximately 31.80% higher (on a risk-adjusted basis) if they made the stipulated adjustments with the guidance of a financial planner.

Table 1: A hypothetical retiree could generate nearly 30% more income using a Gamma-efficient retirement-income strategy that considers the below:

Asset allocation	Diversify across a blend of assets (equities, property, bonds and cash) both locally and offshore to limit downside risk. Don't follow performance. Don't try to time the markets.
Withdrawal strategy	Have a disciplined and calculated withdrawal strategy in retirement.
Tax efficiency	Make use of tax-efficient products where it is sensible to do so.
Liability-driven investing	Consider spending liabilities when making decisions. Adding a liability (future expected expense) ensures that the portfolio remains optimally positioned.

A word from our CIO

Real (inflation adjusted) current earnings yield vs long-term average



Source: PSG Wealth research team

*Data as at end quarter two 2021

Diversification remains key and we continue to recommend the use of multi-asset portfolios to withstand volatile market climates

To improve your chances of achieving smoother returns, we continue to advocate the use of multi-asset funds that actively allocate assets across the asset class spectrum, both locally and abroad. Under the guidance of a reputable adviser, this can help reduce the overall risk of underperformance in your portfolio in tough market climates.

Advisers bring value to their clients by offering benefits such as confidence and peace of mind in their retirement planning. Sound financial advice can help investors avoid emotional decision-making and rather channel their focus towards the bigger picture.

> *... investors that incorporate professional advice into their financial planning are more likely to reach their financial goals.*

Industry views

Nirdev Desai
Head of Sales
PSG Wealth

Is a financial planner worth paying for?

Great achievements do not happen by luck, nor do they happen in isolation. Whether it is gaining a well-respected tertiary education, a beautifully designed home, or successfully conquering K2 in the Himalayas, achieving most goals in life will likely require the services and support of skilled experts. In a world where knowledge and insight continually evolves, a do-it-yourself approach is not the smartest strategy. Financial planning is no different.

Let me start by answering the question - is it worth it to pay for the services of a financial planner? The simple answer is yes. There is no doubt in our minds that financial planning offers incredible value, and I will use this article to unpack why.

The purpose of a financial planner

In its most distilled form, financial planning serves to help investors achieve their financial goals. While there are tried and trusted tools that can be used to achieve these goals, everyone is unique, and consequently, every financial plan should be too. A financial planner will give careful consideration to an individual's unique circumstances to ensure their financial plan is robust, executable, understood and suitable for their specific goals.

Using the services of a financial planner does not simply equate to buying a fund or an investment product. Rather, a financial planner will take your circumstances into account and then advise you on the most suitable approach to realising your goals. When selecting financial products, there may be a good reason why some products are more suitable for you than others, and it is the role of the financial planner to guide you on such matters when creating your financial plan. Your financial planner is also there to make the necessary changes to your plan over time to ensure it remains suitable to your needs as your circumstances change.

> *Our relationship with money is a very emotional one.*

Our relationship with money is a very emotional one. In a world of instant gratification, combined with newsfeeds warning of the next market sell-off, the best financial plans can be easily scuppered by fear and greed. A fundamental component of executing a financial plan is having a long-term lens when it comes to wealth creation, and short-termism can completely erode the best-laid plans. A good financial planner will help you manage your behaviour with money to mitigate these biases.

The proof is in the research

There are two well researched studies that prove the value of using a financial planner. The first (Dalbar: Quantitative Analysis of Investor Behavior: 2016) shows how investors' behavioural biases cause them to collectively lose between 1 and 2% per annum in returns from their portfolios. While this may not seem like much, it equates to, a R1 million investment foregoing close to R1 million in returns over a 20 year period. An (extreme) example of investors having a knee-jerk reaction came at the beginning of the Covid-19 pandemic with the fastest sell-off of equities in history. Propelled by fear, some investors ran to cash at the worst time, which has since proven to have been a catastrophic mistake. For those who did not succumb to the fear, a R1 million investment in an equity portfolio could be worth 52% more – see the example below.

Time Periods
- Period 1 = 1 January 2020 to 18 March 2020
- Period 2 = 19 March 2020 to 15 March 2021

Jason
- Period 1 = R1m invested in an equity fund
- Period 2 = Switched to cash

Tshepo
- Period 1 = R1m invested in an equity fund
- Period 2 = Remains in an equity fund

Industry views

% return	Jason	Tshepo	Difference
Period 1	-32.05%	-32.05%	
Period 2	4.89%	81.44%	
Total	**-28.73%**	**23.28%**	**52.02%**

R1m invested	Jason	Tshepo	Difference
Period 1	R1 000 000	R1 000 000	
Period 2	R679 452	R 679 452	
Total	**R712 671**	**R1 232 825**	**R520 154**

Source: PSG Wealth Multi-Management research team

The second study is research from *Morningstar* that investigates whether a good financial planner can enhance the value of a portfolio, rather than just ensuring you do not lose money. In the study, they tried to determine whether financial planners add value over that which can be bought in the market. In essence, various financial assets are freely accessible to anyone, so by using a financial planner, does once get enhanced returns that outweigh the fees charged? In short, the additional returns that advised clients achieve was quantified as gamma – and this gamma value was estimated at around 3% per annum (half of which is attributable to behavioural coaching), more than the long term outperformance of well-respected active asset managers.

In summary, while there are many examples of successful investors who have not needed the services of a financial planner, there are many more that have used a financial planner and continue to do so as they reap additional value. Even though you can design and build a house by yourself without being an architect, you need to as whether you could benefit by leveraging off the expertise of a professional. Similarly, even with all the self-help financial planning content available, ask yourself whether it is worth putting the possible added value that can be derived from a skilled financial planner at risk, just so you can be a hobbyist.

Estate matters

Madelein Steenkamp CFP®
Legal Specialist
PSG Wealth

Winding up a deceased estate

Losing a spouse or family member is traumatic enough; being unprepared for the financial realities of death can make it even more devastating. The moment a loved one passes away, their deceased estate comes into existence and must be wound up in terms of the Administration of Estates Act, and – depending on the nature of the estate – the winding up process can be lengthy. In this article I will unpack the various steps of this inevitable process.

The time required to wind up a deceased estate will be determined by, among other things, the size and complexity of the estate. For example, if an estate is smaller than R250 000, the process is simpler, and an executor does not need to be appointed. In this instance, a person (usually a family member), is authorised by the Master of the High Court to pay and collect debts and distribute the assets of the deceased to the heirs. For estates above R250 000, an executor needs to be appointed and the formal process of winding up of the estate needs to be followed.

Step by step

A deceased estate must be reported to the Master within 14 days from the date of death. As a first step, the nominated executor will consult with the family of the deceased to obtain all necessary information to report the estate to the Master of the High Court in the jurisdiction where the deceased was domiciled 12 months before their death. They will then be issued the Letter of Executorship, which authorises the executor to act in respect of all matters pertaining to winding up the estate. This includes taking control of all assets of the deceased, opening an estate late bank account, notifying third parties of the death of the deceased, settling liabilities and the transfer or sale of assets.

The executor will also need to advertise the estate in the Government Gazette and a local newspaper. This advertisement is for the attention of debtors and creditors of the deceased, and it informs them that they are granted a period of 30 days from publication to submit their claims against the estate. The executor must also notify SARS of the death – this must be done even in cases where the deceased was not registered for tax purposes and no estate duty is payable. An income tax return must be submitted for each year of assessment until such time as the estate becomes distributable. Note that even when an estate is finalised during the year of assessment, an income tax return must be submitted for the full year of assessment during which the liquidation process was finalised.

Once the 30-day period of the advertisement has expired, and all claims have been lodged, the solvency of the estate is determined. The executor will then proceed to draft the liquidation and distribution account, which reflects all the assets and liabilities of the deceased and sets out how the assets will be distributed to the heirs. The will of the deceased determines how assets get distributed. If the deceased died without a valid will, the Intestate Succession Act will apply and it affords formulas that determine how assets are to be distributed.

The liquidation and distribution account will then be lodged at the Master's Office for approval. Once approved, permission will be granted to advertise the account that will lay open for inspection for a period of 21 days. Interested parties should lodge their objections with the Master before the 21-day period for inspection expires. If no objections are received in this period, the executor may then proceed to pay creditors and distribute the estate to the heirs in accordance with the liquidation and distribution account.

Once the estate has been liquidated and distributed, and all creditors have been paid, the executor must notify the Master, who will then – if satisfied – issue a filing slip to confirm that the estate has formally been closed.

> *Having your affairs in order will save your family a great deal of administrative effort and emotional stress.*

Estate matters

The costs involved

One of the costs to consider is the executor's remuneration, of which the maximum tariff is determined in the Administration of Estates Act. The maximum tariff (excluding VAT) is currently 3.5% of the gross value of the estate assets, excluding life insurance policies and retirement fund benefits payable directly to beneficiaries, and 6% of all incomes (e.g. rentals, interest and dividends), which the executor collects on behalf of the estate from the date of the testator's death to the date of final distribution of the estate.

There are also several other expenses to note, such as advertising costs, transfer costs, valuation costs, mortgage bond cancellation costs, bank charges and funeral costs. Unless the executor qualifies for an exemption in terms of the Administration of Estates Act, there will also be the cost of providing security to the Master for the value of the estate. The security must be in the form of a Bond of Security, issued by a short-term insurance company.

What the family needs to do

The deceased's family must notify the executor of the death and obtain the death certificate. They should also get all relevant documents of the deceased together for the first interview with the executor.

Managing day-to-day living expenses is important. Once the deceased's bank account is frozen, it can take several months before the executor is able to pay creditors and it is therefore recommended that heirs plan to maintain these payments to avoid potential adverse interest charges and possible legal collection charges. Heirs may find themselves in a position where they still require access to funds from the estate to meet their day-to-day living expenses. This can be particularly stressful as the family is faced with both the loss of a loved one and financial concerns.

Pension fund benefits are typically not dealt with by the executor; the family must approach the pension fund directly to deal with the deceased's retirement savings. This is a separate process to winding up the estate, and the family does not need to wait for the Letters of Executorship to be issued before they begin this claim process.

The administration of a deceased estate can be a lengthy and complicated process that can take anything from six months to several years to finalise, depending on the complexity of the estate. Having your affairs in order will save your family a great deal of administrative effort and emotional stress. A qualified fiduciary expert will help you avoid the pitfalls of unintended consequences by assisting you with your will and estate plan to ensure that your loved ones are taken care of and that your estate is distributed as intended.

Quarterly insight

Jan van der Merwe
Head of Actuarial and Product
PSG Wealth

Retiring soon? Here is what you should know about annuities

Retirement is an important milestone that many of us look forward to with anticipation. Having built up a working lifetime's worth of retirement savings, selecting the right annuity option to meet your income needs in retirement is important. You need to take the time to consider your income options carefully, which can be a daunting prospect. In this article, we explore the features of annuities to provide you with some guidance.

What is an annuity?

An annuity is a product that provides you with a regular income during your retirement. When you retire, at least two-thirds of your retirement fund savings must be used to purchase an annuity. One of your main considerations will be whether to purchase a life annuity or a living annuity.

What are the key differences between a life (guaranteed) annuity and a living annuity?

The type of annuity suitable for you will depend on your unique circumstances. In general, the following types of annuities are available in the market:

Living annuities	A living annuity allows you to choose a level of income to suit your needs within certain limits. Income payments are not guaranteed, but rather depend on the performance of the underlying investments and the selected drawdown rate (income taken as a percentage of the capital invested). There is a risk that the capital may not last for the rest of your life. However, any capital left in the investment on death can be left to your dependants or other beneficiaries.
Guaranteed life annuities	This type of annuity pays a guaranteed income for the rest of your life. If a constant annuity payment is selected, the income will not keep pace with inflation, even if initial payments are higher. However, some product providers offer escalating and inflation-linked guaranteed annuities. The income levels selected at the outset cannot be adjusted, and no capital is available to leave to your dependants or other beneficiaries.
With-profit or hybrid annuities	This type of annuity pays a guaranteed income for the rest of your life and the income escalates based on market performance. The escalation rate is not guaranteed, but your income will never decrease, and the aim is to keep pace with inflation in the longer term. There are many different hybrid-type annuities available in the market, whereby product providers offer a guaranteed income component and an investment-linked income component within a single annuity product.

For all types of annuities, the income will be taxed according to your marginal tax rate.

The key factors to consider at retirement

There are many factors that will influence your decision of providing an income in retirement. The key factors that you need to consider include the following:

- **Understand your living costs in retirement** – create a three-to five-year budget of your living costs at retirement. Start with your minimum living expenses. These may include food, housing and medical expenses. This will represent the minimum income you need. Keep in mind that living expenses will generally increase with inflation. A financial adviser can help you draw up a budget by doing a financial needs analysis for you.
- **Consider your lifestyle** – for example, take account of your hobbies or holiday preferences. Note that by drawing a lower income in the early years of retirement, you will have more later on to cover increasing inflationary expenses and possibly increasing medical expenses.
- **Consider your accumulated savings from all sources and funds, and other sources of income** outside of the annuity (e.g. rental income from a property you may own).
- **Consider those who depend on your income** – if you have a spouse or other people who are dependent on your income, take into account that they will require an income if you pass away before they do.
- **Consider the state of your health** – the healthier you are, the longer you are expected to live and the longer the annuity must last.

Living annuities provide the opportunity to pass on wealth to your beneficiaries.

Quarterly insight

The main financial risks in retirement

Inflation	Ideally, your income in retirement needs to grow with inflation to sustain your buying power. Inflation may turn out to be higher than expected.
Longevity	Life expectancy has increased due to medical advances and people living healthier lifestyles. People tend to live longer than in the past.
Investment returns	The applicability of investment returns in retirement depends on the annuity that you select.

Additional considerations when choosing an annuity

- Enhanced/impaired life annuities
  Some life companies allow you to secure a higher monthly income as a result of certain medical conditions, since these may influence your life expectancy.
- Guaranteed periods
  In the case of life annuities, you may want to consider your need for a guaranteed payment period. This can be useful in the event of early death if the payments are required for a specific period (for example, if you have a few years of home loan payments remaining).
- Marital status
  Most life annuities can be purchased on a 'single-life' or 'joint-life' basis. Purchasing an annuity on a joint-life basis means that the annuity income will continue until the death of both you and your spouse. You may also be given the option to reduce annuity payments at the time of death of the first spouse. Living annuities allow you to nominate your spouse as a beneficiary to inherit the remaining funds upon your death. The funds can then be used to fund his/her needs as required.
- Financial needs of loved ones
  A life annuity does not provide a payment on your death and therefore is not suited to pass wealth on to dependants. However, living annuities provide the opportunity to pass on wealth to your beneficiaries if there are funds left over at the time of your death. These factors should be balanced against the need for a guaranteed income for life.

Top tips to make your retirement savings last

The first step to ensuring that your retirement savings last is to start off with as much in your savings as you can. This means that:

- you should not withdraw your retirement savings when changing jobs
- what you take as the cash component at retirement should be limited to what is necessary and, ideally, be much less than the regulated one-third
- If your circumstances allow, extend the time you are able to work to increase your retirement savings.

If you choose a living annuity, make sure you select a prudent annual drawdown percentage to maximise the number annuity payments you will receive. The drawdown percentage you select will depend on your age, your gender and whether you have dependants.

Selecting an annuity at retirement is not a simple task. It is important that you engage with a financial adviser to support you through this process.

Employee Benefits insight

Retrenched? Where to from here?

Marguerite Marais CFP®
Technical Legal Adviser
PSG Wealth

Unfortunately, given the turbulent time we are in, retrenchment has become a reality for many. Although often unexpected, there is a way to rebound from such a traumatic and disruptive event.

Once the initial shock of being retrenched is over, it is very important to reassess your situation and take proactive steps to get things back on track. This is something one should not do alone as emotions can cloud your judgement. The valuable input from an objective third party can assist in giving you valuable guidance and helping you regain control of your situation.

Understanding your retrenchment package and the amounts you will receive or have access to

When you are retrenched, the first step will be to understand what your retrenchment package is made up of and the different amounts you will be receiving or have access to. The amounts that you will receive or have access to at retrenchment are usually made up of the following:

- normal income
- severance benefits
- retirement fund benefits

The amount received as **normal income** usually includes your last salary, notice pay, leave pay etc. This is usually then taxed at your marginal income tax rate (between 18% and 45%).

Your **severance benefit** is a lump sum paid to you by your employer. The Basic Conditions of Employment Act gives guidance as to what one should receive, which is a minimum of one week's remuneration for every completed year of service. Your severance benefit can only be taken as a lump sum and will be taxed according to the retirement lump sum tables, together with all previous retirement fund lump-sum benefits received.

Your **retirement fund benefit** is the actual fund value of your pension and/or provident fund. At retrenchment you have different options on what you can do with your retirement fund benefits, including:

- accessing the funds by taking the full benefit as a cash lump sum
- transferring the full benefit to a qualifying retirement fund
- taking a portion of the benefit as a lump sum and transferring the balance to a qualifying retirement fund (if the rules of the fund permit this)

Note that any amount taken as a cash lump sum will be taxed according to the retirement lump-sum tables, together with any severance benefits or retirement lump sums taken before, whereas any amount transferred to an approved retirement fund will be transferred tax free.

You will need to carefully assess your different options and how they can affect your retirement savings. It is important to consider not just your immediate circumstances but also your long-term plans.

Understanding the tax implications of withdrawing from your retirement fund

Let's have a look at a practical example. Lisa (50) has just been retrenched and received a severance benefit of R600 000. She also has a pension fund valued at R2 650 000. Lisa is in the unfortunate position of not having an emergency fund or any other savings and has no guidance as to what she should do with her retirement benefits or how to proactively regain control over her situation. She opts to take the full value as a cash lump sum.

It is important to consider not just your immediate circumstances but also your long-term plans.

Employee Benefits insight

The full cash lump sum taken amounts to R3 250 000 (being the severance benefit of R600 000 and the pension fund value of R2 650 000) and will be taxed according to the retirement tax lump sum table:

Taxable income from lump-sum benefits	Rate of tax
Not exceeding R500 000	0%
Exceeding R500 001 but not exceeding R700 000	18% of taxable income exceeding R500 000
Exceeding R700 001 but not exceeding R1 050 000	R36 000 plus 27% of taxable income exceeding R700 000
Exceeding R1 050 000	R130 500 plus 36% of taxable income exceeding R1 050 000

Lisa will pay tax of R922 500 and only receive R2 327 500 in her pocket. The tax is something Lisa could have avoided or limited if she had preserved her retirement fund value by transferring it to an approved retirement fund. With the necessary guidance, Lisa could have proactively planned her next steps going forward without making such a large withdrawal from her retirement savings. She could have rather wisely used her severance benefit to cover her expenses during the uncertain period.

Preserving your retirement savings

Ideally, you should try not to dip into your retirement savings for unforeseen events, but rather make use of your emergency fund. By not taking a lump sum in cash, you avoid paying additional taxes, preserve your savings for your actual retirement and stick to your savings goals. Your retirement funds can be transferred either to:

- your new employer's qualifying retirement fund
- a preservation fund (i.e. PSG Wealth Preservation Fund)
- a retirement annuity (i.e. PSG Wealth Retirement Annuity)

Employee Benefits insight

If Lisa had transferred her pension fund value of R2 650 000 to an approved retirement fund instead of cashing it out and paying taxes, the difference towards her savings for her actual retirement over the long term would have been significant (more than R2 million). Comparing the two actions, the difference in savings at retirement can be depicted as follows:

	Cashing out, paying additional taxes and then saving for retirement	Preserving retirement funds
Investment value at retrenchment (age 50)	R2 650 000.00	R2 650 000.00
Taxes	R706 500.00	Tax free
Fund value to invest for retirement	R1 943 500.00	R2 650 000.00
Fund value at retirement (age 65) (investment growth of 9% p.a., with no additional contributions)	R7 079 164.66	R9 652 578.52

Practical tips to rebound from retrenchment

- Proactively take control and reassess your position:
  - Review your monthly budget – make a list of your expenses and assess what you can cut back on.
  - Readjust your financial and savings goals, even if it is just for a short period of time. Evaluate what you have saved and see how you can adjust specific future goals.
  - Re-evaluate your skillset and ability to find a new job. Then plan your next steps to start earning an income in order to continue saving.
- Make sure you have a trusted sounding board. Speak to your financial adviser for guidance and valuable input on the different options available to you at retrenchment.
- Use your retrenchment package wisely. Instead of spending it all, consider saving a portion for another rainy day. Maintain your emergency fund and stick to your long-term savings goals.
- Should you consider using your funds to start a new business, only do so if you have done proper research and discussed this with a business mentor/coach. Not all of us are natural entrepreneurs and starting a business out of panic could lead to a further downfall.
- Have a plan. The famous saying goes: "if you fail to plan, you plan to fail."

PSG Wealth