

## Don't neglect your retirement savings in these tough economic times

The global economic turmoil of the last few months has left many investors feeling shell-shocked and wondering what to do. In fact many investors have asked us what our investment team is doing in response to the market volatility. The truth is that now, more than ever, we continue to do what we have always done, sticking to our investment philosophy with discipline and rigour. So, in many ways it is unsurprising that we believe that now is a crucial time for investors to remain focused on the long term and be disciplined about saving for their retirement.

**Retirement annuities (RAs) that give you access to a range of unit trusts are one of the best savings vehicles for retirement:**

### 1. Unit trusts are an ideal long-term investment

A very good reason to have unit trusts as your underlying investment for your retirement savings is because regular contributions over a long period help to smooth out the inevitable ups and downs of the market – especially if you begin contributions early on in your working life and continue to make payments every month.

### 2. They offer choice, flexibility and investment freedom

Unit trust based RAs give you choice and flexibility. You can choose underlying unit trust funds that best suit your needs and your risk profile. You can select from unit trusts that invest in one 'asset class' such as shares, bonds, cash or offshore investments. Alternatively, if you prefer to have an investment manager make this 'asset allocation' decision for you, some unit trusts do this and offer varying amounts of exposure to the different asset classes. You can also switch between funds at no extra cost as your needs change. In addition, if you change jobs your RA continues without any need to transfer. With the Allan Gray RA you can transfer your investment to any other approved retirement product without cost or penalty.

### 3. Value for money

There are no product fees for the Allan Gray RA, and almost all the underlying investment management fees are transparent and performance-based. There are no penalties or fees for stopping contributions or for transferring your benefit to another approved retirement annuity fund.

### 4. Saving for retirement in a tax-efficient manner

Another benefit of RAs is their tax-efficiency. This is the reason you may wish to consider using an RA, as opposed to just investing directly in unit trusts. If you do not contribute to a pension fund, you can contribute 15% of your taxable income to an RA tax-free. If you do currently contribute to a pension fund, you can contribute 15% of any income that is not taken into account when calculating your pension contribution tax-free. Any additional payments you make (over the 15% limit) may be carried forward and offset against future taxable income.

When you retire you have to invest a minimum of two-thirds of your capital from your RA into a pension-providing vehicle, such as a living annuity or guaranteed life annuity. You do not have to pay tax on the transfer of your capital into these products. The annual pension you receive after retirement is taxed at your then marginal rate, which is likely to be lower than your tax rate prior to retirement.

### Who should consider investing in an RA?

If you are not a member of a pension or provident fund you may wish to consider investing in an RA. You may for example be self employed and are therefore not eligible to be a member of a pension or provident fund. An RA provides you with a sound alternative.

Even if you are already a member of a pension fund or provident fund you may wish to make use of an RA to supplement any existing retirement savings in a tax efficient way. If you earn a variable income from any ad hoc bonus or commission payments, these payments may not be taken into account when your contributions to a pension or provident fund are calculated. An RA may be a suitable way for you to supplement your retirement savings with this additional money. Please speak to your financial adviser if you are unsure about whether any investment option will meet your needs.

#### **To make the most of the tax benefits of being a member of a retirement annuity fund as tax year-end approaches:**

If you wish to contribute this tax year, you need to complete an Allan Gray Retirement Annuity Fund form and make payment before 14:00 on 27 February 2009.

You may complete the form online if you are a registered online user, or you may obtain the form from our website [www.allangray.co.za](http://www.allangray.co.za) and from the Allan Gray Client Service Centre on 0860 000 654. Please provide us with a completed application form, payment and applicable documents:

- Before 14:00 on 26 February 2009 if you would like us to collect the money electronically
- Before 14:00 on 27 February 2009 if you are depositing the money in the Allan Gray Retirement Annuity Fund bank account

**To ensure that your money reflects in the Allan Gray Retirement Annuity Fund bank account by 14:00 on 27 February 2009, you may need to make or arrange payment earlier than 27 February 2009.**

*Commentary by Johan de Lange, director, Allan Gray Unit Trust Management Limited*

*The Allan Gray Retirement Annuity Fund is administered by Allan Gray Investment Services Limited, an approved fund administrator. Allan Gray Investment Services Limited is also an authorised administrative Financial Services Provider. The underlying investment options of the Allan Gray individual life and retirement products are Collective Investment Schemes in Securities (CIS). CIS are generally medium- to long-term investments. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Therefore the value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio divided by the number of units in issue. CIS are traded at ruling prices and can engage in borrowing and scrip lending. Forward pricing is used. Unit trusts may be capped at any time in order to be managed in accordance with their mandates. A schedule of fees and charges and maximum commissions are available upon request from Allan Gray Unit Trust Management Limited. Commission and incentives may be paid and if so will be included in the overall costs. Different classes of units apply to the funds and are subject to different fees and charges. Allan Gray Unit Trust Management Limited is a member of ASISA.*