

momentum

FundsAtWork

*It's your world*

Edition 3

April 2013

# Financial adviser newsletter



Editor's note

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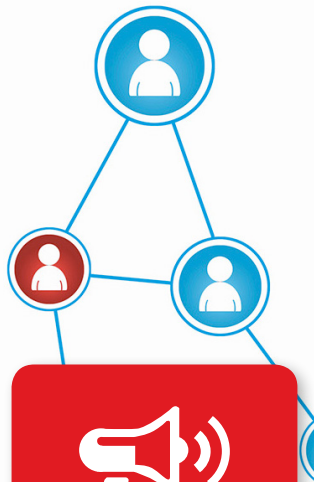
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## Editor's note

“Create a life that  
feels good on the  
inside, not one that  
just looks good on  
the outside”

- Unknown

## Editor's note

For every person, their world is personal, unique and it is all about their own individual needs. The fact is people are fundamentally different – we speak different languages, drive different cars, live in different cities, have different interests and our families are different. It is these differences that contribute to our unique individual needs, which make each of our worlds special enough on both the outside and the inside to be worth protecting.

I invite you to pause for a moment to look at how FundsAtWork can support your world and that of your clients. Discover how passionate we are about collaboration needed for effective communication and educating members. Share our view on the innovation that we see in the umbrella fund industry ahead of retirement reform in SA, and learn how we truly believe that real protection can be better achieved through properly addressing needs.

As always, I encourage you to send me your feedback regarding the newsletter, as well as any suggestions for future topics that you would like to read more about. Enjoy the read.

Regards

Brigitte





Attachments

# Attachments





FundsAtWork  
- It's your world

At FundsAtWork  
when we say it's  
your world we  
mean that it is  
all about what  
matters to you.



## It's **your** world

It's your world... these words can mean different things and evoke different emotions for each individual person. We understand that your world represents those things you care about –all that means the world to you and that you can't live without; and the same applies to your clients.

We understand that you are an individual with different worlds and different financial needs and so are your clients. The heartbeat of your business is to assist existing and potential clients to understand their needs and make informed financial decisions. This is a critical process that will facilitate income continuation whatever their circumstances, in a way that positively impacts their financial wellness. FundsAtWork's aim is to enable you to meet both the employer's needs as well as those of each of their individual employees.



Our reason for being is to offer product solutions that enable income continuation in various circumstances, for example if a client becomes disabled, in the event of death or at retirement. We believe that providing you and your clients with easy access to relevant and accurate information that complements these product solutions is one of the keys needed to unlock efficiencies in your world and your ability to meet your client's needs. This is delivered through our communication strategy that is enhanced by our ability to give you and your clients access to our website, where you can obtain information such as fund fact sheets, portfolio return comparisons and real-time client specific member and employer statements and reports, i.e. everything you need to assess if your client's needs are currently being met.

Creating efficiencies within the operational environment is something that the employers also require. All business owners face the challenge of maximising their profits in the midst of uncertain market conditions, at times with limited financial resources. It is therefore important that they continuously strive towards enhancing their business efficiencies, which will drive down their operating costs while improving their business bottom line.

This is why we chose to focus on making their world better through our innovative income continuation solutions which are adaptable for various business needs and size. Our product offering gives you a wide range of choice and the flexibility required to implement a benefit design structured to optimise the employer's, and each individual member's ability, to meet their income replacement needs, while taking affordability into account. In this way we are able to help the employer retain their employees and provide them with the tools needed to safe guard them and the business against possible financial loss should an unforeseen event happen to one of their employees due to death or disability.

Efficiencies are further delivered through our online employer portal that saves time and reduces employers operating costs. The cumulative savings offered through using the employer portal are also designed to positively influence the employees' net retirement savings. Our insurance, retirement and business efficiencies enable their businesses' long-term financial wellness all with the aim of securing their world.





In conclusion, while it is critical for the financial adviser to understand the needs of the group when implementing or reviewing a benefit design, they should first understand the needs of individuals within the group. FundsAtWork supports this by providing you with innovative and flexible products that are supported by effective communication, immediate access to real-time information as well as an awesome service experience.

Uncertain life eventualities can take place at any time, changing our world. FundsAtWork's insurance, retirement, preservation and lifestyle solutions help to minimise the impact of such changes and is designed to deliver this in a way that improves the employer's world and supports the advice process. **It's your world.**





Communication

It has long been established that effective communication makes up the bedrock of any business.



## Communication and collaboration is fundamental to our business

Most businesses exist to make a profit and realise growth, and in so doing create work opportunities and improve society at large. Much like life, the one constant in business is that of change. There is often change in strategy and vision as a company goes through different stages of the business lifecycle. There is change when people leave an organisation and new people join.

However, one thing that does not change, no matter what stage of the business lifecycle the company may be in, is the value of effective communication. It has long been established that effective communication makes up the bedrock of any business. Only a business that has embraced effective communication as its foundation is able to reach out to customers more effectively, strengthen relationships with partners and attract new business opportunities. Without these principles in place it would be a great challenge for any business to move forward, keep innovation alive and keep everyone working towards a unified goal.



At FundsAtWork, we see effective communication as an essential ingredient to the growth and opportunity of our business. This is why, in all of our business endeavors, we continuously strive to connect and engage with our stakeholders to establish rapport, build relationships, share ideas and engage in knowledge sharing.

We are a multi-stakeholder business and our success is based on the solid partnerships we have in place, particularly with our financial adviser network. In light of our business model, the big question then should be: how do we communicate and collaborate as a team when it comes to our employers and employees? How can our communication efforts help us achieve a unified goal of ensuring income continuation for our existing and prospective client base, and thereby help them achieve financial wellness for their individual worlds?

This challenge calls for us, together with our financial advisers, to build a communication framework that takes into account all stakeholders and that most importantly puts exceptional client experience forward as a major priority. We all know that poor client experience will not grow a business no matter how fantastic the actual products may be at meeting client needs.

To satisfy this fundamental business need, effective communication is one of the pillars of FundsAtWork's operating model, and this has enabled us to develop a communication framework that is aimed at supporting the financial adviser and at enhancing client experience. Feedback received from various business engagements has given FundsAtWork insight into how we can better collaborate when communicating with our clients. Clients have told us through various research studies that they want to be kept





informed of their benefits with FundsAtWork, the status of their queries and industry changes among other things.

FundsAtWork is also required by law to keep members informed and to be transparent in our business dealings. This means effective communication that provides relevant, current, engaging and accurate information to our clients is a necessity.

If, by working together, we are able to do this for our clients then we can be certain that we will achieve a unified goal that will ease the administration load and that we will achieve a single consistent message across the various communication platforms. The intended result of these efforts is not only an improvement in our clients' level of financial literacy and improved financial

wellness, but also business growth for our financial adviser network and by association for FundsAtWork.

For more details on the FundsAtWork communication framework, please see the attached financial adviser "Communication in detail" journey, which explores all communication at the various stages of the customer lifecycle, the types of communication as well as the available communication platforms.

In the spirit of open communication, we would like to hear your views. Please do so by participating in the survey linked to this article and let us know your thoughts and/or suggestions. It is only by sharing your views that we will be able to achieve true collaboration. It's your world, have your say.





Retirement reform

As Government's retirement reform gets into full swing, FundsAtWork is leading the way in meeting many of the expected objectives.



## Taking the reins on retirement reforms

South Africa's retirement industry is evolving rapidly and umbrella funds have been at the forefront of this change in many aspects. Retirement reform is intended to achieve four main objectives: bring more people under the retirement net, improve retirement savings, ensure a reasonable income at retirement, and provide for these aspects at a reasonable cost to the consumer.

While meeting some of the reform objectives is set to be prescriptive, the industry as a whole has acted quickly and innovatively in addressing many of the issues highlighted by Government. Momentum's FundsAtWork has been at the forefront of these innovations.

Perhaps the biggest step forward has been the consolidation of funds in South Africa. The number of standalone funds has been reduced to just over 6 000 compared to nearly 13 000 only five years ago. Those funds have flocked to umbrella structures. Previously, the cost of managing most smaller standalone funds was high – especially if one considered the number of statutory requirements imposed over the last few years.



FundsAtWork  
has played a  
significant role  
in the way the  
industry has  
evolved.



Yield reduction was simply too high, which made it unfeasible for these funds to exist at all. However, many funds opted to go the standalone route as umbrella fund offerings simply were not robust enough and provided little or no flexibility on either a scheme or member level.

The status quo has changed radically. The necessity for innovation has made South Africa's umbrella funds among the best in the world and possibly even ahead of developed markets. FundsAtWork has played a significant role in the way the industry has evolved. Until recently, funds offering individual member investment choice would have been charged premium rates for this functionality, even though our research showed that only five years ago less than five percent of members would use that facility.

Today, employers that are part of the FundsAtWork Umbrella Funds can choose, with the assistance of their financial adviser, a default

benefit structure that fits the profile and needs of the average person in the group or subgroup. If a member needs higher benefits, he or she can utilise the product flexibility and pay for the additional benefits out of their own contributions. Alternatively, if a needs analysis indicates that the default benefits are too high for the individual, the member can flex down, in which case the cost saving is redirected straight toward the member's retirement savings account. Ultimately, it is about recognising that each member's needs are different, and that FundsAtWork is able to satisfy these individual needs within an institutional arrangement on a "pay for what you use" basis.

In his annual budget speech this year, Finance Minister Pravin Gordhan confirmed that mandatory preservation will become a reality. Mechanisms are currently being discussed. FundsAtWork is leading the way on this front too. Today, a member who leaves his current employment can be certain that his or her



investment will be automatically preserved to the pre-selected FundsAtWork Preservation Fund at no additional cost and in the same investment vehicle that the member was invested in while still an active member in the umbrella fund.

The National Treasury has also proposed that standardising products will be one way to reduce costs. While this may be true, it does not address Treasury's ultimate objective – enabling people to retire comfortably. The objective should be to ensure that the retirement industry is adding value to members throughout the value chain. A standard product may not be appropriate for all segments of the market, as it may not meet the differing needs of all members. In South Africa, the average retirement fund with less than a 100 members has four times as many assets per member, compared to funds with 3 000 or more members. Given this dynamic, a single option may reduce costs, but is unlikely to be suitable for these two very different funds. With a standard option, there is also no need for advice, which would then lead to an unfortunate consequence of negatively affecting consumer education levels.

A member will require a replacement ratio of at least 75% of his or her salary to be able to retire comfortably, especially if one considers the growing risks of longevity and the rising cost of healthcare. Employer sponsored benefits are often the only form of insurance individuals have for themselves and their families against the risk of disability or death. While everyone has a role to play in meeting these needs, from the industry's perspective, the aim is to offer members and employers more flexibility that, when used appropriately with sound advice, will increase the value offered by the retirement industry. This is a very different objective to reducing costs only, and it is one which FundsAtWork continues to achieve with its advisers and clients.

**Click here for more information on the latest retirement reform developments: Legal Update 3 2013 – Retirement Reform Proposals 13 March 2013. >>**

**Click here to view a high-level overview of FundsAtWork's innovation and growth since inception in 2000: The FundsAtWork Journey. >>**





Comfortable living

## Making the **right choice** is more important than ever before

Plotting and navigating your path to financial wellbeing is a challenging task in the best of times and more so in the economic climate in which we live. Members, who are faced with low real yields, high levels of volatility, rising household debt, increased levels of employment uncertainty and longer life expectancies, are asking: how do I protect myself against an uncertain future, and what can I do today to be proactive?

As shareholders add pressure on management for returns, individuals are seeking increased efficiencies across the economic spectrum. As a result there is increased focus on insurance and retirement contributions being paid by employers. This increased attention can be considered quite natural in recessionary climates, but the impact on South African employees is acute, especially given the low level of retirement savings and the ever increasing insurance gap.

A study conducted by UNISA in conjunction with Momentum, entitled the Financial Wellness Index, has shown that an estimated 60% of South Africans are underinsured for life and disability cover and only 6% of those formally employed will retire comfortably without assistance from government, friends or family.

How do I protect myself against an uncertain future, and what can I do today to be proactive?

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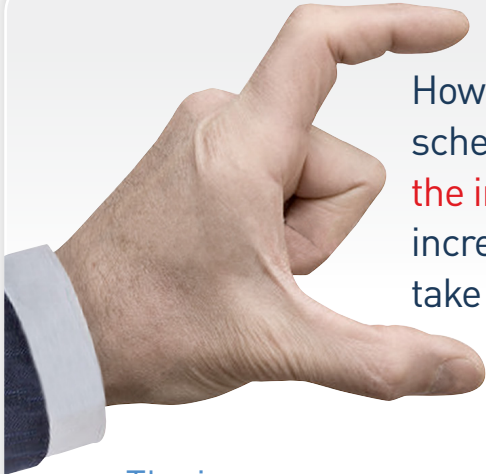
Communication




Retirement reform



Comfortable living



How can we structure retirement schemes more efficiently to help close the insurance and savings gaps while not increasing contributions and decreasing take home pay?



## The insurance gap

The insurance gap can be addressed in two ways, either by increasing insurance contributions, or by insuring more efficiently.

Increasing insurance contributions normally means that less money is made available to go towards retirement savings, or that members will need to increase their overall contribution. Members would be wise to avoid reducing retirement savings in favour of insurance cover due to the already low levels of retirement savings by members. Overall increase in contributions may be an ideal option for securing a more comfortable future, but this has been unpopular due to the immediate impact on

members' net take home pay and is an option that needs to be carefully negotiated between the members and their employers.

**So we are faced with the question:** how can we structure retirement schemes more efficiently to help close the insurance and savings gaps while not increasing contributions and decreasing take home pay?

**Momentum's answer:** the insurance and retirement savings gaps can start to close by allowing members to only pay for the cover they need at each stage of their lives and targeting a higher return throughout the term to retirement.



This may be obvious, but far too often employers select a single level of cover for all members in an organisation. This is particularly true for disability insurance which contains different disability definitions (own occupation, own employer and own occupation, any employer) and different initial periods (12 months or 24 months). As an example, consider a group of 25-year-old males earning a salary of R120 000 per annum. The difference in PHI premium per member per year can be illustrated in the diagram that follows.

Disability definition	12 months	24 months
Own occupation + Own employer	R329	R372
Own occupation + Any employer	R294	R358

In this illustration, if the PHI is chosen to be “own occupation, own employer” with an initial period of 24 months when in fact an “own occupation, any employer” definition with a 12 month initial period would have sufficiently met the need, the annual premium saving could be roughly R80 for the member per year. This may not seem like an impressive saving, but if the member were to invest this R80 into a CPI + 7% portfolio, over 40 years this will accumulate to an additional R93 000 into the member’s savings over the period.

It is well known that a member’s death benefit needs change throughout their lifecycle, as their family status changes and assets increase, and the same logic can therefore be applied when structuring the death benefits for the scheme.



Save more today by  
increasing savings every  
month for retirement and  
achieving higher investment  
returns.



## The retirement savings gap

The retirement landscape is ever changing with a clear drive from Government to increase the quality of fund governance, incentivise savings and ensure that more value is given back to members so that they can retire comfortably.

### **The key drivers of retiring comfortably are simple:**

save more today by increasing savings every month for retirement and achieving higher investment returns. We have already discussed that the ability of the consumer to save more is currently under pressure. We must therefore focus on the investment portfolio selection which drives the expected investment returns because if a member chooses a higher yielding investment portfolio, his or her position in retirement is expected to be improved.



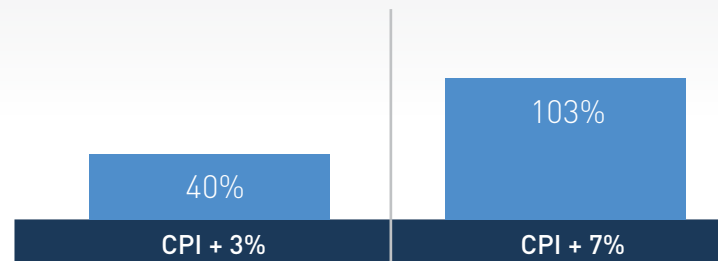


To illustrate the power of the investment portfolio selection, a member (or advisory body) can decide to either invest in an investment portfolio that will yield, for example, CPI + 3% over the long term or a portfolio of CPI + 7% over the long term.

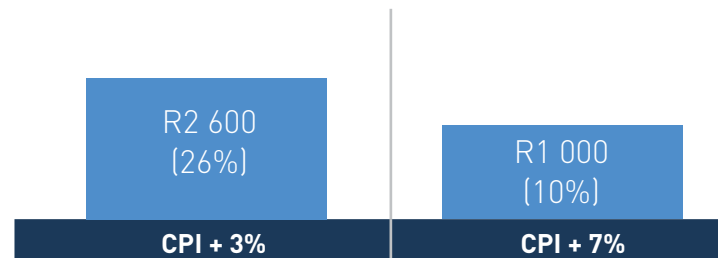
To illustrate this, for a member earning R120 000 per annum, a 10% contribution from his or her salary towards retirement savings would be R1 000 per month over 40 years. He or she can expect to retire with 40% of his or her final salary as an income per month, if all other assumptions pan out in practice.

If the member takes on more investment risk and invests in the CPI + 7% portfolio, he or she can expect to retire with 103% of his or her salary while still only contributing R1 000 per month.

### Potential salary replacement ratio



### Contribution required to achieve a 103% salary replacement ratio





## Finding the balance

On the other hand, if the member continues investing in the CPI + 3% portfolio and wants to achieve 103% replacement ratio, he or she will need to increase the net retirement contributions from R1 000 per month to R2 600 per month.

In a time of uncertain investment markets, deciding to take on more investment risk is not an easy decision and certainly not for the faint hearted. Similarly, deciding on the appropriate level of insurance cover for a member's particular circumstance requires careful consideration. However, not making an appropriate

selection may cost the member dearly in the long and the short term as the result may be that increased monthly contributions are required while a lower potential return over the long term is earned.

For any investor or advisory body to make such a decision their individual circumstances will therefore have to be carefully considered and the advice of an appropriately qualified financial adviser or investment consultant is therefore crucial.





Pin Board

The thin  
cyber line

Exclusion  
clauses  
clarified

Enhancing the  
default home  
loan guarantee  
portfolio

Getting the  
best of both  
(Portfolio  
amalgamation)

Closure of the  
Momentum  
Inflation  
Guaranteed  
portfolio

A  
smart  
move

Clean bill of health  
for FundsAtWork  
Umbrella and  
Preservation Funds

Did you  
know?  
(Client education)



FundsAtWork  
-It's your world



Communication



Retirement reform



Comfortable living

## 1.The thin cyber line

If you didn't have a Facebook or Twitter account, would you wander around declaring information through a loudspeaker all day? Social networking sites are great for keeping in contact with family and friends, and many businesses have even begun using the social platforms to engage with their clients. Yet by using these sites, a person's right to privacy may be threatened. Personal information may be accessed, processed and divulged by a third party. We must be aware that "publishing" information online about another person may contravene the person's constitutional right to privacy.

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## 2. Exclusion clauses clarified

Wording in policy documents relating to the exclusion clause on war, terrorism and rioting replaces the existing war and riot exclusion clause for FundsAtWork schemes with effect from 1 April 2013. A policyholder letter was sent to all financial advisers and policyholders during the last week of February 2013. We would like to request your assistance to ensure that your clients have received, read and understood the changes. Please contact your portfolio head should you have any questions about the endorsement.







### 3. Enhancing the default home loan guarantee portfolio

FundsAtWork trustees are always on the lookout to ensure clients' investment options are top notch. Their latest portfolio review reveals that the Momentum Enhanced Factor 3 portfolio is showing superior performance to that of the Momentum Secure Bonus (MSB) over a 1, 3 and 5 year period. For this reason, the default home loan guarantee portfolio has been changed from the MSB portfolio to the Momentum Enhanced Factor 3 portfolio, which is a market linked portfolio that targets CPI + 3%. The trustees feel that it better suits member's needs based on its investment growth relative to risk.

Communication has been sent to all members, employers and their financial advisers via the home loan facility to notify them that the money currently invested in the MSB portfolio to guarantee home loans has been moved to the Momentum Enhanced Factor 3 portfolio as of 1 April 2013.

The fund fact sheets for this portfolio are available for download from [www.momentum.co.za/fundsatwork](http://www.momentum.co.za/fundsatwork).





## 4. Getting the best of both

### Portfolio amalgamation

Amalgamating certain portfolios means that Momentum Employee Benefits: Investments can select the best value-for-money options for our clients with better focused service excellence all wrapped up in one. Following a recent portfolio review, the decision was taken to:

- amalgamate the Momentum Secure Growth and the Momentum Multi-Manager Secure Growth portfolios.
- amalgamate the Momentum Smooth Growth Fund Local and the Momentum Multi-Manager Smooth Growth Fund Local portfolios.

We believe that the Multi-Manager Smooth Growth portfolio range offers more value to clients compared to a single-manager solution. This change will be effective from 1 June 2013.

Communication will be sent to all affected members, employers and their financial advisers. The fund fact sheets for these portfolio are available for download from [www.momentum.co.za/fundsatwork](http://www.momentum.co.za/fundsatwork).



## 5. Closure of the Momentum Inflation Guaranteed portfolio

Momentum Employee Benefits: Investments, the manager of the Momentum Inflation Guaranteed portfolio, continuously assesses its product offering to ensure that all portfolios remain relevant to our clients. Following the recent rationalisation of the Smooth Bonus product range the decision was taken to discontinue the Momentum Inflation Guaranteed portfolio.

The trustees have a number of responsibilities, including to ensure that the investment portfolios offered remain relevant and to consider suitable alternative portfolios when existing portfolios are being closed. As part of this process, they have agreed that all members currently invested in the Momentum Inflation Guaranteed portfolio will be defaulted to the Momentum Enhanced Factor 3 portfolio during June 2013. Communication has been sent to all affected members, employers and their financial advisers, however please feel free to contact your portfolio head should you have any questions.





## 6. A smart move

FNB Smart Accounts have been available to all members who do not have active bank accounts on withdrawal from the FundsAtWork Umbrella Funds. The facility was implemented to assist members to obtain access to much needed funds. However, utilisation of this product feature has been minimal. The trustees have reviewed the arrangement and, based on the very low level of uptake by members, they have decided to stop the facility with immediate effect. Please contact your portfolio head if you have any questions regarding this change.





## 7. Clean bill of health for FundsAtWork Umbrella and Preservation Funds

The FundsAtWork Umbrella and Preservation Funds have been audited up to 30 June 2012 and have received unqualified financials. The next audit due is for the period 1 July 2012 to 30 June 2013.

***Please contact your portfolio head should you require more information or have any questions.***



## 8. Did you know?

### Client education

The Client Education team has implemented improvements to deliver a more streamlined and effective service to our clients.

- **New scheme installations:** Employer portal and administration process training will be provided for all new schemes on FundsAtWork. Member education will also be provided for all new retirement schemes.
- **Existing active schemes:** Employer portal training may be requested in the event that an employer has authorised a new employer portal user. Annual face-to-face member education is not provided by the Client Education team. All members are provided with alternative online and offline communication and education tools.
- **Major cities:** In-office training will be scheduled as soon as the monthly reconciliation is ready for processing. This includes Cape Town, Durban, Johannesburg and Pretoria.
- **Outlying areas:** In-office training will be facilitated within three months, however we are launching a new online employer portal training experience that can be requested should training be required during this period. The email-based reconciliation process will be followed in the interim.



Trainers are often on the road and unable to access their e-mails. For this reason, all requests should be sent to your Client Service team who will arrange the training with the Client Educators. These requests must be accompanied by a fully completed Employer Portal Authorisation form, signed by an authorised representative of the employer (i.e. the managing director or financial director) and must be submitted with a copy of the company's letterhead. Should you need to send direct communication to one of the trainers, emails can be sent to [ClientEducation@momentum.co.za](mailto:ClientEducation@momentum.co.za). This mailbox is monitored at all times and appointments are coordinated from this central point.

### Introduction of the new online training facility

We strive to keep up to date with new technology and tools and continually look for ways to improve the employer portal training experience. We will be launching a new online training process that allows us to visually and verbally conduct live online training by using internet technology, while not actually being in the employer's office. Please contact your portfolio head if you require further information on this process and how to make it available to your clients.

### Recent employer portal enhancements

- **Notifying claims:** A new facility has been introduced that enables the employer to double-check the claim information loaded and then approve or reject the claim before a member is exited from a scheme and their assets are disinvested. We would like to remind you that although it is ideal to notify claims in advance of the exit date, settlement of any claim can only be made after the member has left the scheme.
- **Second authoriser facility:** Many employers have two signatories on their bank account. We have therefore introduced a facility that allows these employers to have a second authoriser on the employer portal. The facility can be used for the contributions/premium payment process or the withdrawal claim process and access can be created for each pay point separately. A new employer portal authorisation form will need to be signed if one of your clients would like to use the facility.

