momentum

FundsAtWork
It's your world

Financial adviser newsletter

Edition 5
November 2013

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Editor's note

A change is as good as a holiday...

Editor's note

A change is as good as a holiday... a phrase we are all familiar with and used at one time or another.

At FundsAtWork we embrace change and we specifically value the benefits gained by our business partners, our clients and ourselves through continuous improvement and innovation. At the forefront of this is our inovative and exciting new tele-underwriting process that is about to be launched.

As the year draws to a close and we all take a break over the holiday season we must not forget that our clients' needs continue to change. In this edition of the newsletter we address the growing need for suitable disability, dread disease and death cover and we introduce you to a few new innovations that will enhance our clients' ability to both understand and meet their long term insurance and retirement needs in the new year ahead.

As always, I invite you to send me your comments and suggestions for future publications. The FundsAtWork Financial Adviser and Trustee Member newsletters will earn 1 CPD point for every future publication.

I wish you a relaxing holiday season and look forward to working with you in the New Year.

Regards,

Brigitte

Brigitte Fraser
Head of Product Management

The insurance replacement ratio

The insurance replacement ratio

The group insurance market is recognised as a key contributor in providing insurance benefits to employed people. Group insurance cover is often the only cover that people have apart from perhaps a funeral policy here and there that a call centre agent sold to the client, especially in the middle and lower income markets. Member education on insurance benefits and the various options are one of the greatest needs in the industry because South Africans are so grossly under-insured as shown by various research papers. The question is: how much insurance cover do I need and how big is my insurance gap? What is my Insurance Replacement Ratio?

The Retirement Replacement Ratio is normally defined as your expected post retirement pension as a percentage of your last salary before retirement. For example, if you have a pension of R4 000 per month and you earned R10 000 per month, your retirement replacement ratio is 40%. This measure is relatively easy to understand but can we use a similar measurement for insurance benefits?

Insurance needs

To answer this question, we need to understand the drivers behind an individual's insurance needs which can broadly be classified as short-term insurance and long-term insurance. Short-term insurance includes car and household cover whereas long-term insurance covers you in the event of disability or death. Usually it is long-term insurance that is offered to employees as part of an employee benefits program.

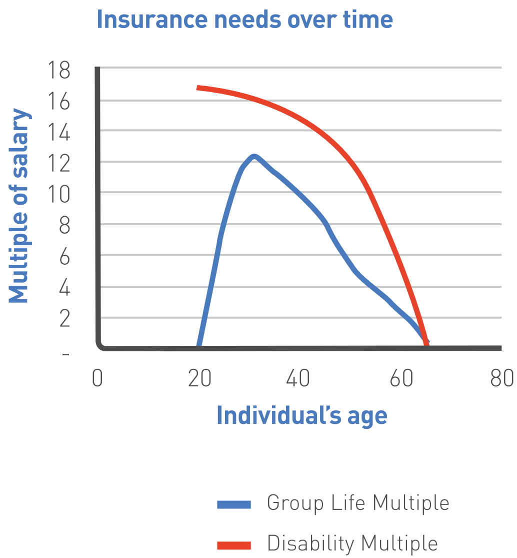
The need for death and disability benefits can be determined by considering how much cover you need to ensure that your standard of living and that of your loved ones are maintained following a life changing event. For example, when you become disabled, you probably need at least the same income as or as close as possible to your last salary, if not more to cover extra expenses.

The benefit selection for income disability products is therefore relatively easy as you simply pick an income disability benefit equal to 100% of your salary for example. For lump sum disability, the question asked is how much lump sum is required so that when you invest the money, you will have enough funds on a monthly basis to replace your income to 100%. The above illustrates the need for an Insurance Replacement Ratio.

The Insurance Replacement Ratio

Let's define the Insurance Replacement Ratio as the post event (death or disability) income that one can provide with a benefit pay-out as a percentage of the pre-event (death or disability) income. For example, if your income post event is R3 500 per month and your salary was R10 000, you Insurance Replacement Ratio is 35%.

The disability income need post disability is roughly 110% if not more of the pre-disability salary. The income need after death should be sufficient for one's dependents and therefore is likely to be less than 100% as the insured life no longer has ongoing expenses. After death one has to provide for one's dependents and therefore the number of dependents and their age will determine the insurance need. In a group space one can make some assumptions



around the number of dependents. For example, we can assume that for a specific employer that the average employee marries at age 24 and then has 2.5 children who are dependent until age 25. With these and a few extra assumptions around investment returns earned on lump sums etc, the following graph gives an indication of the multiple of salary that an individual needs at different ages in their life.

The graph shows that the group life cover need at age 30 is around 11 times annual salary and the disability lump sum needed is around 16 times annual salary at that age. The group life cover need increases dramatically from age 20 to age 35 because the number of dependents increases at these ages and thereafter it decreases as the member approaches retirement. An underlying assumption is that you only need to provide a benefit up to retirement because the member continues to make provision for their retirement using their death or disability benefits.

Using the above methodology, we have found that the average FundsAtWork Insurance Replacement Ratio is currently around 35%, which is similar to what studies like the True South Actuaries Insurance Gap study found. The gap needs hard work and soon.

Taking on the challenge

The first step in taking on the challenge to close the insurance gap and to ensure that employees are appropriately covered is education and financial advice. It is crucial that the appropriate levels of awareness of the insurance gap are created. It has become a social challenge that we will need to resolve as spouses and children are significantly exposed to death and disability of the breadwinner.

It is also important that we recognise that each individual's or employers circumstances are different and that the help of appropriately qualified financial advisers are crucial in ensuring that we close the gap successfully. Flexible employee benefits are in some cases the only practical way for employees to close the insurance gap.

Regard Budler

FIA CFP®
Head of FundsAtWork

The Silent Killer

Get active with your family...

The Silent Killer

The drug and healthcare company GlaxoSmithKline has confirmed a phenomenon that most of us have noticed over the past few decades. The rainbow nation is slowly eating itself to death. The research, cited in the Guardian (2010)*, found that 61% of South Africans are overweight, obese or morbidly obese. What is just as alarming is that the study also revealed a gap between people's perception and their reality by showing that 78% of obese and 52% of morbidly obese South Africans regard themselves as somewhat healthy or very healthy. Some 42% of the respondents have no health concerns and only 47% of them recognise that exercise and physical fitness are critical to their wellbeing.

But our denial does not end here. While 74% of us think that our fellow citizens are overweight, only 34% of us consider ourselves to be overweight or obese. Capetonians are the worst affected with 72% of citizens being overweight, closely followed by Pretorians with 68% and Johannesburgers at 59%. Durbanites seem to be doing slightly better with only 52% of residents being overweight. What is most concerning is that 17% of children under the age of nine are overweight. With parents in denial could we expect different results?

*http://www.theguardian.com/world/2010/sep/09/south-africa-obesity-survey-health

Despite these statistics, obesity in South Africa is still viewed as a lesser pressing matter than HIV / AIDS. However obesity and its co-morbidities has a rising negative impact on the lives of many people and contributes to the increasing costs of health care in both the private and public sector.

Obesity has severe health implications including high cholesterol, high blood pressure, heart disease, type 2 diabetes, stroke, heart attacks and more. The majority of these conditions result in dread diseases and most of these chronic diseases can be prevented as the primary cause is over-eating and drinking and too little exercise.

For people suffering from hypertension, the risk of a stroke and heart failure is a reality. If you battle to control your cholesterol levels you are at risk of cardiovascular and peripheral vascular disease, and those with type 2 diabetes are at risk of heart attacks, blindness, amputation of limbs, kidney disease and problems with the nervous and circulation systems. An estimated 1.5 million South Africans have type 2 diabetes but this figure could be much higher in reality because many people are unaware of their condition. It is generally accepted that 25% of South Africans over the age of 15 years suffer from hypertension. According to the Heart and Stroke Foundation South Africa, 195 people die every day because of heart attacks, strokes and heart failure.

With health care costs rising above inflation, the importance of having sufficient dread disease cover is critically important. Dread disease benefits normally pay out on the diagnosis of a dread condition.

Cancer accounts for 60% of Momentum Employee Benefits' dread disease claims with heart conditions coming in second.

The main aim of dread disease cover is to assist you with the healthcare related costs as well as the necessary lifestyle adjustments.

Momentum Employee Benefits found that South Africans are under-insured specifically for dreaded disease and based on the statistics, all of us are at risk of becoming part of the statistic unless we stop denying the existence of the problem.

Elna van Wyk
Occupational Therapist
National Head: Disability Management

Innovation

Service excellence is at the core of our business operations and as such we are constantly striving to improve our offerings as well as members' experience with every interaction with us.

FundsAtWork's new tele-underwriting process

We have reviewed feedback from various stakeholders pertaining to our current underwriting process. This feedback highlighted that our current underwriting process is lengthy and inefficient.

To improve the customer experience, we have introduced our exciting and innovative new tele-underwriting process which we believe will be beneficial to you and your clients as it aims to address all the areas where the previous process fell short:

- The financial adviser will be informed of the requirements from the outset, ensuring they are prepared for any questions they may receive.
- Members will be able to complete the tele-underwriting interview at a time convenient to them.
- During the voice-recorded telephone conversation a series of health related questions will be asked, which will form the basis for the underwriting decision.
- All information is captured and assessed immediately, enabling an immediate decision to be made.
- Delays in the process are minimized or eliminated completely, ensuring that members go on risk for their full potential cover as quickly as possible.
- Through this process we believe that 70% of all the members will not be sent for further medical underwriting and will enjoy extra cover.

The tele-underwriting process will not apply if the difference between the member's full potential cover and current cover exceeds certain limits, set by our reinsurers from time to time. In these cases the current process will be followed.

The document linked below explains the new process in full. Please assist us to educate all our clients on the benefits of the new process by sending each of your employers a copy of the document for information purposes.

Please contact your client service team or the FundsAtWork underwriting team directly if you have any questions or need additional information on the new process.

Click here to access: FundsAtWork's new tele-underwriting process

Carl Wolter
Portfolio Head: Underwriting
Momentum Employee Benefits: FundsAtWork

Momentum Smart Guaranteed +3

The Momentum Smart Guaranteed +3 portfolio is an exciting and innovative new addition to our suite of Momentum portfolios available under the Provider and Entrepreneur product options from October 2013.

Momentum Smart Guaranteed +3

The portfolio design is testament to our ability to construct world class investment portfolios by using liability driven investment strategies to achieve the portfolio objectives.

The Momentum Smart Guaranteed +3 portfolio is provided through a policy of insurance and is suitable for conservative members who are risk averse and who require a capital guarantee. The portfolio is compliant with Regulation 28 of the Pension Funds Act.

Why we call it the Momentum Smart Guaranteed +3 portfolio

- **It provides a full capital guarantee:** The portfolio provides a guaranteed return of original capital and contributions invested plus accumulated bonuses at the date of a benefit payment resulting from death, disability, retirement, retrenchment and resignation.

- **It's a "smartly" constructed guaranteed portfolio:** We use a liability driven investment strategy, also referred to as dynamic hedging, to secure the guarantee. This results in smaller cross-subsidy in the portfolio, which is an inherent feature of smooth bonus portfolios. Dynamic hedging is an international best practice risk management strategy used by banks, insurers and other financial institutions to guarantee that non-linear payoff profiles can be achieved in all market conditions which means that the payoff profile is not always linked to the movement in the market. We believe that very few local service providers are able to use this kind of investment strategy to manage the guarantee.

- **It targets CPI+3%:** The portfolio targets a real return (i.e. return in excess of inflation) of CPI+3% per annum net of all fees and capital charges over rolling 7 year periods. It should be noted that the real return objective is a return target and the real return is not guaranteed.

Investment methodology

The portfolio is not managed like a traditional smooth bonus portfolio. The liability driven investment strategy uses two underlying building blocks to achieve the overall objectives of the portfolio, namely the Bonus Generating portfolio that drives the upside (i.e. the bonus declarations) and the Fixed Interest portfolio. The strategy is implemented to secure the guarantee and allow participation in 80% of the returns generated by the underlying growth engine (i.e. the Bonus Generating portfolio), subject to the bonus smoothing methodology.

Bonus Generating portfolio

The Bonus Generating portfolio is Momentum Enhanced Factor 7. This portfolio is a well diversified multi-manager portfolio that targets a return of inflation +7% over rolling 7 year periods. It is a balanced portfolio with a strategic asset allocation and the optimal blend of asset class asset managers is actively managed on a continuous basis. The portfolio features also include the following:

- Approximately 80% of the portfolio is allocated to growth assets such as equity and property.
- It is predominantly invested in active strategies to increase the potential of above benchmark returns.
- The strategic asset allocation is based on innovative asset class modelling and is chosen to optimise the risk-return profile.
- It is a well diversified multi-manager portfolio where the optimal blend of best-of-class asset managers is selected by Momentum Manager of Managers based on a qualitative and quantitative research process.
- In addition tactical asset allocation (TAA) is implemented to enhance investment returns without compromising the acceptable level of risk or the probability of achieving the portfolio's targeted return.

The fund fact sheet for the Momentum Enhanced Factor 7 portfolio can be found at www.momentum.co.za/fundsatwork.

Allocation between the Bonus Generating and Fixed Income portfolios

The allocation between the Bonus Generating portfolio and the Fixed Income portfolio results from the liability driven investment model that is based on option pricing theory. This is because the non-linear pay-off profile in this product is equivalent to a call option.

The allocation is monitored and managed on a daily basis and rebalanced whenever necessary.

Bonus smoothing methodology

Although the portfolio is not managed like a traditional smooth bonus portfolio, bonuses are declared monthly in advance, which is similar to some traditional smooth bonus portfolios, subject to a minimum bonus of 0% net of fees.

Approximately 80% of the underlying investment returns of the Bonus Generating portfolio are smoothed over a three-year period. In other words, the monthly bonus declared is the weighted average of 80% of the monthly historical returns of the Bonus Generating portfolio. The following smoothing formula is used:

- Monthly returns in the first year: weighted by 50%;
- Monthly returns in the second year: weighted by 33%; and
- Monthly returns in the third year: weighted by 17%

The monthly bonus can be adjusted to allow for the impact of cross-subsidies and any impact of the protection overlay. The adjustment can be positive or negative; based on our modelling it is unlikely to impact the bonus by more than 0.20% per annum on average over a seven year time horizon.

The smoothing method is transparent and bonuses could be reasonably estimated by anyone who knows what the returns were of the Bonus Generating portfolio. It also means that:

- In years when investment markets rise, members forego a portion of the investment returns of the Bonus Generating portfolio because they only participate in 80% of the returns generated in the Bonus Generating Portfolio;
- In years when investment markets fall, members do not experience the full impact of the fall of the Bonus Generating portfolio for the same reason.
- Therefore the capital guarantee is provided for by means of the participation rate in the Bonus Generating Portfolio, which results in the investor paying for the guarantee when it can best be afforded.
- The minimum monthly bonuses declared will not be less than 0% net of fees.

How will Momentum Smart Guaranteed +3 perform relative to market conditions?

Let us explore the payoff profile of Momentum Smart Guaranteed +3 relative to the performance of the Bonus Generating portfolio.

- Let's assume that R100 is invested in the Momentum Smart Guaranteed +3 portfolio.
- The allocation between the Bonus Generating portfolio and the Fixed Interest portfolio is monitored and managed on a daily basis; however as part of this illustration we will assume that the allocation is R56 in the Bonus Generating portfolio and R44 in the Fixed Income portfolio.
- We will further assume that 80% exposure to the Bonus Generating portfolio could result in either an increase or decrease of 12.5% per annum and the Fixed Income portfolio will give a return of 5% per annum.

The payoff profiles for two different scenarios are explained below:

Scenario 1:

- If after one year the amount in the Bonus Generating portfolio grows by 12.5% from R56.00 to R63.00 and the Fixed Income portfolio grows by 5% from R44.00 to R46.24, the total assets invested will be R109.24.
- Given the positive return of the Bonus Generating portfolio in year one, in this scenario it will be possible to take more risk and invest more of the assets in the Bonus Generating portfolio. After year 1 the portfolio is therefore rebalanced as follows: R81.56 will be invested in the Bonus Generating portfolio while the remainder will be invested in the Fixed Income portfolio (with the total of the two portfolios being R109.24).
- In the second year, the desired payoff profile is achieved regardless of market conditions. If the Bonus Generating portfolio increases again by 12.5%, the investment grows to R121.00. If the Bonus Generating portfolio falls by 12.5%, the investment falls to the guaranteed amount of R100.00.

Scenario 2:

- If after one year the amount in the Bonus Generating portfolio falls by 12.50% from R56.00 to R49.00 and the Fixed Income portfolio grows by 5% from R44.00 to R46.24, the total assets will be R95.24.
- Given the fall in the market, in this scenario the total assets of R95.24 will then be invested in the Fixed Income portfolio.
- In the second year, the desired payoff profile is achieved regardless of market conditions because the full amount is invested in the Fixed Income portfolio. The cash amount of R95.24 grows by 5% to R100.

Market value adjustment

The portfolio may apply a market value adjustment (MVA) on non-benefit payments like full or partial terminations and investment switches if the market value of the assets are below the book value. It is important that employers and their employees are made aware of the possible market value adjustment before the scheme is installed and afterwards.

It should also be noted that because the liability driven investment strategy includes a protection overlay to secure the guarantee, the underlying asset value on non-benefit payments is sensitive to both asset values and interest rates.

Fees

The Momentum Smart Guaranteed +3 portfolio will be available on FundsAtWork at a fee of 1.40% per annum, which includes the investment management fee and the capital charge. Depending on the investment mandates and performance, additional performance fees may be payable to the underlying asset managers managing the assets in the Bonus Generating portfolio.

Please contact your FundsAtWork Specialist or the FundsAtWork Investments team if you have any questions or need more information.

Frank Richards
CA(SA)
Head of Investments: FundsAtWork

FundsAtWork's contribution auto increase

FundsAtWork's contribution auto increase - helping members meet their retirement goals more efficiently

By now we are all aware of the dire situation that most South Africans find themselves in when it comes to their retirement savings. Continual pressure is also being placed on both members and employers to balance long-term savings and insurance needs with the short-term need of increased take home pay. But what can we do to help address this situation?

FundsAtWork's innovative new contribution auto increase facility has been designed with this in mind.

This new facility is aimed at increasing retirement savings by getting members to contribute more towards retirement while recognising that their circumstances will change over time.

The auto increase facility allows the employer, or advisory body, to increase both the default member and employer contribution rate every year for up to five years at pre-defined rates. This will help members grow their contributions year-on-year in a structured way, rather than choosing to forgo increasing contributions completely in favour of increased net take home pay.

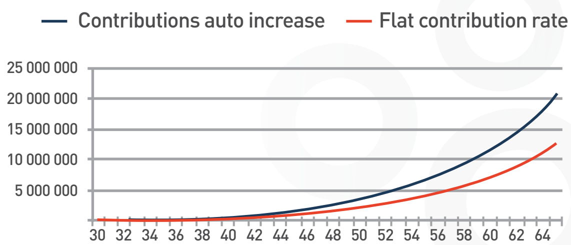
Employers can now align their annual contribution increase with their annual salary increase. With this gradual approach to increasing contributions over a number of years at the same time as annual salary increases are awarded, members will hardly feel the impact on their net take home pay.

The following is an example of the benefits that can be gained from using the contribution auto increase facility.

The contribution auto increase facility increases retirement savings by up to 64%

	Yr1	Yr2	Yr3	Yr4	Yr5+
Flat rate	10%	10%	10%	10%	10%
Auto increase	8%	10%	12,5%	15%	17,5%

Impact of contribution auto increase on net retirement savings



FundsAtWork supports the advice process and the value that members receive from Momentum's financial adviser network. The new contribution auto increase facility is designed to support the advice process in the long-term savings environment and assists financial advisers with having critical discussions with their clients in determining the optimal long term contribution pattern for their scheme. The contribution pattern as well as the date of the annual increase can be customised for each employer with the contribution rate being increased in increments of as little as 0.5% per year.

Please contact your FundsAtWork Specialist if you have any questions or need additional information on the facility.

Yusuf Nanabhay
BSc Hons (Actuarial Science), awaiting FASSA designate
Head: Product Development

Pin Board

Labour Relations Amendment Bill

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The impact of the Labour Relations Amendment Bill on labour brokers and their clients

The Labour Relations Amendment Bill was adopted in Parliament on 20 August 2013 and is expected to come into effect soon. It will have direct implications for both labour brokers and their clients. The purpose of the Bill is to address abusive practices associated with temporary employment services, commonly referred to as "labour brokers", and to restrict the employment of more vulnerable, lower-paid workers by labour brokers to situations of genuine and relevant "temporary work". The provisions of the Bill only apply to individuals who earn less than R193 805 per annum. However, it also introduces other measures to protect workers employed by labour brokers.

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Temporary employment service is defined as an employee working for a client –

(1) for a period not longer than 3 months;

(2) as a substitute for an employee of the client who is temporarily absent (for example someone on maternity leave), or

(3) in a category of work determined by collective agreement, sectorial determination or Ministerial notice.

An employee who meets these criteria, is an employee of the labour broker. On the other hand, an employee who for instance works for a client of the labour broker for longer than 3 months and who does not fall in categories (2) or (3) referred to above, will be deemed to be an employee of the client and not of the labour broker itself, and will also be deemed to be employed for an indefinite period by the client. The client effectively becomes the employer for all intents and purposes and has to treat this employee the same way as he treats any of his other permanent employees. If either the labour broker or the client terminates this employee's service, it will be a dismissal, with all the requirements of a dismissal then becoming applicable.

The bottom line

In summary, what the Bill will achieve is the following:

- If the requirements of temporary employment service are met, the labour broker will be the employer.
- If the requirements of temporary employment service are NOT met, the client of the labour broker will become the employer.

Hettie Joubert
BLC LLB (Labour Law)
Head Trustee Management / Legal Adviser
Momentum Employee Benefits: FundsAtWork

Reduced fees on Momentum Enhanced Factor 3

The investment management fee on Momentum Enhanced Factor 3 has been reduced from 1.5% to 1.3% for all members who have selected this portfolio. This also applies to members with home loan guarantees as these members are also invested in the Trustee Choice Portfolio. The reduction in fee for these members is effective from November 2013.

The investment management fee for members who have selected the Trustee Choice Portfolio that currently invests in Momentum Enhanced Factor 3, has also been reduced from 1.5% to 1.3% effective from October 2013.

The reduction in the investment management fee does not apply to members who invest in lifestage portfolios where Momentum Enhanced Factor 3 is being used as one of the underlying lifestage portfolios.

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FundsAtWork investment portfolio overview

Over the last few months we have communicated a number of improvements to our retirement and preservation solutions which focused on enhancements to the investment portfolios that are available.

FundsAtWork Umbrella and Preservation Funds			
Founder	**Narrator**	**Provider**	**Entrepreneur**
Trustee Choice Portfolio (currently investing in Momentum Enhanced Factor 3) Momentum Smart Passive +4	**Life stages** Momentum Lifestages	**Life stages** Momentum Lifestages **Guaranteed range** Momentum Multi-Manager Smooth Growth Fund Global Momentum Smart Guaranteed +3 **Inflation linked** Momentum Enhanced Factor 7 (CPI + 7%) Momentum Enhanced Factor 6 (CPI + 6%) Momentum Enhanced Factor 5 (CPI + 5%) Momentum Enhanced Factor 4 (CPI +4%) Momentum Enhanced Factor 3 (CPI + 3%) **Trustee Choice Portfolio** (currently investing in Momentum Enhanced Factor 3)	All Provider portfolios Momentum Smart Passive +4 Momentum Passive Lifestages Momentum Money Market Momentum Balanced Momentum Multi-Manager Global Money Market Momentum Multi-Manager Balanced Momentum Multi-Manager Aggressive Momentum Shari'ah Momentum Super Nation Momentum Bond Momentum Capital Plus Momentum Gold Bullion Momentum AM CPI+5% Global Fund Over 300 unit trusts

If you have any questions or need additional information on any of the portfolios, please contact your FundsAtWork Specialist or download the fund fact sheets available on www.momentum.co.za.

Also note that the FundsAtWork Investments team has changed their email address. For any technical investment queries contact them at FAWInvestmentQueries@momentum.co.za.

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Disability claim payment administration

To provide exceptional service to you and our clients, our Client Service area has set up a focused disability claims administration team to administer all the disability claim payments, for both monthly income benefits and lump sum benefits. The team is based in our Cape Town office and will work closely with the claims assessors in both Centurion and Cape Town. With this change we look forward to delivering an improved, efficient service that is aligned to the needs of our disability claimants.

The team's contact details are:

- Share call line: 0860 100460
- Designated workflow email address: eba@momentum.co.za

Tracey and her team look forward to providing you with exceptional service.

Contact details for escalated enquiries:

1 **Tracey Theron**
Team Leader
Tel: 021 917 3669

2 **Charlene le Roux**
Portfolio Head
Tel: 021 940 6462

3 **Lynne van Zijl**
Head: Client Service Cape Town
Tel: 021 940 4325

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New FundsAtWork brochures

Your world is complex and sophisticated, requiring no less than your total devotion to assist your clients and their employees to achieve their retirement and insurance goals. FundsAtWork helps you to express your commitment to your clients by providing benefits that allow your clients to care for their world.

FundsAtWork is a financial wellness solution that provides lifetime income continuation through insurance, retirement and preservation solutions. Our products are tailored to meet individual needs across all employer sizes and industries. FundsAtWork is a companion each step of the way – **for everyone's Financial Wellness.**

Please review our new marketing collateral for a full understanding of how FundsAtWork supports you and your clients to achieve their financial wellness goals:

- Brochure
- Member guide
- Client Service process guide
- Communication in detail
- Quote in detail for umbrella schemes
- Quote in detail for insurance only schemes
- Installation document for umbrella schemes
- Installation document for insurance only schemes

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FundsAtWork retirement and insurance robots

To educate members on their financial wellness and the importance of prioritising long-term savings and insurance, FundsAtWork's benefit statements and online tools include insurance and retirement planning robots that illustrate if the member and their dependants have sufficient benefits in the event of the member being unable to work due to illness, retirement or death.

We have recently updated the assumptions underlying the calculations used in our insurance and retirement planning robots. Our products are built on the philosophy of transparency, flexibility, value for money and ease of use and we have therefore prepared a document to assist our clients to understand the robots and answer any questions that they may have.

Please familiarize yourselves with the content of the document and contact your FundsAtWork Specialist if you have any questions.

Click here to access: Member Guide – Insurance and Retirement Robot Assumptions.

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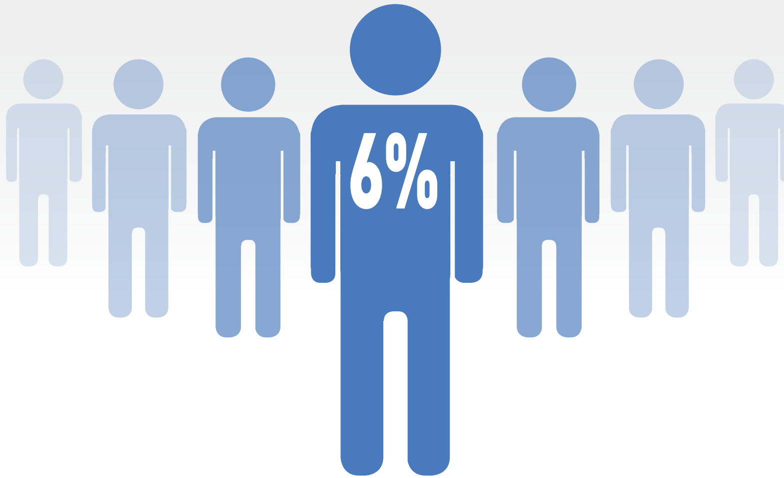

Automatic preservation with FundsAtWork

Statistics suggest that most people will change jobs on average every 6 to 8 years. That means that the average member who joins an employer at age 25 and leaves at 65 would have changed employers around five times throughout their working life. Gone are the days when an employee would start and end their working life at the same employer.

What impact does this mobility have on a member's financial wellness? The answer makes for bleak reading as the vast majority of members withdraw their retirement savings every time they change employers with little regard to their ability to retire or the tax liability incurred. Research suggests that only 6% of South Africans can afford to retire comfortably.

How can your clients be part of this exclusive 6% of the South African population?

The answer involves many facets such as contributing the right amount of salary towards retirement and investing in the right portfolios. However, a central component that is often overlooked is preserving retirement savings every time the member changes employers. Without preservation a member cannot expect to achieve their targeted retirement replacement ratio.

Government has also recognised this need and the unwillingness of South Africans to preserve which they addressed in their recent proposals on retirement reform where preservation will be made compulsory by 2016.

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The FundsAtWork Preservation Funds are perfectly positioned to meet member's preservation needs

All FundsAtWork members are able to seamlessly transfer their retirement benefits from the Umbrella Funds into the Preservation Funds without disinvestment, enabling them to meet their retirement goals easier. This process can also be initiated with a simple selection made on the Employer Portal when the member leaves.

In addition, members who transfer to the FundsAtWork Preservation Funds can also keep their insurance benefits through individual policies by exercising the continuous assurance option (CAO) benefit. The advantages for the member are:

- No initial fees are charged on the Preservation Funds.
- No disinvestment of assets on transfer as the assets remain invested in the current investment portfolios.
- Tax-free transfer to the Preservation Funds.
- One withdrawal allowed from the Preservation Funds prior to age 55.
- Insurance benefits can continue on an individual basis.
- Multiply can be taken out or continued.
- Family Protector funeral benefit BASE continues for free on reservation, while the member remains in the FundsAtWork Preservation Funds.
- Family Protector education benefit BASE and health premium waiver benefit BASE will also continue if the member exercises the CAO to continue their death and disability insurance benefits.

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Sneak-peak:

Innovation for the New Year

At FundsAtWork we're serious about our commitment to deliver on transparency, flexibility, value for money and ease of use to our clients. Our members, employers and financial advisers have access to communication and real-time information through a wide range of mediums and are able to transact with FundsAtWork on a daily basis.

The goal is to support the education of our members on their benefits and their long-term insurance and savings needs. Our existing clients enjoy real-time interaction through SMS, email and our secure online platform.

But, in our opinion this is not enough. For true client-centric ease of use we should take FundsAtWork to our members, rather than expect our members to come to FundsAtWork.

To do this we will be launching our new interactive email based member benefit statement in the new year. In today's fast-pace environment clients often find that service providers communicate too much information to them too often. Having said this, we have a broad client base and realise that many of our clients want access to the detailed information. Personal client preference aside, benefit statements need to comply with legislative requirements and certain content must therefore always be included.

- The new interactive electronic benefit statement will be sent on a regular basis to members who have chosen to receive email-based communication.
- Members will have access to their personal information and contact details that we are holding on our records, as well as their beneficiary nominations and subscription events. Interactive tools will enable the member to update this information quickly and easily.
- Benefit information will be provided at multiple levels, allowing members to choose between viewing an overview dashboard or conduct a more thorough investigation into the detailed transactions and information.
- Explanation of all definitions, product rules and terms and conditions are provided if the member wishes to view the information.
- Our new insurance and retirement planning robots will be used to indicate the status of the member's benefits, together with interactive tools designed to help members understand the choices available to them and how to utilize the product flexibility.
- With all interactions we embed the importance of financial advice and education guiding the members towards our Client Contact Centre, website, member guides and other tools, as well as to their employer if they require additional information or to the financial adviser on their scheme if they need advice.

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to educate our clients by taking the quickest, shortest survey ever...

click here >>

What additional information should we include in the new interactive email-based member benefit statement?

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The insurance replacement ratio

The Silent Killer

Innovation

Momentum Smart Guaranteed +3

FundsAtWork's contribution increase