



Employer Retirement Annuity

Next-gen retirement annuity for employers

Enter



- Invest better
- Benefits of new-gen RAs
- Who it is for
- How it works
- Low fees
- Extra savings



Invest better

Insight

1 in 3
workers



in the formal sector do not have access to a retirement fund sponsored by their employer¹.

Many workers don't belong to a retirement fund. Perhaps their employer does not offer a fund, or they may be temporary or contract workers, part of the gig economy (uber drivers) or work in a sector that does not offer trade union funds.

They are looking for a solution to invest better for retirement.

¹ National Treasury discussion paper 'Encouraging South African households to save more for retirement', 2021



simple:
the employer does not have to set up a pension or provident fund themselves

In turn, many employers are looking for a retirement solution for employees that is:

easy:
there are no stringent governance or compliance requirements

flexible:
members can choose to belong to the fund and how much to contribute

At Alexforbes we have designed **a voluntary and cost-effective alternative retirement solution for employees.** The pricing is comparable to that of institutional umbrella funds.



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Traditional RAs compared to new-gen RAs

A retirement annuity (RA) is an individual retirement account available to anyone who wants to save tax efficiently for their retirement.

Traditional policy-based RAs were dreaded	New-generation RAs are transparent
<ul style="list-style-type: none"> ⊗ Sold by an insurance company through a broker, who received the full commission up front 	<ul style="list-style-type: none"> 1 Straightforward Also sold by a linked investment service provider (LISP)
<ul style="list-style-type: none"> ⊗ Inflexible - contract can't be changed when a member's needs change 	<ul style="list-style-type: none"> 2 Flexible <ul style="list-style-type: none"> ⊗ Make once-off or regular investments ⊗ Start, stop or change contributions as a member's needs change without penalties ⊗ Switch providers any time without penalties
<ul style="list-style-type: none"> ⊗ Stiff termination penalties when ending the contract or becoming paid-up (costing a member up to 30% of their investment) 	<ul style="list-style-type: none"> 1 Transparent costs <ul style="list-style-type: none"> ⊗ Typically, fees include: <ul style="list-style-type: none"> ● advice fees - certain providers offer RAs where it is optional to get financial advice. Typically the member and broker negotiate the advice fees with no clawbacks or penalties ● administration fees ● investment fees, depending on the underlying portfolio(s) chosen by the member
<ul style="list-style-type: none"> ⊗ Lower returns given the layers of costs that aren't always straightforward to unpack 	



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Who it is for

The Alexforbes Employer Retirement Annuity (Employer RA) is a new-generation RA for employers who:



are too small to sponsor their own retirement fund,
 or
 don't want to force people to belong to a retirement fund

Ideal for:
 smaller employers or employers who don't want to participate in employer-sponsored funds

or

cannot be part of an employer-sponsored fund

Ideal for:
 sole practitioners like vets or accountants

or

have employees whose income fluctuates

Ideal for:
 contract and seasonal workers or variable income earners like artists or musicians

Yet these employers still want to offer a **low-cost, voluntary retirement fund** to their members.

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How it works

The Employer RA is a product offering within the Retirement Annuity Fund. Employees of a participating employer can save flexibly and effectively for retirement. It offers the following benefits:

Attractive pricing

- Preferential investment and administration fees
- Lower costs generally than retail RAs, which could have administration and investment fees above 2% of assets per year

Flexibility

- Contributions are flexible and members choose their own monthly contribution from R500 a month or more. Use a salary deduction or direct debit from the employer's bank account to pay contributions over to the fund in bulk
- Members choose their own investment portfolio(s) from the listing available, up to five portfolios
- Members choose their own retirement age, from age 55 onwards

Simplicity

- Easy to open an account for a group of at least five members - assisted at place of employment or gathering
- A lifetime fund - does not end when employees leave an employer or are no longer an employee
- Advice can be provided to clients who wish to partner with a licensed financial adviser
- Consolidate other RAs into this one or transfer among RAs



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Low fees

Compared to other new-generation RAs, the Employer Retirement Annuity has attractive pricing - it's comparable to the institutional fees paid by smaller employer schemes in our corporate umbrella retirement fund offerings.

Administration fees

Members' assets	Fees (including VAT)
First R1 000 000	0.388%
Next R1 500 000	0.216%
Next R5 000 000	0.173%
Amount above R7 500 000	0.108%

Investment fees depend on the underlying portfolio. The agreed range of investment portfolios and their corresponding yearly service charges as a percentage of the members' assets is as follows:

	Yearly service charge
AF High Growth	0.82%
AF Protector	0.75%
Performer	0.67%
Conserver	0.70%
Banker	0.40%
AF Passive Bold	0.30%
AF Passive Moderate	0.30%
AF Passive Cautious	0.30%
AF Passive Protector	0.30%

Advice, and its associated fees, is optional, although it is recommended. Where an adviser has been appointed, the initial fees, ongoing fees or both are agreed up front with the adviser.



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Extra savings from lower fees

Neil contributes R500 every month, escalated by 6% inflation every year. The return over and above inflation is 4.5%. Cost savings effectively mean higher returns. To show the impact that any extra return has on the ultimate retirement savings, consider these 3 examples:

... extra
0.5% return

12% more

R750 100 more



... extra
1% return

26% more

R1 605 600 more



... extra
1.5% return

42% more

R2 581 900 more



This is by how much Neil's retirement savings increase as a result of the extra return.

R1.6 MILLION
EXTRA



A **1% extra return** because of lower overall fees could give Neil almost R1.6 million extra in retirement savings.

The projections are shown at the end of a 40-year period. Forecasts and examples are for illustrative purposes only. Any projections contained in the information are estimates - the amounts shown are not guaranteed. These projections depend on market influences and matters outside our control, so may not be achieved in the future.

Past performance is not a reliable indicator of future returns and the value of investments will fluctuate over time. Please speak to your financial adviser before you make financial decisions based on this information.



It's good to know that we have several FSP licences so you can be confident in our advice.

Alexander Forbes Individual Client Administration (Pty) Ltd (AFICA) is the sponsor and administrator of The Retirement Annuity Fund (12/8/16005). It is an authorised financial services provider (FSP 32494 and registration number 2007/015632/07).

Alexander Forbes Investments Limited manages the investments in The Retirement Annuity Fund. It is an authorised financial services provider (FSP 711 and registration number 1997/000595/06), a registered insurer (10/10/155) and an approved retirement fund administrator (24/217).

We take data protection seriously. We also comply with legislation that protects data and personal information like the Protection of Personal Information Act.

