

News release from GTC

New retirement planning options encourage long-term preservation of benefits; encourage a greater savings culture – GTC Wealth Management

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South Africans, in general, are terrible savers. But SA is working hard to motivate for a greater ‘savings culture’ with initiatives such as the annual ‘savings month’ which takes place during July each year, and various projects focused on driving more prudence leading up to and post retirement age.

Martin Wagenaar, wealth management consultant at leading financial advisory business GTC, cautions that if the culture of saving and investment doesn’t improve significantly in the coming years, National Treasury may end up forcing people to save better by introducing onerous legislation.

“National Treasury has stated its intention to encourage a greater preservation of benefits for those who exit retirement funds – either pre-retirement, or when they officially retire,” says Wagenaar.

Wagenaar concurs that the National Treasury’s talk of changes in the industry has previously resulted in panic and misinformation at varying levels but it is encouraging – he notes - that a national emphasis on the main areas has recently been published in varying discussion papers in an effort to stem the panic and drive real action.

“The initiatives focus on encouraging the preservation of benefits on pre-retirement exit, allowing exiting members to leave their benefits in their previous employer’s retirement fund, a simplified set of exit and retirement options which also results in lower fees for the retiree; and on giving members access to retirement fund counsellors to protect them from advisors who may not have their best interests at heart,” continues Wagenaar.

Aligning with the National Treasury’s principles, GTC has introduced a number of new options which will benefit members when leaving their employers, both prior to, and at retirement.

“We know that in many cases, retirement lasts longer than a child’s entire school career and so planning for one’s retirement cannot merely be an afterthought – it needs real discipline,” says Wagenaar. “We believe that our three scenarios, which are well aligned to the national drive for prudent retirement planning, will properly guide and assist people to plan appropriately.”

The **first scenario** allows for a member to defer their exit options by leaving the retirement benefit in the existing fund.

“As with any of our wealth planning offerings, our members will have access to professional advice on their investment, including a consultation with a financial planner to set up and structure the underlying investment portfolios, if required, and regular ongoing investment reports to the members. The normal exit options remain in place for members until such time as they wish to exercise them or they decide to retire,” explains Wagenaar.

The **second scenario** involves members at retirement age who do not immediately need funds. Wagenaar put it simply: "Members who have reached normal retirement age, but do not need to draw an income from their accumulated benefit yet, may defer utilising the retirement benefit until the funds are required."

Finally, GTC has launched a product that pays a pension to its members directly from the fund. "This facility allows a pension to be paid to the member directly from the fund similar to how a Living Annuity would provide a pension. In certain cases, the pension or provident fund can even receive transfers from other retirement funds to include with the members' accumulated benefit."

As is clear from the scenarios outlined, the careful choice, transition and management of retirement plans is paramount and people need to be careful when selecting an advisor.

"Professional advice does not come free. Not only may the member be required to pay the advisor a consulting fee, but the member may be required to cover the costs of the implementation or set up costs of the new platform onto which he is transferring, as well as any 'cashing-in' repurchase fees payable," he continues. "All of this emphasises why selecting the right advisor is so important."

Wagenaar believes professionals working within an efficient framework can go a long way to clearing retirement planning hurdles.

"Our wealth management team is able to offer members cost savings within a relatively simple client service option. The seamless transition of the benefits between the options also greatly reduces the risk of having the funds disinvested from the investment portfolios during periods of investment market volatility," Wagenaar concludes.

ENDS (696 words)

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