



RFLAUN

Retirement Fund for Local Authorities
and Utility Services in Namibia

Retirement Information

Considering Retirement

When one considers retirement, the aim of the process is to assess your readiness to retire. This should be looked at in terms of:

- the money available;
- the activity one plans to do afterwards;
- planning for later years; and
- the costs associated with care at the end of one's life.

To be able to do this, one needs to acquire financial planning knowledge or procure advice from a knowledgeable outsider. The result should be a plan to cover the possible gaps between one's future expectations and your ability to achieve those expectations.

As a member of the **Retirement Fund for Local Authorities and Utility Services in Namibia (RFLAUN)** the Trustees will take decisions on options vs risks till the date of your retirement, after which you will have to look after yourself.

In today's environment, it is possible to do one's own retirement planning by using the internet and following basic steps to quantify your needs and devise plans to achieve the goals set. In Namibia, however, the most common way of planning for retirement is to use an advisor. If one considers using a financial advisor, one should also expect some bias from the advisor towards products and types of investments he/she receives the best commission from.

Retirement advice should include:

- What are your needs at retirement going to be in terms of a sustainable income for your future that makes adequate provision for the impact of inflation;
- Your future plans, including provision for possible volatility and uncertainty in markets, investment types, personal environment and should also consider the cost of old age such as frail care, etc.;
- Proper provision for life expectancy should be made as people currently tend to live longer as a result of the advancements in medical care being made;
- The possibility of a period of semi-retirement, when you can still earn some income and put away additional savings for actual retirement;
- Benefits currently provided by RFLAUN;
- The various investment types and the benefits and disadvantages of each, matched with your needs. These should include options such as investment in specific projects such as an own business, farming, etc; and

Basic Rules

Some of the basic rules as set by Wells-Fargo Pension Advisors in USA

- Retirement planning should start at least 10 years before retirement;
- Protect your assets – do not put all your eggs in one basket;
- Derive income from multiple sources to be able to have certainty of returns;
- Insure for the unexpected;
- Keep debt in check;
- Do not forget about tax implications of the different options.

Planning Phases

Pre-retirement phase:	Investment should earn maximum investment income.
Post-retirement phase:	Investment should return a reasonably stable guaranteed income that keeps track of inflation on a regular level.

When planning for retirement, keep in mind that after your retirement you will need approximately 60% to 70% of your last pensionable salary before retiring as a monthly income to maintain the quality of living you were used to.

Common Mistakes

- Retirement is ignored completely and is not planned for at all;
- Planning for retirement should start as soon as possible, as the provision for retirement is easier and much more beneficial over the longer terms because of the effect of compounded interest the younger one starts;
- **Accrued pension is cashed when changing jobs;**
- This again leads to the loss of the biggest single benefit of long-term savings, namely compound interest.
- No attention is given to fees;
- The difference in fees can be as high as 1% between different advisors or types of investments and over time, this erodes returns considerably;
- **Advisors should at all times declare fees up front and the retiree investor should take careful note thereof;**
- **Employees do not save as much as possible;**
- Underestimating Medical Expenses;
- Post-retirement spending spike;
- Keeping too many cars;
 - Extra car that is seldom being used can be bad for finances
 - Maintenance and insurance costs
 - Convert to an income – rent as Taxi
- Moving houses;
 - Retire where you worked and stayed
 - Stay closer to your social circle of friends, old colleagues, doctors ect
 - Secondary residence in village, holiday place
- **Getting sold or scammed;**
 - **Fraud and scams aimed at older people on the rise.**
 - **Be extra careful with anyone who is trying to sell you anything.**
 - **Deal sounds too good to be true, it is too good to be true.**
 - **Promised returns way in excess of normal returns.**
 - **Don't make any financial decisions under pressure.**

- Make all financial decisions carefully and slowly - Gut feeling telling you “NO”
- Putting savings in the wrong place;
 - Do not invest in a product that is not reputable – know the Company / People / in Namibia
- Retiring too soon;
 - Not only do you forfeit the salary and Employer contributions in respect of the number of years that you retire early, but you then need to survive longer on your own resources

Types of pensions generally available from Insurers or other parties

<p>Level Annuity:</p>	<ul style="list-style-type: none"> • Pension will not increase and will stay the same over your lifetime. • The initial monthly pension payable will normally be higher than quotes where provision for annual increases is made. • Capital protection in the event of death after retirement – balance not paid out as a pension revert back to Insurer – death close after retirement can result in huge capital loss.
<p>Guaranteed Escalating Annuity:</p>	<ul style="list-style-type: none"> • The monthly pension will increase at a fixed rate every year. • This offers some protection against inflation and will result in a smaller starting pension than the level annuity. • Capital protection in the event of death after retirement – balance not paid out as a pension revert back to Insurer – death close after retirement can result in huge capital loss.
<p>With-profit Annuity:</p>	<ul style="list-style-type: none"> • Pensioners share in actual investment returns. • The level of increases are not guaranteed, but the actual pension plus past increases are guaranteed and paid until death. • Capital protection in the event of death after retirement – balance not paid out as a pension revert back to Insurer – death close after retirement can result in huge capital loss.

<p>Living Annuity:</p>	<ul style="list-style-type: none"> • The pensioner's benefit is invested in an investment portfolio and will be affected by investment returns. • In terms of current tax legislation, the pensioner has to draw between a minimum of 2,5% and a maximum of 17,5% per year of the capital as a pension income. • In this option, the risk lies with the pensioner and the capital may be depleted over time, should too much be withdrawn per year. On death, the balance of the capital can be paid to your spouse or dependents, or they can choose to continue receiving a pension. • This option normally attracts the highest commission for the consultant and may not be suitable in all circumstances. • On death, the balance of the capital can be paid to your spouse or dependents, or they can choose to continue receiving a pension.
<p>Other options</p>	<ul style="list-style-type: none"> • Options outside of regular pension payments, such as investment in a private portfolio, purchase of property, farming, purchasing or pursuing of business interests and investing in entities of which you have limited experience should only be considered after careful planning and in close consultation with a professional, reputable and experienced advisor.

Preparing for retirement

<p>10 years to retirement:</p>	<ul style="list-style-type: none"> • Discuss your retirement plans and your financial abilities with your spouse and draw up a financial plan in consultation with a Certified Financial Advisor to cover as much as possible of the gap between your expected needs and your foreseen abilities.
<p>5 years to retirement:</p>	<ul style="list-style-type: none"> • Seek advice from a Certified Financial Advisor about structuring your retirement benefit to best meet your requirements and to avoid unnecessary tax.
<p>6 months from retirement:</p>	<ul style="list-style-type: none"> • Speak to the Fund and insurers and obtain quotes for the annuity/annuities you consider investing in. Ensure that quotes are based on the same criteria and discuss all options with your financial advisor.
<p>3 months from retirement:</p>	<ul style="list-style-type: none"> • Notify the fund (via HR) of your approaching retirement and request a quote on your available accumulated fund credit.
<p>2 months from retirement:</p>	<ul style="list-style-type: none"> • Your Human Resource office will contact you to complete the necessary forms.

What Type of Fund is RFLAUN?

- **RFLAUN is a Pension Fund**

paragraph (a) of section 1 of the definition of a “pension fund” in the Income Tax Act 24 of 1981 provides that:

the fund is a permanent fund bona fide established for the purpose of providing annuities for employees on retirement from employment or for widows, children, dependants or nominees of deceased employees, or mainly for the said purpose and also for the purpose of providing benefits other than annuities for the persons aforesaid;.....”

What is Normal Retirement age?

- The age of 60.

What is Early Normal Retirement age?

- Any age from 55 years until the age of 60.

What is Late Retirement age?

- Any age after 60 years until the age of 65, where you need permission from the Employer.

Options at Retirement

- You can retire either inside RFLAUN as a pooled pensioner or purchase a pension (Annuity) outside the Fund.

Retirement Benefit in RFLAUN

- One-third (1/3rd or 33% of your FUND CREDIT can be commuted in cash tax free.
- The remaining two thirds (2/3) of the Fund credit can remain in the Fund to provide a pension (you become a pooled pensioner of the Fund) for the rest of your life or it can be transferred to a Registered Insurer/Approved Retirement Annuity Fund to provide pensions according to the Rules of that Registered Insurer/Approved Retirement Annuity Fund.
- Generally, pensions are paid monthly.
- The monthly pension of a Pooled pensioner will be reviewed by the Fund on annual basis to consider the annual pension increase, with the view to compensate for the impact of inflation.
- You can also choose that the whole of your fund credit be utilized to provide for regular pension.

Retirement Calculation Example

- While you were a member of the Fund, your total fund credit (including your own contribution, Employer Contribution plus interest) accumulated to N\$ 3 000 000 (three million).
- If you decide to take $\frac{1}{3}$ of your retirement benefit as cash, you will receive a tax-free cash lump sum equal to N\$ 3 000 000 / 3 = N\$ 1 000 000 (One Million).
- The remaining amount of N\$ 2 000 000 (Two Million) will be used to purchase an annuity/monthly pension for the rest of your life.

If a Pooled pensioner who is receiving the pension dies, what happens to the remaining portion of the retirement benefit?

- A funeral cover lump sum of N\$15 000.00 or such other amount as decided by the board of Trustees from time to time, subject to the maximum amount permitted in terms of the income Tax Act is payable;
- A pension payable to your Qualifying Spouse, equal to 75% of the last pension payable to you and shall be payable to him/her as long as he/she again lives; provided the existence of the spouse was declared at date of becoming a Pooled Pensioner in the Fund;
- According to the Fund Rules, "Qualifying Spouse" shall mean the surviving partner of a Pooled Pensioner in a Recognized Marital Union existing at the time of the death of the Pooled Pensioner". **The member should notify the Fund in writing of the existence of the Qualifying Spouse on or before the date of actual retirement from the Fund, and if such Pooled Pensioner failed to notify the existence of the Qualifying Spouse, the Spouse Pension shall not be payable to such Qualifying Spouse.**
- A pension to your Qualifying Children, equal to a percentage 5% to 25% depending on the number of qualifying children;
- Upon the death of both you and your qualifying spouse, and in absence of dependent children, any positive balance left in your share account, after deducting all pension payments made, will be paid to your nominated beneficiaries or into your estate in accordance with the provisions of the Pension Funds Act.

What information should a pensioner provide to the Fund to insure smooth payment of pensions?

- Completed retirement quote request form (from the Fund website).
- Copy of your ID.
- Copy of your spouse/s ID.
- Certified Copies of birth certificate for all your children under the age of 25 years (children include, Step-children and Legal Adopted Children).
- Children from the age of 18 to 25 must be engaged in full time studies at a recognized institution.
- Marriage certificate (proof of civil marriage).
- Traditional marriage certificate (proof of customary law marriage).
- Declaration by the retiree (authenticated) – for a common law spouse.



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