AVC & RETIREMENT PLANNING GUIDE

Your step by step guide to a secure retirement

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ABOUT THE DEBSWANA PENSION FUND

The Debswana Pension Fund (DPF) is a defined contribution Fund established in 1984 as a trust through a joint initiative between, De Beers Botswana Mining Company (now Debswana), Anglo American Corporation Botswana (Pty) Ltd. and De Beers Prospecting Botswana (Pty) Ltd. The primary purpose of the Debswana Pension Fund is to meet future benefit obligations to members as defined by the rules of the Fund, earn positive investment returns on member funds and remain financially sound at all times. The DPF invests member funds across various asset classes namely Property, Equities, Bonds, Cash and alternatives.

DPF Vision:

To be the preferred retirement services provider

DPF Values:

- Customer focused
- Trust and Integrity
- Innovation
- Agility
- Self-Driven and Motivated

DPF Mission:

We will provide members with competitive and sustainable retirement benefits through:

- Prudent management of member funds
- Efficient benefits administration
- Provision of focused communication
- Effective socially responsible investments

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INTRODUCTION – THE IMPORTANCE OF PENSIONS

What is a Pension Fund?

Employers set up pension Funds in order to provide an income for their employees for when they retire.On a monthly basis, a certain percentage of their salary is contributed into the fund until they retire.The administrators of the pension fund will thereafter invest these contributions and keep growing them until the employee retires and uses their accumulated credit to buy a monthly pension to be earned for the rest of their life.

The importance of having a Pension Fund

Have you ever wondered what you might do when you stop working? Let's face it we all have! However, the reality is that the majority of us will need to save a significant amount just to maintain our existing standard of living in retirement. With advances in modern medicine and improved standards of living, people are generally living longer and can look forward to 20 or 30 years in retirement.This is a long time in which to enjoy the finer aspects of life.

Work priorities can be replaced with relaxing, enjoying new hobbies and spending more time with family and friends. Whatever your goals, one thing is for certain, you will wish to maintain the standard of living that you enjoyed while you were working. Nobody wants to feel restricted or impoverished in retirement but this may be the reality for many people if they do not take the time and make an effort to adequately plan for their retirement. Contributing to a pension fund is the first basic step toward achieving your retirement goals.

The importance of adequate retirement benefits

You are fortunate enough to be a member of a company pension fund, as not every employer provides this for their employees. When you join the Fund, it is important that you understand the level of retirement and death in service benefits which are likely to become available for you and your dependants under your main pension scheme, as you may wish to increase these benefits by making Additional Voluntary Contributions (AVCs). The reality is that although some expenses may decrease in retirement, others such as electricity bills, water bills and medical expenses, may actually increase as you get older. The earlier a pension fund is started, the more time the fund has to accumulate and the better off you will be in retirement.

Ask yourself what percentage of your current salary you would need to live comfortably in retirement?
It is even more important now to provide for your retirement, considering that the legislation governing the age at which you will be entitled to claim your government Pension requires that you reach age 65 to qualify, beside it being a very limited amount, you would need to wait another 5 years post normal retirement age of 60 to start receiving it.

The savings you make now will provide you with a pension income from the age you retire from the Fund and also bridge any years between your employer's retirement age and the age from when you will qualify to receive the government Pension.

This booklet is intended to inform members of the DPF only on how they can increase their overall retirement benefits by making AVCs and other investments, however, this booklet does not represent a complete retirement planning guide. You need a financial advisor to assist you to develop a holistic retirement plan taking into account all aspects of your finances and lifestyle.

AVC EXPLAINED

The AVC Programme is a tax efficient way to add extra contributions to increase your existing pension benefits. Saving through the AVC Programme is in addition to ordinary contributions to the Debswana Pension Fund.

This guide is intended to be a helpful summary of the AVC programme and has been designed to help you make the most of these extra contributions by investing them wisely.

If you join the AVC program you will be required to;

1. Make regular payments or periodical lump sum payments into your AVC account, the source of which should be legal and verifiable;
2. Keep your AVC account invested until you retire.
3. Allow the DPF to invest the money on your behalf along with the rest of the Fund assets and in line with the existing Fund investment strategy. Note that the DPF does not offer options for member investment choice at this point in time.

You should consider taking financial advice if:

1. Your circumstances change in due course or, for example, you are nearing your selected retirement age;
2. You are considering stopping your AVCs due to financial difficulty or other reason
3. You are unsure how to make AVC payments.

Payments made to the AVC Programme buy units in your fund. The aim is that the units will increase in value. However, as no one can accurately predict how investments will perform, the final benefits you will receive from the AVC Fund cannot be known in advance. The value of the fund units can fall as well as rise with the ups and downs of the financial markets. So the value of your AVC account can go down as well as up, and the final value of your AVC account cannot be guaranteed.

You may wish to monitor the value of your AVC account or the main Pension fund by using the online facility that DPF has made available to you. The DPF portal can be found at www.portal.dpf.bw or via the main website www.dpf.bw.

Please note: If you're unsure whether contributing AVCs is right for you, please speak to a financial adviser. The Trustees, DPF and its employees are not authorised financial advisors. Note that you may be charged for the work that a financial adviser carries out for you.

WHO SHOULD CONSIDER MAKING AVCS?

You might want to consider making AVCs if:

1. You started a pension fund late in your career;
2. You wish to retire (or take your pension benefits) earlier than the normal retirement age.
3. Some of your normal earnings are not pensionable, such as overtime, monthly/annual bonus; and/or
4. You wish to use pension saving alongside other forms of investment to supplement your retirement income
5. You are wholly reliant on your pension fund to be your ONLY source of income during retirement.

The advantages of paying AVCs with DPF are that:

1. Contributions are deducted directly from your salary in the same manner as the employer contribution;
2. You get immediate tax relief on your contributions (pensions contribution are deducted prior to income tax deductions);
3. Your AVC fund benefits from the same investment strategies applied to the rest of the Fund assets;

4. Your AVC fund benefits from the shared member administration costs and investment management fees which remain competitive due to the advantage of a large membership and asset base.
5. When you retire, you will be entitled to take a tax-free cash lump sum of up to 33% of the total value of your main DPF Pension benefits and AVC plan benefits combined.

A limitation, but a benefit in the long term, of paying AVCs is that:

1. Pensions saving is a long-term commitment and therefore once you have paid AVC into your fund you cannot make any withdrawals against it until you reach retirement.

2. Your AVC is subject to the same market conditions and investment strategies as your main benefit therefore market performance may affect your AVC either positively or negatively from one period to another however it is important to adopt a long term view where investments growth is concerned.

HOW MUCH AVC DO YOU NEED TO MAKE/SAVE?

Consider targeted Net Replacement Ratio – NRR – What proportion of your final working salary will your calculated pension salary/annuity be at retirement?

In terms of the DPF Investment Policy, an active member with an average career progression in terms of salary increases and 35 years of service should ideally retire with a pension of 70% of his/her pensionable salary at the normal retirement age of 60. This is the target that DPF aims to achieve for retiring members subject to a number of assumptions.

The target replacement ratio (i.e. final value of monthly pension calculated as a percentage of final monthly salary at retirement) of 70% is calculated before commutation of the cash lump sum. This target is based on the following assumptions;

Item	Assumption
Career	35 years
Age of retirement	60
Retirement savings contribution rate	20% at pensionable salary
Salary increases	In line with inflation

The Trustees recognise that the target replacement ratio may be different for individual members to the extent that their personal experience deviates from that of the overall target. E.g. service periods may be shorter or longer for some members. The tables below illustrate the impact of shorter services (and earlier retirement) as well as higher salary increases on the target replacement ratios:

Item	Target Member	5 years less service	10 years less service
Career	35 years	30 years	25 years
Age of retirement	60	55	50
Retirement savings contribution rate	20% at pensionable salary	20% at pensionable salary	20% at pensionable salary
Salary increases	In line with inflation	In line with inflation	In line with inflation
Target Replacement Ratio	70%	50%	34%
Salary increase = CPI + 1.5% p.a			
Salary increases	In line with inflation + 1.5%p.a	In line with inflation + 1.5%p.a	In line with inflation + 1.5%p.a
Target Replacement Ratio	52%	40%	38%

Given the defined contribution nature of the Fund however (i.e. fund investment growth and final value of pension is dependent on unpredictable market performance), the above benefits are only a target and are not guaranteed.

In summary, in order for the 70% target to be achieved, the key assumptions are as follows;

1. That the member starts contribution toward their pension at the beginning of their working life
2. That the member will retire aged 60
3. That the member will continue to have continuous uninterrupted salaried service until retirement age
4. That the member will have salary increases above inflation consistently over their working life
5. That the member will preserve their benefit and not withdraw any amount of the benefit before retirement
6. That the Fund prudently manages maintains optimal administration and investment costs
7. That the Fund seeks and implements the best investment strategies that can consistently deliver targeted investment returns.

Have you fulfilled all of the above assumptions? If not, you definitely need AVC!

Consequent to the above, if you started your pension contributions late in your career, if you wish to retire earlier than 60 years old, if you have at some point withdrawn a lump sum of your benefit from your pension fund, or if you have not been consistently employed throughout your adult life you are at risk of not achieving the 70% targeted salary replacement ratio at retirement. YOU DO NEED TO CONSIDER AVC TO AUGMENT THE POSSIBLE FUTURE INCOME SHORTFALL WHILST YOU CAN.

WHO QUALIFIES FOR AVC?

Active Members

Active members of participating employers are eligible to apply for AVC through their HR departments where once enrolled, the agreed AVC will be deductible from their monthly salary and forwarded together with the employer contribution to the DPF.

Individual direct contributions from Deferred Members

The Fund has already amended the rules to allow deferred members to also make individual contributions. The applicable policies and practices have been put in place and deferred members are allowed to apply with effect from January 2017. Applicable policies will also include members being obliged to provide proof of source of income to ensure Fund compliance to anti-money laundering (AML) financial intelligence authority (FIA) regulations of Botswana.

FREQUENTLY ASKED AVC QUESTIONS

1. **How do I apply for AVC?**
   Active members should apply through their Human Resource departments by completing a ***'Request for Voluntary Contribution Form'***. The form is available on the Debswana Pension Fund Website or from our Member Relations Offices.

2. **How much can I contribute as AVCs?**
   You are allowed tax exempt additional contributions of up to a maximum of 15% of your pensionable income, meaning that depending on your financial status, you can choose any percentage within this range. You may contribute more than 15% if you wish to, however, the AVC amount over and above 15% is taxable. To learn what your AVC contribution levels can be, you are advised to contact the Fund Member Relations Offices for guidance and your own personal financial consultant.

3. **When can I start making AVCs?**
   You may start with immediate effect. All active and deferred members of the Fund are eligible to make AVCs.

4. **How long can I continue making AVCs?**
   You can make AVCs for as long as you are eligible to do so. The longer you do, the better your retirement income. Members who are nearing retirement age are even more encouraged to do so in order to secure a better income during retirement.

5. **Can I make a lump sum AVC?**
   AVC payments are only permitted through verifiable and legally obtained sources. You are allowed to make lump sum contributions as long as the source of the funds is verified and approved by the fund e.g: your employer.

6. **Can I transfer my existing pension with other Funds to the Debswana Pension Fund?**
   Yes. You have the option of transferring your other existing pensions to the DPF. The DPF has a successful investment strategy and a good investment performance record. For more information on DPF performance please visit our website www.dpf.co.bw.

   In order to transfer your existing deferred pension funds from elsewhere into the DPF, please send a written instruction to your current fund managers to transfer your Funds to the DPF, thereafter complete a Approved Funds Transfer Details Form obtained from the DPF website. Forward it to us for processing and confirmation of transfer will be communicated to you.

7. **Is there an AVC limit?**
   There is no limit to AVCs, however the tax benefit is only up to 15% of the contributions, thereafter the rest of the contributions are taxable.

8. **How will my AVCs be invested?**
   Currently there is no differentiation in investment strategies between your employer contributions and AVCs, hence the investment strategy is the same. Your AVC will earn the same returns as the main fund.

9. **Where can I view my AVC account information?**
   At any time, you may view your personal pension account information through the Member Portal link on the website or visit the Member Relations Offices.

10. **Can I change the amount of the AVC being made?**
    Yes, you may increase or decrease the amount of your existing AVCs at any time prior to any subsequent pay period, subject to the limits described above.

11. **Can I discontinue my AVCs?**
    If you experience financial challenges along the way, you are allowed to discontinue your AVC if you choose to, however we advise you to consider such a decision very carefully as doing so would be a disadvantage on your future retirement income. Members are encouraged to evaluate their budgets and maintain priority on their savings over other expenses before discontinuing any form of savings.

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12. What happens to my AVC when I leave formal employment?

At the time of retirement or when you cease participation in the Fund, your employer contributions and AVC funds are merged into one, and will be used for lump sum withdrawals and/or be used to buy an annuity/pension up to the approved limits depending on your type of exit (Please refer to your Member Guide to read about exit types-available for download on www.dpf.co.bw). Any cash withdrawals made on your fund credit prior to retirement will be subjected to income tax. Pensioner Annuities/salaries are taxed based on the applicable tax deduction thresholds at the time.

13. Does AVC have any age restriction?

No, you can contribute to AVC at any age as long as you are an actively employed member of the Fund.

14. What happens if I go on an unpaid leave?

Similar to point 11 above, you may temporarily suspend your AVCs and resume it at a later stage.

15. Are any fees charged by the DPF for making AVCs?

The DPF does not charge any transaction fees for accepting AVCs. The usual investment management fees apply based on the investment pool selected. Normally, the investment cost per member is charged against the gross unit values/investment returns earned, the net of which is credited/debited to your account on a monthly basis, depending on investment performance.

SUMMARY

Why make Additional Voluntary Contributions?

- It is a means to increase the amount of funds available to you at retirement.
- Tax deferral on contributions and income generated.
- Immediate tax relief on your salary
- Convenience of payroll deduction.
- Access to DPF investment pools and preferential management fees compared to similar retail products.

RETIREMENT PLANNING – A STEP BY STEP APPROACH

Your pension savings are likely to be one of the biggest investments you will make over your lifetime. They will provide an income when you stop working so getting them right is vital for your future. The following section will help you to understand the steps you need to take to help you decide how to make your retirement savings (AVC included) choices.

We appreciate that increasing your savings involves a lot of lifestyle sacrifices, but your choice to enrol for AVC can have a huge impact in benefits you will ultimately receive at retirement. There are many important things for you to think about before you decide whether to make AVC payments and, if so, how you want to invest your AVC account. To help you through this process we have broken this guide into seven easy steps:

Step 1: Think about your retirement goals
Step 2: Decide on the appropriate retirement age
Step 3: Establish your attitude to risk
Step 4: Understand the different investment asset types
Step 5: Review your options
Step 6: Make your decision or request an illustration
Step 7: Review your progress

Regardless of the decisions you make now, you should review your level of overall pension saving and estimated/projected pension at least once a year. The Fund will send you an annual benefit statement in respect of both your main DPF contributions and your AVCs, and an annual projection statement which gives you the estimate pension you are likely to receive at retirement based on numerous assumptions. Both of these statements will enable you to carry out this review. Note that these projections are never a guaranteed pension as your Fund investment growth as a member of a defined contribution pension Fund is largely dependent on market volatility amongst other factors. Having reviewed your projected benefits you will be in a better position to make the necessary adjustment to provide you with the income you want when you retire.

The key decisions you will need to take are:

1. How much you need and can afford to save into your retirement savings; and
2. How often you wish to save towards retirement.
3. How long you wish to participate in the investment instruments you choose for your retirement savings.
4. Understand and accept that your retirement savings are long term savings - You cannot withdraw from your retirement savings accounts until you reach retirement age.
5. These decisions are important as they will affect how much retirement income you will eventually receive at retirement – this guide will help you think through these decisions.

Step 1: Think about your retirement goals

Before you decide whether additional savings are to be made to your retirement plan, you should first consider your personal circumstances and think about your retirement goals. This will involve answering questions about your financial position and future plans such as:

1. What age do you plan to retire, or take your pension benefits?
2. What do you plan to do during your retirement?
3. How much money will you need to live off in retirement?
4. Will you have any other savings or investments other than your pension Fund?
5. Will you have any other sources of income?
6. What are your family commitments?
7. How much can you afford to pay into your AVC account and other investments now?
8. What are the tax consequences?
9. Do you have any personal beliefs which might affect the types of investments that you would wish to make?

Throughout your working life you should always try to be comfortable that you are saving enough, investing appropriately and that you are building up the level of additional benefits you want. A sound retirement savings plan will help you achieve those goals.

Step 2: Decide on the appropriate retirement age

A key question at this stage is when will you plan to retire and take your pension benefits if earlier? The answer you give will have a direct impact on your level AVC and other investment choices outside of the pension fund (and will also determine the appropriate retirement age to choose). For example, if you have many years to go until you retire and take your pension benefits then you might decide to invest your money in higher risk investment vehicles which have traditionally produced greater growth over the long term. You need a professional financial advisor to guide you through this decision.

However, if you only have a few years left until you are planning to retire and take your pension benefits, then protecting the value of your investments/savings in lower risk investment vehicles is likely to be a higher priority. Further details on investment risk are set out in Step 3. Once you have a firm understanding of your retirement goals (and have decided on your retirement age), you must then establish your attitude to risk (see Step 3). Also, you should consider which investment instruments you wish to put your savings in (see Steps 3 and 4) and then decide how you want to receive the benefits. This is dealt with in Step 5.

Step 3: Establish your attitude to risk

There is a clear link between the level of risk you are prepared to take and the potential long-term growth that your retirement savings will achieve. All investments carry an element of risk. As a general rule:

1. Low risk – usually associated with lower potential growth prospects and lower volatility.

2. High risk – usually associated with higher potential growth prospects and higher volatility.

When you select your investment alternatives besides your AVCs to DPF, you need to make sure that you are clear about the different types of risks involved. Each asset type/class has a different level of risk and potential future investment performance, so you need to choose carefully depending on your attitude to risk and your personal circumstances. The main types of risk you need to consider when saving or investing for your retirement are

a. Inflation Risk

This is the risk that your investments won't grow quickly enough to keep up with the increase in the cost of living (inflation). Over time, inflation may reduce the buying power of money. The table below illustrates the effect of inflation on some everyday items over a seven year period between 2010 and 2016 (Source: Statistics Botswana):

Impact on	Dec 2010	Dec 2015	May 2016	Annual % increase
Milk (500ml)	P6.92	P8.18	P8.16	1.1%
Loaf of Bread	P6.81	P7.19	P7.21	2.0%
Sugar (2.5kg)	P19.77	P28.68	P29.15	3.7%
Alcohol, St Louis (330ml)	P8.28	P11.30	P11.45	1.5%
Cigarette, Peter 20	P26.31	P42.98	P42.98	5.1%
95 Petrol (litre)	P6.09	P7.68	P7.53	0.8%

Let's put it another way, if annual inflation is 2.5%, then a purchase costing BWP1,000 today would cost BWP1,639 in 20 years' time. If you do not seek a high enough level of growth then it is possible that the value of your investments could fall behind price and salary inflation. This risk is likely to be more of a concern if you have many years to go until you are planning to take your pension benefits and could reduce the eventual buying power of your invested money.

b. Investment Risk

This is the risk that your investments may drop in value. This is because the size of your investment accounts when you reach retirement will depend partly on the performance of the funds into which you invest your savings and how much risk you are prepared to take with your choice of investments. Generally, the more risk you take, the greater the potential reward. Some investments (for example shares – also known as equities) are likely to be more volatile than others. This means their prices can change in value more quickly and by larger amounts than other investments. While this volatility may be suitable for some members, as you approach your selected retirement age you might wish to ensure that you reduce your exposure to volatile investment funds to avoid sharp falls in the value of your investments with little time for the value to recover. As a general rule, the longer the period over which you invest, the more risk you may be willing to take. It may be beneficial to be predominantly invested in the following funds:

- Equity funds for long-term growth (perhaps four years or more).
- Bond funds as you get closer to your selected retirement age (perhaps two to four years).
- Cash funds for short-term investment (perhaps less than two years).

c. Lost Opportunity Risk

This is the risk that you invest too cautiously (i.e. in funds with a low investment risk). Volatility is the rate at which the price of an investment moves up and down. Over the long-term, less volatile investments tend to produce lower growth. If you are investing in a low risk fund, then you may see smaller changes in the day to day value of your investment account than you would in a more volatile fund, but the value of your investment account is likely to be smaller at your selected retirement age in a less volatile fund. There will also be a greater risk of the value of your investment account being eroded by inflation in a less volatile fund.

d. Annuity Risk

When you retire and take your pension benefits, you may use part or all of your retirement savings to buy a pension to be paid to you for the rest of your life (also called an annuity). The cost of converting your retirement savings to an annuity (the annuity rate, i.e. cost of managing that annuity in the long term) varies from time to time depending on your fund administrator's administration expenses and investment management fees. As you approach your selected retirement age you should be aware of annuity rates (unless you will be taking your entire retirement fund as a cash lump sum where permissible), because any changes in annuity rates could result in you receiving less income than you had previously anticipated.

e. Currency Exchange Risk

If you choose a fund that invests in off shore assets, changes in exchange rates between currencies may also cause the value of your investments to fall or rise.

f. Short-term Holding Risk

Certain funds, typically invested in bonds, tend to be more suited for a shorter-term investment or as part of your Fund mix designed to achieve an overall balance of risk and potential return.

g. Specialist Fund Risk (diversify assets to mitigate the risk)

Funds which specialise or concentrate their investments in specific regions or sectors (such as smaller companies or emerging markets) or in a smaller number of equities can produce greater fluctuations in value. Funds which are managed in line with ideological or ethical principles tend to invest in a restricted range of equities and therefore can see greater fluctuations in value than a fund without these restrictions. Put simply, this means having a good mix of different types of investment (such as equities, bonds and cash) in your investment portfolio to help reduce the overall volatility ('ups and downs') of your investments' performance. This is because at any time, if one investment type is performing poorly, another may be performing strongly.

Step 4: Understand the different investment asset types

Having thought about your retirement goals and the amount of risk you are prepared to take, the next step is to familiarise yourself with the different investment asset types.
In general, investment funds tend to be made up of three main types of investment and these are described in more detail below:

Equities

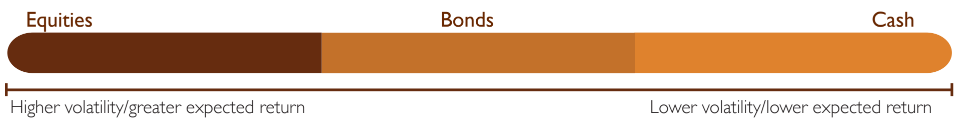
Equities are shares in companies. In the past they have grown in value more than bonds, or cash over longer periods. However, they can go up and down in value, sometimes significantly. Equities are likely to carry the most 'investment risk'. As an investor you might want to choose a fund that invests mainly in equities if you are aiming for higher long-term returns and can accept the risks of loss of capital and fluctuating value.

You may be more willing to invest mainly in equities if, for example, your retirement is still some way off or you have other secure investments or your AVCs are only a small part of your retirement savings.

Bonds

Bonds are loans to a Government, company or other organisation. The level of investment risk falls somewhere between cash and equities. Assuming the bond issuer does not default, the return on your investment over the lifetime of the bond is the interest you receive on the loan. This interest can either be 'fixed' (for example 5%) or 'index-linked' (which means it varies in line with inflation).

Bonds are traded on the stock market so their value can go down or up, although probably by less than the value of equities. Bonds generally have a maturity date (when the loan is repaid) and bond funds usually hold a mix of bonds with different maturity dates. Bond prices usually fall when interest rates rise (and vice versa). Investing in bonds closer to retirement might help protect the buying power of your money. This is because the cost of buying a pension depends partly on the price of bonds. In the past, bonds have given lower returns over the longer period than equities, but they are generally less volatile – i.e. they are not so prone to large short-term fluctuations in value.



Cash

Cash funds invest in short-term interest bearing investments, short-term bonds and other money market instruments. The value of an investment in cash can occasionally fall in the short term, although cash investments typically have the lowest capital risk of the main asset classes. Returns on cash funds over the longer term may not keep pace with inflation, so the buying power of your investment may reduce. They can provide good security for your pension and other savings if you are about to retire, but may not provide good long-term returns.

You're probably already familiar with warnings that the value of investments can go down as well as up. The tendency of a particular asset type to rise and fall in value is reflected in its 'volatility'. A more volatile asset type (one with higher investment risk) will tend to see frequent and sometimes sharp rises and falls while a less volatile one (one with lower investment risk) is likely to rise and fall in value more slowly.

Alternative Investments

Reluctant to put more of your hard-earned money aboard the roller coaster known as the stock market? Then it may be a good idea to diversify your retirement savings with other assets, which can reduce your overall risk. Alternative investments represent assets that are not cash, stocks or bonds. Typically, they are thought of as Property/Real estate (both equity and debt), hedge funds, private equity, venture capital, commodities etc.

Real Estate

Real estate is property comprised of land and the buildings on it as well as the natural resources of the land including uncultivated flora and fauna, farmed crops and livestock, water and minerals. Although media often refers to the "real estate market" from the perspective of residential living, real estate can be grouped into three broad categories based on its use: residential, commercial and industrial. Examples of residential real estate include undeveloped land, houses, condominiums and townhomes; examples of commercial real estate are office buildings, warehouses and retail store buildings; and examples of industrial real estate are factories, mines and farms.

Private Equity

Private equity is capital that is not noted on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity. Institutional and retail investors provide the capital for private equity, and the capital can be utilized to fund new technology, make acquisitions, expand working capital, and to bolster and solidify a balance sheet.

Commodities

A commodity is a basic good used in commerce that is interchangeable with other commodities of the same type; commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When they are traded on an exchange, commodities must also meet specified minimum standards, also known as a basis grade. E.g. a barrel of oil is basically the same product, regardless of the producer.

Hedge Funds

Hedge funds are alternative investments using pooled funds that may use a number of different strategies in order to earn active return, or alpha, for their investors. Hedge funds may be aggressively managed or make use of derivatives and leverage in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market benchmark). Because hedge funds may have low correlations with a traditional portfolio of stocks and bonds, allocating an exposure to hedge funds can be a good diversifier.

Venture Capital

Venture capital is financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential. For startups without access to capital markets, venture capital is an essential source of money. Risk is typically high for investors, but the downside for the startup is that these venture capitalists usually get a say in company decisions. Venture capital generally comes from well-off investors, investment banks and any other

financial institutions that pool similar partnerships or investments.

If you are interested in achieving a more diversified retirement portfolio please see your financial advisor for a more insightful view into alternative assets and what you can benefit from them.

Step 5: Review your investment options

Now that you are familiar with the different types of investment asset and you understand the concept of investment risk, you need to choose one or more funds to invest your money in.

At this point in time you will need the expert opinion of a qualified financial advisor in order to decide what the best investment products to put your additional savings in are. The DPF AVC program is one of the easiest options you can choose for additional savings because of the advantages already outlines in page 5 above which gives you peace of mind over the safety of your investment, and this is because the DPF investment strategy uses the Life Stage investment model;

The Life Stage Investment Model

The Life Stage Model is ideal for members who do not wish to actively manage their retirement savings investments. A life stage investment strategy generally works by investing aggressively in funds which are mostly invested in equities whilst you are a good number of years from your normal retirement age and then gradually moving your main benefit and the AVC account into less volatile funds as you get closer to your retirement age.

Through this approach DPF is able to manage investment risk and annuity risk to protect your AVC account and main pension from falls in fund prices and buying power close to your retirement age. However, it also means you could miss out on some growth potential in the years shortly before retirement, as a result.

When you choose other investments options outside of the DPF, you should consider such variations in line with your risk appetite and review your fund choices regularly to make sure the way your retirement savings being invested continues to meet your investment views and needs.

The DPF Life Stage Investment strategy gradually moves member assets into less volatile funds when members are within eight years of their mandatory retirement age (Refer to Fund Profiles and Member Guide for more details).

Over and above the DPF AVC program, you can look to other specialist financial institutions to learn more about the available investment opportunities outside of the DPF;

Investing comes at a cost - choose carefully

When you review investment products in the market, there are some very important concepts that you need to be familiar with in order to make an informed choice between all of the competing products out there! Note the following;

1. **Understand Fund management types & impact on investment cost/fees**

   Funds can be managed on either an 'active' or 'passive' basis.

   a. Active management is when a fund manager tries to beat the market investment growth by choosing individual investments that they think will out-perform the market. Funds managed on this basis tend to have higher investment management fees than passive funds but the manager is aiming to achieve a higher growth through their skill, knowledge and experience.
   b. Passive management is when a fund manager tries to produce investment growth that follows (tracks) the performance of a specific investment index, such as the FTSE All-Share Index. They normally do this by buying investments in the same proportions as the market index they are trying to track.

2. Understand and differentiate between Fund management charges

Investing money comes at a cost. It is not free. Fund managers, insurers etc. will charge you a fee for their knowledge and services. Learn to differentiate the costs between fund managers. Here are some of the types of charges you are likely to encounter when seeking to invest:

a. Annual management charges – these charges are taken by the underlying fund managers/asset manager. They are deducted from your investment account before the unit prices of the funds are calculated. These charges could change in the future. Compare and contract these charges as you evaluate your investment option.

b. Fund expenses – these are deducted from your fund assets before the unit prices of the funds are calculated. They are additional expenses in the day-to-day management of the funds' activities. Fund expenses are not fixed charges and are estimates based on what the fund expenses have been in the past. The actual fund expenses charges therefore fluctuate in amount. For example, a charge of 0.350% a year means that the charge is equivalent to 35 thebe a year for each 100 pula you have invested in that fund.

Step 6: Make your decision – Apply to DPF for AVC and contact your preferred asset managers/Investment Consultants for further investing

You are nearly there! Hopefully, having read through this guide you now have a good idea about your attitude to risk and the importance of selecting an investment strategy for your retirement savings to match your individual circumstances.

Apply for Additional Voluntary Pension Contributions

The overall level of benefits payable from the DPF to you at retirement, including the value of your AVC account, is reliance on you registering as early as possible for AVC and remaining consistent with your contribution overtime.

In order to register, please contact the DPF Member Relation Team using the contact details below. You can also contact the DPF on an ongoing basis if you want to make any changes to the amount you are paying in AVC.

Member Relation Help Lines;

Gaborone & Morupule	3614217
Gaborone - Reception	3614267
Jwaneng	5884849
Orapa, Letlhakane & Damtshaa	2902323

E-mail them at **bokamoso@debswana.bw** or obtain an AVC form via the website www.dpf.co.bw

Or you can write to:
The Fund Administrator
Debswana Pension Fund Secretariat
Private Bag 00512,
Gaborone

Other contacts for further investment options for your retirement savings

For further investing beyond AVC, the local service providers you can approach include but are not limited to;

http://www.bifm.co.bw/
http://www.investecfunds.co.bw/
http://www.afenacapital.com/
http://www.allangray.co.za/aboutus.aspx#botswana
https://flemingbotswana.com/
http://www.stanlib.com/
http://www.fincraft.co.bw/
http://www.stockbrokersbotswana.co.bw/
http://www.motswedi.co.bw/
http://www.bse.co.bw/

Banks and insurance companies also offer investment products that you can consider.

Step 7: Review your progress

You may well be saving for your retirement for many years and it's likely that things will change over that time. Your attitude to risk, your personal circumstances and the economic situation could all be different in years to come, and that means it's important to regularly review your investment choices and level of savings.

Each year DPF will send you a statement showing how your main pension benefit and AVC account is performing. By using these yearly statements you can take a long-term view and get a good idea of how fund prices and the value of your pension savings are changing. You can also check the value of your pension and AVC account at any time by using the DPF Portal available through the website **https://portal.dpf.co.bw.**

At any time you can choose to increase your AVC contribution (or reduce it if absolutely necessary due to extenuating circumstances).

OTHER FACTORS TO CONSIDER WHEN PLANNING FOR RETIREMENT

Cash Flow & Retirement Planning
Most people do not saved sufficiently for a comfortable retirement. You should make every effort to save at least 15 % or more of your monthly salary. If this amount doesn't seem possible, try using a budget to analyze your cash flow. You may uncover spending and earning patterns you can change to free up more money to save toward retirement. Create a budget worksheet to manage your expenditure every month, and remember, don't overlook your debt. If you are paying more in interest on credit card debt than you are earning in your retirement account, you might benefit from making debt reduction your top priority in the short-term. On the other hand, if you would be tempted to stop saving for retirement altogether, you may decide to pay off your debt more slowly so you can keep contributing to your retirement fund. Think how you can use every thebe as efficiently as possible.

Insurance & Retirement Planning
Insurance prevents financial catastrophes that could derail your retirement plans. Adequately insure what you cannot comfortably afford to replace. For most people, that means having the following insurance: auto, renters or homeowners, liability, health, disability and life insurance (if someone depends on you financially or you want to leave an inheritance). Long-term care insurance is another type of insurance to consider when doing retirement planning. Keep in mind, too, that you don't have to be elderly to need long-term care; people at any age are at risk of a disability that could require long-term care services. A financial planner can help you assess the costs and benefits of long-term care insurance for your situation and select the right policy for your needs.

Taxes & Retirement Planning
One of the best tax strategies you can implement is to take advantage of tax deductions available when you save for retirement in an AVC Plan or other retirement plan. A financial planner or tax professional can provide details about available tax incentives under the Income Tax Act of Botswana. And remember, you get the benefit of these tax breaks even if your employer does not match your AVCs.

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Estate Planning & Retirement Planning

Without an estate plan, the retirement wealth you're working so hard to build is in jeopardy. To protect you and your loved ones, make sure you have the following documents in place and keep them up-to-date: a will, general durable power of attorney, medical power of attorney and a living will (also called a medical directive). A financial planner can guide you and refer you to an estate planning attorney to draft these documents. If estate taxes are a potential issue, a financial planner also can talk with you about strategies for reducing them. Finally, be sure that the beneficiary nominations on all your retirement plans are correct and includes both legal and factual dependents.

Retirement Planning Checklist

Retirement planning is more effective when done in the context of financial planning. Use this checklist to take a big-picture approach to your retirement plan.

Financial Planning Process	**Yes**	**No**
1. Have I written down my goals, including my retirement goals?	☐	☐
2. Have I gathered all the necessary data for my financial plan?	☐	☐
3. Do I have a realistic assessment of where I am now and where?	☐	☐
4. Where do I need to go to reach my retirement and other goals?	☐	☐
5. Have I made a retirement plan?	☐	☐
6. Have I implemented it?	☐	☐
7. Do I monitor my retirement plan regularly and adjust it as needed?	☐	☐
Cash Flow		
1. Am I saving at least 15% or more of my salary for retirement?	☐	☐
2. Do I use a budget to find more ways to save?	☐	☐
3. Have I taken steps to control my debt so it doesn't get in the way of my retirement goals?	☐	☐
Insurance		
1. Do I have adequate property, liability, health and disability insurance?	☐	☐
2. Do I have life insurance to protect my dependents, or can I leave life insurance proceeds as a bequest?	☐	☐
3. Have I analyzed the costs and benefits of long-term care insurance in my situation?	☐	☐
Taxes		
1. Am I taking full advantage of tax-deferred retirement accounts available to me?	☐	☐
Estate Planning		
1. Do I have basic estate planning documents in place, including a will, power of attorney and medical directive?	☐	☐
2. Are these documents up-to-date?	☐	☐
3. Are the beneficiary designations/nominations for my retirement plans current?	☐	☐
Savings and Investments		
1. Does my retirement plan have a diversified mix of investments that take into account my goals, timeframe and risk tolerance?	☐	☐
2. Do I keep costs and fees to a minimum?	☐	☐
3. Do I avoid temptations to borrow from my retirement fund or cash it in early?	☐	☐
4. Have I reassessed my investment strategy recently and made adjustments?	☐	☐

IMPORTANT INFORMATION ABOUT DPF

Debswana Pension Fund (DPF) is responsible for most aspects of the AVC plan administration. However, DPF is not an asset manager and therefore outsources the asset management responsibility to specialist fund managers locally and internationally. DPF instead supervises and manages the performance of the assigned third party asset managers through an in-house investment administrator and a contracted Investment Consultant.

The fund managers are subject to review by the Trustee from time to time and may be changed by the Trustee – for all member assets under the custody of the DPF. The Trustees will consult with their advisers and will inform you beforehand if any major changes affecting the performance of your investment are planned.

FINANCIAL ADVICE

This AVC & Retirement Planning Guide has been prepared as a guide for Debswana Pension Fund members only. The AVC & Retirement Planning Guide should not be seen as recommending a particular course of action. It is your responsibility to choose investment funds and strategies which suit your own needs and circumstances.

The Trustee of the DPF and their respective employees are not authorised to give you advice on choosing your investment options. DPF is also unable to provide financial advice to you. If you are not sure about making decisions about your investment options, you may want to take advice from an independent financial adviser to help you decide on whether to join and the investment approach best suited to your own personal circumstances. You are strongly advised to always consult a qualified financial advisor when making investment decisions.

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Enquiries

Enquiries about the Fund and its services may be made by visit, telephone or email to bokamoso@debswana.bw. More information is available on the website www.dpf.co.bw