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Bokamoso

DEBSWANA PENSION FUND NEWSLETTER

Issue 44

LET'S GET TOGETHER Edition

DPF
DEBSWANA · PENSION · FUND

PLANNING ON DYING EARLY IS NOT A RETIREMENT PLAN

Denial and retirement savings insanity

Retirees expect their savings to run out about half way through retirement
Simon Pearse, CEO of Marriott, the Income Specialists, looks at the chasm between retirement needs and retirement provision and suggests how industry players can remain relevant in a changing regulatory environment.

Denial entails ignoring or refusing to believe an unpleasant reality

Typical examples of denial are responses to chronic illness, depression, addiction, financial problems, job difficulties, relationship conflicts and traumatic events. Rather like optimism, denial plays an important role in retirement savings.

Historians are likely to describe the past 30 years as a period of retirement savings insanity.

Einstein described insanity as doing the same thing again and again and expecting different results. Considering some of the retirement savings research, it is easy to see how desperate this situation is. According to HSBC, 57% of retirees globally fear financial hardship yet are simply ignoring this unpleasant reality. They expect their savings to run out about half way through retirement. The key to this expectation is how long people expect to live. In the first world, it is about 80 years, and the developing world, about 70 years on average.

It is interesting to note that life expectancy in most African countries is still below 60, which does bring into question the need of many to save for retirement at all. HSBC noted that 34% of working people in the UK are saving nothing at all, 63% fear financial hardship and 1 in 3 see their home as a flexible asset. In the US,

Wells Fargo has noted that 92% of people with 401k plans or Individual Retirement Accounts don't meet a reasonable target level of savings for their age and 65% fall short when including all assets. The most concerning is that 45% of Americans have no retirement savings at all. In South Africa, Sanlam notes that of people who earn a salary, only 7% of that salary is committed to retirement savings. They point out that at least 14% needs to be saved to have any chance of a suitably-funded retirement.

Sanlam also points out that 62% of people draw their retirement savings when changing job. This is like voluntarily catching the black mamba down the snakes and ladders board. HSBC pointed out that 66% of retirees in the UK are inadequately prepared. They expect to live 19 years on average after retirement and expect their savings to last 7 years on average. Wells Fargo point out that US retirees believe that they need about $800 000 for retirement, but on average retiree total assets are no more than $300 000. Sanlam points out that 51% of South African retirees can't make ends meet, 33% still have debt and 53% support adult dependents.

continues to page 3

Inside:

Editors note Gosego Onneetse

The festive season has dawned on us and eventually the festive mood and its euphoria shall sway. It is at this time that people are significantly impulsive in their spending but be wary, do not be victims of this contagious behavior and save for the New Year.

The last edition of Bokamoso is themed "Lets Get Together" to reflect and appreciate this here season that has befallen. We celebrate holidays in a number of ways be it holiday get-aways to tourism destinations, going to the lands for a breath of fresh uncontaminated air and making use of the rainy season that is upon us for "temo," what we pride ourselves with, although around Christmas the city looks deserted nevertheless some just choose to remain behind and be on guard for the ruthless crooks but no matter how you spend the festive season it all comes to one thing, getting together with family, friends and loved ones. During this time livestock or even cattle do not see the light of day, they are slaughtered to be included in the menus as seswaa and serobe. To unwind after completing the day's chores, some go for dikhwaere to indulge their ears where the different choirs meet at the peripheries of the village, some go watch the village football teams contesting whilst others remain home under the trees enjoying the summer's breeze and chatting the day away. No time beats time spent with extended family in the rural area. See the Festive get together article to read more on how to manage such a conflict. However, typical to family get togethers conflicts my arise which my damper the festive mood

In this edition as it is norm, we bring to you educational articles about the fund and investment in general. The articles reflect the importance of retirement savings and the factors that have an influence on your investment, they are important reads for you who is saving up for retirement. We also appeal to parents to teach children to save for the future as spending today compromises their ability to afford something important like their education in the future, they should know the value of saving and prioritize their spending.

Members need to be aware of what they are entitled to when they exit employment under the different ways of exit; retirement, retrenchment, resignation and ill-health. We enlighten you about the terms concerned in each one of the employment exits. Lastly our cartoons Letlole and Isago are having a conversation which will shed light on the process of benefits distribution and factors that will prolong it and what you need to do as a member to avoid this.

Hopefully you will enjoy this edition. Wishing you a Merry Christmas and a Prosperous 2014!!!

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Annoucement

We welcome Bandile and Diane to the DPF family

Diane began his employment with Debswana Pension Fund on 18th November 2013 as Finance Manager; moving from Associated Fund Administrators (Pty) Ltd. He has a Bachelor's degree in Accounting (BAcc.) from the University of Botswana.

Bandile joined Debswana Pension fund 23 October 2013 as the Personal Assistant to PEO from Civil Aviation Authority of Botswana. Prior to that, She had been based in Turks and Caicos Islands, British West as the Administrative Manager.

DPF BIDS FAREWELL TO STAFF

We bid farewell to three staff members who have been with the fund on short-term contracts. These were Ms Maipelo Motshwane (Project Accountant), Tebogo Batshaakane (Office Assistant) and Sylvia Modisane (Finance Intern). Their contribution to the fund is highly appreciated.

MORUPULE ASSUMES INDEPENDENT CONSTITUENCY STATUS

The Debswana Board Trustees have accorded Morupule coal mine the status of an independent constituency. Morupule Coal mine was previously part of the greater Orapa Letlhakane and Damtshaa mines. This latest development shall mean that MCM will have its own Trustee in the DPF board of trustees. This was a welcome move by the members and employee of the mine who have long campaigned for their full representation.

STATEMENT DISTRIBUTION

We recently embarked on an exercise to distributing benefits statements to our valuable members in their respective pay points and sections. The exercise started in Gaborone and continued to other pay points. Approximately 1000 statements were issued to the members during the exercise. We also used the opportunity for members to update their personal details. We call on those members who have not received their statements to contact us directly or liaise with our regional offices in Orapa, and Jwaneng.

from page 1

It is interesting to note that most people don't give their pension statement any attention, in some cases probably because the statement gives pitifully little useful information, but in most cases it's likely to be ignoring an unpleasant reality. Behaviour around denial ranges from benign inattention, to passive acknowledgement, to full-blown, willful blindness. This is repeatedly evident from the retirement savings research. Wells Fargo concluded the following: you need a plan and you need to periodically retest your assumptions. The two biggest mistakes retirees make are:

Over-estimating investment returns and the amount that can safely be withdrawn; People between the ages 55 to 64 have been unrealistic about their pensions and are living in a state of denial about their finances. So, what went wrong with the retirement savings system?

It is now about 30 years since most corporates abandoned the defined benefit system - people were living too long, resulting in businesses being responsible for unfunded liabilities in their pension funds. Thus the corporate world has largely absolved itself of responsibility for its retired employees. This is a global story that spawned a do-it-yourself pension system that was destined to fail. But, why is failure built into the voluntary, self-directed, commercially-run retirement planning system? Consider what would have to happen for the do-it-yourself pension system to work for you. You would need to:

- Know when you will be laid off or be too sick to work,
- Know when you will die,
- Save 14% of your earnings and start when you are 25,
- Earn at least 5% above inflation on your investments every year,
- Never withdraw any funds,
- Time your withdrawals to last until the day you die.

As we all know, these abilities are not common to most of us. Planning on dying early is not a retirement plan

Planning not to retire is also not a retirement plan. Consider age discrimination, finding or keeping a job, physically working into your 70's. There's nothing wrong with not retiring, but relying on a regular pay-check to fund retirement is simply an exercise in denial, not a realistic plan. So it's not surprising that denial around retirement savings dominates many dinner conversations. The current retirement system simply defies human behaviour. Basing a system on people's voluntarily saving for 40 years is like asking your pet dog to save half his dinner for tomorrow. Let's consider some practical realities of saving for retirement:

• The replacement ratio is the percentage of your final salary that you wish to draw in retirement. A reasonable replacement ratio would be 75% of your final salary. To achieve this you would need to save about 14% of your salary for 40 years. These contributions must be unbroken for 40 years, invested to provide a return of Inflation+5% every year and assume an all-in fee of 2% pa. After 20 years, you will have saved about 4 x your current annual salary. After 30 years you will have saved about 7 x your current annual salary and after 40 years, 11 x your final annual salary. Based on this, you will be able to earn a pension that starts at 75% of your final salary, increasing every year by inflation and this will last about 20 years.

"Sanlam also points out that 62% of people draw their retirement savings when changing job. This is like voluntarily catching the black mamba down the snakes and ladders board"

Retirement reform is effectively the state picking up the ball that corporates have dropped, and it is happening globally. South Africa appears to be following the UK model which proposes creating simple, well-managed retirement accounts which are mandatory, inexpensive, trustee guided and designed to pay out sustainable income for life.

With change comes opportunity

Rather than ignoring or refusing to believe an unpleasant reality, the key is to remain relevant in a changing investment landscape. To do this, the industry needs to embrace umbrella pension schemes, lower costs, replacement ratios that give employees a more reliable indication of whether they are saving enough today and preservation of existing savings.

Insurance Times & Investment News

Itumelele botshelo morago ga go tlogela tiro ka bogodi

Thulaganyo ya go akanya ka tsa madi le tshwetso ya go tlogela tiro ka bogodi ke kgwetho e tona thata. Ditlamorago mo mading a yo o tlogelang tiro ka bogodi ke tsa go duelela tsa botsogo, dipoloko tsa lekgetho, dipoelo tsa go tlogela tiro ka bogodi, tlhwatlhwa ya matlo le dithotho tse bontsi jwa b aba tlogelang tiro ka bogodi ba tshwanetseng go di dira kana bogolo go seka seka dikgakololo tsa ba bongaka, ba tsa madi, ba dikago, le ba dipeeletso tsa diabe. Maiteko a mananeo a tsa madi a baba tlogelang tiro ka bogodi gantsi a kgorelediwa ke go tlhoka go rutwa ka madi, tsa madi tse di sa tlhaloganyesegeng, dikoloto tse di kwa godimo, le go rwala mokgweloe wa ba motho a ba tlhokomelang. Go na le bosupi jo bo papametseng jwa gore malwapa a tlhoka thuto ya tsa madi mme gantsi batho ba dira ditshwetso tse e seng tsone mo go tsa madi mo go ka ba tsenyang mo mathateng a madi.

Baitsaanape gantsi ba supa fa go tsaya ditshwetso tse di sa siamang ka tsa madi e le gone go tlisang mathat mo go tsa madi motho a sena go tlogela tiro ka bogodi. Mathata a, a gakaditswe ke go bo mo nakong eno motho a tlhokomela madi a gagwe ka a na le seabe mop go direng dithulganyo.

Re tlaa lebelela dintla tsa botlhoka mo lenaneong la theko motho a sena go tlogela tiro ka bogodi. Sa ntlha a o tlaa bo o na le bonno ? Ke gore a o tlaa bo o feditse go duela sekoloto sa ntlo? Sekoloto sa ntlo se duelwa dingwaga tse masome a mabedi. Fa o ise o simolole sianela kwa banking ya gago. Tsaya ntlo e banka e ka go e rekelang o tlaa ee tlhabolola morago. Batho bangwe, fa ba tlogela tiro ba iphitlhela ba sena bonno ba sena go bereka dingwaga di feta masome a mabedi ka ba ne ba tlwaetse go nna mo motlong a tiro.

Ntlha ya botlhokwa e o tshwanetseng go e ela tlhoko fa o tlogela tiro ka bogodi ke madi a go duelela kalafi. Fa o sa ntse o bereka o tlaa akola ka bontlhabongwe bo duelwa ke mohiri. Ka nako e ya go gola ga dituelo tsa kalafi, ga go na mohiri yo o ka tswelelang a duelela kalafi ya batho ba ba tlogetseng tiro ka bogodi. Fa motho a gola o tlhoka tlhokomelo ya kalafi thata.

Le fa go tlhwaelesegile gore o tshwanetse go boloka selekanyo sa lesome le botlhano mo lekgolong go baakanyetsa go tlogela tiro ka bogodi, mme madi ao a lekanye fela masome a supa le botlhano a tse o di tlhokang fa o tlogetse tiro ka bogodi. Madi a a tlhaelang a tshwanetse a duelelwa ka dipoloko kana dipeeletso tse dingwe. Go thata go tlhakanya madi a o tlaa tlhokang fa o sena go tlogela tiro ka bogodi, madi a a tlhokegang a a farologana mo bathing mme ka jalo motho o tshwanetse a ikopanya le mogakolodi go dira thulganyo ya tiriso madi.

Itse gore o ya go amogela bokae: Tlhaloganya gore madi a o tlaa bong o a amogela ke bokae. Madi ao a akaretsa; dikamogelo tsa go tlogela tiro ka bogodi le a mangwe. O seka wa aakaretsa madi a dipeeletso. Itse dithoto tse o nang le tsone: Kwala dithoto tse di ka go tshetsang fa o sena go tlogela tiro ka bogodi. Dithoto tse di akaretsa diabe le dipeeletso mo go tsa matlo. Fa o sena go kwala palo ya dithoto o bo e ntsifatsa ka bone mo lekgolong go bona madi a o solofelang go a bona ngwaga le ngwaga go tswa mo dithotong. Madi a, a kopana le a a fa godimo ke one a o tlaa bong o a amogela o sena go tlogela tiro ka bogodi.

"Ka nako e ya go gola ga dituelo tsa kalafi, ga go na mohiri yo o ka tswelelang a duelela kalafi ya batho ba ba tlogetseng tiro ka bogodi"

Dira thulaganyo ya theko: Ka o itse madi a o tlaa bong o a amogela, dira thulaganyo ya theko e e tlaa dirang gore o tshele o itlekanya o labile madi a o a amogelang. Gakologelwa madi a, a tlaa nna a oketsega ngwaga le ngwaga fa itebaganya le koketsego ya ditlhwatlhwa, mme le tse o tshwanetseng go di duela di tlaa oketsega. Rulaganya sentle lenaneo la go tlogela tiro ka bogodi (fa go tlhokega): O tloga o tsena mo nakong ya go dira dipeeletso tsa go tlogela tiro ka bogodi mme nako e, e farologana thata le e o ntseng o le mo go yone ya go kokotletsa. Sefetolele dithoto tsotlhe tsa gago mo diabeng. Lenaneo le le rulagantsweng sentle le tlaa dira gore o seka wa imelwa ka nako ya fa mmaraka o wela tlase mme o tlaa kgona go tshela le fa ditlhwatlhwa di oketsega.

Tlhaloganya ka letlole le le thusang go duelela kalafi: Madi a mantsi a motho a a amogelang a sena go tlogela tiro ka bogodi a tlaa dirisiwa mo go tsa kalafi. Go na le matlole a mantis a o ka tlhophang mo go one. Itse gore matlole a tlhokomelo ya kalafi a ka go thusa jang gore o tle o tsee tshwetso e e tshwanetseng. Batla lenaneo la itshireletso la lebaka le le leele: Lefa go ntse jalo, lenaneo la tshireletso botshelo la lebaka le le leele le ka nna turu. Leba tse dingwe tse di teng go itshireletsa wena le molekane wa gago mo bolweteng jo bo ka senyang tse o di ikgobokanyeditseng.

Bagodi ba kopana le dikgwetlho ka go farologana, go simolola ka bokoa mo mmeleng, tlhaloganyo le bodutu. Ga go na sepe se sentsi se se ka dirwang go fetola se fa e se go amogela botshelo jaaka bo ntse.

Principal Executive Officer's Year End Message to Members

2013 has come to an end and it was such fruitful year for the Fund. Through the hard work of all stakeholders concerned, your total Fund assets have enjoyed tremendous growth during the year. From the reported 3.9 billion Pula at the end of 2012, we are now sitting at 4.7 billion Pula as at September 2013 and still hopeful for further growth by the year end. This is a welcome development considering the difficult financial period that we have all gone through as the aftermath of the 2008 market downturn, and indeed it pleases us as fund management to see this kind of recovery as it keeps us in line with the long-term member investment objectives. On the administration front, we have also enjoyed a very stable year. Our processes have been up to date for the majority of the year and we are currently processing real-time.

As we close off the year and start a new one, I would like to wish you and your family happy holidays and great new beginnings for the new-year. I would like to further re-assure you that as the DPF we remain committed to ensuring the safe custody of your retirement savings in all aspects of their management. Whilst we pledge to do so, our efforts will be futile if you on the other hand do not exercise the responsibility and discipline that is necessary to complement our efforts and support the Fund objectives.

I would therefore encourage you to please promptly heed our calls whenever we call for your input and participation towards all the aspects of the Fund's management, including but not limited to; membership records updates, reading our literature, attending fund communication events and responding positively toward making additional voluntary contributions. It is important to always remember that both you the member and the DPF are equally obliged to work together to ensure that your retirement objectives are met. As a reminder these are the obligations;

OUR OBLIGATION TO YOU AS THE DPF;

- Limiting Fund costs to the on minimum in order to prevent the erosion of your long-term investment capital and returns of investment
- Effectively managing the Inflation and Market risks amongst other Fund risks
- Ensuring a robust investment strategy that sustains the DPF and achieves optimal returns for you in the long-term
- Meeting and exceeding your service expectation at all times
- Keeping you regularly educated and informed at all times

YOUR OBLIGATION TO HELP ACHIEVE YOUR RETIREMENT OBJECTIVE;

- Enroll for Additional voluntary contribution – especially if you started saving pension too late. Do you know that in order to get a pension of at least 70% of your final salary when you leave employment you need a minimum of 35years of uninterrupted service and pension contribution?

- Also consider AVC if you have been saving too little- to meet the 70% replacement rate your contribution should be consistently at 20% over the 35years of continuous service! Perhaps your previous employer contribution percentages were lower than this?

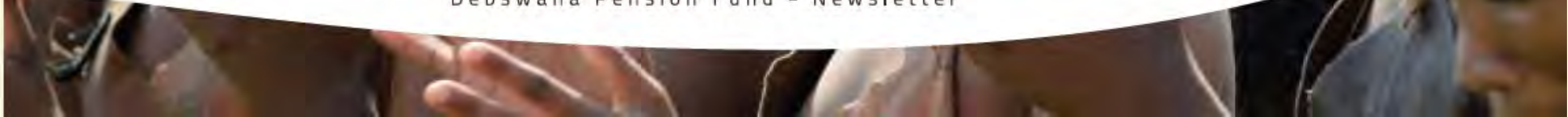
- Refrain from withdrawing your savings before retirement i.e. lump sum withdrawals or lack of preservation of your pension will throw you off the desired 70% replacement rate

- Keep your membership records up to date by complying and responding timely to all the administration requirements and submissions due from you to the DPF

- Do not retire too early – for you to get the 70% replacement rate it is assumed that you will leave employment at the normal retirement age of 60. If you want to retire early, it is best that you start increasing your pension saving through AVC now.

- Seek professional financial advice and have a long term financial plan over and above just relying on your pension Fund for your future income. Evaluate your family circumstances and determine if the pension will be sufficient as your only income. Plan for your retirement earlier in life when you can still do something about it!

On that note, a hearty happy new year to you from myself on behalf of the DPF Board of Trustees and staff.



Have you planned for a reduction in your income when your partner dies?

Many consumers do not know about this reduction factor and therefore do not plan for it

If you are hoping to retire as a couple with a regular payout from one guaranteed life annuity, have you considered that the income for the surviving partner is likely to reduce by between 25% and 50% if one of you dies?

This so-called reduction factor is a common feature of guaranteed life annuities bought with the joint and survivorship annuity option, designed to pay an income until both partners in the relationship have died. Unfortunately, not many consumers know about this reduction factor and therefore do not plan for it. While some annuities allow you to choose the reduction factor, others do not especially when the reduction factor is set by the rules of a pension fund.

the reduction factor in join-life annuities aims to enable a couple to receive a higher monthly guaranteed monthly pension while both partners are still alive, with a reduction when one partner dies. The thinking is that one person has lower day-to-day expenses than two people." However, if you have not planned for this sudden reduction in pension that leaves the surviving partner with considerably less money to cover monthly living expenses one of you may run into financial difficulties. The reality is that while many expenses reduce when a spouse passes away there are also many, like rent, that stay the same or even increase.

This is why it is so important for both partners need to jointly select the desired pension annuity option and understand the long-term implications of the option chosen. Once you have agreed to the terms and conditions of the annuity, you cannot change your mind at a later stage. So before you commit to a a retirement option, carefully consider the expenses that you will have to provide for during your retirement years as a couple and then possibly alone should one of you die. And don't forget to factor in inflation.

The reality is that while many expenses reduce when a spouse passes away there are also many, like rent, that stay the same or even increase.

Medical inflation is a good example of a future expense that often foils postretirement budgets, no matter how carefully they were drawn-up. Medical inflation in SA for example has on average been 3% above normal inflation for the past 10 years and is usually much higher than the consumer price index (CPI). Considering that medical aid contributions and medical expenses usually make up a large portion of pensioners' budgets, unplanned for increases and a sudden reduction in annuity payments on the death of a spouse can cause financial hardship.

Statistics show that women tend to outlive men by five to 10 years and the reduction in pension on the death of one partner generally has the biggest impact on women. That is why every woman needs to take an active interest in the couple's retirement planning.

Some basic facts about guaranteed life annuities:

- A guaranteed life annuity will provide you with an income for the rest of your life, effectively insuring you against the risk of living too long. Where choice is offered, consider buying an inflation-linked annuity so that your income increases every year in line with inflation. Otherwise evaluate the rules and pension increase policy of your pension fund.
- The annuity rate quoted when you apply for a guaranteed life annuity determines the income that you will receive. The higher this rate, the higher the guaranteed income you will receive.
- Since men statistically die younger than woman, a woman will receive a lower annuity rate than a man of the same age.
- Once you have committed to a guaranteed annuity you forfeit your retirement capital in return for the income. This means you cannot change your mind at a later stage.

GETTING TOGETHER WITH FAMILY FOR HOLIDAYS HOW CAN YOU MAKE IT MEANINGFUL UNDER DIFFICULT CIRCUMSTANCES?

Its's Christmas time again. That wonderful time of year where the family is usually happy to be together and laugh together around a table full of roasted veggies and various animal parts, decadent desserts, presents and laughter.

It's also a hard time for those grandparents who are on their own or don't have their grandchildren around them, the excitement of Christmas is not really felt unless you have kids around you. So this year perhaps spare a thought for your parents or in-laws and give them the real gift of seeing the excitement on their grandchildren's faces on Christmas morning.

Christmas is about people, and it shouldn't matter whether they're blood relatives or your mum's partner's mother-in-law's cousin. You may only see them across the table once a year, they may drive you up the wall or embarrass you with the stories you've heard 20 times, but family, in all its forms, is the most important thing we have.

Uncles, cousins and aunts get together after enduring the year's hard work in the city, they unwind serenaded by the company of their loved ones.

These family times are dreaded by some because of the memories which they bring back. If you grow up in a family dominated by an alcoholic, a family get-together may serve as a reminder of all of the bad times you had together. If a family member was abusive toward you, then a "family time" may stir up feelings associated with the abuse. To avoid such reminders take a piece of happy moments from your house with you.

Even so, mostly we are bombarded with images of happy families enjoying each other, especially around the holidays. The smell of a Christmas feast, the sights of happy people, family get-togethers, these seasonal sights and sounds and smells stir pleasant feelings in most of us, as we recall what it was like growing-up. Uncles, cousins and aunts get together after enduring the year's hard work in the city, they unwind serenaded by the company of their loved ones.

Spend time with family these holidays and lock away all your troubles and stresses, you will unlock and deal with them in the New Year. Where necessary seek counseling or confide in someone you trust. Exercise regularly to manage stress and make a delibarate effort to be happy. One thing you must not do is to be alone during this period.

Message from DPF staff to Member

As we approach another Chrismas season with all the Joy, excitement and Merriment that is part of our tradition, We are delighted to extend Season's Greetings to all our Valued Members. Your support during this year has helped us on the journey to fulfil our mission to grow your fund and paving the path to your future.

We thank you for your unconditional support and endorsement of our efforts this year and wish you a very happy holiday season and incoming New Year filled with Peace ,Joy ,Productivity and Prosperity.

DPF Staff

DPF Events

Morupule Coal Mine Retiree's Party

2013 Education Fairs

K. Wamakhubu from stanlib in Orapa

Fincraft Investment in the background

A. Tshiamo of DPF interacting with members who visited the DPF stall

Members listening to Fincraft team during the fair

Morupule Coal Mine

Pula medical aid stall

DPF Bids Farewell To Temp Staff

The finance team during the party

'My stay was short but very fruitful' Tebogo Batshaakane giving personal account of her 12 months stay with DPF

Kesebonye handing farewell present to Mrs Maipelo Motshwane

UPDATING YOUR PERSONAL INFORMATION IS A MUCH BIGGER ISSUE THAN YOU THINK!

Your PENSION membership details play a direct role in determining the value of your pension fund balance. Incorrect details could mean less money for you! Take for example something as ordinary as;

1. DATE OF BIRTH

• It determines when you are due for retirement hence;

• It determines which investment portfolio your money is invested in at any given time in our Life Stage Investment Model (i.e. Market, Conservative, or Pensioner portfolio.)

• It determines the MOVEMENT OF YOUR MONEY i.e. when your money should be transferred or switched between portfolios depending on age. Therefore;

• It determines the size of investment return that your money will earn i.e. wrong portfolio, wrong investment return credited to your account!

• It ensure the right exposure to investment risks e.g. You could be older but still largely invested in high risk instruments i.e. asset allocation to equities is higher for Market Portfolio members (18-53)

• It contributes to the determination of actuarial valuations of the DPF as a whole, including Funding levels (Assets vs. Liabilities)

• Dependents dates of birth are also just as important because they influence;
• The size of Your pension salary at retirement
• The proportions and distribution of your benefit among dependents at the time of your death

2. BENEFICIARY NOMINATION FORM & ITS ATTACHMENTS (OMANG, BIRTH, MARRIAGE, DIVORCE CERTIFICATES & OTHER AFFIDAVITS)

• They determine the size of your pension salary upon retirement (e.g. in addition to your life expectancy, the number of potential beneficiaries and their ages are factored in when calculating your lifelong pension salary)

• They allow easy tracking of beneficiaries

• They ensure speedy pay-out of death benefit

• They give guidance to Trustees on the distribution of your benefit amongst dependents/beneficiaries

Teach children to own their tomorrow by saving

WE NEED TO CHANGE OUR CULTURE OF EXCESSIVE SPENDING AND PASS THIS KNOWLEDGE ON TO FUTURE GENERATIONS.

By teaching your children to save and invest wisely you are empowering them to own their tomorrow, says Leon Campher, CEO of the Association for Savings and Investment South Africa (ASISA). "If we are to change our culture of excessive spending and consumption and become a nation of savers we not only need to understand and appreciate the value of saving, but we also need to pass this knowledge on to future generations," he adds.

Campher reminds that South Africa has one of the worst savings cultures in the world. According to the South African Reserve Bank the South African household savings rate is a dismal 1.7% of GDP. By comparison, countries like China, India and Turkey have household savings rates of more than 20%, some of the highest in the world. He says a strong savings culture not only ensures the financial well being of South Africans in the long-term, but it is also essential for the country's economic development. "The immediate, visible benefit of saving money is your financial security.

But if all of us improve our country's savings rate by spending less and saving more we also create a strong economy, which leads to job creation and ultimately lower interest rates and inflation. The reality is that a country's savings are the backbone of its development." Campher says it is for this reason that it is so important that future generations better understand the importance of saving and embrace a different approach to spending. "One of the most important lessons you can teach your children is that money is a precious resource and something that someone has worked for," he says.

Campher says all parents should teach their children the following truths about spending and saving: By not saving today you are compromising your ability to buy something meaningful like an education, a home or a comfortable retirement in the future.

Teach this lesson by encouraging your children to go without a treat that would provide instant gratification and instead save up for something big. Don't spend your life funding a liability like a car, a TV or an appliance by buying these on credit. Unlike a home these are not assets since they lose their value as soon as they leave the shop floor.

Lead by example and explain to your children that you do not want to be a slave to debt in order to own the latest model car or a state-of-the-art electronic device. If children see you buying whatever you want using a store card or a credit card, they will grow up thinking that buying without actually having the money is the norm.

When using a credit card, explain to your children why you are using the card and what the implications are. Using bank cards is cheaper and safer than cash. Teach your children about banking by opening a bank account that comes with a debit card as well as a savings account. Pay their pocket money into their account and encourage them to save a portion and to pay for their purchases with the debt card.

Your best investment will always be to pay off debts first, including your mortgage bond. If you have spare cash and you use it to invest while still servicing debt, you are effectively borrowing money to invest on the stock exchange. Explain to your children that debt is expensive and that there is a cost attached to borrowing money.

Currently the typical interest rate charged on clothing accounts is 21%. You are unlikely to get the same returns on your savings and investments. Once all your debts are paid appoint a trusted financial adviser and invest your money. Teach your children about the power of compounding, which is the growth achieved on your original investment plus the growth on the returns already earned. Successful investors invest first and spend what is left of their income, while those who spend first rarely get to invest the amount required to meet their long-term goals. Teach this by encouraging your children to remove the savings portion of their pocket money first, before you take them shopping.

A budget is a powerful tool in helping you save. The budgeting exercise will provide you with the big picture needed to help you prioritise your spending and plan your finances. Do this with your children – it will give them a better understanding of how much it costs to run a household.

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IF I WAS TO LEAVE EMPLOYMENT WHAT WOULD I GET FROM MY PENSION SAVINGS?

Often more than not, members are not aware of what they are entitled to as they exit their employment be it when they retire, retrenched, re-deployed or resign etc. A certain proposition of the members fund credit is given to them when they leave employment but this encashment is not compulsory. Depending on the type of exit the lump sum withdrawn is taxed or untaxed.

If your exit is through;

RETIREMENT

At 50 years or above if a member decides to retire, a tax free 33% or less can be withdrawn from their total fund credit, the remaining balance will be paid as pension salary which you will enjoy for life.

Mr. Mosiiwa has P910, 000.00 as his fund credit, he just recently got retired if he decides to withdraw he will get 33/100 *910 000=P300 300(completely tax free on condition that he immediately enrolls as a pensioner

RETRENCHMENT OR VOLUNTARY SEPARATION

A members facing retrenchment/ separation with a fund credit falling above the minimum P10 000 has the option of withdrawing a taxable 33% or less of the credit. This withdrawal is however fully subject to tax as per BURS regulations. Similarly, the member may decide not to cash but defer the whole amount until they reach the retirement age whilst earning returns from investment or least make a minimum withdrawal.

Mr. Mosiiwa has P910 000.00 as his fund credit, he just recently got retrenched if he decides to withdraw he will get 33/100 *910 000=P300 300(subject to income tax) obtain a lesser withdrawal amount than he would if he had waited to retire before making the withdrawal

RESIGNATION OR DISMISSAL

A member resigning or dismissed from employment has the option of withdrawing a taxable 25% or less lump sum of their total fund credit which should be above the minimum P10 000. The remaining balance is left until retirement whilst earning returns from investment. Again, withdrawals is optional but taxable if taken.

If Mr. Mosiiwa resigns and has P910 000.00 as his fund credit, and he decides cash out he will get 25/100*910 000 = P227 500 (subject to income tax, hence obtain a lesser withdrawal amount than he would if he had waited to retire before making the withdrawal

REDPLOYED/TRANSFERRED

A member transferred or redeployed is not entitled to any encashment, the member continues to contribute to their fund credit under the newly appointed positions.

MEDICALLY BOARDED/ ILLHEALTH

A member who is medically boarded from employment may retire irrespective of their age. Terms of retirement will apply as above. In the event that the member recovers they will still continue to enjoy their pension salary when re-employed.

NB: If you are not exiting employment, The Fund is prohibited by the pensions and provident funds Act and Fund rules to allow a member to cash out any portion of their fund credit whilst in active employment or before they reach retirement age(if not employed) for any other reason. The savings are strictly reserved for post-retirement income as per the intended purpose.

The truth about inflation, fees and your investment return

The retirement fund industry sold their clients the dream of becoming a multi-millionaire by simply investing 15% of their monthly income into a high equity fund for the next forty years, and with such a fund delivering a compound return of 16.5% per annum over the last 40 years, this actually seems possible. However, there is one little catch – the return is quoted on gross investment returns and fails to include the impact of fees and inflation.

Take a 25 year-old graduate earning approximately P300 000 per annum (pa) who will start with a monthly contribution of P3 750 and whose salary and contribution will grow with inflation. The graduate may receive an investment projection of an incredible P340 million by simply investing 15% of their monthly income into a high equity fund for the next forty years. However, this is not the real value as the investor still has to pay fees charged by the advisor, administrator and investment manager. The service providers will argue that fortunately, these fees only accumulate to 2.5% pa, resulting in the investment still growing at 14% pa. However, considering current market returns of 15.5%, these fees will equate to approximately P158m of the total investment return projection, leaving the investor with P182m.

While P182 million may seem like a lot, considering historical headline Consumer Price Index (CPI) inflation averages, this may not go very far. Funny numbers come up when inflation grows at 10% for 40 years. That P500 000 luxury car will set the investor back P20m plus, and they'll spend P27 000 filling it up. Clearly, P182m will not go as far as they imagined. If 2.5% in costs reduced the investment to P182m, deflating this by a further 10% pa means the investor's retirement asset shrinks to P4.2m after inflation.

Lessons about inflation and fees

It is very easy for investors to get carried away by long-term nominal benefit projections, which include the inflationary contribution. Although investors are all aware of inflation, compounded over long time periods, it is a much stronger force than most people realise.

While the retirement fund industry may use this to their advantage on the asset side (i.e. by projecting enormous investment outcomes), it is typically ignored on the liability side (i.e. living expenses in retirement). This creates an illusionary sense of future wealth.

Future asset values are meaningless if not placed within the context of their present purchasing power. This context is created by ignoring inflation and projecting only real returns. Projecting nominal returns is, in any event, pointless as we have no idea what future inflation will be. Given the varying historical inflation average versus current Reserve Bank targets of an inflation band of 3% to 6%, we can be optimistic that future inflation will be lower than the historic mean, but we simply don't know. And if we can't predict future inflation, we cannot predict future nominal equity returns. Real investment returns, on the other hand, have been very consistent over the long-term.

Future returns are always uncertain, but long-term real equity returns provide a more relevant trend line. It is just as easy to dismiss costs as irrelevant: few investors appreciate the ruinous impact of fees on the long-term investment outcome and the retirement fund industry seems keen to avoid the subject. Firstly, the impact of fees compounds as you not only lose the fees, but also the return you would have earned on those fees. And secondly, fees are viewed in the context of nominal rather than real returns. Giving up 2.5% when your portfolio returns 16.5% pa does not seem onerous, but in the context of a balanced portfolio, projecting a 5% real over the long-term, halves your return. Fees then compound to erode even more of the investor's long-term investment.

The reality is that high costs can derail even a diligent 40-year savings plan. An element of fees is inevitable, but some fees are avoidable. If you paid only 1% pa in fees in the example above (for example, by using a low cost index tracker and going direct instead of through a broker), your investment would be worth R6.1m in 40 years or 45% more (in today's money). That's a real boost for your retirement.

So, the next time you are led to believe your retirement cup "runneth" over, remember the slips.

Gorata Vaka
Marketing & Communications Manager, FinCraft

THE WORLD OF INVESTORS AND SPECULATORS

It is generally assumed that anyone who buys and own shares of a company is an investor. We have been witnessing a number of new listings on our local Botswana Stock Exchange, the BSE, and a lot of Batswana purchased shares of the listing companies. Are the buyers of these listed companies all investors? Truth is People buying shares or any other investments do it as either **Investors or Speculators.** When a person buys shares at the Initial Public Offer (IPO) or from the secondary market, it is important for them to understand whether they are investing or speculating.

The term "investor" is usually loosely used to refer to anyone who buys and owns an asset such as a company Stock, Bond, Treasury bill (BoBcs), Property, Currencies etc. However, the true meaning of the word is not that simple because buying and owning an investment doesn't necessarily make you an investor.

What's the difference? An investor in a stock exchange for example is someone who carefully analyzes a company, decides exactly what it is worth, and will not buy the stock unless it is trading at a certain acceptable discount to its intrinsic or fair value. Investors buy stocks and hold them for a longer period of time and hold on to their stocks and receive dividends. They maintain their long-term objective for investing in the market.

On the flip side of the coin a **speculator** buys, holds, and sells stocks, bonds, commodities, currencies, collectibles, real estate, derivatives, or any valuable financial instrument to profit from fluctuations in their prices as opposed to buying it for use in any investment strategy be it for current income, capital preservation or for hedging purposes.

Writing in his book "The Intelligent Investor" Benjamin Graham said "The most realistic distinction between an investor and a speculator is found in their attitude toward stock market movements. The speculator's primary interest lies in anticipating and profiting from market fluctuations. The investor's primary interest lies in acquiring and holding suitable securities at suitable prices."

Know thyself!!! Before making a decision whether to invest or speculate you should know your risk tolerance and that should play an important role in the formulation of your investment strategy. Speculators take uncalculated risks and are generally willing to accept the fact that they are risking their principal invested. On the other hand investors are generally concerned with their capital or principal invested. Investors typically quantify risk; they do not take any risk which is not compensated for. For any level of risk, investors would want a certain level of return.

Are there Investors without Speculators? **Speculators drive** prices to the extreme, while investors in a fairly traded market can even out the market, so that over the long run, stock prices are reflective of the underlying value of the security/stock. When investors are selling a stock on the presumption that it's over valued, speculators will be buying hoping that it still has some upside steam. It is also true that when speculators sell a stock after making short-term capital gain (profit taking) prudent investors will buy the stock if it is trading below its fair or intrinsic value. Speculators help to create the volatility which investors need to pick up companies that are selling far less than they are worth and sell those companies that are selling more than they are worth.

A piece of advice for both!! Whether one is an investor or a speculator, it is advisable to conduct both technical and fundamental analysis of the company's security/stock being invested on or speculated on. It is unsafe and risky to invest or speculate in a company's security based on sentiments.

When a person buys shares at the Initial Public Offer (IPO) or from the secondary market, it is important for them to understand whether they are investing or speculating.

An empirically tested strategy of investing in the stock market is to diversify your investment portfolio. Investors unlike speculators don't expect to become rich overnight, but minimize risk in order to ride the ups and downs of the market and come out ahead.

By choosing stocks from different companies in different sectors and geography, investors are more likely to optimize their investment portfolios. As an investor it is important to choose stocks carefully, based on sound research or the guidance of your financial advisor.

It is normally tempting to check the status of your investments every day, worrying over when to unload a particular investment security or jump on the next bandwagon. Investors spare themselves headaches of daily market fluctuations by simply ignoring short-term market movements. They continuously assess the fundamental soundness of their investment portfolio as it grows as opposed to speculating as to when they should buy, sell or trade based on gut feeling, emotion or the advice of another investor.

If you are planning to invest for the short-term gain, then speculating is the way to go and you should be prepared to lose everything. If not, then you are better off investing! A long-term rewarding stock market investment portfolio needs time, diversification and patience to grow.

For further comments or enquires, contact us at Tel 3901106/9 or email gorata.kabelo@fincraft.co.bw or sikhulile.bhebhe@fincraft.co.bw

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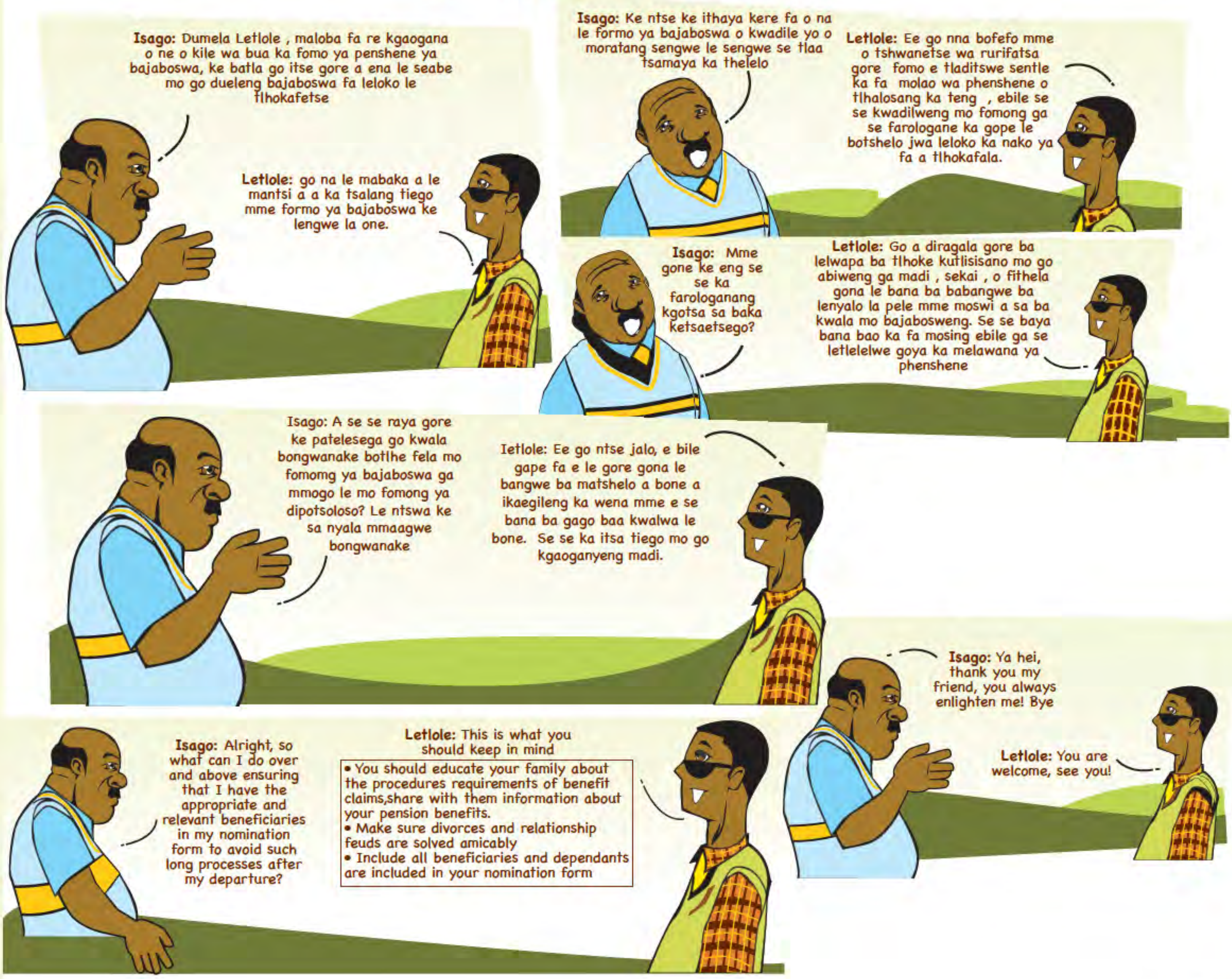
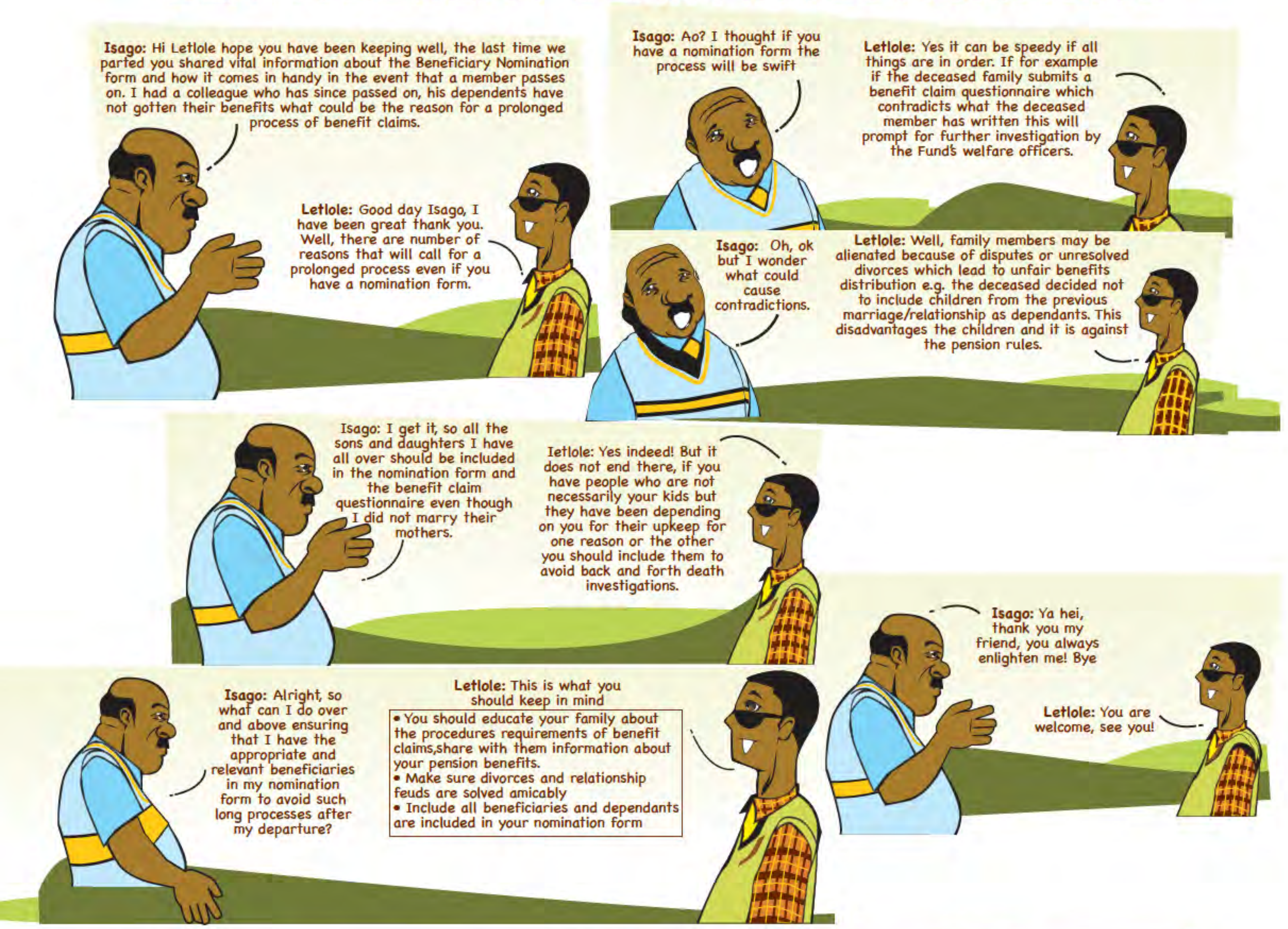


DEATH BENEFIT CLAIM INVESTIGATIONS



DPF Vision

To be the preferred retirement services provider

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

DPF Values

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

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