UNIVERSITIES RETIREMENT FUND

Newsletter April 2019

In this edition of the newsletter the following topics will be addressed:

Planning for Retirement
Administration of Estates in Namibia
Tax-deductible Pension Contributions

Planning for Retirement

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

- the money available
  What are your needs at retirement going to be in terms of a sustainable income for your future that makes adequate provision for the impact of inflation? After your retirement you will need approximately 60% to 70% of your last pensionable salary before retirement as a monthly income to maintain the quality of living you were used to. Do not forget about tax implications and medical aid costs, etc.

- the activity one plans to do afterwards
  What are your future plans and personal environment? If you started work at 25 and retire at 65, you have been obliged to be at work on time every day for 40 years. After retirement, why will you get up every day? Sleep late, stay in your pajamas all day, no exercise and then????????

- planning for later years
  Proper provision for life expectancy should be made as people currently tend to life longer as a result of the advancements in medical care being made.

- the costs associated with care towards the end of one's active life
  Who will look after you when you cannot do it yourself anymore? Consider the cost of old age care such as frail care, etc.

Benefits currently provided by the Universities Retirement Fund

At retirement your share in the Fund becomes available. You may take up to ⅓ of your share in cash. This amount is currently tax free. Don't forget that any outstanding housing loan will first be cleared from this amount. You do not have to take any of the cash portion. You may even take less than the ⅓ in cash. If you leave some, or all of your ⅓, your monthly pension will be bigger but keep in mind that it will be taxable on a monthly basis.

The remaining ⅔ must be used to buy a monthly pension. This pension can be bought from an external insurer or left in the Fund. *Remember the monthly pension is taxable.*

When you buy your pension from an external source, the terms and conditions will be as agreed between you and the insurer. The various investment types and the benefits and disadvantages of each must match your needs.

When you retire in the Fund you will receive a monthly pension, after tax, as determined by the Fund's actuary for as long as you live after which your surviving spouse will receive a spouse's pension for the rest of his/her live. You will also be covered under the funeral policy until you reach the age of 75.

Basic Rules

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

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

Common Mistakes

- Retirement is ignored completely and is not planned for at all. Planning for retirement should start as soon as possible, as the provision for retirement is easier and much more beneficial over the longer terms because of the effect of compounded interest the younger one starts;
- Accrued pension is encashed when changing jobs. This again leads to the loss of the biggest single benefit of long-term savings, namely compound interest;
- No attention is given to fees. The difference in fees can be as high as 1% between different advisors or types of investments and over time, this erodes returns considerably. *Advisors should at all times declare fees up front and the retiree/investor should take careful note thereof;*

- Employees do not save as much as possible towards retirement. The most important action you can take is to start saving early. The earlier you start, the better your chances are of having sufficient funds available for retirement.

Critical Milestones towards retirement

10 years to retirement:	Discuss your retirement plans and you financial abilities with your spouse and/or family and if necessary draw up a financial plan in consultation with a Certified Financial Advisor to cover as much as possible of the gap between your expected needs and your foreseen abilities. This may be a good time to consider increasing your monthly contribution from the normal 7% to the optional 8%, 9% or 10% of salary.
5 years to retirement:	Seek advice form a Certified Financial Advisor about structuring your retirement benefit to best meet your requirements and to avoid unnecessary tax. *If one considers using a financial advisor, one should also expect some bias from the advisor towards products and types of investments he/she receives the best commission from.*
6 months to retirement:	Notify the Fund (via HR) of your approaching retirement and request a quote on your available accumulated fund credit. Speak to insurers and obtain quotes for the annuities you consider investing in. Ensure that quotes are based on the same criteria.
3 months to retirement:	Complete and sign the exit form of the fund at HR, indicating clearly what your choice at retirement is.

A few non-fund related issues

Contact your HR Department before retirement to inquire about the following issues:
Do not contact the Fund, we cannot help with these.

- Accumulated leave
- Severance pay
- Social Security benefit
- Retaining your Medical Aid membership

Administration of Estates in Namibia

On the 31st of December 2018 a Government Gazette (No. 6813) was issued that amended the Administration of Estates Act. According to said amendments, any monies that in future become payable to a minor that derives from a long-term insurance policy, annuity, pension fund, bequest or any other source should from now on be paid directly to the Guardians Fund (Master of the High Court) within 30 days after the date upon which such amounts become payable.

The establishment of family trusts and similar trust arrangements for the benefit of minors are thus no longer allowed.

You will appreciate that these amendments have huge implications for each and every Namibian with minor children as our Constitutional rights are now being infringed upon. Industry consultations with the Minister of Justice did take place and the Minister indicated that the actual implementation of the amendments would be postponed until a later date, in order to consider the concerns raised by the Industry.

You will be kept informed of any further developments in this regard by means of this newsletter.

Tax-Deductible Pension Contributions

When the Minister of Finance recently tabled the 2019/2020 Budget in Parliament one of the tax proposal he submitted was for the maximum deductibility of contributions towards a retirement fund to be increased from the current N$ 40 000 per annum to 27.5% of income subject to a maximum of N$ 150 000 per annum. The N$ 40 000 maximum tax-deductibility of contributions were applicable for a very long time and therefore this substantial increase as proposed by the Minister is indeed very good news for every Namibian tax payer as an incentive for saving more for retirement.

It must be noted however that the final tax legislation containing the proposed amendment may contain changes and will only become effective once approved and adopted by the National Assembly

General Information

Please feel free to contact the Fund should there be any specific issues you would like to see addressed in future editions of this newsletter. E-mail: uniref@nust.na

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