pps FOR PROFESSIONALS SINCE 1941

RETIREMENT SUMMIT '22

QUESTIONS AND ANSWERS FROM THE AUDIENCE

Q:

How do government employees know if they are on track [with their retirement savings], or do we [government employees] need to save more?

A:

This is a very individual question and the answer is based on your personal circumstance. We suggest that a full retirement planning session is done with a financial adviser or wealth manager to understand your goals, current capital and needs at retirement.

Q:

What funds offer returns allowing investors to earn R5 000 per R1 million income saved?

A:

This is a rule-of-thumb figure only, used to illustrate the income/capital outcomes. Many retirees seem to believe that for every R1 million invested, they can earn between R10 000 and R20 000 per month. However, by using the rule-of-thumb figure, pre-retirees can come to a better understanding of what the average "buying power" will be per R1 million invested. In current markets, this figure would be closer to R3 800 per R1 million. The need to do personal and specific planning annually is, therefore, key as that not only covers the capital, income and actual needs discussion but further ensures that the correct asset allocation and portfolio selection is done to meet the required outcomes or, of course, the trade-off discussion that may need to be done on the capital vs income requirement. As you might know, funds, markets and economies have been under pressure in 2022. Our approach is certainly advising members to stay the course on their asset allocation and portfolio selection in this time and not to move portfolios or funds. If doing fund selection at this time (new investment/retiring) of adverse markets, it would still begin with our members' risk tolerance, desired outcomes (income/capital growth/capital preservation), asset allocation and portfolio selection. This would include looking at a CPI+ real return to meet the objectives over the long term.

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Q:

With increased instability and the current economic climate, is it not likely that South Africa's inflation will continue to increase to record highs? If that is the case, what is the best strategy for us planning retirement to prepare for high inflation?

A:

We are currently in an environment of unusually elevated inflation across the globe with food and energy prices hitting record highs. This has been driven by several factors including pent-up demand after the pandemic, supply-chain disruptions and the Russian invasion of Ukraine.

While inflation in South Africa is elevated, it is not running as high as in the more-developed nations. The local economy is weaker than that of developed markets, which means that we are a bit more insulated as inflation is not likely to run as hot. Central banks across the globe have taken action to curb inflation by increasing interest rates. However, the main concern is that this could lead to stagflation, which is a scenario of elevated inflation and limited economic growth. In such an environment, there are a few asset classes that tend to hold up better, including listed property, gold and commodities. These asset classes generally perform better as they are tied to real assets with predictable cash flows. However, while these asset classes are considered to be inflation hedges, we should not discount the ability of equities in general to also keep up with inflation. Companies with pricing power have the ability to raise prices above inflation allowing them to hold up relatively well in a high inflation scenario. Navigating the investment environment in these current conditions can be challenging but a combination of strategic asset allocation and bottom-up analysis provides a level of comfort of being appropriately positioned.

Taking all of this into account, a retirement strategy should not be based on short-term market conditions but rather on sound investment principles steeped in solid macroeconomic and fundamental analysis. Diversification is key in a retirement investment portfolio to provide sustainable, through-the-cycle, long-term investment returns.

Q:

What are your fees for the Global Equity Fund please?

A:

Please refer to fund fact sheet > click <

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Q:

Is it a reasonable time to shift to the PPS Global Equity Fund or wait until EU inflation growth slows, keeping the current ZAR weakness in mind?

A:

Offshore diversification is an important component of any investment strategy and timing your offshore investment can often be an emotional journey. Being an emerging market currency, the rand is highly volatile and, as a result, it is during times of uncertainty that investors swap risky assets for perceived lower-risk assets. We have seen this in recent months as the rand weakened and the US dollar strengthened.

Many analysts have stated that the rand has probably overshot to weakness and may be due to correct somewhat. However trying to time the rand is an incredibly difficult task and one we do not recommend.

Q:

Does PPS have any shariah-compliant products?

A:

While PPS Investments does not offer these funds at this stage, there are third-party Shariah-compliant investment options available on our platform > click to view <.