

IN THE moment

Securing your retirement

Introduction

Let's talk about one of the worries that may be on your mind, namely your retirement fund savings. Panic is a natural reaction, when you see the stock markets crash and the value of your investments decline, due to the effects of COVID-19, and this is in addition to the emotional stress you are already experiencing, due to other challenges the virus brings.

There is still much we don't know about the virus and its effect on the world. While we go through this uncertainty, we expect continued volatility in asset prices. It is important to be cautious in these times.

In times of uncertainty, it is worth taking a deep breath and seeking solace in constant things that have been observed repeatedly. Below are some of these solid rules of investment.

Investments recover to their long-term average returns

There are many examples, but let's look at the most recent one. In reaction to the financial crisis late in 2008, investors panicked and switched out of portfolios with high exposure to equities to 'safer' money market portfolios. When markets started to recover, they did so quickly and these

investors missed the 37.5% growth achieved in the next year after the markets reached their lowest point. In doing so, they only experienced the loss, without experiencing the inevitable gain. They made the classic mistake of selling low and buying high.

Time is your friend

A key principle of success in the markets is TIME. Bad returns are invariably followed by better returns. The more time you have, the greater your ability to recover from market shocks and participate in the longer-term growth. The table below shows the worst drawdowns per decade (the decline in market value from highest to lowest point) of the equity benchmark used in our retirement portfolios and how many months it took to fully recover from the market bottom. Given time, your investment will recover.

Time	Drawdown	Recovery time in months
1970 to 1980	-58,04%	20
1980 to 1990	-42,70%	13
1990 to 2000	-39,78%	16
2000 to 2005	-30,45%	9
2005 to 2010	-40,46%	20
2010 to 2015	-8,47%	1
2015 to 2019	-12,57%	5
YTD 2020	-32,8%	

Source: Pertrac

Note: We blend equity with other asset classes in our outcome-based solutions, so your investment would have

performed better than indicated in the table above.

Switching is not your friend

The problem with switching to cash, on top of the risk of selling low, is that you need to accurately guess when markets will recover. Nobody knows **when** markets will recover, but they **will** recover, even if sometimes

unpredictably. Why risk your retirement savings, if the most prudent thing is to just sit back and wait for time to work for you?

If you are closer to retirement, you have less time

Our default lifestage approach mitigates risk, when you get closer to retirement, by changing the mix of asset classes in your portfolio. When you are younger, your portfolio is invested in growth asset classes, because you have time on your side to bounce back from market drawdowns. Members of retirement funds with two to four years to retirement should consult an expert, like your financial

adviser or Momentum Consultants and Actuaries at MomConsandActuaries@mmltd.co.za. This has been and continues to be our best advice. People in such a position might be better off delaying converting your retirement investments to income by a few months, rather than locking in the losses, but it is crucial to get expert guidance.

Do this if you are about to retire or leave service

Once the administrators receive your instruction to exit the retirement fund and to cash out your benefit, they transfer your benefit to cash to preserve its value and start with the paperwork, including seeking tax clearance. This process can easily take two weeks. However, cashing out now would mean losing out on the potential recovery in the market.

It is very important to understand that you are not forced to take your benefit in cash and can either request the administrators **to keep you invested or hold back your instruction**. It is critical that you seek financial advice in terms of where best to invest your savings.

If you are still working

We continually assess how best to manage your portfolios. In addition to our longer-term perspective of managing well-diversified portfolios with different risk profiles to cater

for the lifestage approach, our portfolio managers have been introducing some protection strategies to actively manage the downside risk.

So, what to do as an investor?

In times like this, doing nothing is the best strategy. **Remain invested, stick to your long-term investment strategy and ride out the volatility.** If you are close to retirement, consult an expert before you do something you might later regret. It is easy to get caught up in the negative sentiment that often drives markets. Global research over many years shows that investors who stick to a carefully constructed long-term investment strategy, outperform investors who make many changes based on short-term market volatility.

If you feel uncertain, please check in with your financial adviser before you make any changes to your investment strategy. Remember that things will return to normal, as they always do.

We can assure you that everyone at Momentum Investments and Momentum Corporate are doing their best to take care of your retirement fund savings.

Jeanette Marais: CEO: Momentum Investments
Dumo Mbethe: CEO: Momentum Corporate

