

Fortress Pension News

February 2013

Welcome to the first edition of the Fortress Pension Newsletter.

We aim to bring you topical news about retirement planning and answer some of the pension related questions which you may have.

Make sure to subscribe to our mailing list to be the first to know about future newsletter editions, our investment reports and Fortress events. We hope you enjoy reading this newsletter. If you have any comments or suggestions, please send them to us at invest@fortressfund.com.

In this issue:

- **Inflation and Retirement Planning**

Definitions & Statistics

How do you build a secure financial nest egg which allows you to live comfortably in retirement?

- **Q&A**

What happens to my pension if I change jobs?



RESOURCES

Online Account Access



24/7 secure access to your pension account online.

The Fortress Builder™



Use the slide calculator to see what you would need to save daily, monthly and yearly in order to achieve your long term saving goals. Request one from our office.

Pension News Emails



- Receive timely updates from us about your pension
- Get topical commentaries from the Fortress team

Inflation and Retirement Planning

Inflation is the decline in purchasing power that means your dollar buys less now than it used to. It usually happens when the amount of money in the banking system and in circulation grows faster than a country's economy.

The Central Bank of Barbados reported recently that the inflation rate at the end of 2012 came in at 6.5%. This means that on average, the cost of a "basket" of goods and services that Barbadians buy increased by 6.5% during the year. Put another way, the "real" value of a dollar fell by 6.5% over the same period. This would certainly come as no surprise to anyone who has gone shopping recently.

The 6.5% inflation rate in 2012 followed on from a rate of 9.5% in 2011, 5.8% in 2010, 3.6% in 2009 and 8.1% in 2008. That's over 38% inflation in five years – even as the economy has been relatively weak.

We all save and invest now so we can spend later – on retirement, education, charitable giving, or for any number of reasons. We lay down a dollar today and want at least the "value" of that dollar preserved down the road. So it's important to invest in assets that can over time keep up with (or exceed) the rate of inflation.



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INFLATION						Cumulative over 5 years
2008	2009	2010	2011	2012		
8.1%	3.6%	5.8%	9.5%	6.5%	38%	

How then do you build a secure financial nest egg which allows you to live comfortably in retirement?



A good portfolio of bonds can get you close. At current levels, the interest on a bank savings account will fall well short and will lock in a certain loss against inflation. At the right price, investing in real estate can do the trick. So can owning shares in profitable companies. Neither one of these has performed particularly well in the past few years – but the emphasis here needs to be on the *long term*, where returns should eventually return to their long term levels.



Remember above all that there is no magical formula, but these steps will help you to be better prepared for retirement:

- 1 Realise that the National Insurance Scheme (NIS) will not provide you with any guaranteed pension that is sufficient to cover your expenses during your retirement.
- 2 Accept that you have the responsibility to make the necessary provisions to secure an adequate pension, through participation in any employer sponsored pension plans and savings in other instruments like Registered Retirement Savings Plans. Remember, you have the added benefit in that these contributions are tax deductible up to certain limits.
- 3 Start as early as you can with regular savings, increasing these over time. The more you invest today, the more you have available for distribution at retirement.
- 4 Diversify your investments to reduce the amount of risk.
- 5 Remember to factor in inflation during your calculations as to how much you need to save and earn to guarantee your stated retirement goal.

FACT

Inflation is a fact of life. We can all reduce its bite on our savings by investing money we don't need today in assets that stand a good chance of outrunning it in the long term.

Your Pension Questions Answered



Q: What happens to my pension if I change jobs?

A: There are several options available to you as a pension plan member should you leave your current position. The one thing you must keep in mind is that the options depend on your individual circumstances, the details of your company plan rules and the new Occupational Pension Benefits Act (OPBA), which governs the operations of pension plans in Barbados. So even if you and your workmate both leave your company after the same number of years, your options may be different.

Possible termination options could include some or all of the following depending on whether you are vested (entitled to the benefits of contributions made on your behalf by your employer) and/or the value of your pension account:

- Cash refund (taxable)
- Purchase of government bonds (tax free on maturity)
- Transfer to a registered individual or group pension plan (tax free)
- Deferred pension, where your account remains in the existing pension fund

At the time of your termination from your current position, your former employer must first formally notify Fortress Fund Managers of this development. Only after this notification has been received from the employer can your individual details be reviewed and the options relevant to you identified. You would then be formally notified by Fortress Fund Managers of your options so that you can make a decision on how to proceed. For more details, you can speak to the pension representative in your company's human resources department.



If you change jobs your pension options depend on your individual circumstances

Fortress Fund Managers is a leading provider of pension management and administration services to companies of all sizes, and to individuals via the Registered Retirement Savings Plan (RRSP). In existence for more than 15 years, Fortress has developed a reputation of being a trusted manager of mutual funds, including the Fortress Caribbean Growth Fund and the Fortress High Interest Fund, which have generated annual compound returns of 10.2% and 5.4% since inception in 1996 and 2002 respectively, as at September 30, 2012.

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