

# PALNEWS



Dear Esteemed customer

Welcome to our quarterly edition of the PAL newsletter. The year is raptly unravelling with a lot of changes for the pensions industry and country as a whole.

In the first quarter of 2015, Nigeria's credit rating was lowered by Standard & Poor's (S&P) on the back of falling oil prices and rising political risks due to the general elections. Interestingly, the elections were successful with no major violence recorded and the international community also adjudged the electoral process free and fair. The PDP's Goodluck Jonathan lost the presidency to APC candidate Gen. Muhammadu Buhari who had 54% of the votes.

Post-election, we expect additional foreign inflows due to the relatively reduced risk premium for Nigeria arising from the credible elections with little or no violence afterwards. This will be positive for the stock market as selected stock valuations look cheap and attractive at current levels.

The pensions industry was not left out in new developments. A few draft guidelines and frameworks were released by the National Pension Commission. These drafts include those for the transfer window, Multi-fund structure and the Informal sector operations.

In this edition of the newsletter, we will be throwing more light on a path that will lead you to a more financially secured future. The path of the Additional Voluntary Contributions. Enjoy the trip!

## ADDITIONAL VOLUNTARY CONTRIBUTION WITH YOUR PAL:

The Additional Voluntary Contribution (AVC) Account is an avenue through which RSA Holders can make extra contribution towards their retirement. It is an addition to the mandatory 18 % of the basic, housing and transport allowances contributed by the employer and employee.

This extra allocation of funds is made at the discretion of the employee and goes to the Pension Fund Administrator (PFA) with which the employee has opened a Retirement Savings Account (RSA) as stipulated in the Pension Reform Act 2014 (PRA 2014).

## THE BENEFITS OF AVC

- AVC are flexible (You can start with virtually any amount of money).
- It is invested along with statutory contributions, hence investment incomes are attractive.
- This is an avenue to start that Savings Culture you have always thought about.
- A sure way of increasing your total contributions, hence increasing your total benefits in the long run.
- An instant tax rebate (PAYE) on the amount being contributed when the voluntary contribution (AVC) comes directly from payroll.
- Payments and withdrawals are not regimented; however, interest accrued on contributions withdrawn within 5 years will be taxed.

One can easily argue that there are other investment options available. That is very true, however, the AVC remains a superior product based on the following:

- It is secure & tightly regulated
- Custodian Vs Fund Manager Relationship
- Annualised Returns Superior to the Benchmarks – NSE ASI, Money Market Rates & FGN Bond Yield
- Lock up period forces disciplined Savings

## THE QUESTION NOW BECOMES, HOW DO I GET STARTED?

To get started all you need to do:

- Complete an AVC form
- Inform your HR of your intentions so deductions can be made from source and you are good to go!

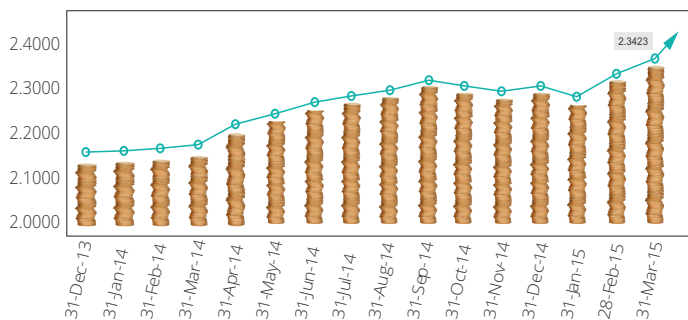
Our goal is and always has been to ensure our clients truly retire with ease and maintain a good standard of living at retirement. So walk with us on this path of Additional Voluntary Contributions to meet this goal.

## Quotable Quotes

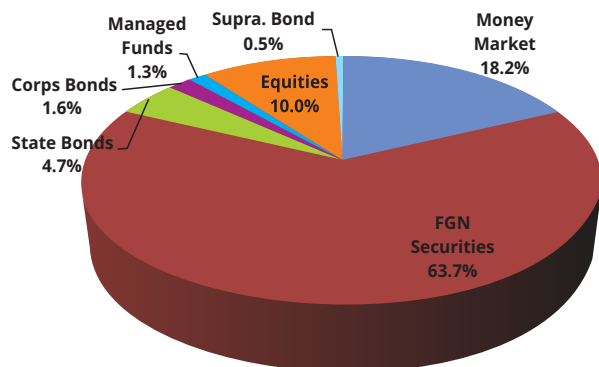
If you are born poor,  
that's no mistake of yours but  
if you die poor...  
that's your mistake  
– Bill Gates

## PAL VALUE FUND - FIRST QUARTER OF 2015

After months of weak demand and cautious trading, a lot of investors returned to the financial markets and the stock market gained as high as 8.9% a day after the presidential elections' results were announced and bond yields dropping by over 200 basis points to an average of 14%. In addition, the Naira appreciated significantly in the parallel market from N222/US\$ to N205/US\$. The PAL Value Fund opened the year with a unit price of N2.2999 and closed with a unit price of N2.3423 at the end of the first quarter of 2015. This represents a Year till Date return of 1.84% as at the end of March 2015. The PAL Value Fund Portfolio as at 31st March, 2015 comprised of the following asset classes: Government Securities (68.25%), Equities i.e. ordinary shares (10.48%), Money market instruments (13.62%), State Securities (4.34%), Corporate Debt Instruments (1.53%), Supranational Bonds (0.55%) and Other Managed Funds (1.27%).



Pal Value Fund Unit Price Chart as @ March 31st, 2015



PAVF Asset Allocation Structure as at 31st March, 2015

## Financial Tips

### MAXIMIZE YOUR EMPLOYMENT BENEFITS

Employment benefits like a Pension plan, flexible spending accounts, medical insurance, etc. are worth big bucks. Make sure you are maximizing yours and taking advantage of the ones that can save you money by reducing taxes or out-of-pocket expenses like the Additional Voluntary Contribution (AVC)!!

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your PAL for life

## Frequently Asked Questions

Q1

**What happens when an employee who has been contributing under the new scheme dies before his retirement?**

Where an employee who has been contributing under the new pension scheme dies before his/her retirement, the retirement benefits shall be paid to his/her beneficiary under a Will or to any person appointed by the Probate Registry as the administrator of the estate of the deceased. The benefits will be paid whole and entire to the beneficiary.

Q2

**How can I be sure that my contributions are safe?**

As a PFA, we are strictly regulated and supervised by the National Pension Commission (PENCOM) who is empowered to sanction and if need be prosecute defaulting operators. These funds are invested in different asset classes approved by PENCOM to ensure safety. In addition, the funds are not resident with the PFA, but resident with the Pension Fund Custodian which are affiliates to Banks.

Q3

**What happens to the remaining 75% balance in my RSA after my initial withdrawal of 25%?**

Where you have previously been paid 25% of your RSA i.e after being unemployed for a minimum period of 4 months, the balance 75% will remain in your RSA. These funds will continually be invested until you attain the age of 50 years or retire (whichever comes later). At this point you will be eligible to access the balance.



## JUST FOR LAUGHS....

You see a gorgeous girl at a party. You go up to her and say, "I am very rich. Marry me!" That's **Direct Marketing**. You're at a party with a bunch of friends and see a gorgeous girl. One of your friends goes up to her and pointing at you says, "He's very rich. Marry him." That's **Advertising**.

You see a gorgeous girl at a party. You go up to her and get her telephone number. The next day you call and say, "Hi, I'm very rich. Marry me." That's **Telemarketing**.

You see a gorgeous girl at a party. You go up to her and say, "I'm rich. Marry me" She gives you a nice hard slap on your face. That's **Customer**