

FROM THE EDITOR



NIKE BAJOMO
Editor

Happy New Year! We hope you enjoyed yourselves during the Christmas and Eid el Kabir celebrations.

This second edition of PAL News focuses on retirement planning with a step by step guide on what you need to do beginning from ten (10) years to retirement date. In planning for this phase of life, it is important to determine whether or not the balance of funds that would be standing to your credit when you stop working will be sufficient for the standard of life you envisage for yourself. If not, you may need to set up an Additional Voluntary Contribution (AVC) account.

The unit price of the PAL Value Fund increased to N1.09 from the closing unit price of N1.08 in the last quarter. This is despite the largely bearish nature of the stock market in the last quarter of 2006. See further details in our investment brief corner.

Finally, we would like to state that you are receiving this package because you have chosen PAL as your preferred Pension Fund Administrator and more importantly because your employer has remitted funds into your Retirement Savings Account (RSA) with PAL.

In light of the above we request that you inform your friends and colleagues in the public service whose RSAs are not funded to update their data directly through the PENCOM website www.pencom.gov.ng or call us for assistance. (Status of their accounts can be verified by them viewing their portfolio online through our website www.pensionsalliance.com). Clients in the private sector should encourage their employers to remit their contributions immediately so that employees can begin to take advantage of monthly compound interest on their contributions, while employers avoid sanctions from PENCOM.

While wishing you a prosperous year ahead, we look forward to sharing your opinions and ideas through our dedicated email address:

Customercare@pensionsalliance.com

INVESTMENT BRIEF

1. COMPOSITION OF THE PAL VALUE FUND

The PAL Value Fund consists of investments in the following securities Treasury Bills, Federal Government Bonds, Money Market Instruments, Equities and Investments in Mutual Funds that are equities based. The Asset Allocation structure of the PAL Value Fund as at December 31st, 2006 is as shown in the pie chart.

2. RETURN ON THE PAL VALUE FUND

The PAL Value Fund was formally launched on May 22, 2006 at a unit price of 1.00. The unit price of the Fund as at December 31st, 2006 was 1.09. On an annualized basis, this translates into a return of 15%. This return is very competitive considering the constraints (we believe they are reasonable) of investing in the stock market. PFAs are only allowed to invest up to 25% of their pension assets in the stock market.



Against the background that Pension Fund Management is a long term business. We are constantly reviewing our portfolio with a view to earning superior returns.

3. REDUCTION IN FEES

We are pleased to announce our new fee regime which took effect from January 1, 2007 as follows:

| S/N | FEE TYPE | EXISTING FEES | NEW FEES |
|-----|---------------------|------------------------------|------------------------------|
| 1 | ADMINISTRATIVE FEES | N80/ACCOUNT/MONTH | N80/ACCOUNT/MONTH |
| 2 | MANAGEMENT FEES | 2% p.a OF NET ASSET VALUE | 2% p.a OF NET ASSET VALUE |
| 3 | CUSTODIAN FEES | 0.60% p.a OF NET ASSET VALUE | 0.45% p.a OF NET ASSET VALUE |
| 4 | PENCOM FEES | 0.40% p.a OF NET ASSET VALUE | 0.30% p.a OF NET ASSET VALUE |

N.B The reduction in the fees paid to the CUSTODIAN and PENCOM would have a salutary effect on portfolio return.

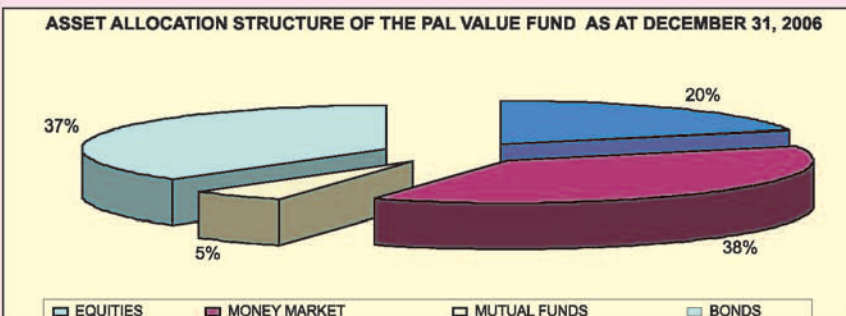
4. OUTLOOK FOR 2007

In December 2006, PENCOM made some adjustments to the investment guidelines based on the challenges that PFAs were facing in investing Pension Funds. The key amendment made was that, the maximum amount of the PAL Value Fund that can be invested in the money market was increased to 35% from 25%. We believe this adjustment bodes well for the future.

In spite of the fact that 2007 is an election year, we expect that there will be relative peace and stability in the polity and this will make for robust trading in the bond and stock market segments of the financial markets. We are poised to deploy our expertise in these areas to achieve superior returns for our clients.

THE PAL VALUE FUND

ASSET ALLOCATION STRUCTURE OF THE PAL VALUE FUND AS AT DECEMBER 31, 2006





PLANNING FOR YOUR RETIREMENT

JUST HOW MUCH PENSION IS ADEQUATE?

The amount of funds available to each contributor after retirement is dependent amongst others on:

- The amount of monthly contribution/savings
- The amount of time available for investment taking cognizance of current age and number of years left to work before retirement
- The rate of return/yield which invariably depends on the investment portfolio and asset allocation.

For instance, a 30 year old contributor with regular monthly savings of N10,000 per month for the next 25 years would have accumulated a total of about N18.8m by age 55 if we assume a net return of 12% p.a while other factors are held constant, but is this adequate?

Individual contributors need to answer this question personally and plan towards what he/she considers to be adequate pension funds after retirement.

SO WHAT OPTIONS/CHOICES DO I HAVE?

If you suspect that the funds that would be available for you after retirement may not be adequate, then you should consider setting up an Additional Voluntary Contribution (AVC) into your Retirement Savings Account (RSA)

The Law makes provision for Additional Voluntary Contribution. This refers to contributions that can be made into the Retirement Savings Account over and above the statutory 15% of basic salary, housing and transport allowances. The major advantage of AVC is that it is tax exempt both at the point of contribution and withdrawal if invested for a minimum of 5 years. In addition the AVC also earns the same return as the statutory contribution. When thinking of an AVC, you need to take the following into consideration:

- What would be your consumption pattern and standard of living after retirement?
- How much would you need on a monthly basis in retirement to maintain your expected standard of living
- What will your pension income be worth by the time you retire?
- How soon do you plan to retire?

So, call us or visit our website today for further information, guidance or counseling on AVC. You may need it. Find out now, and take appropriate steps. It is better to be safe than sorry!!!!

QUOTABLE QUOTES

He will always be a slave who does not know how to live upon a little.

- HORACE (65-8 B.C.) Epistulae

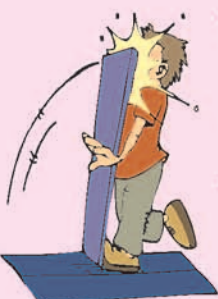
JOKE OF THE QUARTER

Smart Bribe

Tried in a hostile town, a guy didn't think he had a chance of getting off a murder charge, so shortly before the jury retired he bribed one of the jurors to find him guilty of the lesser crime of manslaughter.

The jury was out for over three days before eventually returning a verdict of manslaughter. The relieved defendant collared the bribed juror and said: "Thanks. How ever did you manage it?"

"It wasn't easy," admitted the juror. "All the others wanted to acquit you."



Malcolm S. Forbes once said that "retirement kills more people than hard work ever did". If this is the case, wisdom dictates that every worker of today should make adequate plans ahead of retirement. In this article, we will examine some important steps that you should take 10 years to your retirement. In doing this, we will draw inspirations from a presentation by Liz Pulliam Weston of MSN Money titled "Here's your get-ready-to-retire checklist".

10 YEARS TO GO

When you have 10 more years to your retirement, you need to consider the following:

Where you'll live

Demographic surveys have shown that most retirees continue to live in the same house, or at least the same community, as when they were working. However, it may be quite helpful to move to a cheaper community on retirement. For instance, you could consider moving from Lagos to Ibadan; Abuja to Kaduna, Port -Harcourt to Calabar. Your village may be your best choice.

What you'll do

You should think about what you'll do after retirement. It is a bad idea psychologically and financially not to think about how you will spend your time in retirement. Whenever this point comes up for discussion, people often say that they would play golf in retirement. But wait a minute, playing golf will involve some money and may cease to be interesting when it is no longer a pastime but, rather, your new full time activity. Many people go into farming on retirement. You may want to do the same.

Your AVC

10 years to your retirement is appropriate for you to increase your retirement contributions. The best way to do this is by making additional voluntary contributions into your RSA. The more money you have in your account, the more assuring your retirement will be.

Pay your debts.

The Nigerian financial market now encourages employees to take different forms of loans such as salary advance, asset acquisition loan, mortgage loan etc. Be careful, these loans can land you in trouble. You should start reducing your debts 10 years to retirement. If you still have some cash left after paying off other debts, consider paying off your mortgage. This will let you sleep better at night when you retire.

FIVE YEARS OUT

When you have five more years to go, you should take these steps:

Reduce your risk

You should be concerned about reducing your risk. At present, PFAs are allowed to maintain a single pension fund but the situation may change in the future. Talk to PAL at this stage.

Your Expected Income

Financial experts often describe retirement income as a "three-legged stool" consisting of (1) social security payments, (2) employment pension and (3) your other savings. In Nigeria, the social security payment system is yet to be developed, hence you can only plan with and control (2) and (3). Talk to PAL on what to expect from your RSA and also calculate the income

from your other investments. What's the total? Does it look assuring? If not, five years is still okay for you to increase your savings.

Prepare a tentative budget

Now that you know your expected income, you need to prepare a tentative budget. PAL will be able to help you do this. Don't forget to include medical expenses in your budget. Would you still have a child in school on retirement? Remember school fees. When you are done with this tentative budget, you may be surprised to note that you need to either work longer or save more.

TWO YEARS TO GO

Now your retirement is becoming a reality that it is. Do three things:

Refine Your Plan

Get a clearer idea of your future income expectations and expenses. Review your earlier budget then decide on working longer, moving to a cheaper community or living on less.

Review your RSA

Let PAL guide you on your RSA. The company will be able to advise you properly. You should repeat this review the following year.

Visit your retirement destination

You have always been a Lagosian. You need to check if Ibadan will be comfortable for you to live in after retirement. Now is the time to take a vacation there. Do this two or three times in the year rainy season, dry season, Christmas period etc. The idea is to get familiar with the place and decide if it's the right place for you.

ONE YEAR OUT

You are very lucky; you are not one of those people who develop cold feet a year to their retirement. Why? Because you've been planning for the past nine years. Now a year to your final exit, you don't have much left to do than to put finishing touches to your plans. Consider what you want to do with all your savings. Do you want to leave them where they are or make some changes? Again, your PAL will help you with relevant professional advice.

Three months to go.

Thank God it's retirement. Confidently do the following:

Notify your employer

It is expected that your employer will be the first to notify you of your retirement. In case they forget, please remind them. You are a confident would-be retiree. You've planned properly.

Decide on your RSA

PAL will contact you three months to your retirement to know your final decision on your RSA. You can take a lump sum and opt for either a programmed withdrawal or annuity as provided in the Pension Reform Act 2004. The company will guide you through this new phase of your life retirement.

Get the house ready

Get your new destination house ready and start packing. Wherever you choose to spend your retirement time, bear in mind that PAL will be there with you for life.