NAMFISA
NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

January 2017 edition

CONSUMER EDUCATION BULLETIN

Resolution 2017: Treat Customers Fairly

Mission

NAMFISA's mission is to effectively regulate and supervise financial institutions and to give sound advice to the Minister of Finance

Vision

NAMFISA's vision is to be a respected regulator of the financial sector that fosters a stable and safe financial system contributing to the economic development of Namibia

Values

- Teamwork
- Service
- Integrity
- Performance Excellence

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In this Edition:

HOT TOPICS

NAMFISA

From the CEO's Office

"Without goals, and plans to reach them, you are like a ship that has set sail with no destination." — Fitzhugh Dodson

What are your financial goals for 2017?

Allow me the opportunity to wish all the readers of NAMFISA Consumer Education Bulletin a belated happy new year.

The role of our consumer education intervention is to create awareness and to educate the general public about their rights and responsibilities when dealing with financial service / product providers as well as the available recourse mechanisms while at the same time encouraging behaviour change.

Among numerous benefits, NAMFISA aims to:

Reducing reckless spending and borrowing

Promote a culture of saving

Increase financial inclusion

Increase knowledge about financial services and products

Promote personal financial planning through budgeting

And most importantly, assist consumers in knowing their rights and responsibilities in daily dealings with their personal finances

As consumers of the financial services and products, every financial year we pledge to keep new resolutions, always with a smile, because of cause we resolve to better ourselves in one way or another - knowledge-wise, health-wise, money-wise, etc.

But, do we really keep our resolutions? Obviously the answer is, "not always." Actually only a few people meet their resolutions, because resolutions are easy to set and extremely difficult to achieve.

The holiday season has only just passed and none of us has yet forgotten the joy and happiness we had with our beloved family and friends during that festive and relaxing time.

But, now it is time for us to immigrate from that holiday spirit to face realities, including the monthly bills that need to be paid.

Are we resilient and able to bounce back to financial shape and face our bills and financial obligations head on?

Below are a few tips on how to bounce back:

As a consumers, you need to be pro-active with your financial needs.

Re-evaluate your financial position.

Re-asses your financial needs.

Evaluate your budget to make sure you're on track with your normal monthly spending

Ensure that your insurance premiums are paid on time.

Honor all contractual obligations and pay what is due to others.

Pay all installments on the agreed upon date.

If you saved money from your holiday time, boost your credit score by asking for a "good faith adjustment" in your amount due and pay more than what is owed.

I wish you happy reading and urge you to stick to your 2017 financial resolutions.

CEO: NAMFISA
Kenneth S. Matomola

Kenneth S. Matomola

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From the Editor's Desk

2017 is off and running! The Consumer Education Bulletin team that I joined in October 2016 is thankful to our readers for all the feedback and support. The publication tells stories aimed at educating our consumers on their rights and responsibilities.

As the newly appointed Editor of this first edition for the New Year, I enjoyed reading the articles our Bulletin features such as pension funds' ways of working, medical aid choices and well wishes from NAMFISA amongst others.

As we start the year, we are packed with new or changed plans, ideas, and wishes. New beginnings calls for self-betterment as some of us will vow to lose weight while others promise to save money, and a number of us might even resolve to grow professionally, hence me joining NAMFISA which was recognised as a Best Company to Work For (BCTWF).

If you are a part of those who resolved to grow professionally, Omake to you! But do you have a plan? Do you have any specific goals on which to focus? What exactly will you do to ensure you are bettering your career and not falling off that New Year's resolution bandwagon by November 2017 when it is Namfisa' s 16th birthday?

I know change is hard because it influences behaviour and you are faced with the unknown, and transitions are tough to cope with, but parting with the old ways of doing things really feels good too. I came from the banking industry and I am excited to join a great team in the regulatory environment that puts my passion "Consumer education" at the forefront.

Having been in the communications and public relations industry for the past 18 years, I have learned that one of the most effective, and seemingly simplest, ways to grow your career is to expand your network. And that goes beyond keeping your LinkedIn account active. Many successful leaders make networking a top priority—something that should be scheduled just like anything else you do.

There's a proverb that states, "If you want to go fast, go alone. If you want to go far, go with others." While our careers may indeed be just ours at the end of the day, one should never underestimate where the company of others can lead. Most opportunities arise through conversation, because you never know who is looking for what and when.

I am making networking my priority recognising it's important to have a linked circle of peers or loved ones to bounce ideas off and to continuously engage. I therefore leave you with the question: What good is a contact if you're not actually mining a relationship with that individual?

Victoria Muranda
Manager: Corporate Communications

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NAMFISA

Treating Customers Fairly (TCF)

An overview of TCF

Why treat the customer fairly?

The irregularity of information between retail financial services consumers and financial institutions means that financial services consumers are particularly vulnerable to unfair treatment.

Typically, financial institutions have far more expertise and resources available to them in designing, distributing and servicing financial products than consumers have available to them in making decisions about financial transactions. The nature of financial products and services is such that, in many instances, the consequences of unfair treatment or poor decisions are only felt some time – in some cases many years – after transacting. Significant hardship can be the result. In Namibia, challenges are worsened by low levels of both basic and financial literacy, increasing the risk of consumer exploitation.

The desired outcomes of TCF

TCF is a regulatory approach that seeks to ensure that specific, clearly articulated fairness outcomes for financial services customers are demonstrably delivered by regulated financial institutions.

The further intention is that delivery of these specific outcomes will in turn ensure the supply of appropriate financial products and services to customers and enhanced transparency and discipline in financial institutions, resulting in improved customer confidence.

The final desired outcome is that customers' financial services needs are appropriately met through a sustainable industry.

It is proposed for the six Treating Customers Fairly (TCF) outcomes to be introduced in Namibia. These are:

1. Consumers should be confident that they are dealing with firms where fair treatment of customers is central to corporate culture.
2. Products and services marketed and sold in the retail market should be designed to meet the needs of identified consumers.
3. Advice should be suitable and take account of the consumer's circumstances.
4. Consumers must be provide with clear information and kept informed before, during and after the point of sale.
5. Consumers should be sold products that perform as firms have led to expect, within reasonable limitations.
6. Consumers should not face unreasonable post-sale barriers imposed by firms to change products, switch provider, submit claims or complain.

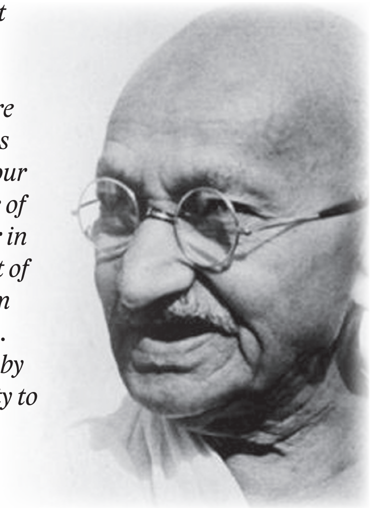
These outcomes are to be demonstrably delivered throughout the product life cycle, from product design and promotion, through advice and servicing, to complaints and claims handling – and throughout the product value chain.

In summary, all financial institutions regulated by NAMFISA in time, will be under TCF scrutiny.

– What does it entail?

"A customer is the most important visitor on our premises, he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so."

Mahatma Gandhi



TCF is a regulatory approach that seeks to ensure that specific, clearly articulated fairness outcomes for financial services customers are demonstrably delivered by regulated financial institutions.

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Important considerations when choosing

A medical aid fund benefit option is not a one-size-fits-all. You must consider the cover you need, how much money you can spend on contributions and whether a specific benefit option has any features that don't suit you. Choosing the right medical aid cover for you and your family is very important. There are many options to choose from and before you make a decision, you may need to ask yourself a few questions.

How much can you afford to spend?

When deciding to join a medical aid fund, first ask yourself what you can afford to spend on the monthly premiums. If you need to see a dentist, you'll want a policy that pays for it. If you need an operation you'll want to be booked into a private ward in the best hospital in Namibia. But are you willing to spend N$10,000 per month for such a benefit privilege? If your budget is between N$1,000 and N$1,500 a month, it is always best to choose a benefits option that is affordable. Knowing how much you can spend reduces most of the work.

What medical cover do you need?

Medical aid cover is broken down into two parts:

In-hospital expenses (which happen while admitted into a hospital) and

Out-of-hospital-expenses (doctors, dentists and over the counter medication).

Without knowing what you need from medical aid cover, you will not know which medical aid benefit option to choose. Therefore you will need to ask yourself the following questions:

How much did you spend on day-to-day medical expenses during the past year?

How much did you spend on visits to the doctor – N$3,000? Hospitalisation – N$0? Dentistry – N$5,000? Medicine – N$2,000? If you already belong to a medical aid fund, it's even easier. Just ask them to send you a copy of your claims history for the last twelve months;

Which of those expenses where once off and which won't come up again soon (like maternity)? Which are likely to come up again and again (Like the flu)? Twice a year you should see the oral hygienist, so this needs to be included in the budget.

Can you pay on your own out-of-hospital expenses?

If yes, then look at medical aid fund options that just covers your hospital requirements;

If you don't have enough money, then consider a medical aid benefit option with a savings account (MSA) attached to it. More information can be found by reading the out-of-hospital cover section of this article.

If you find that you do not use the medical aid as much and is unlikely to claim unless you need a serious operation, then all you need is a simple hospital benefit option. If you run out of savings by March, then you need a plan with much higher savings. For example, a 20 year old who hasn't seen a doctor since the day his mother gave birth to him needs something quite different from the 50 year old with high blood pressure and diabetes.

The younger you are, generally, the healthier you are. That means you may need less coverage. The older and sicker you are, the more medical aid cover you need.

Membership and reserve level

Accumulated funds (reserves) is the net asset value of medical aid funds, and must be maintained at the minimum prudential required reserve level ("reserves level"), i.e. 25% of gross contributions. It is very important to look at the medical aid fund's membership status and reserve level. Some funds have a big membership base, but their reserve level is far below or close to the prudential minimum required level of 25%. This means the fund is likely to have a bigger premium increase at the end of the year. Reserve levels may drop annually, should a fund have a bad claims experience that year.

Other funds' membership might be small, but the reserve level is high, which means enough funds are available and premium increases at the end of the year can be expected to be lower than the average in the market.

Administration

It is important to know who the Fund Administrator is and

a medical aid fund benefit option

how efficient they are in offering assistance, client services and paying out claims.

In-hospital benefits, exclusions and co-payments

Before deciding on which medical aid fund benefit option you want to join, you have to look at the cover each one offers you. The most important question is, how are you covered in hospital?

Most medical aid funds benefit options cover you at 100% or more of the Namibian Association of Medical Aid Funds (NAMAF) tariffs. Other options cover you at 120%, 150%, 200% or even 225%. This means it is always vital to negotiate rates with the medical provider (anaesthetist, specialist, doctor, etc.) If you don't do that, you will be liable for the difference in costs. The other option is to take out an additional product to cover that cost, like additional insurance cover.

ALWAYS read the small print. Study your product brochure to make sure of what is excluded on your option. Some medical aid funds will exclude joint replacements or neck and back operations, so it is VERY important to take note of exclusions. You will then know exactly what you are covered for and what is not included in your package, so that you are not caught off guard.

It is also important to be aware of all co-payments. Many medical aid funds have co-payments (i.e. covered from your pocket) on certain procedures, like gastroscopies, laparoscopies, removal of wisdom teeth, colonoscopies and joint replacements.

Co-payments differ from fund to fund and also depend on whether the procedure is done in or out of hospital.

Out-of-hospital cover

Some medical aid fund benefit options in the marketplace work with "savings". These are called New Generation options, where you are given a percentage of your monthly premium upfront for the year. This is available to you immediately, depending on the applicable waiting period.

These "savings" will be used for almost everything outside of hospitalisation and also for any co-payment you might have. Once the savings have been depleted for the year, you will have to pay for the out-of-hospital expenses out of your own pocket.

Chronic medication

When it comes to chronic medication, first make sure it is covered on the option you want to join. Ensure that your condition is regarded as chronic and that the medication you use is also covered. Most people join an option because it covers their condition, but when it comes to the medication, the medical aid fund says it is not on their formulary and is not covered. They will then request you to use an alternative. If that is not possible, they will pay you the Namibian dollar amount for the alternative and you will be liable for the difference in cost.

Oncology, dialysis and HIV

You also have to make sure how the medical aid fund and option cover oncology, dialysis and HIV. Most medical aid funds have specific benefit programmes for these conditions, which offer good cover, but it is important to make sure exactly what that cover is.

In conclusion, once you have familiarised yourself with the available options offered by your respective medical aid fund, it will be easier for you to select a cover that is right for your needs. By answering the questions in this article you now know:

1. Which medical aid fund benefit options suit your budget;
2. Whether you need a more or less comprehensive option; and
3. Whether it's just in-hospital coverage (big expenses) you need or should you include out-of-hospital expenses;

Now you can start shopping and comparing various medical aid fund benefit options and remember to choose the option that best meets your medical needs.

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Pension Backed Housing Loans - how do they work?

Pension Backed Housing Loans (PBHLs) have become a very important part of the pension fund industry as they give members the chance to use their pension benefits/savings (fund credit) to buy immovable property such as houses, flats, apartments or land, or to make renovations to their homes. PBHLs have become popular in Namibia and are mostly being used for home improvement projects (i.e. renovations), rather than for buying new homes, because the size of the loans can be small. Do members of pension funds really understand how PBHLs work?

In order to provide members with more information, in this issue we discuss the following:

1. Laws and purposes of these loans;
2. Conditions for a loan to be granted;
3. Types of PBHLs;
4. Practicalities;
5. Some important considerations; and
6. Observations by the Regulator.

Laws and purposes of these loans

PBHLs are allowed and managed in terms of Section 19(5) of the Pension Funds Act of 1956 (Act no. 24 of 1956) ("the Act"). The Act states that a loan that is given to a member through a pension fund, is an investment made by the fund in the member to enable him/her to: -

Pay-off or settle a loan that's been granted to the member by another party, such as a bank or building society, for immovable property. Immovable property refers to assets such as houses, flats, apartments or land on which a house or a flat or an apartment will be built;

Buy a dwelling (which is another word for a house, a flat or an apartment etc.) or land on which it's expected that a dwelling will be built by the member or his/her spouse; and

Make renovations, additions or alterations to the member's existing house.

This means that the Pension Funds Act allows funds to give loans to its members, but only for the reasons given. When a member applies for a PBHL, s/he must know that it must be repaid to the fund. These loans are given for housing purposes only and may not be used as a way to allow members to abuse/ access their retirement benefits early. These loans must be repaid in full by the time the member retires so that the final retirement benefit is replaced to its full value. It must be noted that the Board of Trustees of a fund have a responsibility to prevent or report any abuses of these loans to NAMFISA.

Conditions for a loan to be granted

A member can be given financial assistance in the form of a "direct loan" from a retirement fund or a guarantee (i.e. "indirect loan") to secure a third-party loan. A guarantee is a promise by the fund to pay for your home-loan if you fail to pay it yourself. Direct and indirect loans are allowed only if:-

1. The property belongs to the member or to his or her spouse; and

2. That the house must be occupied by the member or the dependents of the member.

3. The loan that you receive is not more than 90% of the value of the property or 90% of the member's savings in the fund, whichever is lesser. So if the price of the house you want is N$500,000 but you have only saved N$400,000; the maximum loan you can get from the fund is 90% of N$400,000 which is N$360,000.

Should the member be applying for a loan to buy land, the member must have every intention to build a house on it, in future, which will be occupied by the member and/or his/her dependents. Circular no. PI/PF/3/2003 states that a fund may not grant more than one loan to the same member at a time.

So if a member already owes the fund for a housing loan, s/he cannot be allowed to get another loan. PBHLs can only be granted for housing related costs and cannot be used for any other purposes such as buying of cars, cattle or paying off living expenses/bills. The loan amount must be repaid over a period of not more than 30 years. The maximum allowed repayment term differs from fund to fund, so please make sure you know what the maximum repayment period is that your fund allows.

Types of PBHLs

A **direct housing loan scheme** is one where a fund grants a member a housing loan directly from the assets of the fund. Direct loans are granted to members (by a fund) which are taken from the members' savings in the fund. For example, if a member has a fund credit of N$50,000 and s/he borrows N$20,000 for renovations. This would mean that the members benefit in the fund will be reduced by the loan amount and paid over to the member which ultimately reduces the assets of the Fund. The interest rate payable for such loans as prescribed by the Act equals to the Namibian Prime rate plus 4%. At present, the prime rate is 10.75%, which means a member will have to repay this loan at an interest rate of 14.75% over the term of the loan. On a monthly basis the employer will deduct the monthly instalments payable for the loan from the member's monthly salary and these are then paid to the fund on behalf of the member.

There are also funds that have implemented **"indirect" housing loan** schemes for their members. Indirect loans are housing loans granted by a third party usually a bank to a member. The member provides his/her savings within the fund as security for the loan. So should it happen that the member fails to repay the loan or leaves the fund, the bank would call on the guarantee issued to settle the loan and the outstanding amount would then be taken from the member's fund credit before the benefit is paid out to the member should s/he be leaving the fund. Similar to direct loans, on a monthly basis the employer will deduct the monthly instalments payable for the loan from the member's monthly salary and these are then paid to the third party (e.g. a bank or building society) on behalf of the member. The interest rate for indirect loans are usually linked to the prime rate, however, funds are able to negotiate favourable rates with the bank.

Rules of the Fund

Should you wish to apply for a PBHL:

Firstly, find out whether your fund makes provision for such

Pension Backed Housing Loans -

Continued . . .

loans to be granted to members.

Secondly, if your fund does have a housing scheme, you need to find out the amount members are allowed to borrow. Amounts that members are allowed to borrow differ from fund to fund but cannot be more than the maximum in the Act.

Some funds allow their members to borrow only up to 50% of their savings, however,as mentioned thisdiffers from fund to fund. For example, if your fund allows you to borrow up to 50% of your fund credit for a housing loan and you have a fund credit of N$200,000, it would mean that you may only borrow up to N$100,000 for housing purposes.

Once you know the position, you will most probably be given more information in terms of what steps to follow for you to be granted a loan.

Usually a member will be required to complete a PBHL application form as well as submit quotations for the work to be done on the house or else a deed of purchase / sale agreement entered into by the member and the entity selling them the house or land. Should you want to renovate your house, you will need to provide proof that the property belongs to you or your spouse and that you, your spouse or your dependents live in it.

Some important considerations

Should a member decide to borrow money from his/her fund for housing purposes, please check the latest value of your current fund credit as well as read up on the rules of your fund's housing loan scheme so that you confirm that the maximum allowable loan amount that you want to borrow will be enough for whatever you want to do (i.e. to purchase a residence or land or for renovations). Members are cautioned to carefully consider the following before applying for a home loan:

Type of loan to apply for – A member needs to decide which type of loan they wish to apply for from the fund. A member should look at the type of loan that gives him the best benefits for the best price. A member will therefore need to investigate and find out what the interest rate payable is for each type of housing loan before an application is made.

Affordability - Looking at your monthly and/or yearly budget may help you understand just how much you can afford to make in loan repayments, therefore helping you decide on a loan amount and term of the loan that will suit you.

Make sure that you can afford the monthly repayments throughout the loan's term, especially if interest rates are to go up. Remember that interest rates do not always stay the same and if they are to go up, you will have to pay more for your loan each month.

Additional expenses - In addition to the monthly loan repayment, expenses such as travelling costs, school fees, insurance premiums to cover damages or loss to the structure of the house, the cost of maintaining the house, municipal and other costs such as rates and taxes, water, electricity, security etc., all need to be considered. It is important for a member to budget properly to lessen unwanted surprises.

Current financial situation – A member should always consider their current financial situation before applying for a housing loan. It is easy to apply for a loan while forgetting your future plans such as getting married, the costs of taking care of the baby that's on the way or unexpected costs for events such as death in the family or other loans that might put pressure on you financially. You will have to look at your finances as a whole and ensure that should you apply for a loan there is some room for unexpected costs or living expenses.

Length or term of the loan - The term of the loan also plays a very important part in determining the total cost of the loan as well as the repayment amount you will have to make on a monthly basis. Please note that the longer the term, the more the loan will cost as well as the lower the monthly repayment/ installment will be. Should you choose to pay off the loan in a shorter term/period, the cost of the loan will be much less than that of a longer term. In addition, the shorter the term, the higher the monthly repayment will be.

Interest rates – Members need to pay attention to current interest rates as well as future expected movements in interest rates.

Should the interest rate go up, the member's repayment amount will also increase thereby putting more pressure on the member's monthly income and spending budget. If they decrease then the member's repayment amount will also decrease giving some relief to the member.

Observations by the regulator

Some abuses have come to the Registrar's attention and members are cautioned to please observe the law as the Registrar will not hesitate to investigate and report any abuses to the relevant authorities. Some of the abuses noted include:

Members using PBHLs to settle loans that are for purposes other than for housing e.g. settling of car and other debts. PBHLs are not to be used for purposes other than that of housing as per the Act. These loans must be used for housing purposes only. A member is not allowed to use the loan to buy food, cars, livestock or any other purpose. Neither should the loan be granted to a member for speculation in the property / housing market when the member already has a house or houses.

The awarding of PBHLs by funds to members for the acquisition of holiday cottages or accommodation for children at university. This does not conform to the purposes of acquiring a house as envisaged by the Act. These loans must be granted for genuine housing needs of the members; and

The granting of PBHLs by funds to members where the properties concerned do not belong to the members or their spouses or are not occupied by the member or dependents of the member;

It must be noted that the regulator can and will use its powers to bring civil action to the perpetrators so as to ensure compliance.

How money is laundered and how terrorists are sponsored

There are many ways of laundering money, sponsoring terrorism as well as manufacturing, acquisition and distribution of weapons of mass destruction in violation of national and international laws. This article aims to inform you, the consumer, of some of the ways these illegal activities are carried out.

Money Laundering Techniques

Money laundering involves taking illicit proceeds and disguising their illicit source in anticipation of ultimately using the criminal proceeds to perform legal and illegal activities. Simply put, money laundering is the process of making dirty money look clean.

The list of possible examples of money laundering is non-exhaustive and changes over time. The following are examples of such techniques or methods:

Smurfing: making a multitude of payments in different periods of time and through different banks. This will have the effect that a single money transaction is divided into several smaller transactions in order to circumvent the bank monitoring system, which aims to identify all those operations that exceed a certain threshold value.

Gambling: In most cases criminal organizations clean up their money using gambling houses and casinos. They buy gambling chips in large quantities in order to play, but use only a small part of them or don't use them at all. The purpose of these operations is to convert the chips into money and simultaneously be issued by the gambling house a document that certifies the win.

Backing of financial loans i.e. giving a loan to oneself: In this method a member of a criminal organization deposits dirty money into a bank account in a "financial haven", also known as a jurisdiction known to have few restrictions on legitimate business-activities and requiring little or no income tax.

In the second step the criminal organization asks for a loan from a bank, taking as collateral the money deposited with the first bank. Next the loan granted by the second bank will be reinvested in real estate, companies or other financial instruments.

Fictitious transactions in properties: this method involves the sale of property at a price higher than its market value.

Shell company: also known as a company which serves as a vehicle for business transactions without itself having any significant assets or operations.

Terrorist Financing Techniques

Terrorism financing refers to activities that provides financing or financial support to individual terrorists or terrorist groups.

The sums needed to mount terrorist attacks are not always large, and the associated transactions are not necessarily complex.

There are two primary sources of financing for terrorist activities. The first involves financial support from countries, organizations or individuals which may come from legitimate sources while the other involves a wide variety of revenue-generating activities, some illicit, including smuggling and fraud.

A new phenomenon in terrorist financing has been the emergence of Foreign Terrorist Fighters ("FTFs"), these are as a result of the increasing efforts by terrorist groups working to radicalize individual's often young people and inciting them to leave their homes to become foreign terrorist fighters.

These FTFs are largely self-funded and have revolutionized terrorist financing. The following are other examples of terrorist financing methods and techniques:

Private donations: direct financial support can come from individuals to terrorist networks. There is also a movement for newer terrorist organisations to look for different small scale sources by using fundraising through social media. Also, wealthy private donors can be an important source of income for some terrorist groups.

Abuse and misuse of non-profit organisations: Terrorist entities target may target some non–profit organisations (NPOs) such as charities and religious institutions to access materials and funds from these NPOs and to exploit their networks.

Proceeds of criminal activity: terrorist organisations will engage in a variety of illegal activities to generate funds. For example, terrorist organisations engaged in identity theft to raise funds via credit card fraud.

Legitimate commercial enterprise: some investigations and prosecutions have found a connection between a commercial enterprise, including used car dealerships and restaurant franchises, and terrorist organisations, where revenue from the commercial enterprise was being moved to support a terrorist organisation.

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http://www.moneylaundering.it/2015/05/14/methods-and-techniques-of-money-laundering/

Questions to ask you before investing in a

What are financial advisors (FA)?

A financial advisor, who is also referred to as an "Authorised representative", is a person authorised by a manager to solicit investments in a portfolio from members of the public or to give financial advice or make disclosure of information to investors or potential investors concerning the sale, repurchase, issue or cancellation of a participatory interest;

What is the role of a financial advisor?

A Financial Advisor must take all reasonable steps to:

Determine your investment objectives, risk tolerance, financial situation and investment experience;

Ensure that the product s/he recommends is suitable for you, taking into account all the information you gave; and

Explain to you why the product s/he is recommending is suitable for you.

Financial Advisors in Namibia are currently not required to register with NAMFISA, therefore, the onus lies with the consumer to understand the following terms before investing in a unit trust fund:

What is a unit trust?

A Unit Trust Fund pools money from investors and invests it in a portfolio of assets according to the fund's stated investment objective and investment approach. Through a unit trust fund, an investor can also achieve a spread of investments in assets such as shares, bonds, deposits, money market instruments, real estate etc. A unit trust is a fund which adopts a trust structure. The pool is managed by a team of full time professionals and a trustee is appointed to protect the interests of the unit holders.

What are the benefits of investing in a unit trust?

A financial advisor must be able to explain the benefit of investing in a unit trust. However, some of the benefit are listed below as follows:

Professional Investment Management: Unit Trust Management Companies hire full-time investment professionals to manage the investment portfolios; These managers have real-time access to market information and they are able to execute trades in a very quick and cost-effective manner;

Affordable and Easy: Unit Trusts are affordable as you can invest small amounts of money (as little as N$100 per month) and this makes it possible for more people to easily invest in underlying assets that they normally would not be able to afford;

Diversification: Unit Trusts invest in a broad range of securities. This limits investment risk by reducing the investor's exposure to a possible decline in the value of any one security. This implies that investors may benefit from diversification techniques that are usually only available to large investors who are able to buy significant positions in a wide variety of securities;

Liquidity: Unit Trusts in Securities are easy to sell which means that you can sell all or part of your investment at any time and get your money back in a prompt manner at the relevant market related prices;

Transparency: You get regular information on the value of your investment and you may be able to obtain information on the specific investments that are made by the Unit Trust Fund; and

Different investment options: Unit Trusts in Securities offer flexible investment options as you can make:

• Lump sum investments – these can be made at any time once you have opened your collective investment account;

• Debit order investments – you can make regular payments, e.g. monthly, into your account; and

• Switching – as there are many different collective investment portfolios, you can switch between different portfolios at little or no cost.

Do all unit trusts have equal risk?

All investment carry some degree of risk that could affect the value of your savings. It's important for you to know the type of risks associated with the investment you make. In this regard, ask your financial Adviser to explain the type of risk associated with your potential investment.

What information should a financial advisor disclose to you when recommending an investment product?

Your Financial Advisor should be able to provide you with up to date information about the various investment products

ur financial advisor a unit trust fund

available to you (in accordance with your risk appetite), the associated costs and the services they provide to you. When a financial advisor is recommending a unit trust to you, s/he is required to disclose the key features of the product including the following:

Nature and aim of the product: Whether the product is a unit trust (in securities or property), and whether it is meant for protection, savings or investment.

Benefits of the product: Information on the amount and timing for payment of benefits and whether the benefits are guaranteed or non-guaranteed.

Risks of the product: Take the time to understand whether the funds you've shortlisted actually fit in with your risk profile before you invest in them. Details of the risk factors that may result in the benefits payable as stated in the prospectus or profile statement (for a unit trust).

Details about the fund manager: The business address and permitted activities of the fund manager, and the relationship between the fund manager and the Financial Advisor.

Fees and charges to be borne by you (investor): Details of the amount and nature of fees and charges to be paid by you, and the frequency of payment.

Tax on profits: Details on the withholding tax to be charged on dividends earned and calculations thereof.

Warnings, exclusions and disclaimers: Information on the procedures, charges and restrictions for withdrawal, surrender or claim of the product.

Reports that you are entitled to receive: Details of how often you can expect to receive reports on your unit trust investment and how you can get the reports (email, Post, website, etc.).

Time Horizon: Determine whether the unit funds you wish to invest in fit your time horizon goals.

Fund distributions?

Find out how frequently the fund will distribute (interest).

Switching between funds/ portfolios?

Find out whether you have the option of switching between funds and the costs involved.

What documents must a Financial Advisor give me when recommending an investment product?

A summary of the information obtained from you on your investment objectives, financial situation and personal needs;

The specific recommendations of the Financial Advisor and the basis for the recommendation;

A copy of the prospectus or profile statement (for unit trusts only);

A copy of the product summary and benefit (fund fact sheets);

Get your Financial Advisor to explain what is in these documents.

Read the documents carefully, including the fine print, and ask your Financial Advisor if there is anything you do not understand or are unsure about.

How do I check whether a unit trust is approved for offer to the public?

A list of approved management companies and funds is immediately available upon request from the NAMFISA. In addition, the management companies are issued with registration certificates which must be visible at the management company's offices. Lastly, all registered unit trust funds are also listed on the Association for Unit Trusts website.

Although there are laws and guidelines to aid investor protection, it is ultimately the investor's responsibility to evaluate the suitability, profitability and viability of an investment. An investor must read the information which is required to be provided in the prospectus and make the decision whether to invest or not, based on their own circumstance and attitude to risk.

What reports can I expect to receive for my unit trust investment and how frequently will these reports be sent to me?

Information pertaining to the performance of your unit trust investment must be provided to you on a quarterly basis or at financial year end of the company. This information includes:

- Annual Reports and Performance Statements from the Fund Manager.
- Monthly or Quarterly Fund Fact Sheets
- Investment Statement

When can members claim pension benefits?

Introduction

As the world progresses with improvements in technology and medicine, today an average person is expected to live longer than they did before. On the other hand, the number of years where that the same person can work and earn an income is limited. In Namibia the normal retirement age is 60 years of age, although it has been seen that an average person can live for many more years after retirement. Since you will no longer be earning an income from formal employment during the retirement period, it is very important to save enough money during working life to support yourself after retirement.

A pension fund is like a savings account that an employer sets up to give you money something when you retire. Belonging to a pension fund gives a member certain benefits. These benefits are in the Rules of the Fund and are different from fund to fund. Members should make sure that they get a copy of the Rules of the Fund to know what benefits they are entitled to and when they can be claimed.

Type of pension funds

A fund can be either a pension, provident, or a retirement annuity fund. The main difference between a pension and provident fund is that if you retire under a pension fund set up, the member may only get one-third of the total benefit as a cash lump sum and the other two-thirds is paid out in the form of an annuity (usually a monthly pension/income) over the rest of your life. A provident fund member can get their total benefit as a cash lump sum and therefore gets control over how to use or invest those funds on their own.

A retirement annuity is a product that is designed to accept and grow funds from an individual and then, upon maturity of the contract, pay out a stream of payments to you at a later point in time (after retirement).

A preservation fund is a retirement fund designed specifically to invest your pension or provident fund benefit once you have withdrawn from the fund. You may transfer your benefits to a preservation fund if you are dismissed, retrenched, or when you resign.

When can you claim your benefit?

You cannot claim your fund credit (pension savings) for reasons other than for the events that we shall discuss further below.

You cannot claim your fund credit because you need money urgently, for some reason like to put down a deposit for a car. If your employer chooses to invest in a different pension scheme and transfers all members pensions from the old scheme to the new one through a section 14 transfer, as a member, you cannot cash in your pension at this point either. A pension fund is not a savings pocket where withdrawals can be made at any point in time because it is meant to be a long term investment.

It is therefore not recommended to withdraw/claim your

benefits for reasons other than retirement for the reason that as you reach your retirement age, you would most likely not have enough funds to be able to maintain you standard of living once you have retired if you have withdrawn most of the benefit. It is important to note that, the less you take out as a lump sum at retrenchment, dismissal or resignation, the more you will be able to spend on buying yourself an annuity that will pay you an income (pension) for life once you have reached your retirement age.

You can only claim pension benefits when one of the following events happen:

Reaching the normal retirement age;
Resignation/Dismissal;
Early retirement;
Retrenchment;
Disability/Ill health; and
Death.

Types of pension benefits

Normal retirement

The normal retirement age is usually 60 but it may vary from employer to employer. Upon retirement, you will receive a lump sum of one third of the total pension tax-free if your scheme is a pension fund. In addition, you will receive a taxable monthly income for a period of time. In the case a provident fund, you can get 100% of the total pension benefit, reduced by the tax that is deductible on two thirds of the total benefit.

Early retirement

Should you wish to go on early retirement, you have to seek approval from the employer, however this also depends on whether it is allowed by the rules of the fund. The age of the employee wishing to go on early retirement must comply with what is specified in the rules of the fund. The formula used to calculate the benefit that you will be entitled to is also in the rules of the fund as well.

Retrenchment

Employers sometimes decide to retrench their employees when they cannot afford to or it no longer makes sense to keep a full staff compliment. The benefits are calculated in the same manner as normal retirement benefits or as specified by the rules of the fund.

So much of the lump sum that is not funds transferred to another approved pension, provident, retirement annuity or preservation fund, will be taxable at the average tax rate of the member.

Disability benefit

Employees who suffer from diseases such as cancer, stroke, total blindness and heart problems or that have been disabled in an accident may qualify for a disability benefit, or as stipulated in the rules of the fund. Although their services are terminated, they may remain full members of the fund; they may contribute to the fund and may qualify for death and funeral benefits like normal employees. The benefit you receive will be calculated in accordance with the rules of the fund.

Resignation/dismissal

When the employee resigns/dismissed from service he/she has the following options:

Take the benefit in cash (the benefit will be taxed),
Transfer the benefit to new employer's pension/provident fund,
Transfer the benefit to an approved retirement annuity,
Transfer the benefit to an approved preservation fund,

Some funds may allow the member to keep the benefit within the fund subject to terms and conditions as the rules of the fund may specify. The benefit due to the member will be calculated as specified in the rules of the fund.

It is also important to note that after transferring your benefit into a Retirement Annuity Fund, no withdrawal benefits may be taken from the fund before retirement age of 55 years. For preservation funds, you are allowed any number of taxable withdrawals during the first three years of the investment, after which the remaining funds will be locked in until your retirement age.

Ill-health retirement

Employees who suffer from continuous illnesses can be put on ill- health retirement if the rules of the fund allow for such benefit. A retiree on ill health may receive a pension that is calculated in the manner described in the rules of the fund. Lump sum benefits from a pension fund as a result of the ill-health of the employee is not taxed.

Death benefits

Should an employee die before retirement, the benefit payable will be calculated according to the rules of the fund, to the beneficiaries of the estate. The annuities/pensions paid to the dependents are taxable at the marginal rate.

How can you claim your benefit?

Members can claim retirement benefits by completing a claim form and attaching all required documents and sending this to the fund for processing. The length of time taken to process the pension claim so that you can receive your pay out depends on the fund and or administrator therefore these periods may vary.

Resolutions and advice for 2017

It's that time of year again. Every New Year most people make resolutions with the best of intentions. We are always highly motivated and jump into the New Year ready to make some big changes.

What are your New Year's Resolutions and advice for 2017?

It isn't good enough to say, "I want to save-wise, be budget-wise and spend-wise by making sure all my credits are paid down", I have to do it.

My professional resolution is to plan strategically, introduce, and execute aggressive consumer education campaigns that can change attitudes and behavior towards improved personal finance.

Uaatjo Kaurimuje,
Consumer Education Officer

My New Year's goals are to spend more time with my Creator and God, to stop procrastinating, to commit to living healthily in the New Year by constantly reminding myself that I am what I eat. Also, I want to be a better colleague and friend. I want to extend a helping hand wherever possible and surround myself with positive upbeat people. Finally, in the New Year, I will invite more love, happiness and laughter into my life.

Rachelle Metzler
Manager: Microlending & Credit Agreements

My personal resolution for long-term insurance department is to have a system based on the principle that every colleague must be committed to maintaining high standards of work in every aspect of the department's operations. I would like to see that every task carried out is done correctly at first attempt.

Thabitha Muxinga-Madhimba
Temp: Regulatory Analyst: Long Term Insurance

It is now a new year and the holiday season has already passed. Many people are indulging in retrospection and reevaluating some of their life choices. One of my personal goals which I strongly believe will benefit myself and my employer is to obtain a certification in Internal Auditing (CIA) and by obtaining that I will be well equipped to give support to NAMFISA Management and the Board in the effective discharge of their responsibilities of effectively regulating and supervising financial institution.

Marvelous Ngarizemo
Internal Auditor

I challenge you to do a critical analysis of your financial growth last year in 2016. Have you done any investment that will ensure your financial security beyond your working life? Did you make any adjustments in your spending patterns that will save you money? Did you use 2016 to save money? If not then the only logical step is to rethink your personal budget allocation. Redirect your finances towards ensuring your long-term financial stability or start participating in additional retirement saving vehicles such as retirement annuity schemes. Monitor and review the growth of your savings. Know your rights and responsibilities.

Hendrik Nkole
Senior Financial Analyst: Pension Funds

For many, the path to good health is not an easy one, with plenty of road blocks along the way. Procrastination, family obligations, work demands, and lack of time and energy are only a few culprits that can stop the best of health resolutions in their tracks. Health related goals such as losing weight, exercising more and eating better are probably some of the best New Year's resolutions you could ever make. Ensure that 2017 is your healthiest year yet! Find ways to boost your health and well-being and be an inspiration to yourself and others.

L'oreal G. Tjiueza
Manager: Medical Aid Funds and Friendly Societies

TransUnion

Financial Fit New Year Resolutions

It's the start of the New Year. What resolutions have you made? Will you make (and possibly break) the most common resolution of all – to lose weight? Or will you make, and stick to, a resolution that could truly transform your life: to become financially fit and healthy?

TransUnion's latest TransUnion Southern African Consumer Credit Index (CCI) report indicate that more consumers are resorting to borrowing money in order to pay off debt or for general expenses, one would hope that money-related New Year resolutions would feature close to the top of a Southern African New Year resolution list.

New Year is the ideal time for consumers to appraise their current financial situation and make goals for where they want to be at the end of 2017.

However, sticking to New Year resolutions and achieving one's financial goals will require determination, planning and hard work. TransUnion has therefore come up with five, easy-to-follow tips to help consumers get financially fit in 2017:

Sticking to New Year resolutions and achieving one's financial goals will require determination, planning and hard work.

Step 1: Check your credit reports frequently
The first step to robust credit health is to recognise which bad financial habits, such as late payments, you may have and how they are represented on your credit report. Regular credit report check-ups may also help you guard against identity theft. You are entitled to one free credit report from every credit bureau every year. To get your free credit report from TransUnion, simply either phone the TransUnion call centre on **061 227142** or email: **Namibia-freereport@transunion.co.za**

Step 2: Know your score
Understand what affects your credit score and take the necessary steps to reaching healthier credit.

Step 3: Create a monthly spending plan and stick to it
Determine your current spending habits and set a monthly budget to determine just how much disposable income you have so you can manage it wisely.

Step 4: File a dispute
It is your right to question information on your credit report that you don't recognise or that may not accurately reflect your credit history. If you would like to dispute your TransUnion credit report, call the TransUnion call centre on **061 227142** to lodge your dispute.

Step 5: Guard against identity theft
To help minimise your risk against it, sign up for a credit monitoring service that will quickly alert you to any changes in your report.

Treat Customers Fairly (TCF)
Win A Gift Hamper From Namfisa!

- List of Words -

Know	NAMFISA	And	Questions
Budget	Wise	Visit	Plan
Rights	Same	Its	Money
A	Are	Your	The
Responsibility	Do	Consumers	Ask
	Protect		

How to play:

*Cut out the words on the dotted lines
*Construct a short, understandable sentence using the words you cut out
*Take a snapshot of your sentence
***Post it with your contact details on the NAMFISA Facebook page**
*Or, mail the a page with your clipped words and your contact details to ukaurimuje@namfisa.com.na

Enter as many times as you would like, but submit only ONE sentence per entry
You could win a wonderful gift hamper from NAMFISA
Closing date 15 March 2017
For more details, contact **Uaatjo Kaurimuje** (061) 290-5000
Terms and Conditions apply

Budget Sheet

Take control of your finances

1: Monthly Income

Income is the total sum of everything your household earns. It can come from the salary of a steady job or work you do on the side.

You: Monthly salary (after tax) ....
Husband/wife: Monthly salary (after tax) ....

Total Income (A) A = ...

2: Monthly Expenses (B¹)

Expenses are everything that you spend your money on each month. Expenses on your monthly budget sheet can include:

Rent/mortgage/bond ....
Municipal bills (water, electricity, rates and taxes) ....
Food (cooking at home) ....
Clothing and shoes (average expenditure) ....
Toiletries ....
Medical/prescriptions ....
Taxi/bus/petrol ....
Domestic staff salaries ....
Plumber/electrician – home maintenance ....
Credit/charge card payments ....
Car loan repayment ....
Personal loan repayment/overdraft fees ....
Bank charges for ATM/card/account usage ....
School fees ....
Crèche/day care ....
Cell phone/Airtime ....
Telephone bill/internet data costs ....
Charity/church contributions ....
Entertainment (including eating out, movies, sports events, etc…) ....

2.1 Expenses You Should Have (B²)

Medical aid ....
Life insurance ....
Funeral insurance ....

2.2 Other Expenses (B³)

....
....

Total Expenses (B) B¹ + B² + B³ = =(B) ....

3: Savings

We always stress the importance of putting money aside for the future. Pay yourself first. Set aside a percentage of your monthly income and save it from the start, before paying all other obligations.
You can save for a particular goal like the purchase of a new washing machine, rather than buying one on credit at high interest rates, or you can save 'for a rainy day', so that you are better prepared for life's downtimes, emergencies and unforeseen obligations.
You can also save for investment.
After your savings exceed a certain amount, your financial institution or banker can advise on options for higher interest products or returns on commercial investments that can help your money earn money.

Savings (C) = ...

4: Adding It All Up

Take your Income (A) and subtract the total of your Expenses (B) and then subtract your Savings (C) to see how much money you will have left over at the end of the month.

E.g. Income (A) = N$5,000; Expenses (B) = N$3,850; Savings (C) = N$500
Therefore: N$5,000 - N$3,850 - N$500 = N$650 left over at month-end.

Glossary of Terms

As you read the NAMFISA Consumer Education Bulletin, you may come across words and terms that aren't familiar. If that happens, this section can help make things a bit clearer.

Beneficiaries: A person who derives advantage from something, especially a trust, will, or life insurance policy.

Budget: An estimate of income and expenditure for a set period of time.

Cancellation Notice: A notice (usually written) to discontinue the services offered by a provider.

Cheque: A payment order to a bank, written on a specially printed paper as a substitute for cash or cards.

Claimant: A person making a claim.

Complaint: An expression of dissatisfaction/unhappiness.

Confidential: Intended to be kept a secret.

Contract: A written or oral legal agreement set up between two or more people.

Coverage: The degree to which an insurance contract protects you.

Debt: To owe money to someone.

Dependent: S/he who is in need of financial or other support.

Economy: The state of a country or region in terms of the production and consumption of goods and services and the supply of money.

Entrepreneur: A person who sets up a business or businesses, taking on financial risks in the hope of profit.

Embezzle: Steal or misappropriate (money placed in one's trust or belonging to the organisation for which one works).

Financial Literacy: The ability to understand how money works in the world.

Fraud: Wrongful or criminal deception intended to result in financial or personal gain.

Healthcare: The organised provision of medical care to individuals or a community.

Insurance: The compensation paid by an insurer in the event of loss, damage, illness or death, in return for a monthly contribution.

Investment: The action or process of investing money for profit.

Jurisdiction: The official power to make legal decisions and judgments.

Loan: Money borrowed that is to be repaid with interest.

Malpractice: Improper, illegal or negligent professional behaviour.

Market: The action or business of promoting and selling products or services, including market research and advertising.

NAMFISA: Namibia Financial Institutions Supervisory Authority.

Over-insurance: Where an insured has bought so much coverage that it exceeds the actual cash value (or the replacement cost) of the risk or property insured. For the insurance company, over-insurance constitutes a moral hazard because the insured (over-insured) may be tempted to make a false claim to profit from a loss.

Resolution: A firm decision to do or not to do something.

Savings: Money set aside for later use.

Solvency: The ability to meet maturing obligations as they become due.

Spam: Irrelevant or unsolicited messages sent over the internet, typically to a large number of people.

Stakeholder: A person with an interest in a company/business.

Vague: Thinking or communicating in an unfocused or imprecise way.

Welfare: Social efforts intended to help people in need.

Namibia Financial Institutions Supervisory Authority

Consumer Education Bulletin,
January 2017 edition
Treat Customers Fairly

Feedback? Comments?
Suggestions of new topics?
We want your opinions – contact us:

Call: +264 61 290 5000
Write: PO Box 21250, Windhoek
Email: ukaurimuje@namfisa.com.na
Visit: 1st Floor, Sanlam Centre
154 Independence Avenue
Windhoek