



# A LONG LIFE CAN BE A LIABILITY Wait, What?



*Longevity Risk: The risk of living for so long, that you run out of money!*

## DO YOU KNOW HOW LONG YOU'LL LIVE?

Probably not. You can make a few guesses, based on how long your parents lived, and your health, and any genetic conditions you may suffer from, or one day develop. But the simple truth is that none of us know for sure how many years we are given on this planet.

## SO... HOW CAN YOU PLAN FOR SOMETHING YOU CAN'T PREDICT?

Two golden guidelines:



Be **realistic** in your estimate



Err on the side of caution.

So, if your parents both lived to 75, bearing in mind that healthcare and medicine is improving all the time, you can expect to live for at least 85 years, if not more.

## AND WHY DOES THIS MATTER?

Because if you plan to retire at age 65, then you will need a pension to provide an income at retirement for at least 20 years. It is common 'retirement wisdom' that your first monthly pension should be at least 70% of your final salary just before retirement, so that your standard of living does not fall dramatically after you retire.

## **WILL YOU HAVE ENOUGH MONEY TO LAST THAT LONG?**

Inflation means that your money continues to lose purchasing power over time, and you really need to think very carefully about how much money you'll need in order to live comfortably in retirement.

Given the impact of inflation, it is important to understand whether you will reach your goal of a comfortable retirement. You can predict how much your monthly income may be when you retire and this can help you to plan ahead for your retirement needs.

## **OKAY, SO WHAT SHOULD YOU DO ABOUT IT?**

### **Two more golden guidelines:**

- Save as much as you can, for as long as you can, and leave your savings to grow.

This growth in your retirement savings is achieved by the fund's Board of Trustees investing your hard-earned savings into carefully selected investments with acceptable risk to you as a member.

- As a retirement fund member, you will need to ask yourself some important questions to determine how much you may need as income when you retire, in order to maintain the lifestyle that you are used to (e.g. will you still have debt by the time you retire, which of your lifestyle expenses will decrease and which will likely increase after retirement?)

Your advisor will be able to help you predict how much retirement savings you are likely to have accumulated by the time you retire by projecting your retirement savings, based on realistic assumptions.

At least ten years before you plan to retire, start discussing your pension options with your financial advisor. (Obviously, this means you need to have a financial advisor in the first place.)

It's normal to want nice things. It's normal to feel like you've earned the right to spend your money on luxuries.

But unfortunately, especially in South Africa, it's sadly also very normal to have a terrible time after retiring, because there simply isn't enough money. Many South African pensioners cannot make ends meet. They end up relying on their family, or having to return to work, or living a very reduced, unpleasant, and stressful lifestyle.

These risks can be carefully managed, however, and provided you and your employer make regular and consistent contributions into your retirement fund, which are left invested and not withdrawn, your chances of a comfortable retirement will be much improved.

***DON'T BECOME A SAD STATISTIC.***

**SAVE YOUR MONEY AND SAVE YOURSELF FROM FUTURE FINANCIAL HARDSHIP.**

### **Disclaimer:**

The information contained in this communication, including attachments, is not to be construed as financial advice in terms of the Financial Advisory and Intermediary Services Act of 2002 or any other form of advice. No warranty is provided that the information is appropriate or suitable for any particular purpose.

© InSite Innovative Education Solutions (Pty) Ltd 2022 Please do not reproduce this content without our express consent.