

Who is responsible for your retirement?

S I M E K A

member of  Sanlam group

Every journey in life has two things in common: **a start and an end.**

During your working career, however, you are also preparing for another journey, and that is your **retirement journey.**

There is a shared responsibility to ensure that you retire comfortably, but the most important role is played by you.

Keep in mind that the decisions you make at the start of your working career – the steps you take from day one – will have a profound influence on your retirement.



A comfortable journey

Everyone wants to retire with enough money. For most people their retirement savings will be important, not just for them but for their entire family.

There are several role players that could influence your retirement outcome.

Let us take a closer look at how each could play a role in you retiring comfortably.



Your employer's responsibility

When retirement funds were structured according to defined benefits, your benefit was guaranteed by the fund, and your employer carried all the investment risk.

This ensured retirement benefits were guaranteed, and required far less retirement planning by members, as they relied predominantly on the employer.

This has, however, changed and retirement funds are now structured according to defined contributions, and members now carry all the risks associated with retirement planning. This means your retirement benefit is no longer guaranteed.

The most important risk here is the investment risk, meaning your retirement benefit largely depends on the amount of return your investment earns over your working career.

Over the years, there has also been further flexibility regarding choices on contribution rates and investments options, even regarding the level of risk benefits. Members must now make choices about how much they want and need to save to ensure they retire comfortably.



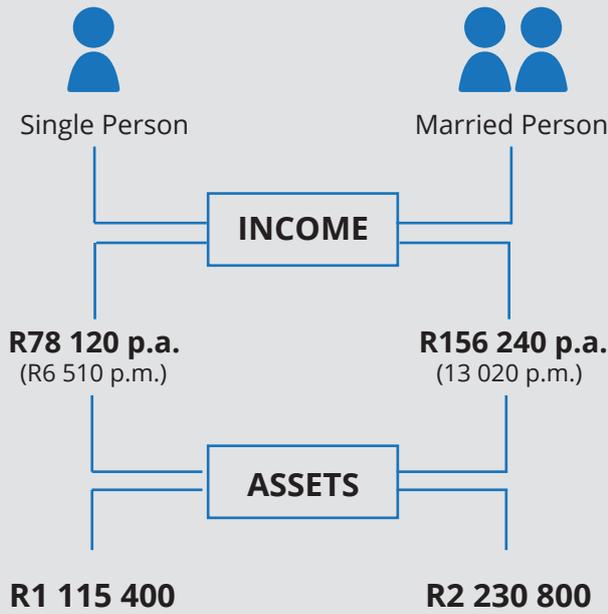
What about the government?

The government pays an Older Person's Grant, more commonly known as a government pension. This amount is currently R1 700 per month to those aged 60 and older. However, it is important to note that this is subject to a means test, as the intention of this grant is to help the poor.

The means test is, essentially, how the government ascertains if you can support yourself or if you need any assistance and, if so, how much assistance you need. The test considers your income and assets (investments, owning a home, etc.).



Exceeding the following limits means you will not qualify for the government pension



Should your income range between R2 250 and R6 510 per month, a sliding scale will apply.

The government will not provide you with a pension after age 60 if your monthly income exceeds R6 510.

It is therefore important that you make better provisions to ensure you can maintain your current lifestyle.



And you, the member?

Employers and funds have a role in educating members to achieve their retirement goals. Together they can enable a good savings structure and education process between the members and the fund.

Fortunately, most employers do feel they have a responsibility to enable good retirement outcomes for members.

However, members still carry the final responsibility to ensure they retire comfortably.

Here is what you can do to **IMPROVE** your retirement outcome:



Understand your essential expenses, and use a replacement ratio calculator to ensure your projected income will cover the most important costs, at least.*



Increase your contributions, if necessary or possible.



Ensure that you are invested in a suitable portfolio.



Preserve your retirement benefit when changing jobs.



Avoid retiring early, if you can work after retirement; instead, consider the phased retirement option when you do retire from your existing employer.



A replacement ratio is the ratio of the income you receive from your pension once retired, relative to the salary you were receiving just before retirement.