

RETIRING IN THE NEXT DECADE - Are you on track?

Make your retirement plan work for you!

It's one of the scariest questions we have to ask ourselves – and one that many of us put off until it's almost too late...

Will I have enough money to retire comfortably?

In South Africa, you may be eligible for a state grant to see you through your old age, but this is not an automatic entitlement and it probably won't be enough to keep you going. Have a look at the values of these grants for the last two years below:

Category	2020/2021	2021/2022
Old age grant: over 60	R1,860	R1,890
Old age grant: over 75	R1,880	R1,910

Whilst it is true that 10 years is not much time to accumulate sufficient retirement capital, it is not too late to do something to improve your situation. However, you will need a solid plan to see you through.

SO, WHERE SHOULD YOU BEGIN?

STEP
01

Assess your current financial position and be honest about it. This is crucial in order to create an accurate, realistic financial plan.

STEP
02

List all your sources of income, not just your retirement savings. Do you earn rental income, perhaps? Do you have other policies or investments? Do you have a hobby that you have monetised?

STEP
03

Work out how much you will actually need once you are no longer working. Some of your expenses (e.g. petrol, clothing) will likely go down, while others (e.g. medical) may well go up. Obviously, how you plan to spend your retirement years will influence this number. If you dream of sailing around the world, your travel expenses will definitely not be going down.

STEP
04

Set a date for your retirement. Most people work until normal retirement age, which is usually 60 or 65. However, some carry on working until age 70 or even later! On the other end of the spectrum, while retiring early may seem like a great idea, it's vital to be sure that you can afford to do so. The longer you spend as a retiree, the less time you will have had to save for your pension, and the longer your money will need to last. It's important to be realistic about this.

Once you have completed these steps, you need to assess whether you will have enough money to meet your needs – and perhaps a little extra for a few luxuries too. After all, you want to enjoy your retirement.

Most people need at least **75%** of their final salary as a retirement income. (This is called your net replacement ratio, or NRR.) If you are on track to achieve this, congratulations! But if the opposite is true, you need to figure out how you are going to close the gap.

HERE ARE A FEW IDEAS YOU COULD CONSIDER.



Hopefully your big debts and expenses (house, car, kids, etc.) have been paid off (or in the case of your children, have moved out!). So perhaps you can afford to save a little extra each month.



Have a look at your monthly expenditure. Are there any luxury items that you could cut out? Perhaps a gym membership that you never use, or a streaming subscription that you don't really need. Every little bit extra helps.



If you get a bonus or a tax rebate, seriously consider putting it all towards your retirement. It might mean making a few small sacrifices today, but your future self will thank you for it.



Choose your investment portfolios wisely, especially if you are trying to catch up. It may be a good time to reconsider how much investment risk you can afford to take – but please do this with the help of an accredited financial advisor. Higher risk may mean higher rewards – an advisor will be able to help you to identify the level of risk that is right for you, in line with your number of years to retirement.



Your fund offers an approved annuity strategy for its members. These are usually more affordable than the annuities offered by external insurers, due to bulk buying power and being commission free. Your retirement fund should be offering some form of counselling you can make use of, to get the information you require.

REMEMBER!

Your total contributions to your retirement fund are **TAX FREE**, up to:

- **Either 27.5%** of your total taxable income, OR
- **R350 000** per year – whichever amount is smaller.

Any contributions above the tax free amount will be taxed, but will be paid out tax free when you leave your fund. So why not pay less in tax and get more back when you really need it?

Money matters and financial planning are challenging for many people. Once you (with your advisor's assistance) have put together a solid plan, it's vital that you stick to it, no matter what happens. Discipline is the secret ingredient to a happy, fulfilling retirement. You've had a lifetime to practice being disciplined and responsible... keep it up and you'll reap the rewards.