



## THE CRISIS IN RETIREMENT: TIME FOR A NEW MODEL

By Magnus Heystek—Investment Strategist

THE other day I saw an advertisement I did not think I would see in my life again, yet, there it was: “Invest with us and retire early”.

This was not a fly-by-night scheme promising too-good-to-be-true investment returns. No, it was one of our large banks offering the kind of investment advice that used to be commonplace thirty, twenty and even 10 years ago.

Then the “retire early-mantra” was to be found in almost all advertising of the insurance companies, banks and everyone else who found themselves in the investment business. Today those long-forgotten promises are to be found in the bottom drawer or rubbish bin of everyone who participated in those investment schemes. By now, I would have thought that this kind of advertising approach would have been consigned to the scrap heap.

As an investment advisor and author who has written extensively on this topic for over 30 years\* the question is not anymore *if* there is a crisis in retirement planning, but more *how big* the problem really is. Yet, as the crisis slowly unfolds, it is clear to me that most people—not all fortunately—have no idea how great the impact will be on their lives. Most people also automatically think of the crisis in retirement as being only a financial one.

That part is certainly true, but it is also a crisis that will affect relationships (imagine being married to one person for 60 years or more on average), health and health care, careers and hobbies, to name just a few of the areas where this and future generations will be different from generations past.

There is something really wrong when a society, despite of all the flashing amber lights and blaring sirens, has made very little change to tackle this problem head-on.

We are still (mostly) programmed to approach retirement in a 20<sup>th</sup> century (as it is really a 20<sup>th</sup> century phenomenon) manner: finish school/university at around 20/25, commence a career/careers/ for 35 to 45 years and then retire comfortably for the rest of your life, somewhere between the ages of 55 (if you happen to be a Greek, Italian or Portuguese bureaucrat or 65, in other more progressive countries and companies.

This, in a very simplistic manner is how society still approaches the seven ages of man. This model was based on certain assumptions, the most important one being the average life expectancy of men and women after the Second World War.

\*Books by Magnus Heystek: ‘The World of Money’, ‘Making Money Made Simple’, ‘Don’t Say You Haven’t Been Warned’, ‘Retirement: The Amazing and Scary Truth’ (co-authored with Bruce Cameron), ‘Beplan so vir ’n Gelukkige Aftrede’ and numerous other books.



### Retirement

#### CAPE TOWN INVESTMENT SEMINAR

DATE: WED 03 NOV 2011  
TIME: 15H30 FOR 16H00  
VENUE: STANLIB OFFICE  
CENTURY BOULEVARD  
CENTURY CITY

#### KEILLEN NDLOVU: STANLIB

➤ USING PROPERTY AS A SOURCE OF  
INCOME IN RETIREMENT

#### MAGNUS HEYSTEK: BRENTHURST

➤ ARE YOU RETIRING NEXT YEAR?

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Global  
Markets  
AND SA ECONOMY

With the exception of certain countries badly hit by war, famine and health-related pandemics such as malaria and aids, life expectancy has increased dramatically. Across the developed world average life expectancy has lengthened by 30 years or more since the beginning of the 20<sup>th</sup> century.

The fastest growing segment of the world population is the very old, with the number of centenarians up from a few thousand in 1950 to 340 000 in 2010.

Recently the oldest living survivor of the First World War died at the age of 110.

By 2050 the number of people over the age of 100 will, according to current estimates rise to 6 million! Let's do this maths the other way around. 2050 is 39 years from now; 39 deducted from 100 is equal to 61. Yes, you Mr. and Mrs. 61-er, have an excellent chance of reaching 100 years and yet, week after week we read about company directors and chairpersons having to retire, as did Pat Davies from Sasol last week, after having reached the "mandatory retirement age", in his case 62 years.

Over at media giant Naspers its MD, Koos Bekker who will have to retire in less than 2 years as it is company policy for directors at his company to retire at 60!

What are these and countless other top businesspeople going to be doing for the next 30, 40 or even 50 years of their lives? Play bridge or dominoes? Golf three times a week? Not on your life.

Imagine the waste of business acumen and experience that is lost annually due to this outdated notion of old age and retirement; a culturally determined expectation of what should happen based on age-related benchmarks. Across the pond in Australia media tycoon Rupert Murdoch is not only running a global media company but has also recently married a stunning Asian beauty and has fathered some more children at an age close to 80.

As the Guardian newspaper succinctly puts it in a recent article on this topic: "Here's the crazy, counter-intuitive thing: the ages of man are actually eliding. Youth used to be our last hurrah before the onset of maturity and dot-age; each milestone benchmarked against culturally determined expectations. These expectations are now swirling and re-forming like fish in a current. What this means is that the premise on which our governments legislate are outdated. Our economies are based on data that no longer applies. There is a profound disconnect between how we imagine life and how it actually unfolds".

The other evening I had the pleasure of hosting my own 58<sup>th</sup> birthday party. It was a wild-west theme party with, amongst other things, a mechanical bull. Imagine my surprise when a 68 year old "youngster" walked away with the prize for staying on the bucking bronco for the longest time.

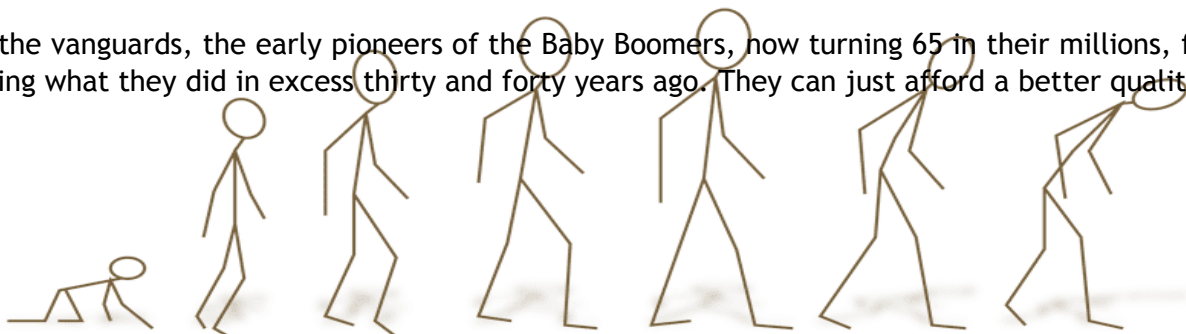
The party was held on the same night that 70-year old Neil Diamond held an audience of 80 000 at FNB-stadium enthralled for more than 2 hours.

We live in an age where age-appropriate activities are blurring. Eighty year olds are sky-diving with their grandchildren, running the Two Oceans or cycling Highveld 94.7 on their R100 000 Italian-made bicycles, looking just as ridiculous from behind in their lycra-clad derriers as any other 18 year old teenager.

There are an increasing number of people who are growing old ageless, relying on diet, exercise and cosmetic procedures to remain transcendently youthful. The difference between 60 and 80 has shrunk and will keep on shrinking. Bad health, bad luck and bad investments, more than age, will be the dividing line.

Jane Fonda at 70 plus still looks ravishing. Clint Eastwood at 80 is still hunting the bad guys while Hugh Hefner at 85 almost married someone 60 years younger than him.

They were the vanguards, the early pioneers of the Baby Boomers, now turning 65 in their millions, finding that they still like doing what they did in excess thirty and forty years ago. They can just afford a better quality pusher....



## WHAT TO DO IN RETIREMENT: THE E-BUCKS YEARS

The big question, of course, is what people are going to be doing with their extra time, the E-Bucks-Years, as I call them.

Most of us understand the concept of getting something for nothing for doing what you would have done anyway, like spend money. Those extra 20 to 30 years are what I call the E-Bucks Years; you got them for not smoking, drinking moderately, eating properly and for living in a country with a great medical care.

What are minor ailments today, like ingrown toenails, would have been a death sentence 150 years ago. Now the pendulum has swung the other way. Advances in medical science are extending life for the well-to-do by decades, not years.

Somewhere in a test-tube in the USA, United Kingdom or Germany, cutting-edge scientists are growing replacements for expiring body parts.

Last week I attended a seminar in Cape Town where the main speaker was US investment guru John Mauldin. Mauldin is the author of several New York Times best-selling investment books, including the latest one, called The Endgame. The book deals with the unwinding of the debt super cycle and the impact it would have on the world economy. (Low and slow growth for five years or more...).

That we know, but what perked my attention were his views that the next investment boom would be in biotechnology. It is a view I share and at Brenthurst Wealth we have been using the Templeton Bio-Discovery Fund in our offshore portfolio for some cases.

This new model in retirement thinking requires new thinking and approaches to investments. Investors today need to re-programme their thinking about concepts such as risk, income, life expectancy and many more issues. Out with the old, in with the new.

## YEAR END INVESTMENT SEMINARS:

Over the next month Brenthurst Wealth will be having our final series of investment seminars.

We feel very strongly about these seminars and we urge all our clients to attend. It allows us to communicate directly with our clients and potential clients and enables our clients to keep up-to-date with trends in investment markets as well as other related issues.

Please find below the details of the seminars in order for you to book early as booking is essential.

SEMINAR DATES	VENUE	PRESENTERS	TOPIC
<b>CPT: 3<sup>rd</sup> Nov</b> 15h45 for 16h00	<b>CPT: STANLIB OFFICE</b> Liberty Life, The Estuary, Century Boulevard, Century City	<b>STANLIB:</b> KEILLEN NDLOVU	<b>UPDATE ON MARKETS</b>
<b>JHB: 16<sup>th</sup> Nov</b> 15h45 for 16h00	<b>JHB: STANLIB OFFICE</b> 17 Melrose Boulevard, Melrose Arch	<b>BRENTHURST WEALTH:</b> MAGNUS HEYSTEK	<b>USING PROPERTY AS A SOURCE OF INCOME IN RETIREMENT</b>
<b>PTA: 22<sup>th</sup> Nov</b> 15h45 for 16h00	<b>PTA: WATERKLOOF GOLF CLUB</b> Johann Rissik Drive, Waterkloof		<b>ARE YOU RETIRING NEXT YEAR?</b>
			<b>BOOK NOW!</b> JHB: +27 11 799 8100 CPT: +27 21 914 9646 PTA: +27 12 460 0340

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