



## THE POWER OF INDEPENDENT ADVICE

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# RETIREMENT THINK YOU HAVE ENOUGH - THINK AGAIN?

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**Everything we believe about retirement is fast becoming outdated. This is especially true regarding retirement savings and even wealthier retirees are likely to struggle if expenses are not carefully monitored and adjusted.**

This fact requires completely new thinking around all retirement issues. For years the investment advisory community have urged people to save more for retirement and have amended projections for what individuals will need for financial security once they stop earning an income.

But the entire conversation around retirement needs to change, not only the savings topic. British media reported in September 2015 that the first person likely to live to 135 has already been born; based on the research about longevity and ageing by Danish professor Rudi Westendorp. It is well documented that more and more people are living to be a 100 years old. The days of this making news as it used to are long gone, but never before has the implications been more relevant.

This much longer life expectancy means it is unrealistic to stop working and earning an income at age 60 hoping that retirement savings will cover 40+ years of living. This with savings produced from only 35 years of working if one assumes a person starts his/her working life at about age 25 after completing some or other higher education qualification. Should the person live to 120 retiring at 60 means that savings are needed to cover expenses for 60 years!

Even in a low inflation environment it is unlikely that the average person will afford this. The financial advisory community reckons at current savings levels and not taking the longer life expectancy into account only 5% of South Africans will afford retirement.

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Despite growing awareness about higher life expectancy and increased publicity around this, no discernible shift in thinking has developed around changing or at least reviewing the retirement age of 60/65 set in the 20th century. It has been amended in some European countries but not significantly.

Employers are hesitant to retain employees beyond the current retirement age, claiming such employees are 'expensive' and need to make way for the younger generation who possibly will have more up to date skills for the modern economy. This 'ageism' is well documented in many media reports and confirmed by local recruitment companies. **The fact that youth unemployment is a serious issue in South Africa exacerbates ageism towards older employees.**

Numerous examples exist that "older" does not mean out of touch or not in tune with the new world of business so dominated by technology. American talk show superstar Ellen DeGeneres is 57 and continues to expand her empire with new companies and extensions of her brand. This, for instance, includes 'EllenTube', a channel dedicated to content developed by her and her team similar to the globally successful YouTube channel. No person will consider Ellen as someone who is behind the times. There are many examples of people being relevant and adding value beyond age 50. For example, in South Africa, Jannie Mouton launched the incredibly successful PSG group of companies just shy of his 50th birthday and is now one of the wealthiest individuals in the country.

Because of the estimated longer life span of individuals, **60 REALLY IS THE NEW 40** but it is going to take a considerable amount of time before attitudes towards people older than 50 or 60 will change.

**This means financial planning, especially for retirement, is more important than ever and whatever investors believed to be 'enough' is outdated. Saving 20% of income from the first day of work may have supported a comfortable retirement for a life expectancy of around 70 for men and 75/80 for women. This will not be enough for a life expectancy of 100 and beyond.**

## KEY FACTORS TO CONSIDER:

- Start saving more immediately and seek professional financial planning advice.
- Change lifestyle habits that affect spending. The more extravagant the lifestyle the more retirement capital will be required to fund this.
- Start projecting how long capital will last at retirement, based on your specific income requirements, ad hoc expenses and personal financial expectations so as to formulate an investment plan as to how you can achieve your desired lifestyle at retirement without running out of capital before your demise.
- Continually adjust asset allocation of investments before and after retirement with the objective of maximising growth and limiting loss. Being too aggressive as well as too conservative before and after retirement can be detrimental to the outcomes and success of achieving your ideal retirement lifestyle.
- If you are a woman your savings need to be increased even more. **Bloomberg.com** reported that the retirement savings of the average woman in the USA is (on average) \$250 000 short because of the number of years they are likely to outlive men.
- Refrain from adjusting income levels upwards in retirement during years of strong growth, rather keep your income level as a fixed percentage which will automatically increase due to the increased capital value. Better still, decrease the percentage after strong growth in order to preserve the excess growth for leaner years. The worst destroyer of retirement capital is using or spending higher income levels in a lower return environment. This should be actively managed and adjusted.
- **Work as long as possible. Retirement age of 55, 60 or 65 is no longer applicable if you are likely to live 30 to 40 years or more after that age which it would seem will increase over time. If you cannot remain in formal employment start making plans for alternative income earning possibilities before you retire from formal employment.**
- Speak to a professional financial advisor to regularly review your income levels, asset allocation, performance and impact on capital to ensure that your capital will outlast you as you are likely to live longer than you currently imagine.

# LIFESTYLE TRAITS SECURING A LONGER LIFE:

## NATURAL MOVEMENT

People in communities where, according to a recent extensive research report, people are living longer did not join health clubs or ran marathons. Instead, they led an active lifestyle – walked to a friend's house, church, restaurants and to the grocery store. Their houses also didn't have the conveniences modern homes are used to like remote controls.

## TECHNIQUES TO REDUCE STRESS

People all around the world have the same worries - money, their health and their children. The only difference is that in the researched older communities, people had adopted simple techniques to help reduce chronic inflammation that is associated with old age-related diseases. They hike, pray and in some places celebrate happy hour.

## MODERATE WINE INTAKE

The research suggests two glasses of wine per day can help you live a longer life. The older communities researched had a strong sense of faith. The report suggests people that go to church at least four times a month live four to 14 years longer than people who don't.

## THE 80% RULE

Eat less. In Okinawa in Japan, people start their meal with the same three words: "Hara hachi bu". It means they will only eat until they are 80% full. When they start their meal, they already focus on not overeating and have techniques set up to reinforce it.

Source: [www.moneyweb.co.za](http://www.moneyweb.co.za)

## PLANT-BASED DIET

About 90% of the diet of the Okinawans is plant-based. It also includes a fair amount of carbohydrates and starch, containing grains and sweet potatoes. The cornerstone of every longevity diet is beans – a great source of protein. These populations tend to eat meat less than five times a month and eat fish less than three times a week. They drink water, tea, coffee and wine.

## FAMILY AND LOVED ONES FIRST

The foundation that holds everything together is connection. People in the older populations put their family first and as people get older they are still surrounded by their loved ones. They also tend to stay married – people who are married generally live longer than people who are not.

## A HEALTHY SOCIAL NETWORK

Friends are also an important part of the equation. The study suggests that if your three best friends smoke, drink too much or are depressed, unhappy or obese you are much more likely to engage in these activities or be caught up in unhealthy behaviour as well. It is not only important to have a network that is reinforcing healthy behaviour, but also to be able to pick up the phone on a bad day and to have a friend that will listen.

## STRONG SENSE OF PURPOSE

The two most dangerous years in your life is the year you are born and the year you retire. A person is 30% more likely to die in the year he or she retires than during their last year of work, not because they take up risky activities, but because they have lost their sense of purpose.

## SMART TIP

As the 2016 tax year comes to a close, a reminder to contribute into your RETIREMENT ANNUITIES AND TAX FREE SAVINGS ACCOUNT - DEADLINE 29TH FEBRUARY 2016. RA investments offer great tax benefits and, of course, remain a popular and trusted instrument for saving for retirement.

A TAX-FREE SAVINGS ACCOUNT is a savings product that offers individuals tax savings benefits. If you choose to save through such a product, you benefit from not having your savings taxed. This is an ideal savings product for children's education or even to supplement a retirement nest-egg.

For more information about the tax benefits of contributions to retirement products, listen to Brenthurst Managing Director, Brian Butchart, in conversation with Lindsay Williams on Fine Music Radio.

<http://www.bwm.co.za/index.php/press-room/audio-clips/>

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Brenthurst Wealth Management (PTY) Ltd is a registered financial services provider and is a fully-fledged financial and investment services company with offices in Johannesburg, Pretoria and Cape Town.

All our Financial Planners are CFP® Professionals and members of the Financial Planning Institute of Southern Africa. They are highly qualified to give advice on all investment matters.

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