

Advertorial

Public servants retiring early, beware

Brian Butchart

The decisions we make at retirement are probably the most important and daunting decisions we will ever make, ultimately determining the success of our retirement plan and financial well-being in later years.

As part of government's measures to reduce the public wage bill, all public servants between the ages of 55 and 59 years will be provided an opportunity for early retirement without incurring any penalties between 1 April and 30 September 2019.

South Africa's Public sector wage bill is currently one of the largest drains on the national budget, accounting for almost a third of government's total spend, ballooning above the half-a-trillion rand mark over the last year. Wages paid to

state employees are currently at 14% of South Africa's GDP – the second-highest proportion in a recent World Bank survey, just behind the UK.

In the present economic conditions, it is important to balance spending on public servants and resources required for service delivery, and other expenditure items, such as health, education, social security and infrastructure. Government is cognisant of the strain on public finances as a result of the sluggish economy as well as the urgent need to contain the escalating wage bill.

Therefore, from 1 April to 30 September 2019, National Treasury will carry the cost of the penalty in relation to pensions for the identified group of employees, while those aged 60 and above can opt for normal retirement as

per current legislation. Currently, there are about 127 000 public servants aged between 55 and 59 years who will need to make some very important decisions in this regard.

If you are a public servant considering this opportunity, I strongly advise that you carefully consider all the implications of opting for early retirement, and seek independent financial advice, to assess the risks and opportunities this could pose to your retirement and financial future.

► *Brian Butchart is Managing Director of Brenthurst Wealth Management*
brian@brenthurstwealth.co.za

Brian Butchart, Managing Director of Brenthurst Wealth Management.

