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4 HABITS FOR RETIRING COMFORTABLY

By Marise Smit, CFP® at Brenthurst Wealth Pretoria

How certain are you that you can retire comfortably, and maintain that level of comfort throughout your retirement? If your answer is: 'I don't really know', then you are not alone. Too many of us live and (occasionally) save in the hope that our efforts will be sufficient for our retirement years.

Hoping to be OK in the future is a rather desperate situation, but it is not an unsolvable one.

Here are four tips that I share with investors who have decided to make a concerted effort to prepare for their future by devising an attainable plan. Even if you have spent most of your career hoping that your savings will be adequate for retirement, but you're still unsure, there is still time for you to take action so as to secure a better future for yourself.

1. CREATE A RETIREMENT PLAN

No two retirement plans are the same because your dreams, hopes and aspirations are unlikely to be the same as anyone else's. Nuances in goals, personality and background ensure that your specific goals will be very specific to you.

As such, your retirement plan should mirror that.

Speaking to an accredited financial advisor can help you formulate a plan that will take you on your personalised retirement planning path. Factors such as personal and financial goals, investment time horizon and tolerance for risk should all be considered and accommodated in your plan.

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With an end goal in mind, it is far easier to visualise the path ahead and determine how you are going to achieve your goal.

This straightforward equation illustrates how much you need to save in order to reach a reasonable level of saving:

⇒ **STARTING AT WORKING AGE 20, RETIRING AT 60:**
You need to invest 15% of your pre-tax salary for 40 years

⇒ **STARTING 10 YEARS LATER, STILL RETIRING AT 60:**
You now need to invest 30% of your pre-tax salary for 30 years (or plan to work until 70)

⇒ **STARTING 20 YEARS LATER, STILL RETIRING AT 60:**
You now need to invest 60% of your pre-tax salary for 20 years (or work until 80)

Your financial advisor will be able to help you balance your portfolio, not only to match your risk, but also your time horizon. If you are in the early stages of your career and investment journey, it makes sense to have a higher weighting to growth assets. But it is advisable to lower the risk involved in equities the closer you get to retirement, however, growth assets are still required to sustain long term income withdrawals.

2. IGNORE THE NOISE

It is totally understandable if you are anxious when markets or investments become volatile, and the immediate future looks anything but certain. To quote novelist Kurt Vonnegut: “History is merely a list of surprises,” he wrote. “It can only prepare us to be surprised again.”

In the context of financial markets, this is true, and equity markets will continue to offer surprises. For long-term investors, these surprises offer opportunities to buy good quality companies at more reasonable prices.

Volatility is how markets test the price of assets, and those that pass the test continue their gradual upward trend. So, the lesson is to ignore short-term movements and stay invested.

One way you can avoid a tendency to panic is not to obsess over the performance of your portfolio. Definitely do not check the progress of your portfolio on a daily, weekly, or even quarterly basis. Short-term moves in markets and valuations are soon forgotten in the context of their long-term performance.

If you do want to take an active interest in your portfolio, then the most sensible move is to meet with your advisor once a year to review what has happened and what might happen – in the markets and in your life – in the coming year. By all means, review your portfolio, but do so with an eye on your long-term goals.

3. GET THE BALANCE RIGHT

Devising a portfolio that helps you reach your retirement goals without making you feel uncomfortable, is retirement planning nirvana. In addition, it is difficult to continuously achieve this without the help of expert advice to rebalance your portfolio when needed.

For example, you do not want to have extreme exposure to any one asset class or type. Being fully exposed to only local equities or only offshore markets flies in the face of the well-worn principle of diversifying your investment risk.

Take the performance of the FTSE/JSE All Share Index (ALSI) versus global equity markets over the past 10 years. The local market delivered a return of 8.2% p.a. compared to 20% p.a. in global markets, but in the decade prior roles were reversed when the ALSI returned 15.7% vs 8.8% in global equities.

LOCAL AND OFFSHORE: ASSET CLASS RETURNS (%)

RETURNS IN RANDS

Returns:	CPI Lagged	ALSI	ALBI	SA Cash	SA Listed Property	Offshore Equities	Offshore Cash	Offshore Bonds	Offshore Property
1 month	1.0%	-3.7%	-1.7%	0.4%	-1.5%	-0.4%	8.3%	1.9%	2.3%
YTD	2.4%	0.0%	0.2%	1.4%	-3.0%	-13.7%	-0.8%	-12.7%	-10.0%
1 year	6.0%	13.2%	8.4%	4.0%	11.6%	3.1%	9.2%	-6.4%	10.9%
3 years p.a.	4.4%	11.3%	7.6%	5.2%	-5.8%	13.1%	4.1%	1.3%	7.4%
5 years p.a.	4.3%	9.8%	8.2%	6.0%	-6.2%	13.2%	4.6%	3.2%	8.7%
10 years p.a.	5.0%	11.2%	7.8%	6.1%	4.0%	17.3%	8.2%	6.9%	13.9%
15 years p.a.	5.7%	9.8%	8.1%	6.9%	6.5%	11.4%	6.5%	7.5%	8.0%

Historic returns:	CPI Lagged	ALSI	ALBI	SA Cash	SA Listed Property	Offshore Equities	Offshore Cash	Offshore Bonds	Offshore Property
YTD	2.4%	0.0%	0.2%	1.4%	-3.0%	-13.7%	-0.8%	-12.7%	-10.0%
2021	5.5%	29.2%	8.4%	3.8%	38.6%	28.8%	8.8%	1.1%	37.0%
2020	3.2%	7.0%	8.7%	5.4%	-35.5%	22.1%	5.6%	15.7%	-4.5%
2019	3.6%	12.0%	10.3%	7.3%	-0.4%	23.1%	-0.6%	2.9%	18.5%
2018	5.2%	-8.5%	7.7%	7.2%	-27.0%	5.3%	18.6%	15.2%	9.6%
2017	4.6%	21.0%	10.2%	7.6%	17.2%	12.2%	-8.4%	-2.7%	-0.1%
2016	6.6%	2.6%	15.5%	7.4%	10.2%	-4.8%	-11.3%	-10.3%	-8.2%
2015	4.8%	5.1%	-3.9%	6.5%	8.0%	30.8%	34.2%	29.2%	32.9%
2014	5.8%	10.9%	10.1%	5.9%	26.6%	15.1%	10.6%	9.9%	27.0%
2013	5.3%	21.4%	0.6%	5.2%	8.4%	51.6%	23.7%	18.5%	28.0%
2012	5.6%	26.7%	16.0%	5.5%	35.9%	22.0%	5.3%	6.8%	34.2%
2011	6.2%	2.6%	8.8%	5.7%	8.9%	13.1%	22.3%	29.8%	14.2%
2010	3.5%	19.0%	15.0%	6.9%	29.6%	1.2%	-9.9%	-5.5%	7.5%
2009	5.1%	32.1%	-1.0%	9.1%	14.1%	7.2%	-20.1%	-18.3%	9.2%
2008	12.1%	-23.2%	17.0%	11.7%	-4.5%	-21.6%	39.5%	50.5%	-29.7%

4. PRESERVE YOUR RETIREMENT SAVINGS

It is all too tempting when you change jobs to take a chunk of your hard-earned savings. That could be a fatal mistake that makes it more difficult to attain your retirement savings goals.

By abstaining from delving into your savings when you change jobs, you are giving yourself a better chance of reaching your goals. The path is not always easy if you had a late start or stumbled along the way, but your goal is not unattainable. If you start early and stick to a plan, you have a far smoother path to, and beyond, retirement.

ADVISOR PROFILE | MARISE SMIT ,CFP® AT BRENTHURST WEALTH PRETORIA

Marise has been a financial adviser in our Pretoria office since April 2015. **She was recognised as Brenthurst's Top Financial Adviser in 2020, receiving the Brenthurst Award of Excellence.**

Marise obtained BCom Investment Management & BCom (Hons.) Financial Management degrees from the University of Pretoria. She also obtained a Post Graduate Diploma in Financial Planning from the University of the Free State. Through practical experience and appropriate qualifications, she can advise clients on all investment related matters, focusing on pre-and post-retirement planning as well as offshore investments.

Marise is a CERTIFIED FINANCIAL PLANNER® professional and is fully qualified to give advice on all investment matters.

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CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR 8 OFFICES COUNTRYWIDE TO DISCUSS YOUR INVESTMENT STRATEGY

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