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## IN THIS ISSUE

# IF MICK JAGGER CAN DO IT, SO CAN YOU

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*To consider whether you have enough or are on track to have enough retirement savings, financial planners recommend a replacement ratio of 75% of your current salary. To set a target goal for this replacement ratio, a good estimate is to multiply your monthly salary by 200.*

Rock icon, Mick Jagger, will turn 81 years old in July this year. Despite his millions in the bank, he has no plans to stop working. In fact, the Rolling Stones announced a tour of several cities in North America and Canada, which will kick off towards the end of this month.

This may seem like a bold move, but he is simply part of a global trend to continue working after the 'expected' retirement age of 60 or 65, the standard age for this life change for decades. US labour statistics released in 2021 stated that the number of people 75 years and older in the labour force is expected to grow 96.5% by 2030. In Spain, the number of people working past retirement in 2022 leapt by 49%, compared to 2008.

## Why this trend of not retiring, or opting for semi-retirement instead of retirement? There are two main reasons:

### REASON 1

People have realised that they do not have enough savings to be able to stop working and, as such, cease earning a regular income because of a longer life expectancy. According to the United Nations Population Division, [global life expectancy](#) at birth for both sexes has improved from 46.5 years in 1950 to 71.7 years in 2022, and is expected to rise to 77.3 by 2050. This means, if you stop working at age 65 you will need enough money saved to support your lifestyle for 12 years or longer.

Against the backdrop of higher inflation (especially for medical cover), a very well-thought-out financial plan (and budget) needs to be in place to cover expenses from retirement savings.

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However, that expected longer life span is an average. In 2020, numbers released showed that there are 593 000 people around the world who are 100 years old. So, if you live to (say) 90, you will need enough money for 25 years.

To consider whether you have enough or are on track to have enough retirement savings, financial planners recommend a replacement ratio of 75% of your current salary. To set a target goal for this replacement ratio, a good estimate is to multiply your monthly salary by 200.

The **total is the amount** you'd need if you retired today at a 75% replacement ratio. For example, if you currently earn R40 000 a month, which covers your living costs with some to spare, then  $R40\ 000 \times 200 = R8\ 000\ 000$ . So, R8 million is approximately the total amount you should have saved at retirement, in today's terms.

## REASON 2

Thanks to improved medical care over the past century, people older than 65 or 70 are healthier and fitter and feel they can continue to work. Thus, the semi-retirement trend is growing around the world.

Many do scale down and choose to work, for instance, as consultants to other, typically smaller companies, using the skills and experience they gained whilst working full-time. Others choose a new line of work by starting a small business or earning an income from a passion, e.g. photography or baking, which they were unable to actively pursue while working. And it works. Not only do they continue to earn an income, but a 2023 **Pew Research Centre** survey showed that senior workers are the group who most enjoy working. Two-thirds of workers aged 65 and older said they were extremely or very satisfied with their job overall, a higher percentage than their younger counterparts.

Planning for retirement remains the cornerstone of most people's financial plans. The best way to secure your retirement is to use the guidance of a financial planner who can devise a strategy suited to your needs and retirement goals, your risk profile and your plans for the lifestyle you want during retirement.

A financial advisor can also provide important guidance on how to withdraw from savings during retirement, as it is inevitable that **you will run out of funds** should you withdraw too much. *But perhaps, be like Mick Jagger or Warren Buffet and continue working.*

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