

The 10-year difference / How to double your retirement income



It has been fascinating to watch the birthday celebration of Iris Apfel, born 29 August 1921 turning 100 in August.

She is a businesswoman, entrepreneur, and fashion icon. In her early career she ran a textile business with her late husband. Apfel led a career in textiles including a contract with the White House spanning nine presidencies. She is the oldest person to have a Barbie doll made in her image and at the age of 97 she signed a contract as a fashion model. In her own words "retiring at an early age is a fate worse than death". At 100 she continues to work and is busier than ever.

Your dreams and your retirement plan may be more modest, and you may not want to work until 100. We have all heard the scary statistics of the number of people not being able to retire and live the life they dream of. This conundrum at retirement is further exacerbated by the continued increase in longevity. If you are a married couple aged 65, there is a high probability that one of you will live into your 90's. If you are younger, well you better seriously contemplate living into your 100's.

Researchers continue to take on the question of how long we can live. In a recent study they found that if we do not die from the "normal" dangers of everyday life including, accidents, heart attacks and cancer it is believed that the maximum life expectancy for humans is somewhere between 120 and 150. The continued advancement in; science, medicine and biotechnology has contributed towards the increase in life expectancy.

Living longer, coupled with insufficient retirement savings leave many in a predicament in retirement, not having sufficient capital to provide for a Life of 100.

I am always reminded that solving this conundrum is often a lot easier than many would make you believe. There are only three variables that can assist in solving the retirement conundrum, how much you save, how long you save for, and the return generated. One of the areas in our control is how long we save towards retirement.

One of the most practical solutions in addressing the retirement conundrum is working for longer. This can have a profound impact on your retirement savings and your ability to live the life you dreamed of in retirement. By continuing to work for longer i.e., from 60 to 65 or 70 can more than double your capital and income in retirement. This is profound, and is because of two principles at play:

- **Compounded growth on your accumulated retirement savings**

Most people would have built up sizeable retirement investments by the time they are 60 or 65. Even though this may not be enough, by leaving this accumulated capital to grow you can double your capital by keeping it invested for another 10 years, even without adding to it.

- **Providing for a shorter period**

By working for longer you need to now plan for a shorter period in retirement. If retiring at 60 and planning to live to 90, you need to provide for 30 years. If retiring at 70 and planning to live to 90, you only need to provide for 20 years.

The table below, practically shows the benefit of working for 5 or 10 years longer and the impact on income in retirement.

	Age 60	Age 65	Age 70
Current Value	R5 000 000	R5 000 000	R5 000 000
Value if invested for 10 years		R8 425 291	R14 197 105
Value in today's purchasing power		R6 246 276	R7 803 193
Living annuity Income	R18 750	R26 026	R35 765
Life annuity rates	5,10%	5,80%	6,80%
Life annuity income	R21 250	R30 190	R44 218

Planning to work for longer can be one of the most practical ways to solve the retirement conundrum for many investors. This does however require an intentional plan and strategy as we are living in a world where we are held captive by outdated retirement ages (55 to 65), where you may be forced into retirement by your employer at any time between 55 and 65.

In developing an intentional strategy to work for longer as part of your retirement plan, you can consider the following:

Your last Will and testament is one of the most important documents that you may sign and will give effect to your wishes and the implementation of your estate plan i.e. how your assets should be distributed or managed on your passing. It is important to have a valid will in place and regularly review this to ensure your last wishes are implemented.

- Working on a consulting basis to your existing employer or other networks you have built up.
- Using your skills as part of the GIG economy
- Following a passion and developing this into a business
- Starting and building a "side hustle" to continue with in retirement
- Sweating some of your existing assets to provide an income i.e., renting out part of property or using other assets i.e., investment to provide a passive income (dividends)

Not having enough money at retirement is a stark reality for many South Africans, working for 5 or 10 years longer may be one of the only practical ways to implement a sustainable retirement plan.



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