

Retirement – How Much Is Enough

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Agenda

- When should one start retirement planning?
- Trends with retirement planning
- How to start retirement savings
- Pre-retirement investment vehicles

When should one start retirement planning?

- Retirement planning as part of life planning
- Start as young as possible
- Educate your children about it
- **Think, Plan, Act, Persist**

Start at age 25 vs age 35

- Siphso starts at age 25, R1,000 per month
- Zuma starts at age 35, R2,000 per month

Starting at age 25 vs age35



TRENDS WITH RETIREMENT PLANNING

Fewer children



- Urbanisation
- More educated
- Not married
- Cannot rely on children for retirement
- Retirement income: employer pension fund, private pension, own savings, government old age pension

Longevity

- Economic development
- Rising standard of living
- Medical advances
- People are living longer
- Retirees expected to live 25 to 30 years
- Would you have sufficient money to last for 30 years?



Long-term care

- Living longer
- More medical care
- Frail care
- Need to budget for such costs

Inflation risk

- We live in an inflationary environment
- Money loses value over time
- In 1989, a loaf of bread 99c
- In 2016, a loaf of bread R14.99
- The risk of income in retirement not catching up with inflation



Inflation risk

- Mr John Smit retirement income R10,000 per month
- Increasing at 3% p.a.
- CPI inflation at 6%
- Loses 3% in purchasing power every year

Investment risks

- Defined Benefit (DB) to Defined Contribution (DC)
- Defined Benefit: Employer promises to provide an income in retirement, equal to a percentage of final salary, e.g. 70% of final salary
- Employer bears the investment risks



Investment risks

- Defined Contribution (current arrangements)
- Employer and employee contribute an amount defined as a percentage of salary
- E.g. Employer 7.5%, employee 7.5%
- Employees bear investment risks





HOW TO START RETIREMENT SAVINGS

How to start

- Seek the advice of a financial doctor (financial planner)
- Start saving with your first job
- Save at least 15% of your income into investment vehicles until at least age 65
- Do not have all eggs in one basket. Use at least 3 products to achieve diversification.



PRE-RETIREMENT INVESTMENT VEHICLES

Retirement annuity

- Enjoy tax deductibility, up to 27.5% of taxable income
- All growth (interest, dividends, capital gains) tax free
- At retirement may withdraw up to 1/3 as lump sum benefit, the balance to convert to annuity to receive monthly income
- Lump sum benefit and income in retirement subject to income tax

Property investment

- Physical presence
- Capital protection
- Increases in value over time
- Rental income
- Need to manage tenants, maintain property

Shares

- Shares represent ownership of a company
- Share in profits and losses
- Receive dividends
- Increase in values
- Can be very volatile, ups and downs

Impala Platinum share price

Impala Platinum Holdings Limited

JSE: IMP - 22 Jul, 5:00 PM SAST

5 175,00 ZAC 0,00 (0,00%)

1 day

5 day

1 month

3 months

1 year

5 years

max



Open -

Mkt cap 38,02B

Other investments

- Unit trusts / Tax Free Investments
- Businesses
- Gold/Krugerrand
- US Dollars