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Investing post-retirement – not an 'either-or' proposition
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We all tend to live in an 'either-or' world where we think we need to choose between two, often opposing, things or outcomes. Peanut butter or marmite? Red or white wine? For simple things, this way of making decisions can work. But for more complex issues such as investing your retirement savings, the either-or equation is too simplistic.

When you plan out your retirement, you should start by separating your *wants* and *needs*. You probably *want* many things in your retirement. You may want to travel or start a new hobby or spend more time with your grandchildren. But your overriding *need* is to know you'll have enough income to at least meet your basic requirements and expenses such as food, healthcare and housing for life.

Your needs and wants are quite different, so it is worthwhile to consider which solution works best for each of these and avoid the simplistic either-or way of thinking. Another way to say this is that you need to use the right tool to solve the right risk.

To ensure that you have a regular monthly income to meet your essential expenses for life that never decreases, an insurance solution is usually the best approach. This comes in the form of guaranteed life annuities, or simply life annuities, offered by insurance houses and other specialised financial services companies, and mitigates the risk of living longer than your retirement nest egg can cover.

Living annuities, the other option in the either-or equation for retirement solutions, don't guarantee a sustainable income for life. You choose your starting income, but there is no guarantee that it will last as long as you do because living annuities are not an insurance product, they are an investment product. The capital in a living annuity will usually go up and down with the markets, and as with most investment products, particularly those that invest in the equity market, there are risks. The underlying investments in your living annuity may perform poorly with the result that your retirement capital either doesn't grow enough to give you a sustainable income, or simply gets depleted.

For example, over the past five years, equities haven't necessarily delivered what they should. The average balanced fund has returned less than 5% p.a. over the past 5 years, and the JSE All Share Index has done no better. To make matters worse, you are likely to live longer than your parents and grandparents, which means your retirement capital might have to last even longer. Without good investment growth, this is a very big ask.

Retirees are sometimes told that life annuities don't allow you to leave a capital legacy to your heirs, whereas living annuities do. Once again, this is too simplistic. You actually *can* provide for your dependants with a life annuity which can carry on paying an income to your spouse for the rest of their life after you die, or to any of your dependents for a period of anywhere up to 20 years.

For several decades, the financial services industry and advisers have been giving retirees an either-or choice between living annuities and guaranteed life annuities. But as research is starting to show, you can benefit more by having both.

Fortunately, there is a new generation of blended annuity that offers you the best of both worlds. A portion within your living annuity is an insurance-based guaranteed life annuity that provides and guaranteed income for life to cover your essential expense needs. The rest of your living annuity provides the usual benefits and risks of a living annuity to provide a potential for higher future income to meet your wants, and perhaps still being able to leave something behind.

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