

## **Lockdown learnings for retirement** ***Trim the fat from regular spending***

***(Issued by Just Just retirement income specialist)***

*Cape Town, 13 May 2020:* A volatile financial climate has seen many South African pensioners in living annuities looking to increase their withdrawals to cover current cash shortages. However, retirement income specialist Just advises strongly against this, recommending instead that they find ways to trim their spending, or else they run the risk of their money drying up sooner.

If there is one lesson that living under lockdown has taught us, it's that we are able to survive on less. Lockdown has afforded a timely opportunity to understand what regular spending can be considered essential and how this is impacted during the time of Covid-19. This is especially important for those in or approaching retirement, who must ensure that their retirement income is able to sustain them for life.

### **Cut back on costs**

The COVID-19 pandemic has changed the world as we know it. It has sparked an even greater reliance on technology, reduced travel and increased social isolation, especially for people in higher-risk categories such as those over 60.

Here are four key areas where retirees can look to cut back on their spending.

#### **Transport**

Until a COVID-19 vaccine is approved and becomes available, ongoing self-isolation is advised for people over 60. This means a likely reduction in vehicle and petrol costs for retirees who can schedule home delivery of groceries and other essential items such as medicines, clothing and homeware. Asking a neighbour or family member to shop for two will also save on delivery costs. With vehicles sitting unused, it may be worth re-evaluating car insurance to take advantage of any premium discounts available.

#### **Food**

In addition to the lowered costs of online food shopping which eliminates spontaneous purchases, social isolation has temporarily removed all food-related social gatherings, including going to sit-in restaurants and coffee shops. Even when lockdown restrictions are relaxed, it is likely that people over 60 will choose rather to hold intimate gatherings within their homes, instead of heading out to eat and drink at restaurants or cafés.

#### **Health and entertainment**

Lockdown has seen the emergence of a plethora of virtual fitness classes and social get-togethers via video conferencing. Online bridge and group exercise sessions with friends may go on to replace some of the traditional sports and social club gatherings post-lockdown. This should bring down or completely remove the costs of monthly health or social related subscriptions.

The replacement of physical entertainment (e.g. cinemas and live events) by technology can also translate to a significant cost savings.

#### **Communication**

While the rise of technology usage could be seen as an increased essential cost, lockdown has also increased corporate competition, presenting an opportunity for pensioners to shop around for the best price offerings in terms of Wi-Fi, data and smart technology.

### **The two pots approach to retirement income**

The benefits of cutting back on regular spending now are immediate and palpable. Just's Twané Wessels reminds pensioners that once they've established their essential spending, it is important to consider retirement income in two pots: one pot for essential expenses for life and another pot for rainy days, flexible spending and capital gifts.

Regardless of market conditions, she says that a pensioner's approach to retirement income should always be the same: firstly to ensure that your essential expenses are covered with a guaranteed income for life that targets growth with inflation.

"In a blended annuity approach, a combination of retirement solutions can provide income for life, with flexibility and legacy. Lifetime income gives you sufficient peace of mind and liquidity to fund your essential expenses of day-to-day living and the living annuity assets can be invested to provide higher long-term capital growth," says Wessels.

On some living annuity platforms, it is possible to allocate a portion of your assets to a lifetime income portfolio that pays a guaranteed income into the living annuity to cover essential expenses or to diversify investments. This enables retirees to better match their lifetime income needs to their financial circumstances throughout retirement.

**ENDS**

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