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### **Risks in retirement are increasing – but you don't have to tackle them alone**

An increasing risk in retirement is that you will outlive your savings. More retirees feel *less* confident now that their savings will last, highlighted by a 10% year-on-year drop in confidence reported by retirees in Just SA's latest Retirement Insights study.

A less obvious risk, perhaps, is that of under-consumption in retirement. This could be due to you being in the wrong type of vehicle, says CEO Deane Moore. You may feel compelled to hold back on spending due to the fear of outliving your savings, unless your vehicle gives you the certainty of a stable, secure income.

Given the volatile investment markets, there is also concern about the adverse effects that significant market movements may have on your pension pot. Speaking at a recent holistic wellness webinar hosted by 50 Plus-Skills, Moore said that when people get a fright, they often do the wrong thing when it comes to their financial wellbeing. "As with last year's investment market crash, it is clear that many retirees bore the brunt of the fall but then missed the recovery when it came, due to moving out of markets too soon."

While managing your retirement income to last as long as you do is critical, 50 Plus-Skills CEO Lynda Smith says it is equally important to reign in your fear and stress levels in retirement, as they both have a major impact on your mental and physical health. This in turn can negatively impact your ability to enjoy a higher quality of life for longer.

These retirement risks are not new but may have been exacerbated with the COVID-19 pandemic and its effect on lifestyles. Yet there are some practical steps that you can take to best achieve health and wealth in retirement, regardless of market conditions.

### **Choose the best retirement income to suit your needs**

Historically, says Moore, retirement income products were limited to an insurance product or an investment product, namely a life annuity or a living annuity. Thankfully, the South African retirement market has evolved to meet the shortcomings in the annuity market and an option is available that combines the security and comfort of a guaranteed life annuity with the flexibility of a living annuity.

Moore believes that this blended option is a better solution for retirees as it allows you to choose where to position yourself on the risk spectrum between your needs and wants, because you are able to 'dial up' the guarantee to where you feel comfortable. The life annuity component mitigates the risk of running out of money, while the living annuity component enables you to maximise long-term investment growth to meet flexible financial needs or to leave to beneficiaries. The key differentiator of a blended annuity is that it is managed as a single retirement product.

### **Engage with the next generation**

Just's latest research revealed that two thirds of pre-retirees and retirees were financially affected by the effects of COVID-19. Of these, half had to source alternative means of income or make special arrangements to meet payments. When asked who they would turn to for financial assistance if they run out of money in retirement, respondents said that children and grandchildren remained the first port of call.

According to Moore, these findings demonstrate the importance of creating an open communication flow between you and your children. “If the next generation are the ones you’ll turn to for help, it makes more sense for them to play a proactive role in your retirement planning from the start, rather than being caught on the back foot later on,” he says. They may also have less antiquated views on financial planning, which could serve to alleviate any fear or stress surrounding new-generation annuity products. This may lead you to make better retirement choices, and therefore reduce your risk of running out of money.

**ENDS**