SAVINGS TIPS WHATEVER YOUR AGE

South Africa: 20 August 2020: Planning for retirement is all about setting the right savings goals for each stage of your life, and starting as early as possible. Most South Africans only start saving for retirement at 28 when they should ideally start at 23. Most are also saving less than they should.

Here are the honest conversations Ryno Oosthuizen, Business Development Manager at **Glacier by Sanlam**, and André Wentzel, Solutions Manager at Sanlam Savings, suggest you should be having with yourself at every age.

When you're in your 20s

1. Start saving, especially if you're one of the 38% of millennials with no formal retirement plan or tax-free savings. You'll thank yourself in an emergency or when you need to put down a deposit on a car or a house, for example.
2. Invest aggressively. Even saving small amounts like R150 a month can earn you worthwhile compound interest. There's a huge difference between having 45 years vs 20 years to save.
3. As you start to earn more, don't let your expenses ratchet up. Rather skim off a bigger portion every month for your retirement annuity (RA) and tax-free savings.

When you're in your 30s

1. Preserve: if you're considering changing jobs, don't cash out your retirement savings. Rather **preserve** them in a suitable vehicle, like a preservation fund.
2. Be smart about bonuses and promotions. Use the extra money to kick-start an emergency fund, pay off debts or boost your retirement savings.
3. Don't be afraid of risk: in your 30s, you should have time to recover from short-term fluctuations if you invest in a high-risk investment portfolio. High risk potentially equals high returns. Also, try not to chop and change between investment portfolios – a well thought out investment strategy and financial plan should weather market volatility.

When you're in your 40s

If you haven't started saving for retirement, you're going to have to make some drastic compromises according to advice from a financial planner. Pick the right type of risk profile investment vehicle to prepare for what you plan to do once you retire. Check in with your planner regularly to ensure you're on track.

1. In your 40s, you're often 'sandwiched' between saving for your kids and their education and supporting your parents. Take stock of your finances and make sure you have other avenues aside from your retirement savings to draw from, now and in the future.
2. Maximise what you earn: now's the time to negotiate a promotion and raise. Invest the extra funds in a tax-efficient savings vehicle such as a retirement annuity or tax-free investment plan or alternatively, an endowment if you have made use of all your other tax concessions. Also, consider monetising your passion by starting a side hustle you can continue into retirement.
3. Health is wealth. Taking your family history into account, are you saving sufficiently for your prospective medical expenses now and post-retirement? Invest in your physical and mental wellbeing.

When you're in your 50s

Start thinking about what you want your retirement – ideally and realistically – to look like and do the sums so you know what you need to achieve this. Don't leave this process too late.

1. From a pre-retirement perspective, now's the time to look at what you have under a microscope – things like your investment and estate planning.
2. A common issue at retirement is to try and solve the pre-retirement issue of not splitting your assets appropriately between formal retirement savings and discretionary savings. For example, if you want to travel a lot in retirement, you'll need to frequently draw ad-hoc capital, which means having sufficient discretionary savings available. That's where an investment plan could be your match. Again, it comes back to the goals you set. Start thinking about this now – preferably even earlier. Combining different income solutions may be the better option for your circumstances.

3. Keep looking after your health – financially, physically and psychologically.

When you're in your 60s

You'll need to carefully manage your money to ensure you have sufficient income for the rest of your life.

1. Follow the 'draw 4%' rule and you should be fine. In a tough market of limited returns of 3-9%, drawing an income of 9-10% means you're depleting your capital.
2. It's about knowing what you want: money in the bank or a great lifestyle? Keep working towards your priorities with your financial planner.
3. Many people want to leave a legacy but are still supporting dependants and drawing on their retirement savings to do so. There are other ways to leave a legacy – like life insurance.

While it is always advisable to start saving for your retirement as early as possible, as the saying goes, "It's never too late to start". If you do find yourself saving for retirement later in life, make it a priority to give yourself the best chance of meeting your retirement goals", concludes Wentzel.

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