

# momentum

## **Retirement + Plan = Happy**

Do you ever think about retirement – that day in the future when you stop working? Where will the money come from to pay for you to live comfortably when there are no more pay cheques? Sadly retirement years for many South Africans are a struggle. Even those with savings often have to drop their standard of living when they retire because they have not saved enough.

*South Africans are living longer.* That's **good news**, right? Yes – we all want to live longer, but we also want to live comfortably. Living longer means you need a bigger savings pot for retirement so you don't outlive your savings. People also change jobs more often. When changing jobs, many people withdraw the retirement savings they built up in their employer's retirement plan and spend it. This means starting to save for retirement all over again, over a shorter time.

You can't rely on government or your children to provide money for a comfortable retirement. The state old age pension in 2016 is only R1 500 per month. Imagine trying to survive on that every month. Your children will want to help you but they will have their own financial pressures.

The **bad news** is that **only 6%** of South Africans plan well enough to retire comfortably. After years of hard work, retirement should be a happy, secure time. **It can be, with a PLAN.**

**A good plan has the right target.** You should try and save enough money so that you can afford to pay yourself a monthly income of at least 75% of your last monthly pay cheque, *for the rest of your life after you retire.* Although this means your income in retirement is 25% less than just before you retire, that's okay because some expenses are likely to fall away when you retire.

If you were to retire tomorrow and you're currently taking home R7 000 per month, in order to keep the standard of living it took many years of hard work to achieve, you need to have saved up enough money so that you are able to pay yourself about R5 200 per month (which is 75% of R7 000) for every month of your retirement.

If your employer provides retirement benefits, your contribution towards retirement savings will be deducted from your salary each month and paid over to the company that

looks after your group retirement fund. That way you will not be tempted to spend it on something else. But only saving through your employer's plan may not be enough to get you to the *75% of the final pay cheque* target. You may need to start your own retirement savings plan as well.

**Are you on a road that ends in a happy, relaxed retirement?** If you are unsure, speak to a professional financial adviser who will help create a plan that works for you.