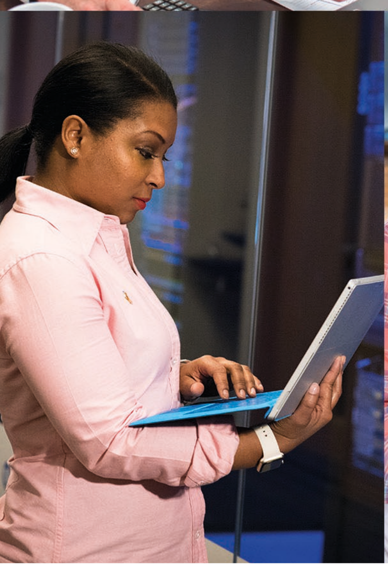
BEING A FINANCIALLY HEALTHY RETIREE

PRESERVATION *is Key*

ISASA

Independent Schools Association of Southern Africa

PENSION SCHEME AND PROVIDENT FUND



PRESERVATION IS KEY TO BEING A FINANCIALLY HEALTHY RETIREE

Research shows that the average person in South Africa can only replace 28% of their salary with a pension income at retirement. This means that if you were earning R10 000 per month before retirement – your retirement capital would only be able to buy a pension income equal to R2 800 per month. The main reason is that most South Africans do not preserve their benefits when they change jobs.

Another way to look at it is that in order to retire comfortably at age 60, you need to save at least 17.5% of your salary, for at least 35 years, invested largely in growth assets (such as shares). The savings period is extremely important. Every time you change jobs and take the money in cash to spend, you are shortening the savings period. The shorter the savings period the worse off you will be.

THE SEVEN HABITS OF FINANCIALLY HEALTHY RETIREES

Financially healthy retirees have the following in common, according to a Sanlam study:

1. **They start saving early** - they save for 33.2 years compared to the average member that saves for only 29 years.
2. **Save as much as possible** - financially healthy retirees save 8% (excluding the employer's contribution) of their salary on a monthly basis, the average is 7.3%.
3. **Don't rely on the company** - financially healthy retirees have a retirement annuity (or other form of saving) in addition to their company retirement fund.
4. **Leave your savings alone** - Only 12% of these retirees dipped into retirement savings when they switched jobs, on average 21% do not preserve their benefits when they leave their companies.
5. **Widen your nets** - 98% of well-off retirees have additional sources of income, compared to 68% on average.
6. **Use the pros** - 88% consulted a financial adviser before retirement and 72% after retirement. The average is 58% before and 34% after retirement.
7. **Make sure your money grows after retirement** - 48% of well-to-dos have a guaranteed escalation annuity and only 8% have a level annuity.

Source: Sanlam Benchmark

DID YOU KNOW?

Your retirement savings in the first 10 years of your working life (i.e. assuming you contribute for 30 years), could contribute towards 50% of your pension. Cashing these in when you change jobs means giving away half of your retirement savings.

Preserving your benefits when you exit the Fund is the smart choice