GLACIER GLOBE

WORLD-CLASS THOUGHTS

DECEMBER 2019 ISSUE 2 | NEWS, VIEWS AND INVESTOR INSIGHTS

INSIDE THE GLACIER GLOBE

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glacier by Sanlam

As I write this, South Africans are still digesting the latest Medium Term Budget Policy Statement. Citizens across the board are struggling, but for those nearing retirement – as well as those already in retirement – concerns over their daily finances, and whether their money will last, are even more pressing.

Geopolitical risk and a slowing global economy have weighed on both local and global markets in the recent past. In South Africa, we need to get our debt-to-GDP level under control and we urgently need a solution to Eskom's problems, amongst other things.

Against this backdrop, ordinary South Africans fortunate enough to have employment are doing the best they can to ensure a secure future for themselves and their families.

In this issue of *The Glacier Globe,* we take a closer look at retirement, not just the income solutions available, but also some of the lifestyle considerations as well as emerging trends in the space, and tax considerations too.

I'd like to thank our business partners once again for all that you've done for your clients during this year, which has not been an easy one. I wish you a peaceful holiday season and a successful 2020.

We hope you enjoy the read. ■

Khanyi Nzukuma
Chief Executive:
Glacier by Sanlam

SOUTH AFRICA'S 'new normal'

The 'new normal', a term used extensively around the global financial crisis of 2008/09, suggested that the world was about to enter a prolonged period of lower returns from investment markets. Instead, from March 2009, the world saw the longest global bull market on record. Over the 10-year period to April 2019, the MSCI World Index (in US dollars) returned 11.6% per annum – significantly ahead of global inflation.

Local picture less rosy

Locally, however, the picture has been less rosy, with the five-year return on the FTSE/JSE All Share Index being a meagre 6.8% per annum in rand terms and just 0.4% in US dollars (to 30 April 2019). This means the vast majority of retirement fund portfolios, which typically have a large proportion of their assets invested in South African equities, were unable to generate the double-digit returns with which investors became familiar in the preceding decades. In fact, and as investors frequently point out, simply investing in cash over the past five years may have yielded a higher return – and without the wild swings associated with the movements in the SA equity market.

It's not a surprise then that the expectation of umbrella participants in the Sanlam Benchmark survey for gross investment returns for the next calendar year dropped from 8.66% in 2017 to 6.79% in 2019 — a drop of

almost 2% in just two years. The dismal recent market returns are still fresh in the minds of investors, which has undoubtedly also contributed to these lower prospective return expectations. However, we shouldn't downplay the role of advisers, consultants and investment managers in tempering return expectations.

Theoretically, the acceptance that equities should outperform bonds and cash over the long term has a long and distinguished lineage. Why else would a rational individual willingly choose to invest in a risky asset class, if not for the lure of a higher return?

Dealing with lower returns

For the past decade, however, asset consultants, advisers and investment managers have been beating the drum on their expectations for lower real returns from these traditional asset classes. And it seems to have been working, as demonstrated by the trend in survey responses. For the past few years most asset consultants and investment managers have also been encouraging long-term investors to consider including 'alternative' assets, such as private equity and private debt, in their portfolios to enhance the return potential while increasing diversification.

With the benefit of hindsight, this appears to have been sound advice given the poor performance of the traditional asset classes over the past five years. Importantly, the broader South African industry is now also beginning to appreciate the benefits that alternative asset classes can bring to retirement fund portfolios.

Costs are important

Asset managers have generally struggled to show positive real returns in the current low-growth, low-inflation environment. And bearing in mind that asset managers' performance is most commonly assessed against a CPI-related benchmark (according to 49% of umbrella fund participants and 38% of stand-alone funds), investors are more frequently questioning the appropriateness of relatively high active management fees in generating fairly pedestrian returns. The rise of passive investment management has of course increased competition both globally and locally, and had a remarkable effect in compressing investment fees – to the benefit of the end investor.

Better communication

It's ostensibly more important that during times of volatile – and low – investment returns, funds are able to and do communicate clearly and effectively with members. The most common media used to communicate with members in times of volatile returns are written rather than verbal. These include regular member newsletters (68% of stand-alone funds

and 58% of umbrella fund participants use these) and email updates (reported by 38% and 45%, respectively). In an era when members may potentially use internet information to make inappropriate decisions, such as attempting to time the market, or switching from poor-performing to the best-performing portfolios, the industry may need more innovative ways to engage with members effectively.

The recently implemented Default Regulations introduced the requirement for the appointment of a Retirement Benefits Counsellor. These regulations are a step in the right direction, but holistic investment planning is critical in generating the best retirement outcomes for the average member, who is seldom investment-savvy.

Perspective

While there's usually an inordinate focus on investment returns when evaluating retirement outcomes, investment performance is usually not the biggest culprit in detracting from intended retirement outcomes. We at Sanlam certainly recognise that we're navigating a new normal in South Africa, characterised by stagnant economic growth and lower investment returns. Nonetheless, several other important 'behaviours' do deserve attention, as these have at least as big an impact on retirement outcomes as investment returns do.

They include:

- Paying attention to investment fees
- Maintaining a high contribution rate
- Preserving fund credits when changing jobs
- Remaining invested in an aggressive growth portfolio (despite the volatility) when still some way from retirement
- Not attempting to time the markets during extreme market volatility.

An effective communication strategy should be able to drive the right behaviours, such as those highlighted above, rather than focusing exclusively on investment returns. This will surely result in more engaged members, who are better equipped to navigate this new normal. ■

Rhoderic Nel, CEO: Investments at Sanlam Employee Benefits; and Darryl Moodley, Head: Tailored Investments at Sanlam Employee Benefits

CHANGING THE PERCEPTION OF RETIREMENT

The image of retirement is often of a person sitting on a beach, with their feet up, sipping cocktails. That sounds rather idyllic! But if you ask the average South African whether they're even remotely excited about retirement, the answer will most likely be a firm 'no'. People often associate retirement with being old and frail, having no purpose or drive to get up in the morning, or being sickly and unable to look after themselves. If this is the impression retirement creates, it's no wonder most people dread the day.

It's critical that we change this perception of retirement and there are a few things to consider that might help alter this outlook. Firstly, consider that on the day before you retire you'll probably be wealthier than you will ever be. You'll have spent your working career accumulating your retirement savings. Ideally, most retirees will be debt-free at this stage, and will have paid off their house and car. Yes, you may not live in the mansion you once dreamed of, and many retirees may have to scale down in order to achieve this goal, but the burden of debt may be lifted off your shoulders for the first time.

Different opportunities present themselves

As a retiree, you'll no longer have to contend with daily rush-hour traffic and can take advantage of cheaper mid-week flights or off-peak holiday packages. You get to sleep in or stay up late without worrying about going to work tired in the morning. Many retirees express a great relief at no longer having to pursue a career path or fight for that next increase.

This year's Benchmark results show that about 20% of members should be able to retain their standard of living in retirement. Although this is up from last year's figures, the number is still relatively low. Perhaps this is another reason we all dread retirement - the fear of running out of money. Life expectancy is increasing, and we may well live longer in retirement than we spent saving for it. This is why planning for retirement is critical. I read a study recently that found most people spend less time planning their retirement than they do buying a television!

Plan to continue earning an income

Retirement doesn't mean you can no longer earn an income. If planned properly, many retirees get involved in activities that interest them and can supplement their retirement income. Some do contract work for their previous employers or other companies, sharing the wealth of knowledge accumulated over their working careers – and getting paid for it. Our Benchmark results show that one in four employers has considered increasing the normal retirement age for new entrants, the

key motivation being to retain skill sets and knowledge. Some retirees focus on a hobby to which they can now devote more time and possibly derive additional income. This could be from dressmaking, painting, or baking, for example. Those lucky enough to have made sufficient provision for retirement can volunteer at a charity close to their heart, or even offer to coach a grandchild's sports team.

Don't overlook discretionary investments

Often people sacrifice saving more towards their retirement because they fear the unexpected expenses that may arise from time to time prior to retirement. However, the industry has seen a trend of using discretionary savings vehicles, such as tax-free savings accounts (TFSAs), to supplement retirement savings. This is a great solution, since these savings are available at any time should an unexpected expense pop up, but TFSAs also provide a tax-friendly environment for saving over the longer term to supplement retirement income. Planning, however, is critical.

Okay, so the 'sitting on the beach, feet up, sipping cocktails' image of retirement isn't a reality for most of us, but there are still many things to look forward to during this life stage. We need to make a conscious effort to change our negative perceptions of retirement and start focusing on ways to make the experience a pleasant one. Start small, writing down all the books you want to read and movies you haven't got around to watching. Start planning the activities you want to get involved in after your retirement and perhaps even sign up for some relevant clubs or groups now. Then move on to the more technical financial side, like your savings.

But the key thing is to start planning – the sooner, the better. ■

Anna Siwiak,
Head: Product Development
at Sanlam Employee
Benefits: Umbrella Solutions

Five ways

to make the most of your retirement

If you were retrenched tomorrow, with no prospect of finding another full-time job, an immediate reaction would be concern about your loss of income.

Apart from financial worries, you might feel you're no longer of any use to the world, that you've been discarded by society, and your life has lost purpose and direction. And if sullenly mooching around the house with no sense of purpose or fulfillment were to become protracted, your health would likely take a knock, not to mention your relationships with loved ones.

Research has found retirement isn't very different from retrenchment for many people in terms of their mental state subsequent to the event.

In *Personal Finance*, we focus a lot on the number-crunching aspect of retirement planning – are you putting aside enough to be able to retire comfortably? How much is enough?

Financial planners focus on this side of things since it's their area of expertise. But there's been a shift in the profession towards the 'softer', human side of retirement planning. Machines can crunch numbers, so financial planners, if they're to thrive in the age of artificial intelligence, need to develop closer relationships with clients and their families, sharing in the family's fortunes, misfortunes, ambitions and achievements.

If you're in the latter years of your career and approaching retirement, your conversation with your financial planner needs to be about more than just money.

I recently attended two workshops on the non-financial aspects of retirement – one for people nearing or entering retirement, by the Bridge Foundation, and the other for financial planners, by the South African Independent Financial Advisers Association – and came away with five key lessons for prospective retirees:

> *"Holidays are enjoyable because they're a break from work – there's no such thing as a permanent holiday."*

1. Retirement is not a holiday

The word 'retirement' should be retired, not because we don't stop working at some stage, but because of its outmoded connotations. A common one is of a laughing, grey-haired couple strolling hand-in-hand along the beach as the sun sets.

You should build wealth to achieve financial freedom, and once you reach the point in your life when you

don't have to work, whether that comes at 55 or 70, you may enjoy full-time leisure time for a while – but you're unlikely to enjoy it indefinitely. As Dr Anne Blacklaws from The Bridge says, you'll soon tire of golf if you're playing more than a couple of days a week.

Holidays are enjoyable because they're a break from work – there's no such thing as a permanent holiday. You need to be involved in activities that keep you mindfully occupied and give you a reason for getting up off that couch and away from the TV screen. Many successful retirees find fulfillment in giving back to society through volunteer work at charities and NGOs. Others are able to remain active in their careers and slowly scale back, perhaps being kept on by their employer as a freelancer or consultant.

2. Relationships are important

Relationships change on retirement: you no longer have the daily social interaction with work colleagues and are suddenly spending a great deal more time with your partner, if you have one. If so, you and your partner need to align your plans for this new era in your lives. You also need to work actively on and nurture your relationships with family and friends, and reach out to make new friends. Loneliness can be the bane of old age, leading to depression and ill health.

3. Carefully consider where you'll live

Retiring to a remote seaside village fits with the happy-couples-on-beaches concept of retirement, but would it really lead to a happier, more fulfilled, healthier life? You might find yourself out in the sticks, vulnerable to crime, with family and friends too far away to see regularly, and minimal infrastructure in the way of healthcare facilities. Retirement villages are a popular option because they offer the healthcare facilities and security that older people need. A drawback is that you'll be living among people of your generation and older. Research on so-called 'blue zones' (see box), suggests older people thrive best in a supportive multi-generational community that includes younger adults and children.

4. Eat healthy and exercise

The healthier you are in retirement, the more you'll get out of it and the lower your medical costs will be. A healthy diet and physical activity are good for body and brain.

5. Have a positive attitude and think young

The saying 'you're as old as you think you are' is apt. Medical advances are allowing us to live healthier for longer, but any benefits they bring can quickly be offset by a negative 'old-age mindset'.

According to The Bridge, depression affects one in five retired people. Training yourself to think positively can do wonders for your physical well-being.

I've only touched on what you need to consider.
For further information, I recommend:

- *Rewire, Don't Retire – Your Guide To A Fulfilling Retirement* by Paul Britton and Marianne Heron of The Bridge
- *Over the Moon: A Guide To Positive Ageing* by Hannetjie van Zyl-Edeling.

The Bridge's website https://fulfillingretirement.co.za/ is a mine of useful articles and information.

BLUE ZONES

There are several places in the world where people live longer, healthier and happier lives than anywhere else. More than a decade ago, explorer and *National Geographic* researcher Dan Buettner identified five such regions, which he called 'blue zones': Ikaria, an island in Greece; Okinawa, an island that forms part of Japan; the Barbagia region of Sardinia; Loma Linda, a small city in California; and the Nicoya peninsula in Costa Rica.

Buettner found the elders in these areas had a number of factors in common:

- Embracing, supportive community
- Close family connections
- Sense of purpose, typically linked to religious belief
- Daily physical activity, such as walking, doing household chores and gardening
- Low stress levels and effective ways of relieving stress, such as praying, meditation or an afternoon nap
- Healthy diet, relatively high in vegetables and wholegrains, and relatively low in meat
- Habits of only eating until 80% full and having their smallest meal in the early evening.

This article first appeared on the *Personal Finance* website on 1 October 2019. ■

Martin Hesse
Content Editor:
Personal Finance

Retirement Insights

A look at the behaviour of clients and their retirement portfolios

Written by Kamil Maharajh

Retrospective view

Reflecting back over the past 10 years, our Living Annuity book has continued to grow through both bull markets and challenging periods. We tracked the investors we had in our Living Annuity in 2009, to understand their investment and income drawdown behaviour.

The 10-year period we considered consisted of two fairly distinct market environments. During the first five years (2009-2014) markets were running, with the FTSE/JSE ALSI delivering almost 22% per annum. The following five years (to June 2019) was a period of much more muted and volatile returns. The local market on average, delivered 5.8% per annum over this period.

Here are the key take-outs from this study:

Income withdrawal rates too high and not actively managed

Client income withdrawal rates in 2009 averaged 7.8%. Compared to ASISA guidelines, this is an unsustainable level for most ages and genders. Clients were, however, fortunate that investment returns comfortably exceeded their withdrawal rates over the following five years. As a result, we saw strong capital growth (5.2% per annum) for these clients until 2014.

At our observation in 2014, client withdrawal rates were slightly lower at 6.8%. Considering the significant growth in capital relative to which income withdrawal rates are calculated, this means that most clients had healthy income increases. With hindsight most clients would agree that it would have been more prudent to preserve some of this capital for the tough years ahead.

Capital legacy is unlikely for most

While the potential to leave a capital legacy to family is a key draw-card for living annuities, very few will in reality have the privilege to do so. At our 2014 observation point, after the period of strong market returns, 38% of the clients we tracked had started tapping into their capital. Looking forward to 2019, the situation was significantly worse, with 55% of clients already tapping into their capital. For clients with additional income streams, a short planning period ahead and no desire to leave a legacy, this may not be such a concern. The majority of these clients were, however, between ages 65 and 75, leaving them with another potential 20 years to draw income – a period where their expenses will most likely increase well in excess of inflation.

Asset allocation critical

Investment portfolios in living annuities are key for clients to preserve, but also grow their retirement capital to provide a sustainable income. We tracked the exposure investors had to growth assets (property and equity) over the 10 years to understand if they were invested to help sustain their high income withdrawal rates and if past performance does influence asset allocation and sentiment.

Managers of multi asset funds were fairly aggressive in their asset allocation in 2009 (positioning them for the recovery after the global financial crisis), but de-risked towards 2014 as the market got more heated. The average exposure to growth assets for our Living Annuity sample increased from 34.2% to 48.5% over this period. This reflects the strong market performance but also positive sentiment and typical investor behavior of 'buying high and selling low'.

In closing

The challenge for clients and their financial intermediaries is to ensure their living annuities, and other retirement income solutions, are invested optimally to provide for a sustainable income. The impact of muted market returns (as experienced over the last five years, and potentially the next decade) does require different thinking and active planning and management of retirement income streams. The consideration of whether the living annuity on its own is the best or only option for a client will become more prevalent in advice discussions. Very often, combining a living annuity with a guaranteed annuity can provide for a more sustainable income over time.

Kamil Maharajh,
Market Research Analyst at
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Written by Kirshan Reddy

Considerations around life annuities

Kirshan Reddy, former Chief Actuary at Sanlam Personal Finance, looks at some of the risks related to retirement planning and how best to deal with them.

Financial planning considerations

When one considers risks and investment vehicles across the pre- and post-retirement phases, there are quite a number of factors to consider.

The client saving for retirement faces four main risks. These are inflation risk (returns not exceeding inflation), investment risk (poor returns or v olatility of returns), sequencing risk (capital losses close to retirement), and contribution risk (not contributing sufficiently).

The client nearing retirement and seeking a sustainable income for life also faces inflation, investment and sequencing risk. In addition, they'll face longevity risk (living longer than their available retirement capital), and dependant risk (not leaving sufficient income/capital for dependants).

To manage these risks in retirement, the client and their intermediary need to carefully consider the income solutions available. Having a diversified investment portfolio before retirement is just as important as after retirement. The retirement benefits need to be invested in a suitable manner to minimise the risks faced by the client after retirement, but also to ensure they still receive a reasonable return on their assets. Asset allocation and costs are also important considerations.

How to address these concerns: a risk-based approach to post-retirement

In the table below we look at how these risks relate to both a living and a life annuity.

RISK	LIVING ANNUITY	LIFE ANNUITY
Inflation risk	Income withdrawal rates can be increased to meet inflation risk.	Only CPI or escalating annuities can mitigate this risk. Level annuities provide minimum level of protection.
Investment performance risk	Consider the expected returns based on the expected income withdrawal rates.	No exposure to market returns. Only exposed to the interest rate at annuitisation date.
Sequencing risk	Exposed to capital losses post-retirement but also bear market risk.	Not exposed to market returns.
Longevity risk	Exposed to outliving available capital.	Guaranteed income for life.
Dependant risk	Dependants get a share of capital (subject to investment performance).	Dependants do not get share of capital, unless combined with a plan option or life policy taken out prior to retirement.

Key questions in managing risk

When drawing up a plan, the client and their intermediary will naturally consider longevity risk but should not overlook some of the other risks that could derail an otherwise well thought-through plan.

Longevity risk

The life expectancy of your client will influence their selection of retirement income vehicles, as will their medical condition. Clients who are in good health and have good access to healthcare facilities would need to consider having a life annuity as part of their post-retirement plans.

Sequencing risk and investment performance risk

Sequencing risk post-retirement needs to be managed to ensure sufficient capital protection with potential upside participation. Questions to consider include whether asset allocation can provide clients with sufficient risk management, including managing risk that bear markets have on retirement capital. It's also important to consider the long-term impacts of bear markets on clients' ability to achieve their post-retirement goals. In the pre- retirement phase, clients have the benefit of compound interest to help them achieve their goals – but the opposite affects them during retirement (the compound impact of drawdowns and poor investment markets).

Dependant risk

Living annuities should not be the only vehicle offered to help clients wanting to leave a legacy or inheritance for their dependants. Other considerations include a joint life or guaranteed term on a life annuity to provide an annuity income to dependants. Acquiring a life policy can be used for capital legacy and offer best value when bought in the pre-retirement phase. Clients can also consider combining different solutions to provide them with both income security and the growth necessary to consider leaving a legacy.

In conclusion

Take particular note of the following points when advising clients at the point of retirement:

- Apply as much rigour to post-retirement financial planning as to pre-retirement planning
- Apply a risk-based approach when considering the appropriateness of retirement income solutions
- Take into account the medical condition of the client and consider the appropriateness of combinations of living and life annuities
- Life expectancy post-retirement is an important consideration in financial planning. ■

Kirshan Reddy,
Former Chief Actuary at
Sanlam Personal Finance

TAX EFFICIENT USE

of excess fund contributions

Many taxpayers view retirement funds as an essential tax-planning vehicle. All investment income, and the compounding growth on it, is tax free within the retirement fund. Contributions are also tax deductible subject to an annual specified limit.

Currently the rules of a pension, pension preservation and retirement annuity fund require that not more than one-third of the total retirement interest may be commuted to a lump-sum payment at retirement date. The remaining two-thirds of the retirement interest must be paid in the form of an annuity referred to as a compulsory annuity.

Annuity income fully taxable

Annuity income is fully taxable in the hands of the recipient. The annuity income will be added to all other taxable receipts and accruals for the year of assessment and taxed in terms of the normal tax tables at between 18-45%. As annuity income falls within the ambit of "remuneration", the payer of the annuity will collect tax from each annuity paid in the form of PAYE and issue an IRP5 to the annuity recipient accordingly, so that the PAYE collected can be set off against the final SARS assessed tax liability for the individual's relevant tax year.

Contributions to a retirement fund (pension, provident or retirement annuity fund) are deductible in terms

of section 11F of the Income Tax Act. The qualifying contributions include both those of the fund member and those made by any employer of the fund member, for the member's benefit or on their behalf. Section 11F limits the maximum amount that may be deducted each year, and it's commonly understood that any contributions exceeding this limit (excess contributions) may be carried forward to the following tax year. The member's annual tax returns contain the information regarding all contributions to retirement funds and SARS keeps a record of the excess contributions. This can be seen on the member's ITA34 (annual assessment from SARS). It is important to check that the ITA34 correctly reflects all the excess contributions.

Excess contributions carried forward for tax purposes must be treated correctly

However, few taxpayers understand the legislative order in which the excess contributions carried forward must be utilised for tax purposes.

1. When a fund pays out a lump sum, for example, on retirement date, early withdrawal from the fund or due to the death of the member, any excess contributions must first be offset against that lump sum before any further tax consequences of the lump sum are calculated.
2. Any remaining excess contributions must be utilised in terms of section 10C of the Income Tax Act against a compulsory annuity received in the relevant year of assessment.
3. Any remaining excess contributions must be added to the relevant year's fund contributions for the purposes of the section 11F deduction. If in a particular tax year (as is most common), a taxpayer didn't receive a lump sum from a retirement fund, or a compulsory annuity, then the excess contributions would be added to the current year's fund contributions. The allowable deduction claimed in terms of section 11F and any excess contributions would be carried forward.

A common scenario

The effect of any amount falling within section 10C is to be welcomed, as the section ensures the said amount will be tax free. As section 10C ensures that an otherwise fully taxable annuity becomes tax free, understanding the section is extremely important. We can best achieve this by looking at a common scenario. Let's assume a taxpayer is a member of both a pension and retirement annuity fund. The taxpayer, due to reaching retirement age, has received a lump-sum payout from the pension

fund in a previous tax year and is currently receiving a monthly compulsory annuity. This taxpayer has not reached retirement age in respect of the retirement annuity fund and is still actively contributing to the retirement annuity fund as part of their retirement plan. The retirement annuity fund contributions re in excess of the section 11F deductible limit and the taxpayer has excess contributions that they'll carry forward to the 2020 tax year, for example.

In the 2020 tax year, the taxpayer won't receive a lump sum from the retirement annuity fund as they've not yet reached retirement age. The taxpayer will, however, again receive the compulsory annuity in respect of their past pension fund membership. Section 10C requires that the compulsory annuity first be reduced by any excess contributions carried forward from the previous tax year, before the compulsory annuity becomes subject to any tax. Only those excess contributions not offset against the compulsory annuity can now be added to the member's 2020 retirement annuity fund contributions for the purposes of the 2020 section 11F deduction.

There are three important issues to note:

1. Section 10C will only utilise excess contributions carried forward from contributions to pension, provident and retirement annuity funds that were made and disallowed in a previous tax year. In the scenario used for the purposes of this article, this refers to contributions made and disallowed in terms of section 11F before the 2020 tax year.
2. The section 10C exemption is unfortunately only available to the fund member who made the contributions and not to any subsequent holders of the annuity, for example, a nominee or dependant who elects to receive an annuity on the death of the fund member.
3. Section 10C will also not reduce the PAYE withheld from annuity payments. ■

Diane Seccombe, National Head of Taxation at Mazars Academy

RETIREMENT?
What retirement?

The amoralists

Globally and locally, life expectancies are increasing dramatically. According to Britannica research, globally, millennials can expect to live to 114.

In South Africa life expectancy is up to 67 (women) and 61 (men), from 55 (women) and 52 (men) in 2006 – and is likely to continue increasing.

Not ready for retirement

In addition to living longer, we're also living *healthier* longer lives. Many 65-year-olds are fit in body and in mind, still able to perform quality work and nowhere near ready to retire, sit on the porch or while away their days – and their children's inheritance – on pleasure cruises and golf lessons.

Dying to live?

Not only are natural lifespans increasing, medical science is also getting better at saving us from dying from dread diseases and accidents too.

Indeed, many futurists believe amortality is within our grasp. Amortality refers to humanity achieving indefinite natural lifespans – getting as close to immortality as we can, barring accidental death from violence or other unforeseen injury.

This means living with poor health for a long time or surviving a health scare is now a bigger risk than dying. We need to shift our thinking around financial risk from preparing for premature death to preparing for survival and living with the costs of impaired quality of life and earning potential that come with surviving cancer, heart disease or a major accident. All of this is expensive, especially if these survivors are no longer working or are in retirement.

From post-work to perpetual work

However, at the same time that our healthy lives are extending exponentially, people are still retiring at 65 – indeed in South Africa, public-sector employees are currently encouraged to take early retirement to save on public sector wage bills.

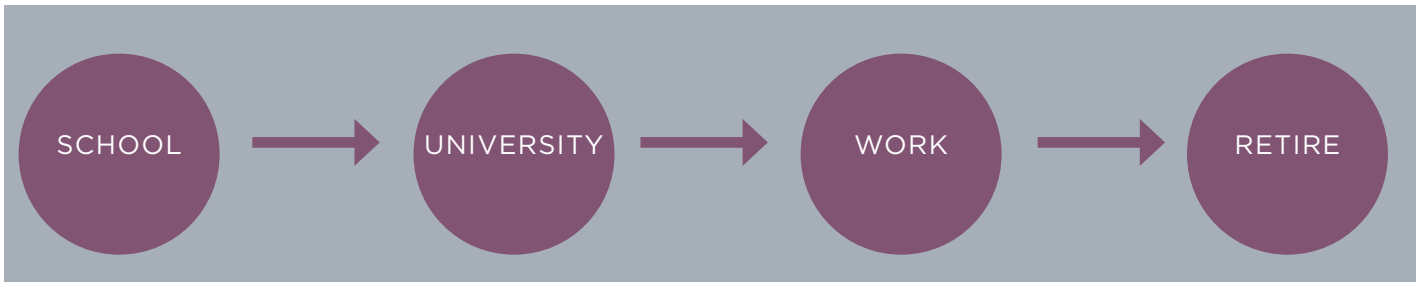
This all adds up to a very big gap between income-earning years and post-working years. Many people will find themselves post-work for more time than they are actually workers.

As global populations age, we really need to ask – just how sustainable is a 40-year 'retirement'?

> *"We need to shift our thinking around financial risk from preparing for premature death to preparing for survival and living with the costs of impaired quality of life...."*

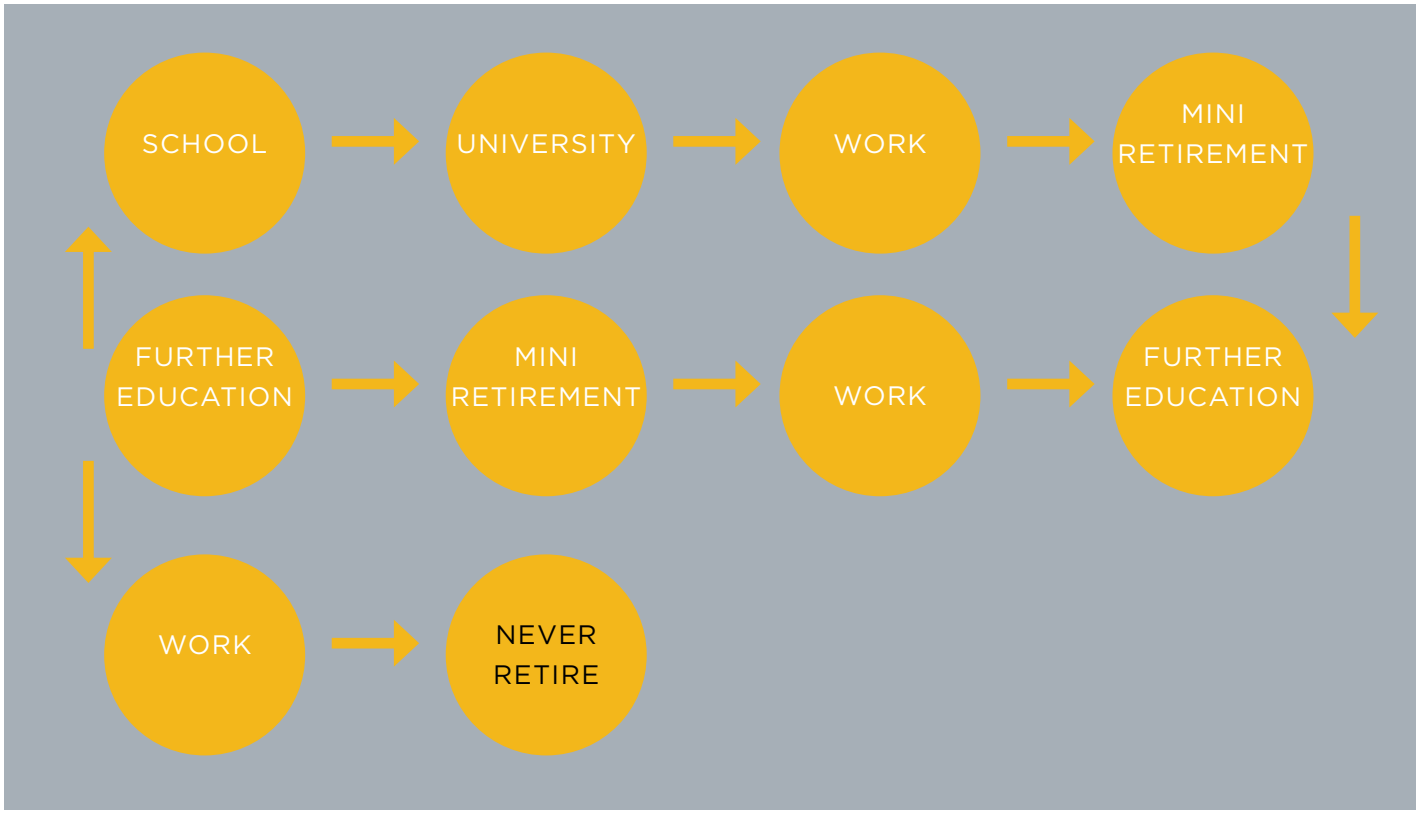
This is clearly not a practical social contract. The old template of work is simply no longer working.

OLD TEMPLATE OF WORK



The old work life cycle blueprint for a 'successful' life - with pension/ benefits *et al* went something like this: Go to university. Get a job in a big corporation that provides good benefits. Find a partner. Have children. Buy a house. Raise your children. Retire and hope to go on a cruise or two before you die – possibly of a heart attack.

NEW TEMPLATE OF WORK



Clearly, this old template of work no longer applies. In a world where listed companies come and go within 10-year cycles, a job is no longer a guarantee of a secure income. In a world of technological disruption, a degree is no longer a mark of relevance. In a world where lifespans extend past 100 years, a retirement handshake at 65 is a curse rather than a blessing.

Rather, we need a new plan for our longer, healthier lives, incorporating:

- Multiple mini mid-career sabbaticals
- Financial plans for unexpected retrenchments
- A budget for ongoing reskilling throughout our lives.

In other words, we can't expect to ever retire. Instead, we need to embrace second, third, fourth or even fifth 'encore' careers, and to plan to work as long as our bodies and minds will let us. As such, non-linear income protection and financial planning – at an individual and a macroeconomic level – is essential. The unexpected should be expected.

Shrinking half-life of skills

In order to embrace encore careers, people need to understand that the skills they acquired in their 20s at university are, in all likelihood, no longer going to suffice. The half-life of skills is shrinking. Continual learning and upskilling are requirements for a perpetual career in the post-retirement world. This implies there'll be many periods in most people's lives where they'll need to take a sabbatical or exit the workplace to re-skill for their next mini-career.

Indeed, if your company (and even your industry) isn't guaranteed to last – the average Fortune 500 company has just a 10- to 15-year lifespan – individual skill-sets have an even shorter lifespan.

As American futurist Alvin Toffler says, 'The illiterate of the 21st century will not be those who cannot read and write, but those who cannot, learn, unlearn and relearn'.

Extra time

Universities and governments around the world are now starting to realise the importance of encore careers. Older workers are a valuable source of knowledge and wisdom and should be re-tooled rather than disposed of. There should be no 'shelf life' on a human being.

In China, elderly people are encouraged to go back to school, and even in South Africa, UNISA offers new-economy skills certificates programmes for senior citizens. These kinds of reskilling programmes can help older workers remain relevant and valuable in the workplace.

However, many companies and industries are still biased against older workers – indeed, many women find that ageism in the workplace starts at age 40.

For this reason, some older workers are returning to the economy as entrepreneurs, consultants and gig workers rather than as salaried employees.

Either way, it's time society realised the true value of the post-retirement workforce. People over the age of 65 have plenty of value to add to the economy. ■

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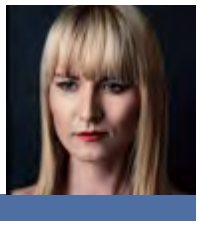

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