Publication: PERSONAL FINANCE (Saturday Star)
Date: 2015-10-10
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Campaign brings home retirement's realities

Young people wrapped up in their careers tend not to think about their retirement years, which seem too far away to be a concern. To convey to younger generations what it means to be retired, Glacier's #FutureFWD campaign has paired three people between 29 and 42 with retirees.

Laura du Preez reports

Glacier by Sanlam has matched three younger people with retirees with similar interests. From left: Candice Bresler, 29, with Michael Olivier, 69; Thoban Jappie, 42, with Tommy Blake, 65; and Bailey Schneider, 32, with Sarah Ravenhill, 56.

A glimpse of what your retirement could look like is a good way to get you to focus on what you want to do in your retirement and whether you are on track to achieve it.

Glacier has paired three young South Africans with three retirees with a view to giving the younger "influencers" a taste of what retirement means and its challenges.

For the month of October they are sharing the realities of everyday life in retirement; from hobbies, daily routines and future plans, to the ups and downs of financial and physical well-being. You can follow the month-long campaign as it unfolds on social media under the tag #FutureFWD or at www.facebook.com/FUTUREFWDSA

Glacier has matched the three younger people with retirees with similar interests:

◆ Candice Bresler, 29, a public relations executive and food lover, has been paired with Michael Olivier, 69, a former restaurateur and current wine fundi;

◆ Thoban Jappie, 42, who runs his own social media business, has been paired with Tommy Blake, 65, a retired physician who ran his own practice; and

◆ Radio and television presenter, Bailey Schneider, 32, has been paired with Sarah Ravenhill, 56, who ran a tourism business before she retired.

While the pairs have found much common ground and shared as much on social media, and the glimpse into the world of the retirees is likely to give much food for thought, the path to retirement is changing steadily. By the time Bresler, Jappie and Schneider reach retirement, their realities will be quite different to those that Olivier, Blake and Ravenhill now face.

There are a number of reasons for this:

RETIREMENT DREAMS

"I don't want to be a stay-at-home-and-do-nothing retiree," Candice Bresler says.

"My nest egg needs to give me the freedom to do whatever I want," Thoban Jappie says.

"I see myself retired at the age of 50, living with my family in the Mediterranean," says Bailey Schneider.

But big dreams require matching plans that enable you to reach those goals. Some are achievable, but some are not realistic. Schneider's dream to retire at age 50, when, by her own admission, she hasn't started planning or saving for retirement, is going to be difficult to achieve.

Kobus Hanekom, the head of strategy, governance and compliance at Simeka Consultants and Actuaries, says someone in Schneider's position who is starting with no retirement savings and wants to retire in a relatively short 20 years at age 50, needs to save more than 60 percent of his or her current income in order to fund a pension of 75 percent of what their current income will be worth when they reach 65.

Already, Jappie is having second thoughts about his idea to retire at age 50. "I've always hoped to retire relatively young. The reality is that 50 is only eight years away, so I'm focused on growing my business, and hustling extra hard!" he says.

Working in retirement will increasingly become a reality and is likely to be very common by the time Jappie, Schneider and Bresler retire. Already, one of the three retirees, Michael Olivier, has tried to retire three times, but is again running a business.

◆ Self-employment is more prevalent at younger ages

Many younger people are self-employed and must make their own retirement plans without the benefit of an employer contributing to their retirement savings and providing benefits such as group life cover.

Although Olivier, Blake and Ravenhill were all running their own businesses before they retired, Blake started working as a doctor employed by the state for 10 years before he opened his own practice.

Olivier was formally employed for 46 years before he started his own business.

Ravenhill is the exception, having worked as a freelancer for many years before she took formal employment briefly and then started her own business.

Of the three younger people, only Bresler is formally employed, but she does not have the benefit of an employer-sponsored retirement fund.

◆ Younger generations tend to have children later in life

For older generations, having children in your twenties was the norm and at the latest you had children when you were in your early thirties. Now, younger people are studying longer and starting families later – some women have children only in their 40s, while men become fathers at even older ages.

This means that whereas previously couples had periods of 20 years or more after their children left home to dedicate more resources to their retirement savings, now many couples have dependent children at home until just a few years before they retire or even after they retire.

Ravenhill had her children when she was in her mid-twenties. At 32, Schneider, like many people her age, isn't yet ready to have a family, although she really hopes to be a mom one day. Blake started a family when he was 25, and Jappie has one child, born when he was five years older, at 30.

This year's Sanlam Benchmark Survey of retirement funds and their members found that 66 percent of pensioners still have either adult or child dependants who rely on them financially.

The survey found that, of the retirees who still have dependants, 54 percent are supporting a spouse and 30 percent a child or other dependant.

Having dependants other than a spouse when you retire will have big implications for the amount of income you will need in retirement.

◆ Younger generations will live much longer in retirement

To determine how long you will live in retirement, it is useful to consider average life expectancies for retirees who buy annuities (pensions).

According to Glacier's statistics, the average life expectancy of a 65-year-old South African is 18 years for a man (to age 83) and 22 years for a woman (to age 87).

But the oldest of the three younger people in Glacier's social media campaign is 42 and therefore has more than 20 years before he reaches what is now regarded as a standard retirement age.

In those two decades, and in the case of Bresler and Schneider, three decades, there are likely to be huge increases in life expectancy (in excess of 18 years).

Patrick Sheehy, the head of product management at Glacier, says that, based on the current trends in the improvement in mortality, the average life expectancy of a man with a life annuity retiring at 65 in 10 years' time will be 20 years.

By 2035, the life expectancy of a 65-year-old man is predicted to be 24 years – six years longer than it is today.

A presenter at this year's Financial Planning Institute conference said that, in 1800, the average life expectancy was 38. In 1900, it was 53. In 2000, the average life expectancy was between 77 and 80, and in 2100, at age 65, people will, on average be only halfway through their lives.

And an often-quoted statistic is that the first person who will live to the age of 150 is already 50 years old.

This means that while a person like Blake, who retired at age 65, needed to plan for a 20-year retirement, younger generations need to be planning for longer retirement periods – and you must bear in mind that you may live longer than the average age. To some extent, these longer retirements may be offset by the global trend towards increasing the age at which employees retire.