

WORK OUT HOW BIG YOUR NEST EGG WILL BE

brought to you by: Glacier by Sanlam

Don't leave yourself short of cash when you retire

Business reporter

Most South Africans are headed for their "golden years" with a very tarnished idea of how to prepare for retirement and no idea how much money they'll need when they get there.

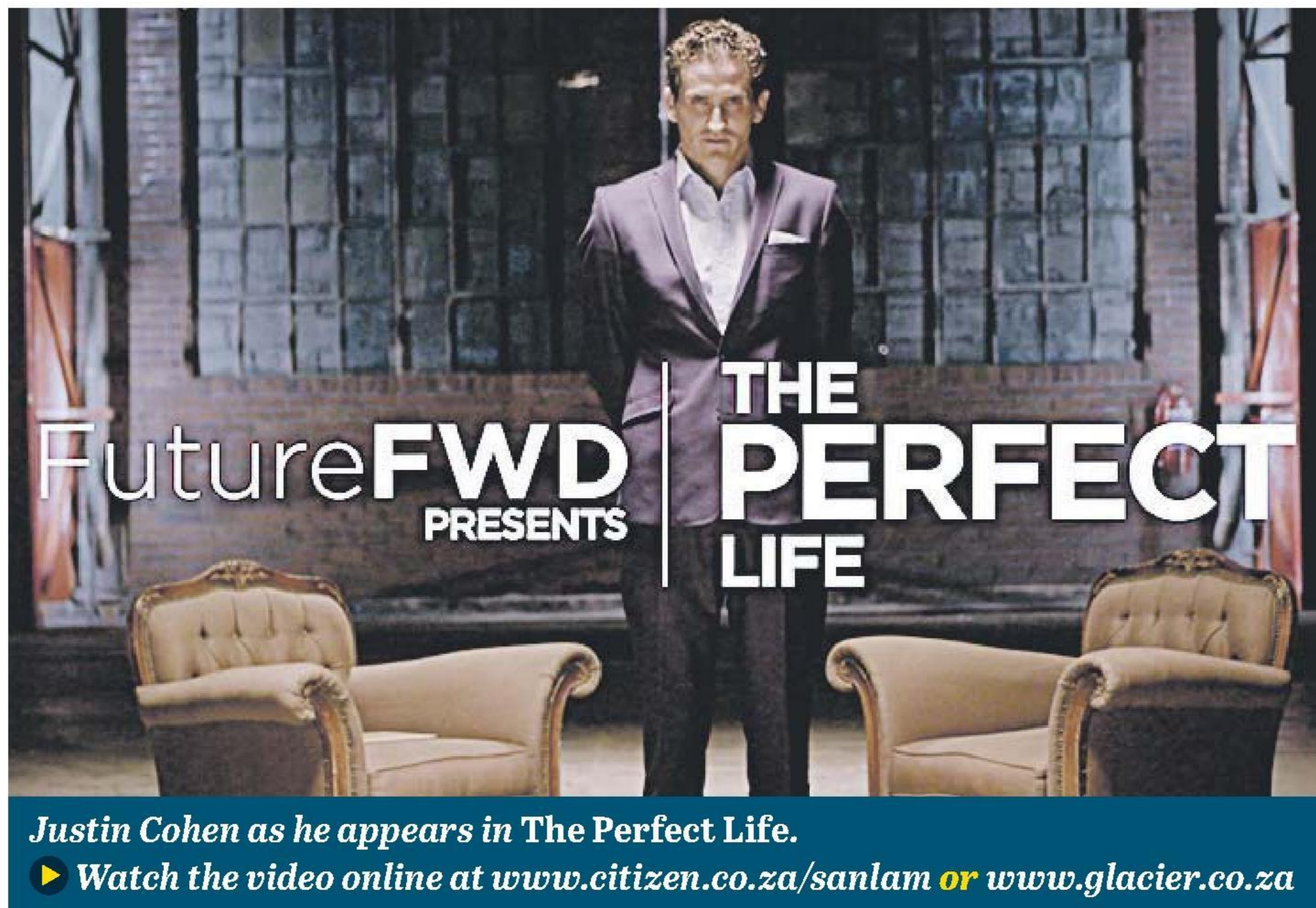
Independent life strategist Justin Cohen points out many of us will live a good 30 years after our last day at work and longevity poses a major threat to retirement nest eggs. "What do you want? This is a question people don't ask

What do you want? This is a question people don't ask themselves when they get up in the morning or at any time during the day.

Justin Cohen
Independent life strategist

themselves when they get up in the morning or at any time during the day. A lot of disappointment comes from that," he says.

To try and bridge this "realisation gap", Glacier has devised a novel project – the Glacier by Sanlam #FutureFWD retirement campaign – using their online income calculator to contrast dream retirement with



current savings.

The newly developed online calculator allows you to work out your actual monthly retirement salary in today's value.

Glacier by Sanlam took three ordinary South Africans with ordinary careers and ordinary savings and asked them what their perfect life would be.

The three – Josephine Mbire (customer support manager), Deon Koch (civil engineer) and Karin Hendriques (communications manager) – gave their answers and these were used to put together a video of their dream lives.

They were then presented with an envelope containing their retirement salary in today's terms

and were asked if they were prepared to live with such a salary.

All three declined. Yet unbeknown to them, they were declining the salary they're preparing to give themselves when they retire.

Jaco-Chris Koorts, actuarial consultant at Glacier by Sanlam explains: "The calculator tries to quantify a very difficult concept, which is your retirement income. It does this by taking into account the capital amount that you have saved for retirement thus far, as well as the contributions you are making and probably will make in your career until you retire.

"It may come as a shock when you realise how small your estimated retirement income is. How-

ever, it is better to realise it while you can still do something about it today," Koorts says.

It is always best to start saving early to garner the power of compound interest. "Your savings early on will contribute the most to your retirement savings, even if they were relatively small amounts.

"Saying you'll make bigger con-

27.5%

you can now put up to this percentage of your salary into annuities tax free; it used to be 15%.

Retirement Salary Calculator

Work out your Retirement Salary.

To get started, please enter your **gross salary** *

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* Your current monthly salary before tax and deductions.

tributions when you're earning more is a very dangerous way of going about it," Koorts says.

And remember, you get income tax relief when putting money into retirement annuities (RAs). You can allocate up to 27.5% of your salary into an RA; whereas it used to be 15%.

Since pension contributions are subtracted from your income for tax purposes, Sars can effectively fund up to 41% of your retirement savings.

But remember, when it comes to pricing your dreams, it's best to turn to a financial adviser.

► **Next week: personal tales of saving and hope.**