

Retiring on a shoestring

By Roenica Tyson, Investment Product Manager

Retirement should be a time for new adventures – spending time with loved ones, finding new hobbies and working through your travel bucket list.

For investors planning to retire in 2020, or those being forced into an earlier retirement, the picture may have changed, with investors seeing declines in the value of their retirement capital following the recent market correction.

During the first quarter of this year the average balanced fund*, a typical choice for retirement annuity and pension fund allocations, declined by -14%. Investors' allocation to more conservative** mandates lost -8%.

Many investors still have time on their side - or can opt to delay retirement. If they stick to their investment strategies and persist with contributions, comfortable retirement is achievable. But what about those starting this new chapter this year?

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Don't lock in the losses

While recent losses and continued volatility and uncertainty may tempt you into abandoning growth assets, cash may not be king. When transferring your retirement assets into a living annuity, stick with your investment strategy. And when transferring from a retirement annuity or preservation fund, the process is often seamless, which ensures you stay invested and don't miss the recovery.

Limit the amount of income taken from your living annuity

Large drawdowns (the amount of income taken) early in your retirement can further hurt your already depressed retirement capital. Limiting drawdowns and cutting back on non-essential spending can help to maximise capital to participate in recovering markets.

Invest your 1/3rd wisely

If you access the one-third of your retirement fund that you may take as a lump sum at retirement, ensure that this is invested prudently. You may need this capital to supplement your retirement income or cover increasing medical expenses later in retirement.

Also keep in mind that any further growth on this capital is taxable, so ensure you optimise tax on this portion of your capital.

Financial planning continues in retirement

Allocating your retirement capital, or a portion thereof, to a living annuity does allow some flexibility into retirement. It is important to engage with your financial adviser to design and manage a dynamic retirement plan for you. These experts will know how to best position your portfolio for recovery, or when it may be a good time for you to consider converting to a life annuity, where you secure a guaranteed income for life.

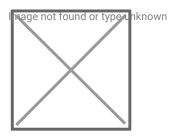
Stay close to the experts

Conversations with your financial adviser are now more important than ever. There are many considerations and decisions to make – not all of them financial. A qualified financial adviser can look at your particular situation, taking into account your goals and wishes, and advise you accordingly.

"Retirement is wonderful if you have two essentials – much to live on and much to live for." – Author Unknown

as measured by ASISA Multi-Asset High equity category and ** ASISA Multi-Asset Low equity category; source Morningstar.

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