

# Glacier Invest: Stop risk from ruining your retirement

By Darren Burns, Head of Investment Solutions

COMING SOON – The Glacier Invest team has developed a progressive new approach to living annuity portfolio construction. We will shortly be announcing the launch of the Glacier Invest Living Annuity Income Solutions. In the meantime, here is some background to what led us to develop this new approach.

In uncertain times, you want to know that your retirement income is secure, but at the same time you may be needing your capital to keep growing – especially if you foresee a long and healthy retirement.

While living annuities offer income flexibility and the potential for market growth, they do place the onus on investors and their financial advisers to ensure that the inherent risks are taken care of and mitigated.

## Risk, what risk?

Aside from investment risk, the two main risks that retirees face are longevity risk and sequence risk.

### Longevity Risk

This is the risk that an investor, who is drawing down from their savings, outlives their capital.

There are a number of reasons why investors face longevity risk. These include insufficient savings, less-than-anticipated investment performance and underestimating life expectancy. This leaves investors with a large amount of uncertainty in planning for retirement, due to events and circumstances out of their control.

Of the three reasons mentioned above, saving enough – and preserving retirement savings when changing jobs – is the only factor that investors really have control over.

The low-return environment we've experienced over the past few years, coupled with the ever-

advancing medical field and generally healthier lifestyles, has meant that the financial future is very uncertain for a large number of investors.

In short, the traditional way of thinking about investing to produce a retirement income does not apply today.

### Sequence Risk

This is the risk that the timing of withdrawals from retirement savings will have a negative impact on the overall effective rate of return.

Underperformance in the early stages of retirement can have catastrophic long-term effects on the portfolio value of an investor. Should this occur there is very little chance that an investor's portfolio will ever recover, and all assumptions entered into prior to retirement will have to be readdressed. This again introduces a large amount of uncertainty.

The difference between being able to maintain your standard of living in retirement versus having to make significant sacrifices to your standard of living is therefore highly dependent on how the market performs over a short period of time. Again, this is something that is largely out of your control.

How are we addressing these risks?

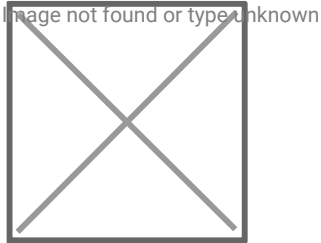
Many of the underlying causes mentioned apply equally to both Longevity and Sequencing risk. These are some of the issues the Glacier Invest team identified and that needed to be addressed in finding a solution:

- Uncertainty and lack of control over market performance is one of the biggest causes behind both of these risks – what is needed is a solution that provides a high level of certainty of investment performance.
- Risk (volatility) is the primary cause of Sequence risk – what is needed is a solution that aims to decrease volatility while still maintaining the same level of income.
- In summary – retirees need a solution that provides more consistent returns that are still in line with the required level of income while at the same time reducing volatility and minimising overall drawdown.

The ever-evolving economic and market landscapes has also led to the advancement and expansion of available investment products. Historically, the more complex investment tools have only been available to select investors in very specific product sets. However, it is now possible to use unique asset classes and tools (such as hedge funds, smoothing funds and alternative investments) more broadly, in order to achieve the above three objectives.

Glacier Financial Solutions (Pty) Ltd is a licensed discretionary financial services provider, trading as Glacier Invest FSP 770

Sanlam Multi-Manager International (Pty) Ltd is a licensed discretionary financial services provider, acting as Juristic Representative under Glacier Financial Solutions



## Darren Burns

Darren is a CFA charterholder and holds a degree in Investment Management (University of Stellenbosch) and a BCom (Hons) in Financial Analysis and Portfolio Management from the University of Cape Town. He has completed RE 1, 3 and 5 and has the relevant experience as a representative and key individual for both Category I and Category II licences. Darren joined Glacier from Secure Wealth, where he worked as a director, financial adviser and analyst for seven years. He joined Glacier as a discretionary fund manager in October 2016.

**This document is intended for use by clients, alongside their financial intermediaries.** The information in this document is provided for information purposes only and should not be construed as the rendering of advice to clients. Although we have taken reasonable steps to ensure the accuracy of the information, neither Sanlam nor any of its subsidiaries accept any liability whatsoever for any direct, indirect or consequential loss arising from the use of, or reliance in any manner on the information provided in this document. For professional advice, please speak to your financial intermediary.

Glacier Financial Solutions (Pty) Ltd.

A member of the Sanlam Group  
Private Bag X5 | Tyger Valley 7536 | Email [client.services@glacier.co.za](mailto:client.services@glacier.co.za) | Tel +27 21 917 9002 / 0860 452 364 | Fax +27 21 947 9210 |  
Web [www.glacier.co.za](http://www.glacier.co.za) | Reg No 1999/025360/07  
Licensed Financial Services Provider | Glacier Financial Solutions (Pty) Ltd. is also a Licensed Discretionary Financial Services Provider FSP 770, trading as Glacier Invest | Sanlam Multi-Manager International (Pty) Ltd. | A member of the Sanlam Group

Private Bag X8 | Tyger Valley 7536 | Tel +27 21 950 2600 | Fax +27 21 950 2126 | Web [www.smmi.com](http://www.smmi.com) \*|\*Reg No 2002/030939/07  
Licensed Discretionary Financial Services Provider, acting as Juristic Representative under the Glacier Financial Solutions FSP 770  
Glacier International is a division of Sanlam Life Insurance Limited  
Sanlam Life Insurance Ltd. | Email [life@sanlam.co.za](mailto:life@sanlam.co.za) | Tel + 27 21 916 5000 / 0860 726 526 | Fax +27 21 947 9440  
Reg No 1998/021121/06 | Licensed Financial Services Provider