

Tips for retiring in a storm

Retirement is a life-changing event at the best of times, but retiring during market uncertainty can become daunting. Francis Marais, Head of Research at [Glacier by Sanlam](#), gives some insight to help.

Times like these are tough for everyone – but if you're facing retirement, times are even tougher for you. So, what to do? Some investors seem to want to abandon growth assets completely – and who can blame them. But is this the right thing to do? A quote often attributed to Mark Twain says that history never repeats, but it often rhymes. So let's take a look at history to help us understand better how to navigate now, and the coming months.

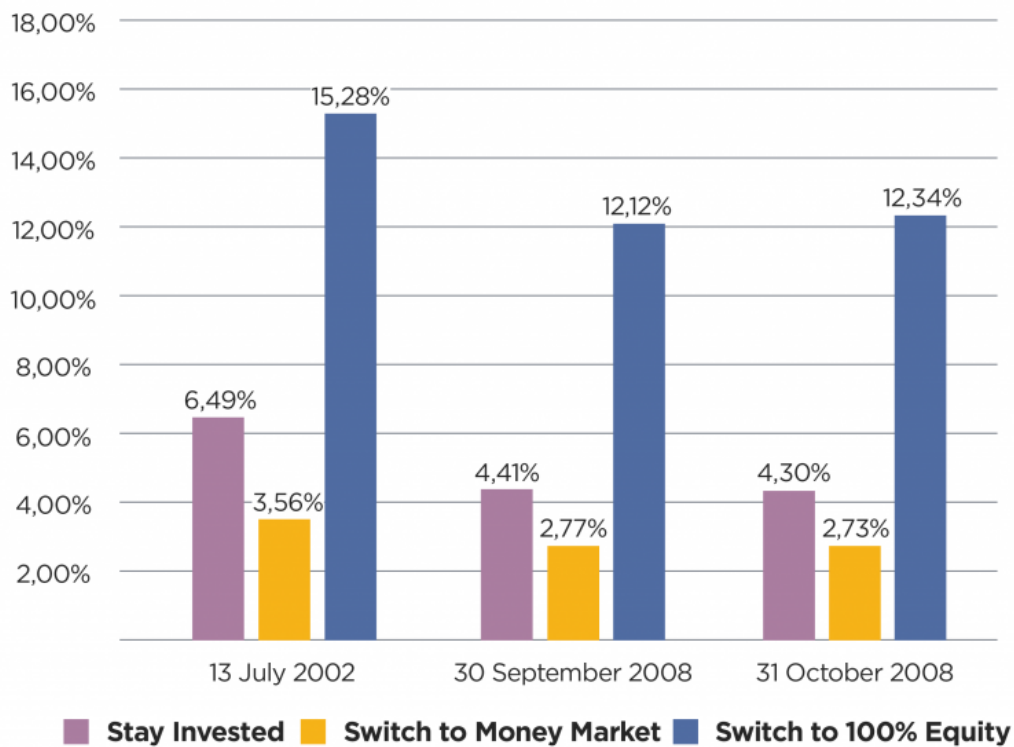
What happens when you retire and disinvest from equities to reduce risk during a downturn?

Since 2002, there were three months with significant negative monthly returns on the JSE: July 2002, September 2008 and October 2008, with returns of -13.44%, -13.24% and -11.65% respectively. What would have happened if an investor retired during each of those periods and disinvested from a medium equity fund, into a money market fund and stayed there, comforted by the fact that they no longer face any risk?

Let's assume they retire with a R5 million lump sum and withdraw at a sustainable rate of 4% per annum. Here's what their outcomes would have been, as at 29 February 2020:

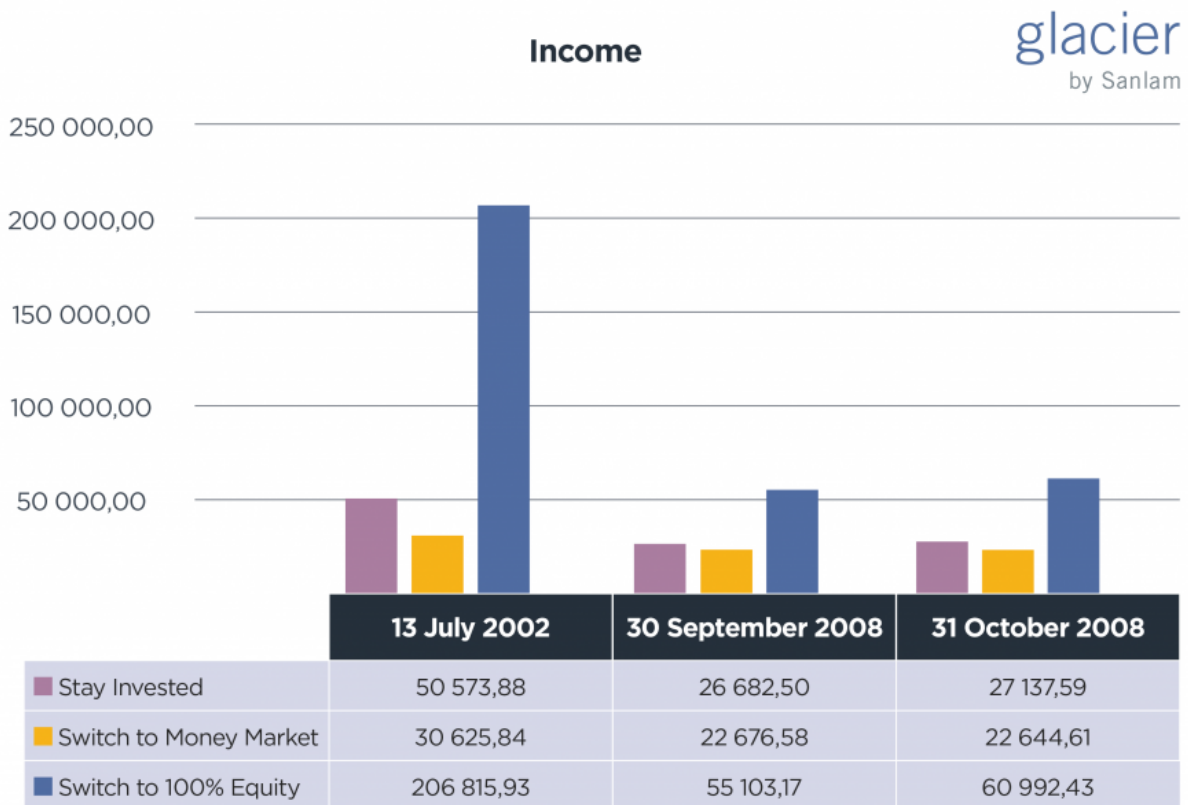
Income Growth

glacier
by Sanlam



Source: Glacier Research & Morningstar

In each one of these periods, if you'd realised your losses and moved into a living annuity consisting of 100% cash, you would have been worse off. You would also have had lower monthly incomes as at today.



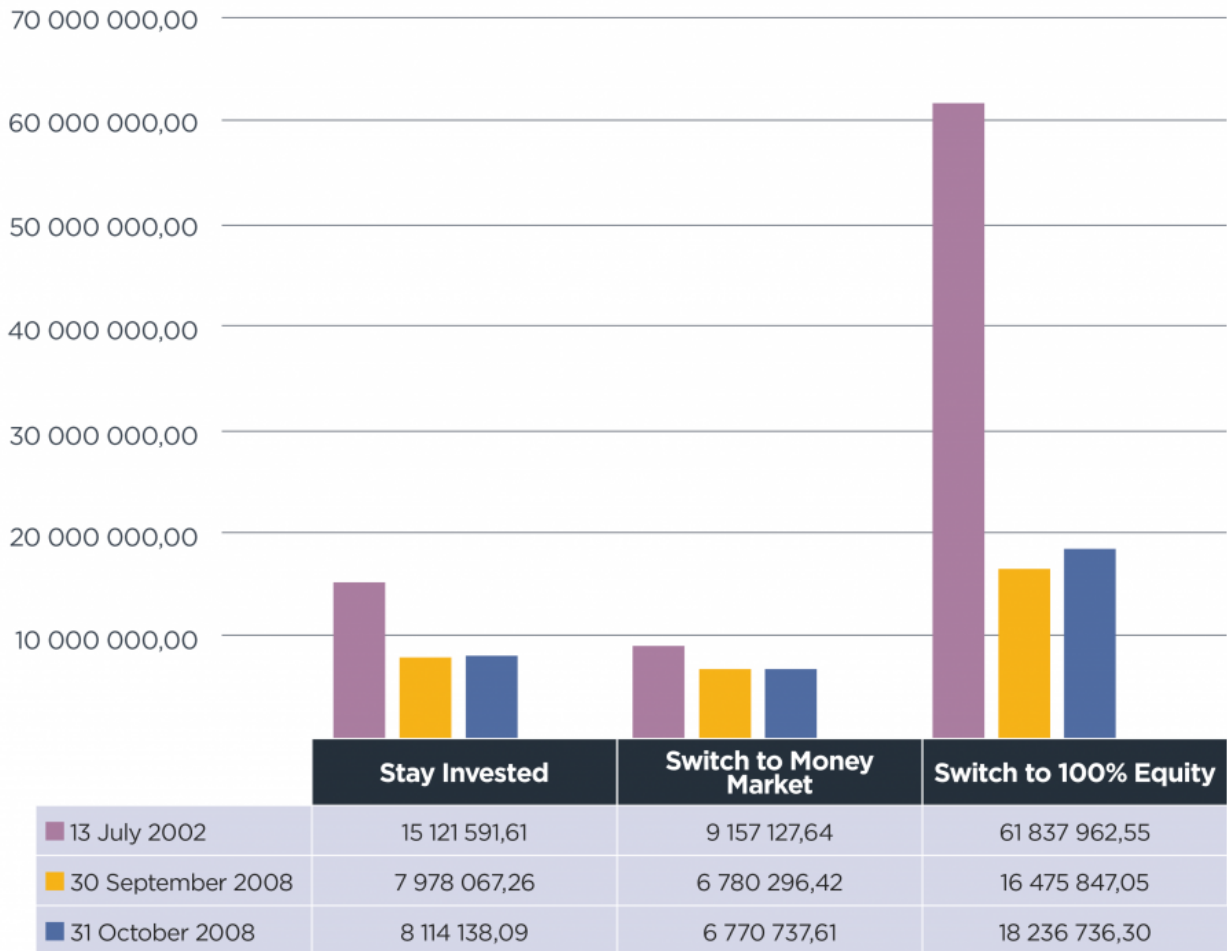
Source: Glacier Research & Morningstar

That's not all – staying invested outperforms a cash strategy

When it comes to income growth, staying invested during periods of downturn significantly outperforms a cash strategy over time, in terms of protecting your purchasing power into your retirement years.

Closing Balances

glacier
by Sanlam



Source: Glacier Research & Morningstar

Cash is not king

While it may be very tough, digressing from your current investment strategy into cash is not necessarily the best option. If you have taken a bit of a knock in your portfolio and you are currently in the process of retiring, try and see through the retirement event and continue with the same type of strategy you had pre-retirement. Naturally, it is best to work with a financial adviser to partner with you on this sometimes daunting journey.

Please [consult with a financial adviser](#) before you take any action regarding your savings and investments.

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 | Tel +27 21 917 9002 / 0860 452 364 | Fax +27 21 947 9210 | Web 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 |*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 | Tel + 27 21 916 5000 / 0860 726 526 | Fax +27 21 947 9440

Reg No 1998/021121/06 | Licensed Financial Services Provider