# My partner has no retirement provision – what now?

A harsh truth facing many South Africans is that they haven't saved enough. But what do you do if you find out your partner has no retirement savings? In this article we provide some guidelines to help you make the best of this precarious situation, and protect your relationship from money stress in the long term.

It's no surprise that for many, the golden years are not so golden. Imagine entering that final year or two before retirement with not only the knowledge that you haven't saved enough, but also that your partner has not saved at all. There's no doubt that the situation should be addressed with honest conversation and financial planning the moment that it becomes apparent.

## Act immediately

The severity of the situation requires sitting your partner down for an honest conversation as soon as possible. This could be a very difficult conversation, and having a financial adviser share facts and figures about life expectancy and budget planning could assist you in navigating the emotional aspects by looking at it from a practical planning and action perspective.

Keep in mind that people have different levels of financial understanding, beliefs and sensitivities that inform their approach to finances. There is a lot of information available about behavioural biases when it comes to finances. Simply put, this means that it is in our nature to think about something and then act in a certain way based on our personal perceptions, prejudices or understanding. While behavioural biases are commonly used to understand why and how people make investment choices, they could help partners understand and analyse one another's unique financial personalities. Do some research to see if there are any truths that could assist the discussions, behaviour and decisions awaiting you as a couple.

The emotional burdens on both partners should not be swept aside. Honest conversation and support will pay off in securing the emotional wellbeing of your relationship in the future.

## Save more

Look at your own retirement savings and lifestyle. In general, it's said that lifestyle costs during retirement should be only about 75% of what they were prior to retirement. This is based on some expenses that are no longer required such as travelling to work, work wardrobes, expensive entertainment, supporting family members etc. But if you're heading towards a retirement in which your savings will need to support both yourself and your partner, it may make sense to cut your lifestyle costs sooner rather than later. Every cent saved should go towards clearing any debt you may have (so that you're not taking this into retirement with you) and doubling down on your retirement savings plan, to boost it as much as possible. These additional savings could have tax benefits, so work with a financial adviser to apply them in the most tax-efficient way.

## Scale down

If you were thinking of scaling down your family home, vehicles or other luxury assets for retirement, it may be necessary to do it now in order to generate a lump sum that will help your retirement savings – but consider the property market, too. Talk to your financial adviser about these decisions and the best investment route for the extra savings you can afford.

## Your retirement date

At the same time, consider your retirement date and whether it is possible to postpone it in order to allow some additional time for saving. Your partner's own retirement date should also be seriously considered, and staggering your retirement dates could help a lot to ensure the maximum possible additional savings at this time. In the meantime, if there's anything your partner can do now to contribute to your overall retirement savings plan, start. Every little will help!

## Additional income plans

It's time to start actioning that plan in the back of your mind of how you can generate an additional income during retirement. Have a conversation with your partner about whether they can also generate income during retirement in some way, too. The time to plan your shared responsibility for financial security is now. You may both be surprised at how you can generate extra income using your years of experience and skills.

Plan your ventures and get everything ready, but be very careful with capital spending in setting up income-generating plans at this stage. You can't afford to lose capital now, so talk to your financial adviser.

## Your retirement income planning

Don't leave the choices about how you will apply the retirement savings you do have to the last minute. Retirement fund savings in South Africa are regulated by law and two thirds of the value of your retirement savings in the fund must be used to purchase an income solution. This means that you are going to have access to one third of your retirement savings in cash at your retirement date, but this amount could be taxed depending on your circumstances. You only have a 'once-in-a-lifetime' tax-free allowance against lump sums (R500 000 taxed at 0%) and there might be none of it left. Leaving all the money in a retirement income product will avoid a large tax bill, as you will only pay income tax at your personal income tax rate on the monthly income. Each person's tax planning is unique, so talk to your financial adviser.

Retirement income stream management is going to be of utmost importance and now is the time to talk to your financial adviser about what you need to consider and what is available to maximise the savings you have.

There are many choices to be made and many factors to consider such as:

- The life expectancy of both partners and securing an income for the longest living partner;
- The requirement for a guaranteed income;
- The effect of inflation on the value of your income during retirement;
- The risks associated with the market performance on your retirement capital invested; and
- Medical expense provision during retirement for both of you.

Income needs during retirement will change all the time:

- During the first five years you may need a bit more income, as you are still relatively healthy and will want to do some of those things you have been waiting for that require money, like travelling;
- During the next five years you will potentially scale down on these expenses and become more content and homebound, and in these years you may need less income and can possibly save a bit more; and
- In your final years, medical costs can potentially increase and you will then need more income again.

The market offers a wide variety of solutions, but don't think along the lines of choosing just one. Think about building a solution for your circumstances – whether this means one solution or a combination of solutions. An example would be to consider a guaranteed retirement income solution that secures medical aid contributions, along with a more flexible market-related income for lifestyle income. It is important to understand that lifestyle income will change constantly during retirement and therefore flexibility is key.

Similarly, the market offers a variety of solutions for medical costs and expenses, so make sure you are informed and choose correctly.

## The basics will count now

Retirement planning doesn't stop at your retirement date. Post-retirement planning is just as important, and you could continue saving after retirement and then apply the savings towards an income at various intervals during your golden years.

While you do all of this, there is no time left to make the necessary health lifestyle changes. Your health is the one source of wealth that only you determine, so do what you need to do immediately to preserve your health and aim to limit your medical expenses during retirement.

*Please consult with a financial adviser before you take any action regarding your savings and investments.*

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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
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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
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