

The essentials of a sound financial plan

At the beginning of 2020, who could ever have imagined how different the year would turn out, compared with how it started? Recent years have proven one thing – being adaptable, flexible, responding quickly to change and being resilient are traits that we need if we are to survive, and thrive, in a world that's constantly changing. Sithu Ngcobo, Business Development Manager at Glacier by Sanlam, stresses the importance of financial planning, and ongoing review of your retirement plan, in order to be able to retire with confidence and dignity when the time comes.

Financial planning for life events

We know that only a very small percentage of people can retire with independence and not have to rely on family or the government for assistance. So, what does retiring comfortably actually mean?

According to Brand Atlas, a company that tracks the lifestyles of 15 million economically active people in households earning more than R8000 per month, they discovered the following in their 2021 survey:

- 71% of people said they have made no provision for retirement.
- 79% fear that they will not have enough to retire on or are unsure how much money they will have when they retire.
- 7% anticipate a comfortable retirement.
- 74% feel they will have to continue to generate an income after they retire.

Financial confidence starts with a plan

Sithu lists some tips to take into account, together with your financial adviser, to ensure that you've covered all aspects of a sound financial and retirement plan.

Retiring with confidence starts early in your life

Retiring with confidence means starting to save as early as your first salary – even if you only contribute to your company's retirement fund or a retirement annuity fund at that stage. The key to future prosperity is to build on this foundation as your income increases. Advice from an appropriately authorised financial adviser, even at this early stage, is critical as you need to know

what your risk profile is and whether you're investing in the right funds (if your company's retirement fund gives you this choice or within the context of a retirement annuity fund membership).

If you're a parent or guardian, investing in a retirement annuity fund for your child before they start working, will deliver an unequalled benefit in later years, so it is entirely possible that your retirement savings journey could start even before your first salary.

Plan your retirement with an authorised financial adviser

There are many factors to consider when you approach retirement. How will your life and financial situation change when you stop working? What debts do you have that need to be settled? How many adult dependants rely on you financially? What income do you require, and will it support you for the years ahead? How much do you need to leave for your loved ones after you die? Establishing the answers to these questions with an authorised financial planner, will determine the retirement income plan that best suits your lifestyle and needs.

Know how much life and funeral cover you have

Have you considered what will happen if you were to pass away? You need to know that your debts will be settled, and that your children's education will be taken care of. Life insurance and funeral form an important part of your overall financial plan. Understanding the funeral policy that you might already have and exactly how much will be available to your family in their time of grief is very important.

Consider critical illness, trauma or disability cover

Life is uncertain and can change quickly. Are you covered for critical illness or an event that could cause a disability? Most South Africans have disability cover as part of their life insurance with their company, simply because it is more cost-effective than other categories of cover. Statistics show that most South Africans who become disabled will first experience a critical illness prior to becoming disabled. Overall wellness plays a big role – diet and lifestyle go a long way towards maintaining your health.

Be prepared for retrenchment

There is no such thing as job security or guaranteed employment in today's workplace. Almost two million South Africans lost their jobs in 2020. Would you be able to protect your income if you lost your job? Income protection solutions offered by life companies also play a vital role in your overall financial plan. Having an income protection solution will save you from having to take on debt to cover your day-to-day expenses in the event of a job loss.

Don't be tempted to spend your retirement savings

When leaving a job, either when you resign or are retrenched, you may be tempted to cash in your retirement savings and pay the tax penalty. Retirement savings is your money, but it belongs to you when you retire. Spending it now could mean that you won't have enough saved to live on when you eventually retire. Not having enough retirement savings means you will need to find income-generating employment after you retire. If jobs are scarce now, what will the job market look like when you're 60?

When you resign or are retrenched, with the help your financial adviser, invest in a preservation fund. It may be one of the wisest financial decisions that you will make and the 60-year-old you will thank you.

Save for something

We all have goals or dreams that we'd like to accomplish, and most of them require money. It could be an overseas holiday, a new car or your first home. It could be saving for your child's education. An authorised financial adviser can help with things like a budget or a savings plan that can help you build your dreams.

Remember increasing medical costs

Medical insurance is important during your working years, and critical after you've retired as this is the time when your personal medical costs are most likely to increase. If your employer subsidises your medical aid contributions, when you retire, your budget will need to accommodate the full premium.

Old age increases the risk of medical problems and typically results in increased healthcare and medical expenses. During the first two waves of the COVID-19 pandemic, the elderly were hit the hardest. Without planning and saving for your medical costs, unforeseen expenses could result in a burden too large to carry yourself.

Don't neglect your paperwork

Save yourself and your loved ones any hassles by having your policies, will and personal documentation updated regularly. Pay attention to the following information and inform your financial services company of any changes:

- Spouse or dependant details (especially in the case of death and divorce)
- Where applicable, beneficiary details for those whom you wish to receive the benefits after your death
- Banking details

- Contact details

Understand exactly what benefits are covered by your retirement funds. It is also very important to keep your spouse informed of your retirement benefits and financial matters.

Live and retire with confidence

On the journey towards retirement, you are likely to experience many life-changing events and you need to be prepared for them. An appropriately authorised financial adviser can help you anticipate events that could set you back and the help with planning to retire with confidence. Saving diligently over your lifetime; sticking to your financial plan that your financial adviser has designed with you; living a healthy life; and getting the right advice. will go a long way to making this a reality.

Watch a short video

Here's a short video to walk you through just some of the important decisions that need to be made to retire confidently.

[Retirement is about many things. Here are some of the decisions you'll face.](#)

Source: BusinessTech, How much money you need to retire comfortably in SA, 12 October 2021

Some of the tips were recreated from [Sanlam Benchmark 2021: Annuities](#) by Karen Wentzel, Head: Annuities Sanlam Corporate Investments

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