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Make Sure they're Your Golden Years

By Helen Grange

Did you know that only five in 100 of us will have enough money on which to retire?

According to personal finance consultant Iona Minton, most South Africans will run out of funds long before death and end up dependent on family, friends or charity.

This is because, on average, South Africans are 25 percent underfunded for their retirement, partly due to having spent most of their lives paying off debt.

Minton says South Africans spend, on average, 76 percent of their salaries on debt repayment.

"The average South African pays about R2-million in interest over a lifetime, or R4 000 a month over our working lives. We are over-indebted, so for many saving is actually impossible," she says.

Consequently, many people end up with few assets when the time comes to down tools and rest a little.

"I deal with these unfortunate cases all the time, people who've made mistakes that could have been avoided," she says.

And did you know that you will probably need to make your retirement funds stretch quite a lot longer than 20 years? In fact, you may have to plan for 40 years of retirement.

The average age expectancy in the Western world today is 80 or more but, thanks to modern diets and advanced medical care, it is rising. In the US, it is estimated, there will be well over a million people over the age of 100 by the year 2015, compared to only 100 000 in 1980.

From a financial standpoint, the thought scares everyone and no one but the mega wealthy is immune to outliving their means, even if you've been on a pensionable salary with the same company for 45 years.

Minton was addressing a conference organized by the Refirement Network (www.refirementnetwork.com), a resource primarily for "baby boomers" born between 1946 and 1964 looking to ensure financial security in their golden years.

Its brainchild, Lynda Smith, aims to help people keep up to date with trends and ideas that could change their destinies for the better, though her strategies are relevant to every working individual.

Minton says killing debt is the number one strategy in being able to retire comfortably.

"Now that interest rates are dropping we should be paying off as much debt as possible to free up cash for saving," she says, adding that experts agree on the need to save at least 15 percent of our pre-tax salaries for 25 years in order to be financially independent in our retirement.

"Financially independent doesn't mean that you're going to retire rich, or be able to go yachting around the world.

"It simply means you'll be able to maintain the same standard of living as you have now," she says.

Meanwhile, the whole concept of retirement needs to be re-examined, it seems.

Minton referred to the book, *The New Retirementality*, in which Mitch Anthony notes that we often spend our entire lives working in jobs we hate, to accumulate money for retirement, then when we finally get there, we find retirement is a monumental letdown.

He writes: "The whole concept of retirement was a product of the industrial age, where the majority of workers were doing physically exhausting work which they did not particularly enjoy.

"However, today most potential retirees have been trading 'intellectual capital' rather than physical prowess and are quite likely to be in their prime at the age of 65.

"For today's retirees, a retirement spent sipping cocktails and playing golf will no doubt lead to boredom and dissatisfaction.

"More and more, research is showing us that retirement cannot be successful unless you involve yourself in something that is vital and purposeful for you."

In this vein, Lynda Smith works with people to help them define a job or career that ignites their passion, so that they live a happier, more fulfilled life.

Pete Laburn, who runs a strategic change consultancy and lectures at business schools around the world, told the conference that baby boomers needed to access the initiative they have shown all along, and instead of retiring, "rewire and refire".

"The boomers were great innovators. They changed every life stage as they moved into it. Smaller families, feminism, political freedom - all of these things happened under the boomers' watch. We're now 55, with 25 to 30 years left, and still have a lot to offer."

The fact is that most boomers don't want to stop working, and it's been found that if you retire at 65, your life expectancy is actually shorter, he says.

In deciding to continue working, however, Laburn warns against "joining the treadmill and trying to run faster", but rather to join forces with Generation X (those born in the 60's and 70's), to share your valuable store of experience and talent while learning from this generation.

"Talent is ageless, and there is a real need for talent and skills out there. I believe that a partnership between boomers and Generation X-ers would be potentially world changing," Laburn says.

To become "Generation X compliant", however, boomers need to understand that the traditional rules of work are no longer relevant, that for the younger generation time is flexible, work is about output rather than hours put in, that you have "associates, not employees".

By fitting in, you could continue being the force of change that defined the boomer generation, he says, and retirement will become what it is - obsolete.

Planning for your retirement: Tips from Iona Minton

- Get rid of the debt monster. Consider that the interest you would pay on a R400 000 property over 20 years amounts to about R500 000. If you can, pay it off in half that time.
- Be disciplined. Don't raid your savings plan if you need quick access to cash, and have a monthly debit order ensuring that funds get paid over to an investment account.
- See a financial planner. While you may understand the various investment products, how you mix them to form a strategy can be complex.
- Many women believe that somehow they'll be rescued by a prince with deep pockets. A big mistake. All women should live their lives as if they will always be single, and never give up on the ability and desire to work.
- Take a long term view. It takes time to build up capital to a point where it starts to compound. Get a good strategy and stick to it.
- Have a three month emergency fund (equivalent of three months' salary). This will insulate you from financial emergencies such as job loss or a car accident.
- Don't stint on medical aid, car and house insurance.