

Retirement planning in 2021

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Saving for retirement is about being able to pay yourself a 'salary' or a regular income when you decide to stop working.

THERE ARE A FEW PRINCIPLES TO THINK ABOUT:

The more you save and invest for retirement and the longer you save and stay invested, the more you will be able to 'earn' during your retirement. Investment growth and tax efficiency can potentially help your savings grow faster and increase your income in retirement.

The lump sum that you accumulate must be considered in terms of the income level that it can buy. Retirement annuities have traditionally been a popular choice because of their tax efficiency. Contributions are tax deductible, the growth during the pre-retirement period is tax-free, and a client only pays tax on the lump sum and income received at and after retirement.

This tax efficiency is likely to continue to be very valuable in retirement planning. But you should also consider other factors, particularly access to the savings, as you can only access the money in a retirement annuity after age 55.

CLIENT CONCERNS

Many clients who had put savings into a retirement annuity panicked when COVID-19 hit. But this type of panic often causes poor decisions because they are usually based on emotion. Saving and investing for retirement is a long-term commitment, and it is important to stay the course and stay invested. For retirement fund members who still have a few years before they retire, there is usually enough time to recover value and no need to make impulsive decisions.

Another concern among clients is the prospect of prescribed assets. Government has given assurances that they will not force retirement funds to invest in a particular way. It is important to remember that investing in well-managed infrastructure projects could provide good long-term returns for clients in retirement funds and some diversification benefits. Asset managers and industry experts will objectively assess any opportunity before offering it to clients. This is one of the benefits of investing with trustworthy partners.

OTHER TAX-EFFICIENT OPTIONS

2020 taught us about unpredictability, volatility and change. And the importance of emergency funding. In this context, tax-free savings vehicles could be a valuable option to supplement retirement savings. There is no tax deductibility of contributions, but the growth is free of any South African tax. The savings can be withdrawn at any time, with no tax payable. However, the longer you save in a tax-free vehicle, the higher the tax-free growth can be, but it also allows clients access to the money if they really need it.



ONGOING RETIREMENT PLANNING

Retirement planning is not a once-off exercise, and clients need to keep the end goal in mind. The underlying investment determines the growth potential and has a significant effect on how much a client can eventually earn during retirement. Early on, growth asset classes are usually most suitable but closer to retirement, clients may want more volatility protection. Understanding the different income options available at retirement will help to plan better. Success in retirement is being able to receive an income that maintains its real value for the rest of a client's life and remains sufficient to cover their living expenses. With the right planning and the right partners, this can be a reality.

As a financial adviser, you know that nothing is more personal than your clients' investments. They put their hopes and dreams on the line. And it doesn't get more personal than that. It's our priority to understand your advice process that helps you understand your clients' unique hopes, fears and ambitions. Momentum Investments offers retirement annuities and tax-free savings vehicles with a wide range of investment components to meet the needs of all clients throughout the retirement savings journey. Our retirement income solutions offer the complete range of options from fully guaranteed life annuities to flexible living annuities to provide income after retirement. Together, we can meet the personal retirement goals of South Africans.

With our expertise and unique outcome-based approach to investing, we can help you and your clients achieve their personal investment goals.

Outcome-based investing targets a pre-agreed return over a chosen period to help make your client's goal as achievable as possible. Because with us, investing is personal.