



Are we sitting on a retirement time-bomb?

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If so, how can you plan for this?

PIETERMARITZBURG - South Africa is experiencing a skills shortage, right? That's certainly what we read on a regular basis in various media. Yet if this is true, how come so many perfectly fit, healthy, and productive people reach their mid- to late-50s, only to be told that they are "over the hill". The result is that many an "early retirement" is in fact a retrenchment in disguise.

The result is that we are sitting on a retirement time-bomb.

In the previous generation, one left school after completing matric at the age of 18, joined a company, worked one's way up the ranks, and retired at age 65 with a gold watch and a pension. Such a person would also enjoy medical aid benefits for life.

The vow to "get this golf swing or die trying" was invariably fulfilled around age 75. This meant that the average person would work for 47 years, contributing to a pension fund that would need to sustain them for ten years after retirement. The house, which was bought with a little help courtesy of a corporate housing subsidy, should be paid off, which means that the "golden years" will be short but fruitful.

Nowadays matric doesn't even get you through the front door, which means at least three years of tertiary education. If you then decide to enter a profession, expect a further three years in training before being unleashed into the big wide world, probably at around age 24. You'll probably change jobs about four to six times, and possibly even have a complete career change at around age 40.

Then by the time you get to around 53, you'll be shunted to one side to make way for the next "young turk" to burst on the scene. There'll be no gold watch, your post-retirement medical costs will be your own baby, and chances are you'll still have a bond on your house.

But the scariest aspect to all this is that, assuming you've preserved your retirement benefits after each job change (most people don't), you'll only have 29 years during which you can save for your retirement. However, thanks to those wonderful medical advances you'll probably no longer be able to afford, you're likely to live ten years longer than your parents did. Which means that you'll spend three years longer in retirement than you did working!

Are you scared yet? You should be!

Now I wish that I could offer you some good news in terms of how to avoid such a scenario, but unfortunately I'm still trying to find the answer myself! However, one of the keys to retirement saving is to put away as much as possible for as long as possible, which means earning an income for as many years as you can. Here are a couple of things you can do to ensure your working longevity:

1. Never stop learning. If the last book you opened was for your final examinations 20 years ago, when you mounted that newly-framed degree certificate on your wall, you may as well use your degree to start your next braai. Carry on with post-graduate studies, learn a trade, or examine ways to turn a hobby into an income stream - anything that will expand your income-earning capacity beyond your next salary cheque.
2. Be open to new opportunities. Read widely about new developments, and be prepared to take advantage of something new that grabs your fancy. Don't be one-dimensional. Some of our biggest industries did not even exist in 1991 - cellphones being a case in point.

3. Develop skills that can be transplanted across different fields. I may sound biased coming from an accounting background, but every field needs good finance people. Not all finance directors are CAs, either - I've met FDs with engineering and legal qualifications, and even a statistician. Combining seemingly incompatible fields of expertise can open up exciting career opportunities. I have a friend who has combined a veterinary qualification with an LLB, and by coupling this with sound business acumen he has exploited a unique opportunity in the area of legal defence and professional indemnity insurance for the veterinary profession.

Secondly, try to lay off the toys a bit. Granted, you do work hard and need to reward yourself from time to time, but continually upgrading your car and your house is a sure-fire way of making the banks rich. Fancy restaurant food and too many takeaways are likely to give you more runs than Sachin Tendulkar gets when batting on a good wicket. You also don't need those designer labels - a pair of jeans from Mr Price does exactly the same job.

Finally, don't be so engrossed in working for your money that you lose sight of having your money work for you. Read widely, ask questions, and get a good financial advisor on your side. Invest wisely, and diversify your investments. Don't trust your company pension fund to do it all for you.

And once you've done all that, we can then talk about the tax aspects.