

STAYING FINANCIALLY FIT FOR A LIFETIME

Of course there isn't a simple 'one-size-fits-all' plan for retirement saving. For one thing, we all face different circumstances, and for another, life just doesn't follow a completely predictable trajectory. Despite this, there are some broad truths that usually apply to different age groups.

Here are some tips to get you going:

IN YOUR 20s

Even though you are possibly earning well below your earning potential, Claire van Wyk, financial adviser at Discovery, says, 'This age group stands to benefit the most from the power of compounding. Start saving, even if it's just a small contribution'.

'The most important things for young people to consider are portfolio suitability and cost structure,' says van Wyk. Young savers need a portfolio that is engineered to ensure they benefit from compounding. At this age, 'You need to have sufficient exposure to growth assets such as listed property and equity.'

IN YOUR 30s AND 40s

From your early to mid-thirties, your expenditure tends to increase. You buy a house. Upgrade your car. Start a family. On the other hand, you are also likely to be far more settled in your career and earn more than in your 20s.

At this stage of your life, says van Wyk, 'The issue of debt management becomes critical, as well as protection of incomes, especially if you have children' It is typically in this stage of your life that you start to incur high levels of debt. Over-indebtedness can ruin you, so managing debts appropriately is critical to long-term financial success.

In this age range, you need to focus on the balance between managing debt and ensuring your retirement saving goes according to plan. There is often a difficult tension between the two, because life events tend to be prioritised, leaving little left for saving.

There's no right or wrong answer when it comes to electing to settle debt instead of saving. In theory, you should force your cost of living lower and try to do both. If you haven't yet started saving for retirement, remember that it is never too late to start.

IN YOUR 50s

It's natural for you to become more conservative as you approach retirement, says van Wyk, 'especially as your retirement nest egg grows in size. Older people would also have experienced a lot more and seen others lose everything due to imprudent decision-making, or to scams.'

Traditional advice suggests you shift out of equities in favour of less risky asset classes like cash and bonds as you head towards retirement. However, we're living longer, so there's sense in leaving a greater proportion of your retirement savings in equities for longer. Remember, at age 60, you may very well have another 30 years to live – equal to the amount of time you've been saving until that point!

IN YOUR 60s+

Many guides to saving for retirement do not offer a view of or advice for the actual retirement period. 'Everyone will 'view' retirement differently based on their own expectations and experiences. Those who have saved sufficient capital may look forward to it with excitement. Others who may not have saved enough could be apprehensive, while some stay largely indifferent to the whole matter. What's important is that your adviser understands where you're at, and acts accordingly.'

During retirement, your exposure to risk obviously adjusts downward. However, it's important not to become ultra-conservative right away, as you'll likely forgo significant growth in your portfolio, and very quickly begin to underperform inflation (in effect, the value of your savings will start to decrease).

One final tip across all the ages is to avoid the allure of 'lifestyle inflation' – sure you stick to your financial road map, which should be individually tailored, regardless of what the trend is at the time. Being financially savvy, no matter your age, will help ensure you're covered when you need it most.

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