



WHY PRESERVE YOUR SAVINGS?

Although no one can accurately predict what the future holds, when it comes to retirement savings, it is possible to estimate roughly how much you will need.



Let's look at Amanda. She graduates and starts her first job in 2015, earning a very comfortable monthly salary of **R20 000**. If Amanda receives an annual increase of **8%** for the next **40 years**, she will be earning just over **R4.8 million** annually when she retires. In order to retire securely at the level of comfort she is used to, Amanda will need **R96.5 million** by **2055**.

It's pretty scary, right? The reality is that inflation makes it necessary. But the good news is that if you start the moment you are employed, save more than the bare minimum and obtain financial advice before you invest, 40 years is enough to get where you need to be. But you really should be saving more than 15% of your salary each month, if at all possible.



Let's go back to Amanda. If she saved **15%** of her salary every month in a retirement annuity for the next **40 years**, with an annual return of **10%**, she will have **R49 million** when she retires. Which sounds fantastic, today. But it's only half of what she will probably need and her lifestyle would have to undergo a drastic change after she stops working. She should aim to replace at least **75%** of her salary. She could do this by contributing more (about **18%** of her salary) and investing in less conservative portfolios – with the help of a financial advisor.

The difference between **10%** and **12%** in returns might not sound like much, but after **40 years** it can make a **60%** difference, so it's definitely worth getting an expert to help you.

Start saving before life gets complicated – children, property, and many other things will make it harder to save when you are older. In our article next month, we will discuss your options when you start working for a new employer.

South Africa will soon be raising the tax exemption for retirement savings to 27.5% of taxable income...

We hope this will help you to save more than ever.

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DON'T EVEN THINK ABOUT CASHING OUT YOUR SAVINGS