

HOW TO MAKE YOUR RETIREMENT CONTRIBUTIONS

REALLY COUNT



People struggle to connect the ideas of living for a long time and having to save for their old age. While we map out our short-term plans like studies, relationships and family plans, we often fail to save realistically for our retired future selves. Psychological research suggests that humans have a hard time perceiving the future as a reality.

This is evident in the fact that only **5 - 6%** of South Africans retire with enough money to maintain their lifestyles in retirement. Of the members who retire each year, more than half receive less than **20%** of their pensionable salary as an income. This can lead to a greater dependency on family, downgrading your lifestyle and having to work when you should be resting and enjoying your retirement.



BROADEN YOUR OPTIONS

Many South Africans rely completely on their employer's pension fund as their only plan for retirement. Of them, many begin saving late into their careers and don't make provision for the lost time. A good way to remedy this is to have several savings vehicles at once.

- > Tax-free savings accounts
- > Retirement annuity funds
- > Bonds
- > Money market accounts

All these can provide opportunities to bump up your savings.

MAKE CONSISTENT ADDITIONAL CONTRIBUTIONS

It's important to contribute as much as you can, as often as you can. Many funds in South Africa offer their members variable contribution rates, ranging from **5% to 20%** of their annual salary. You can drastically increase your total amount at retirement by increasing your contribution by as little as **1%** annually.

Your annual bonus also presents an opportunity to save a little more. You don't have to dedicate the whole amount to your retirement savings. While using it over the festive season may make December more extravagant, putting your 13th cheque away will increase your long-term financial well-being.

The importance of having a plan and sticking to it cannot be emphasised enough. Your road to retirement will require a lot of discipline and sacrifice. More than that, it requires making greater considerations for your future self. Even if we can't predict how long we will live, we owe it to ourselves to prepare and plan for the many years of our lives that lie ahead.