News release from GTC

Today's 50-year olds are often at risk of inadequate retirement provision

Modern 50-year olds need to review their retirement provision more regularly if they want to ensure they have an adequate pension for the post-work lifestyle they desire. This generation is increasingly vulnerable to changes in expenditure which may have a serious detrimental impact on their long-term savings.

Martin Wagenaar, wealth management consultant at leading financial advisory business GTC, believes this is due to societal and economic changes that tend to affect people in the 50-year old range more acutely than others.

"In our experience, the problem is that most people have not changed their retirement provision and savings strategy sufficiently to adjust for material changes to their expenses."

He believes that some of the main factors responsible for this are:

Elderly, ailing parents: "We find that many 50-year olds are channelling a large chunk of their income towards taking care of ageing parents or in-laws, be it financially or health-wise," says Wagenaar.

He ascribes this to the impact of longevity – parents living longer than even they anticipated – and insufficient income generation by the parents' retirement savings, where retirees are often forced to 'eat into' the capital portion of their pension pot to provide for their basic needs.

"While we are by no means suggesting this is a burden for this generation, it does place strain on these households' financial planning, which can lead to under-provision for their own retirement years," he says.

High education costs: "Private school and tertiary education costs have risen to such an extent that children's education is often the largest line item on a monthly family budget. Apart from higher fees, it is the additional related expenses such as extra lessons and accommodation for students that trip up many parents," says Wagenaar.

He believes these expenses often erode the capacity that 50-year olds might have had for increasing their retirement savings at a crucial time in their financial planning cycle.

Medical aid premium increases: "Every year consumers are faced with increases to their medical aid cover which - more often than not - outpace headline inflation and salary increases too. This means households either need to reduce their medical cover, or fund these increases by sacrificing other areas of the budget, such as long-term savings."

The adult dependent child: "We have seen an increasing number of households being affected by the need to provide for older children too."

This can be as a result of not having a sustainable job – whether educated or not – or when a child's job does not provide a sufficient salary to cover his/her expenses.

All of these expenses are compounded by South Africans' poor savings rate, as illustrated by statistics from the South African Savings Institute: the country's official savings rate is 15% of GDP, while the average household savings rate is a paltry 1.1%.

Wagenaar believes many people make the critical mistake of thinking that there will always be more time to save for retirement, once household expenses as outlined above have decreased in intensity.

"Instead, we have found that these expenses tend to affect 50-year olds for longer periods, leaving them with relatively little time to focus on increasing their savings in the last few years before they retire."

He suggests the following:

- Speak to your financial advisor regularly from when you turn 50, to do frequent 'health checks' on your savings pot.
- Have an open discussion with your spouse so that you are on the same page as to your retirement lifestyle expectations. Do both of you want to scale down your expenses significantly in your later years? Do you want to move to that dream beach house? Do you want to travel more often?
- Empower yourself with knowledge of the markets and the economy, and ask your financial advisor relevant questions to ensure you are invested in the most tax-efficient and appropriate savings vehicles for your life stage.
- Do not lose sight of the future benefit of a little sacrifice now – scrutinise your budgets carefully and continuously to cut out those seemingly small expenses which add up and eventually make a serious dent in your retirement planning requirements.

"It is never too late to put that little bit more time and attention into ensuring you can retire comfortably – you will thank your 50-year old self for the rest of your life," concludes Wagenaar.

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About GTC Holdings
GTC, formerly Grant Thornton Capital is a well-established, leading financial advisory business, established in 1991 from within the Grant Thornton Johannesburg audit practice, itself part of Grant Thornton International. The Johannesburg practice was established in 1920.

Effective late 2012 GTC was obliged to separate itself from the audit practice as a result of various international regulations separating the asset management capability of any business from that of Grant Thornton.

This resulted in the business changing its name from that of Grant Thornton Capital to GTC. Gary Mockler, the founder of GTC, remains the Chief Executive Officer and a key shareholder. The association between GTC and Grant Thornton continues within the parameters permitted by international regulation.

GTC is nationally represented with offices in Johannesburg, Cape Town, Durban and Kuruman.
GTC specialises in the areas of retirement fund administration and consulting, healthcare consulting, private client wealth management, short term risk solutions, investment management, stockbroking, derivatives trading, fiduciary services and other areas of financial advice. GTC also operates a unit trust management company.

GTC is an advisory business holding the necessary licenses including FAIS, and has recently been awarded a PMR Diamond Arrow Award for having the highest ranking in the category of 'medium-sized pension fund administrators and consultants' in the recently completed 2016 PMR Survey.

Collectively the Group employs some 120 staff in four offices. Assets under management and administration total some R32 billion. There are 2 500 private clients and about 85 000 participating members of retirement funds through some 300 participating employer schemes, most of these structured through one of several GTC umbrella funds.