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The Trendline - First Quarter 2026



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Market Overview

The economic fallout from the third Gulf war - involving the United States, Israel, and Iran - has severely restricted supply from one of the world's most significant oil producing regions. This has created a fear fueled environment which has caused investors around the globe to divest from 'risk-on' assets like equities (shares), emerging market assets, and emerging market currencies in favour of 'safe haven' assets such as the dollar and US government bonds over the month of March. The view of the quarter is considerably less discouraging and reminds us that short term periods of uncertainty are far less impactful over the longer term.

Investment market returns as at 31 March 2026

Investment market returns (%)	3M	1YR	3YR	5YR	7YR	10YR	20YR
Local Equity Market	-0.45	34.12	18.71	16.34	14.93	11.85	12.68
Local Property Market	-4.92	28.65	22.92	17.92	6.92	3.57	9.77
Local Cash	1.66	7.28	7.98	6.76	6.51	6.78	7.05
Local Bond Market	-3.36	19.24	14.29	12.16	10.52	10.40	8.95
Offshore Developed Market USD	-3.57	18.90	16.77	10.27	12.28	11.80	7.97
Offshore Emerging Market USD	-0.17	29.55	14.84	3.69	6.59	7.80	5.38
Offshore World Bond Market USD	-1.05	3.75	1.65	-2.60	-0.77	-0.25	1.94
Gold (USD)	8.27	49.58	33.38	22.30	20.15	14.25	10.96
Brent Crude (USD)	75.84	58.02	23.29	27.61	17.50	16.83	2.63
USD / ZAR exchange rate	3.12	-7.02	-1.22	2.91	2.47	1.44	5.06

All returns greater than 1 year are annualised. All returns are gross of fees.

- **Local Growth Assets:** During March, the broad-based local equity market (-10.6%) reversed gains earned in January and February to end the quarter down -0.5% amid the ongoing Gulf war. Despite a -16.5% return in March 2026, the Resources sector gained +7.2% over the quarter. This was supported by notable gains from Sasol (+112.2%) and Glencore (+40.4%). The Financials sector declined -0.3%, the Industrials sector -8.4% and the local property sector -4.9% for the quarter.
- **Local defensive assets:** Amidst pre-war expectations of interest rate cuts and post-war expectations of interest rates hikes, global bond yield volatility increased over the quarter. The local bond market declined -3.4% over the quarter, lagging local cash which earned +1.7%.

  The local bond market declined -6.7% over the month of March compared the +0.6% earned by local cash. The South African Reserve Bank (SARB) kept the repo rate at 6.75% in their March 2026 meeting given inflation risks from elevated energy prices amid the Gulf war. South Africa's removal from the Financial Action Task Force (FATF) 'grey list continues to lift investor sentiment and supported foreign inflows over the past few months.
- **Global rate cuts:** In March 2026 the US Federal Reserve kept interest rates unchanged within a range of 3.5% to 3.75. The European Central Bank (ECB) also kept their rates unchanged following its March 2026 meeting. China's annual inflation rate increased to 1.3% in February 2026, rising from 0.2% recorded in January 2026. China's central bank kept its key lending rates unchanged for a tenth consecutive month in March 2026 as anticipated by the investors. The conflict in the Middle East has resulted in disrupted energy supply chains and contributed to inflation concerns across the globe.

- **Offshore Developed Equity Markets:** The MSCI World Index declined -6.4% for the month of March and -3.6% USD for the quarter. Energy stocks gained over the quarter as the producers, refiners, and energy infrastructure companies all benefited from higher oil prices. After factoring in the USD strength, the return increased to +0.4% in rands over the quarter.
- **Offshore Emerging Equity Markets:** The MSCI Emerging Markets Index retracted -13.1% over the month of March and -0.2% USD for the quarter, outperforming its developed market counterpart. South Korea and Taiwan continued to lead in the Emerging Market index for January and February supported by a weaker dollar and ongoing strength in artificial intelligence (AI)-related technologies.

  They however, experienced a reversal in March as high energy costs and supply chain disruptions weighed on global sentiment. China's anti-involution policy which aims to restore profitability, improve product quality, and manage overcapacity continued to positively impacted market sentiment as well.
- **Exchange rate and commodities:** The USD relative to the rand whipsawed though the quarter ranging between R15.60 and R17.20, ending the quarter at R16.90. This represents a USD weakening +7.0% relative to the rand over the month of March and -3.1% for the quarter amidst the onset of the Gulf war. Gold continued its upward rally at the start of the year, peaking at $5562 in February, retreating some -11.2% during March 2026, closing at $4675/oz.

  Amidst the closure of the Strait of Hormuz, Brent Crude surged 43.8% over the month and 75.8% over the quarter, closing at $118/barrel. Directly affecting consumers, this led to an initial petrol and diesel price recovery increase of R3.1/litre and R7.4/litre - inclusive of a R3.0/litre temporary government reduction in the general fuel levy.

GTC's portfolios remains well-positioned to protect capital in an environment of elevated market volatility, global uncertainty and escalating geopolitical tension. While we anticipate volatility to remain in the market for the short term, our outlook for South African assets - as well as certain international markets - remains positive over the medium to longer term given current valuations and growth drivers over this period.

GTC is therefore maintaining a cautiously optimistic approach to portfolio positioning as we navigate the current market environment.

While the long-term ramifications of this Gulf war remain uncertain, we believe that maintaining a disciplined, long-term investment horizon and a well-diversified portfolio is crucial.

For all our clients, we recommend maintaining investing in line with your originally identified risk and return objectives.

Editor's/CEO's note: The authors of the various articles in this quarter's Trendline have all avoided directing you, the reader, to a GTC professional for advice and implementation. This doesn't mean that you shouldn't. All our client facing financial advisors are well-versed and specifically trained on all these technically involved financial mechanisms and products. Not only am I making them available, I encourage you to have discussion with us here at GTC as we continue to assist our clients attain their investment goals.

CEO Editorial



After 40 years in the industry, the single biggest failing of investors that I have observed - and it hasn't changed over this time - isn't about the understanding of savings. It isn't about compound returns or market timing (though of course these are also misunderstood). In my opinion, the consistent single largest failing is that so many investors don't apply the savings principles which they know will work.

Of course, retirement saving is in good company. How many guitars hang on walls after three lessons? How many garages contain dust covered brand new bicycles, and consider all those expensive treadmills which now function as clothes racks?

Surely since the early days of mankind (with the adage 'The road to hell is paved with good intentions' being coined by 11th century abbots) we have all been promising ourselves that we will do a specific something - and never do.

Most South Africans already understand the broad principles of sensible money management. Save consistently. Avoid unnecessary debt. Invest for the long term. Yet despite this obvious awareness, many households continue experiencing growing financial anxiety.

That contradiction sits at the centre of the theme of this quarter's Trendline. Financial plans rarely collapse because of one dramatic event. More often, they drift off course through accumulated behaviour. Several articles in this edition explore exactly this tension between knowledge and behaviour. 'Money isn't the point. Behaviour is' examines how systems, habits, and emotional responses supersede conventional saving principles.

Retirement planning also features strongly throughout this edition, although perhaps not in the traditional sense people expect. Articles such as 'Sequence of return risk' and 'The first place to pull money from in retirement' challenge the idea that retirement is simply about reaching a target number. Increasingly, successful retirement planning depends on resilience, flexibility, and realistic expectations. The significant importance of understanding and planning income withdrawal once the savings target (or date) is reached is covered in both these articles.

As for the prevailing investment landscape - the broader investment environment remains constructive, although not without complexity. Local markets delivered strong returns throughout 2025. At the same time, many South African households continue facing rising structural costs through education, healthcare and municipal charges ('the road to hell…' from a government perspective).

This widening gap between headline economic data and living the financial reality is becoming increasingly important. Financial wellbeing is no longer simply about achieving investment growth but about building systems robust enough to absorb uncertainty without forcing destructive decisions.

Perhaps that is ultimately the consistent thread running through this edition. A good financial plan is not one that only works during favourable conditions. It is one that continues functioning during ordinary life: when markets disappoint, when expenses rise unexpectedly, or when circumstances change.

I encourage you to read through this quarter's Trendline carefully. It is particularly relevant to retirees. And it is particularly relevant to anyone who will one day be a retiree. Several articles may prompt valuable conversations within your own household around spending, retirement, family support, and long-term priorities.

Enjoy this quarter's Trendline.



A tale of two inflation rates

Inflation has become surprisingly polite. Stats SA's latest data places headline CPI at 3.1% year-on-year to March 2026, comfortably within the South African Reserve Bank's target range and well below the levels households endured only a few years ago. Food inflation has moderated, several staple categories have shown limited price pressure, and transport inflation remained in deflationary territory through March.



At face value, the environment appears relatively stable. Yet South African households have entered the second quarter of 2026 facing a very different lived reality, particularly after the extraordinary fuel price adjustments introduced in April and again in May. From 1 April 2026, inland petrol prices increased sharply, while diesel recorded one of the steepest monthly increases in recent history. By May, inland 95 unleaded petrol had moved above R26 per litre, with diesel climbing above R32 per litre in parts of the country.

Fuel rarely remains a transport story for long. Higher fuel prices move quickly through logistics, food distribution, commuting costs, school transport, municipal services and broader operating expenses throughout the economy. Even where headline inflation initially appears contained, sustained fuel increases tend to filter steadily through household expenditure over subsequent months.

Which means the conversation around inflation has become considerably more complicated than the headline CPI number suggests. Because for many South African households, the real pressure point sits in the widening gap between income growth and the long-term costs shaping everyday life.

The real inflation rate

The education component of CPI is updated annually, and the latest figures continue a familiar pattern. Education inflation accelerated to 5.4% in 2026, while primary and secondary education increased by 6.2%. Private secondary schools recorded the sharpest rise at 7.5%, materially ahead of headline inflation and comfortably above the average salary increases seen across much of the economy.

Over time, this distinction becomes meaningful. A once-off increase is manageable. A persistent annual increase that compounded over more than a decade gradually reshaped household cash flow in ways that are often underestimated at the outset.

The challenge for many households is that school fees do not exist in isolation. They form part of a broader collection of structural lifestyle costs that continue to rise steadily over time, often materially ahead of CPI.

Medical aid behaves similarly. Healthcare inflation has historically exceeded headline inflation for prolonged periods, driven by specialist's costs, hospital tariffs and utilisation trends. Municipal charges increasingly belong in the same category, particularly as electricity, rates and service-related expenses continue to rise faster than many households' incomes. Education inflation continues to outpace headline CPI in South Africa.



The pressure building beneath the averages

Headline CPI is designed to reflect a broad basket of goods and services, combining everything from food and transport to housing, communication and recreation into a single national number. The difficulty is that these categories move differently and affect households unevenly.

In March 2026, fuel prices were still lower on a year-on-year basis, helping suppress the transport component of CPI. Within weeks, however, the April and May fuel increases fundamentally altered that picture. Those increases matter well beyond the fuel station forecourt.

Transport costs feed into food distribution, logistics, consumer goods pricing, school transport and household operating costs across the economy. The result is that many households continue experiencing rising financial pressure despite the relatively modest headline inflation number.

At the same time, salary increases across many sectors remain relatively constrained. Average salary growth in South Africa currently sits close to 5%, which means income growth is increasingly struggling to keep pace with the categories that matter most to long-term household stability. That is where the real pressure begins to emerge.

The compounding effect

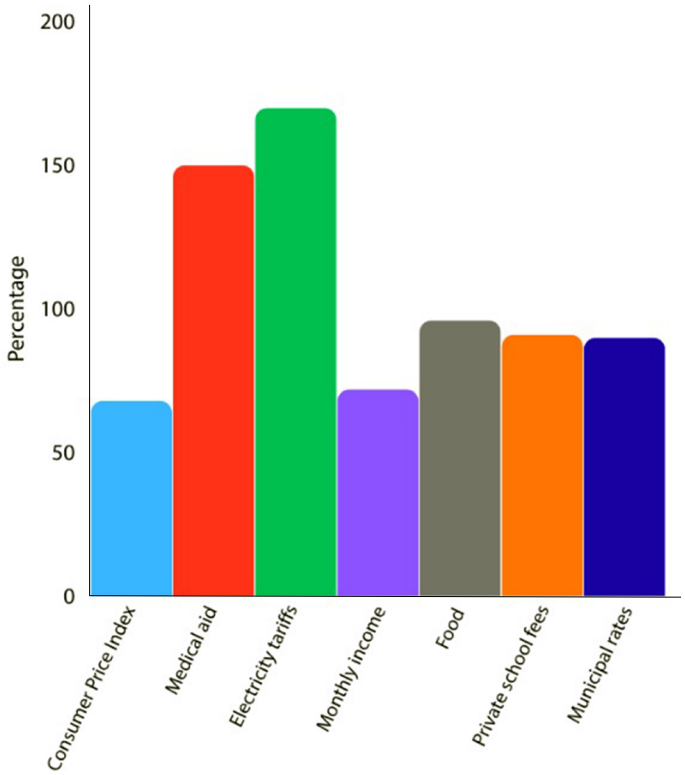
A 6% increase in school fees or a 7% increase in medical aid premiums rarely feels catastrophic in a single year. Most households absorb these adjustments incrementally, often through smaller lifestyle trade-offs rather than dramatic financial decisions.

Over longer periods, however, the mathematics becomes considerably more demanding. At 6%, school fees increase by roughly 80% over a decade and more than double over a typical 12-year schooling cycle. Medical aid follows a similar trajectory over time, while fuel, transport and municipal charges continue introducing periodic shocks into household budgets.

These increases accumulate gradually rather than dramatically. The pressure rarely arrives all at once. Instead, it compounds quietly over years, steadily claiming a larger share of future income.

Structural household costs continue to rise faster than income growth for many South African households.

10-Year cumulative percentage increases compared with inflation



Why this matters from a planning perspective

Understanding the relationship between various costs of living and the benchmark Consumer Price Index (CPI) directly affects the nature of financial planning. For many investors, the central question increasingly revolves around the sustainability of future lifestyle commitments relative to long-term income growth. Schooling costs, healthcare inflation, housing expenses and retirement planning all interact over extended periods, particularly within an environment of relatively constrained wage growth and subdued economic expansion.

That places greater emphasis on integrated financial planning rather than isolated product decisions. Traditional financial planning focuses heavily on conventional investment products (retirement annuities, unit trusts, insurance structures, etc.). Seldom is the dimension of inflation differentials considered in this fairly simplistic planning.

Modern financial planning increasingly requires something broader and more dynamic, particularly where structural lifestyle inflation becomes a long-term consideration.

Editors note: This is precisely where GTC's TrueNorth platform becomes particularly relevant.

The bottom line

South African CPI may(?) finally be behaving in a more predictable manner, but many of the costs shaping long-term household finances continue to rise steadily above CPI.

School fees, medical aid and other structural lifestyle expenses increasingly demand a larger share of household income over time, particularly within an environment where salary growth remains constrained and fuel-related pressures continue filtering through the broader economy.



For households navigating these pressures, the challenge increasingly lies in understanding how future income, inflation and long-term commitments interact over extended periods. That process requires more than budgeting. It requires integrated planning, realistic modelling and the ability to test long-term financial sustainability before pressure becomes visible in day-to-day cash flow.

Adaptability and the ongoing understanding of one's investment portfolio relative to the prevailing factors that influence this, is perhaps the main call-to-action regarding this topic.

When is a bonus not a bonus?

Bonuses are often misunderstood by both employees and employers. Recent case law prompts a topical discussion as to the entitlement - or not - that staff really have to this benefit.

As South Africans settle back into a normal working rhythm after the numerous April and May public holidays - not entirely unlike Britain's Bank Holidays or America's summer slowdown - a familiar workplace question begins surfacing again: 'Are we getting a year-end bonus?'

For many employees, an annual December payment feels woven into the rhythm of working life. In some companies, bonuses arrive with such consistency that employees mentally treat them as part of their annual income. In others, they appear irregularly and unexpectedly. Yet despite how common bonuses are, many people do not fully understand how they function legally, or financially.

According to Cliffe Dekker Hofmeyr (CDH), South African law does not provide any automatic statutory right to a year-end bonus. Employees are therefore not automatically entitled to a '13th cheque' unless something else creates that right, such as:

- a contract of employment;
- a collective agreement;
- a formal company policy; or
- in some circumstances, a binding past practice.

That principle was reaffirmed in UIS Analytical Services (Pty) Ltd vs Independent Democratic Union of South Africa and Others (2025), where the Labour Court confirmed that employees had no contractual or policy-based right to a bonus, and that the union was therefore entitled to strike lawfully in pursuit of one.

But while the legal distinction may appear straightforward, the practical reality is often more complicated.

Two types of bonus schemes

Although companies use many different forms of incentive structures, labour law broadly separates bonuses into two categories: guaranteed bonuses and discretionary bonuses.

A guaranteed bonus is typically contractual. Sometimes referred to as a '13th cheque', it exists where the right to payment is clearly established in an employment contract, collective agreement, or binding policy.

If a contract states that an employee will receive a bonus, the employer is generally obliged to pay it, subject only to any stated conditions - for example, that the employee remains employed on the payment date. These are enforceable rights rather than optional rewards.

A discretionary bonus operates differently. Here, the employer retains flexibility to consider factors such as:

- company profitability;
- broader economic conditions;
- individual performance;
- team performance; and
- commercial affordability.



Even then, discretion is not entirely unlimited. South African labour law still expects employers to exercise discretion fairly and consistently rather than arbitrarily. Crucially, however, a discretionary bonus does not automatically create a legal entitlement.

In the UIS Analytical case, employee contracts explicitly stated that the employer had 'no legal obligation' to pay bonuses and that any payment remained subject to the employer's 'exclusive discretion'. The Court therefore found that employees had only a bargaining demand rather than an enforceable legal right.



Why bonus disputes arise so frequently

One reason bonus disputes become emotionally charged is because recurring bonuses often begin to feel permanent, even when legally discretionary.

Behavioural finance research has long shown that people quickly adapt their spending patterns around expected income. Once bonuses become part of household budgeting - helping pay school fees, settle debt, fund holidays or support annual savings goals - employees may psychologically experience the absence of a bonus as a reduction in income, even where no contractual entitlement exists.

This gap between legal reality and financial expectation is increasingly important in modern workplaces.

Globally, employers have shifted steadily toward more variable remuneration structures. Many businesses prefer flexible incentive systems because they reduce fixed long-term salary obligations during uncertain economic periods.

Human resources and remuneration specialists often distinguish between several different forms of bonus structures, including:

- retention bonuses;
- performance bonuses;
- profit-share incentives;
- discretionary recognition awards; and
- guaranteed annual payments.

Each serves a different commercial purpose. Some are designed to reward productivity, others to retain key employees, while some simply provide employers with flexibility during volatile economic cycles.

In South Africa's slower-growth environment, many employers increasingly favour discretionary incentive models precisely because they avoid creating fixed obligations that may become financially difficult during downturns.

Why contract wording matters more than many employees realise



One practical lesson emerging from cases like this is that employees often focus heavily on headline salary figures during recruitment negotiations while paying relatively little attention to how bonuses are structured. Yet over time, the wording surrounding variable remuneration can materially affect financial predictability.

Employees negotiating employment contracts may benefit from focusing less on whether a bonus exists and more on how the bonus framework is defined.

Clearer wording can still preserve employer flexibility while improving transparency and predictability for employees. This may include:

- defining measurable performance criteria;
- clarifying whether bonuses depend on company profitability, individual performance, or both;
- specifying review periods and payment timing;
- clarifying whether prior bonus history influences future expectations; and
- distinguishing carefully between 'discretionary consideration' and 'guaranteed entitlement'.

In practice, many disputes arise because the boundaries of that discretion were never clearly communicated, and not because employees misunderstand the existence of discretion.

Why this matters from a planning perspective

Whether a bonus be contractual or at the behest of an employer, the issue of any bonus extends beyond its legal definition. As has been referenced in the article 'Money isn't the point…' bonuses, whether discretionary or contractual should form an important part of anyone's financial plan. As much as possible of the bonus should be allocated to one or more of the following, preferably in this order of priority:

- debt reduction;
- AVC's - Additional Voluntary Contributions - particularly when this can be tax deductible;
- discretionary long-term savings;
- school fees and/or emergency savings;
- major annual expenses.



As remuneration structures become progressively more variable and performance linked, discretionary income remains inherently uncertain. This creates an important planning challenge for an employee in a modern employment environment.

For both employers and employees, the real lesson is likely less about whether bonuses will be paid or not, and more about communication, ensuring expectations, obligations and financial assumptions are clearly understood long before any dispute arises, and hopefully before any overseas trips are booked…

Money isn't the point. Behaviour is.

There is a comforting story we tell ourselves about financial wellbeing. It goes something like this: if I earned a bit more, things would settle. If the bonus was bigger, if the interest rate was lower, if my salary finally 'caught up' with my life, then I'd feel in control.

It's not a stupid story. South Africans are under real pressure, and plenty of households have no real slack left after the debit orders have had their feast. The problem is that the feeling of control often refuses to arrive, even when the numbers improve. People earn more and still live on the edge. They become 'higher income' and stay financially anxious. They can explain what they should do and still don't do it.

The recently released Franc Wealth Index Survey involved 4 000 South Africans and reviewed how habits, behaviours and mindsets affect their financial outcomes. The findings echoed several recent financial planning discussions with clients whose incomes and lifestyles had improved substantially, yet whose long-term savings plans remained largely unchanged.

The survey revealed that financial wellbeing seems to be more strongly associated with how people manage what they have than with demographic factors such as income, education or age. It doesn't claim money doesn't matter. It suggests money isn't the whole driver.

Which takes us to the more interesting question. If this is true, what drives people's thinking when they build and manage a plan? Because people are human, many financial plans don't collapse due to bad maths, but rather due to bad habits.

The illusion that more income solves everything

A financial plan is usually treated as a document. A binder. A spreadsheet. A set of goals with numbers next to them. But the lived experience of money happens inside habits. It happens in small, repeated decisions, not dramatic turning points.

The big decisions - buying a home, changing jobs, retiring, paying school fees - are important. The everyday defaults decide whether those big moments become manageable or chaotic.



The survey's findings are uncomfortable for a simple reason: they suggest many South Africans are engaged and aware yet still missing the foundations that turn intention into progress. The gap between knowing and doing is a familiar South African gap.

Anxiety changes financial behaviour

So, let's talk about what shapes behaviour in real life. The first driver is anxiety, and it doesn't get enough respect in financial planning. Anxiety is part of the story. People are not disengaged or uninformed, and anxiety makes it harder to act. That rings true.

Anxiety shrinks your time horizon. It nudges you towards whatever offers immediate relief. It keeps you holding cash 'just in case', even when you know it's losing purchasing power. It sees successful salaried people continually living on the credit card edge.

The problem is that calm and predictable aren't South African defaults. They're occasional visitors. If anxiety is shaping your decisions, the practical move is to make money feel less fragile as quickly as possible. You want a little bit of breathing room. A small buffer. A bit of resilience. Something that reduces the number of situations where one bad week becomes a crisis.

Lifestyle inflation - the silent absorber

The second driver is the way lifestyle adapts to income.

Many people assume that higher income automatically creates capacity. Sometimes it does. Often it simply expands the cost of living. A salary increase is followed by an upgraded car, a bigger bond, more subscriptions, and spending that feels justified because 'we work hard'. Saving then becomes what happens if anything is left over, and we all know how reliable 'left over' is.

Lifestyle inflation rarely announces itself. If you want a plan that genuinely changes your life, treat income improvements as a chance to capture something for the future before the present absorbs it.

When your income rises, capture part of the improvement permanently - through debt reduction, retirement saving or emergency reserves.

Debt changes how people think

The third driver is debt, which is never just a line item.

The survey points to debt and emergency savings as fault lines where financial wellbeing fractures. Debt affects the bank balance, yes, but it also affects your thinking. High repayments compress your options and reduce flexibility. They make small surprises expensive and keep you in a short-term posture, even when you'd rather be thinking long term.

If you want your plan to hold under pressure, get honest about the debts that generate stress.

High-interest consumer debt in particular can quietly erode everything else you're trying to build.



Why structure beats motivation

Then there's planning itself.

'Keystone behaviours' is described in the survey as that which lifts overall wellbeing, and the strongest keystone behaviour is having a clear and regularly reviewed financial plan.

That makes sense, because planning is one of the few points where you get to choose your default. It's where you decide what matters first, what happens automatically, and what gets reviewed before it becomes urgent.

A plan doesn't need to be detailed to be serious. It needs to be repeatable. If you want a simple test, try this:

Financial planning reality check

- What am I protecting if life goes wrong?
- What am I building if life goes right?
- What happens automatically every month?
- What gets reviewed every quarter?

If those questions feel fuzzy, it's likely that you have intentions rather than a plan. That's not a criticism but a starting point. This is where financial planning becomes less about education and more about structure.

Feelings have never been reliable financial advisors.

Structure is the unglamorous engine room - debit orders, automated saving, separated accounts, and systems that reduce the need for constant willpower. If you are waiting to feel 'ready' before you act, you're waiting on a feeling.

The financial industry's blind spot

There's also an industry lesson here. Financial advisors, and the broader financial industry, can be guilty of prescribing more information when the real issue is behaviour. We add complexity, add reading, add tools, and then feel surprised when nothing changes. We all need a system that runs even when life is busy.

Building a plan that survives ordinary life

So, what should drive your thinking when you build your own financial plan? Start with stability. Reduce fragility. Build a buffer, even if it starts small. Deal with the debts that keep you under pressure. Make sure the essentials, like insurance and cover, are not chaotic.

Those steps create room to breathe, and that breathing room changes what you can do next.

Then build momentum. Automate saving and investing. Make it routine, consistent and largely automatic. A decent plan doesn't rely on you waking up disciplined every month. It relies on defaults. Only then do product selection, tax efficiency and investment strategy begin amplifying an already functioning system.

A plan that works on an ordinary Tuesday



A more useful interpretation is practical: 'Whatever your income is, it can only either stretch or shrink - based on the way you manage it'.

In South Africa, uncertainty isn't a temporary condition. It's part of the environment. That makes planning harder. It also makes behaviour more valuable.

The goal is not to become a perfect financial person but rather to build a system that still works when you are tired, stressed, tempted, or anxious.

It is under these conditions when most decisions are usually made.

A plan that only works on your best days is fragile. A plan that holds on an ordinary Tuesday is the thing people mean when they talk about financial wellbeing. If your current financial plan only works when conditions are ideal, then perhaps it is time to revisit the structure behind it:

- Review the habits.
- Review the defaults.
- Review what happens automatically.
- And most importantly, review whether your financial plan still works in real life - not only on paper.

Remember that you can only review something that was already in place or at least stated. The original construction and 'sign off' of your financial plan is the only foundation on which you can conduct any form of review. That kind of financial wellbeing requires structure, review and systems that continue functioning even when life becomes distracting, emotional or difficult.

There's no rewind on life. But you can have a practice run at retirement.

Retirement has a marketing problem. It's sold as a long holiday: fewer emails, more golf, maybe a Wednesday that looks suspiciously like a Saturday. The reality is that retirement is not a destination. It's a new operating system - with different income rules, different risks, and (crucially) a different you.

The biggest retirement mistakes are rarely about 'not knowing' - they're about 'not doing'.

What does it mean to 'practice' retirement?

Think of it like a fire drill. Nobody runs a fire drill because they hope for a fire. You do it because the panic is predictable, and practice makes the panic smaller. A retirement rehearsal is simply a structured trial run where you test:



- whether your **budget** works when the salary stops.
- whether your **portfolio** can survive withdrawals and market drama.
- whether your **time** has shape and meaning
- whether your **admin** (wills, beneficiaries, accounts, medical cover) is actually up to date.
- whether your retirement plan survives the things life does best: **surprises**.

The goal isn't perfection. It's discovering the weak spots while you still have a payslip.

The first rehearsal: Live on your retirement income for 90 days



This is the most effective (and least glamorous) retirement planning tool available. Pick a realistic retirement income number - not the hopeful one - and live on it for three months. If your plan assumes you'll draw, say, R40 000 a month, then for 90 days you live on R40 000. Not 'R40 000 plus the weekend special at the Grill House, just this once-off R40 000

What happens next is always educational.

What you learn very quickly

- Which costs are **fixed and unforgiving** (medical aid, rates, car insurance, debt repayments).
- Which costs are **quietly growing** (subscriptions, takeaways, family support, 'little' lifestyle creep).
- Which costs you **forgot entirely** (home maintenance, car replacement, travel to see family, tax surprises).

The 'win' if it goes well. If you can comfortably live on your projected income, you've just bought yourself something priceless - confidence.

The 'win' if it goes badly. If it doesn't work, you've discovered it early enough to do something about it: save more, work longer, reduce debt, adjust expectations, restructure income. Either outcome is progress.

The second rehearsal: Practice withdrawals, not just returns

Most people plan retirement as if markets behave politely. They don't. The single most underestimated risk in retirement isn't volatility. It's **volatility + withdrawals at the wrong time**, especially early on. If you draw income while the portfolio is down, you can permanently damage the engine that's meant to power the next 25 - 35 years.

So, in your rehearsal, don't just ask 'What return might I get?' Ask **'What happens if I need income during a bad year?'** A practical way to do this: **build income 'shock absorbers'.** A sensible retirement structure usually needs at least some combination of:

- A **cash buffer** (so you're not forced to sell growth assets at a bad time)
- A **bond/income allocation** (more stable, less exciting, the buffer between cash and your growth assets)
- A **growth portfolio** (equities, local and offshore (hedging our bets regarding the rand)
- A **rules-based drawdown plan** (so that both the planned for income and the emergency funds are deliberate, not emotional)

You can call it a 'bucket strategy' if you like. Or you can call it 'not panicking in public'.

The third rehearsal: Practice your time - because boredom is expensive

Nobody warns you that retirement can be oddly… noisy. Not externally. Internally.

Work gives you structure, social contact, identity, and a reason to put on shoes. Remove that, and many retirees default into two traps:

1. **Spending to fill the gap** ('Let's go away again…').
2. **Drifting through unstructured days** (because too much empty time can turn into anxiety)

So, part of retirement rehearsal is testing your week.

Build a prototype week

- 2-3 **anchors** (exercise, volunteering, a hobby with other humans, a part-time gig, mentoring)
- a **'social rhythm'** (friends don't magically appear because you're free at 10am) so join a 'line-dancing' group or play bridge once a week. Set up coffee dates, or grandchildren visits etc.
- a **purpose** project (something you build, teach, grow, coach, create)

Retirement works best when leisure is planned for, not when it just happens.



The fourth rehearsal: Practice healthcare costs like you mean it

In South Africa, healthcare inflation has no respect for your spreadsheet. Medical aid is often the single biggest line item that rises relentlessly in retirement. And then there's gap cover, chronic medication, dentistry, hearing aids, unexpected procedures, and the small matter of living long enough for all of this to matter.

A retirement rehearsal should include:

- reviewing medical aid options *before* you retire (when affordability still has levers).
- modelling 'bad luck' years, not just average years.
- checking whether your plan assumes you'll downgrade cover later (many people say they will; few do).

This is one of those areas where optimism is not a strategy.

The fifth rehearsal: Practice 'family finance boundaries'

Retirement planning often collapses under one sentence 'We're helping the kids for a bit.' In South Africa, that 'bit' can become a decade. Adult children living at home longer, extended education timelines, first-home deposits, weddings, and sometimes grandchildren's school fees - all noble, all human, all capable of quietly detonating retirement maths.

If you want your retirement to work, generosity needs a policy, not a mood.

A practical approach

- Agree on **limits, timelines**, and **what you will and won't fund**.
- Separate '**support**' from '**subsidy**'.
- **Put it in writing** if needed (because you're serious).

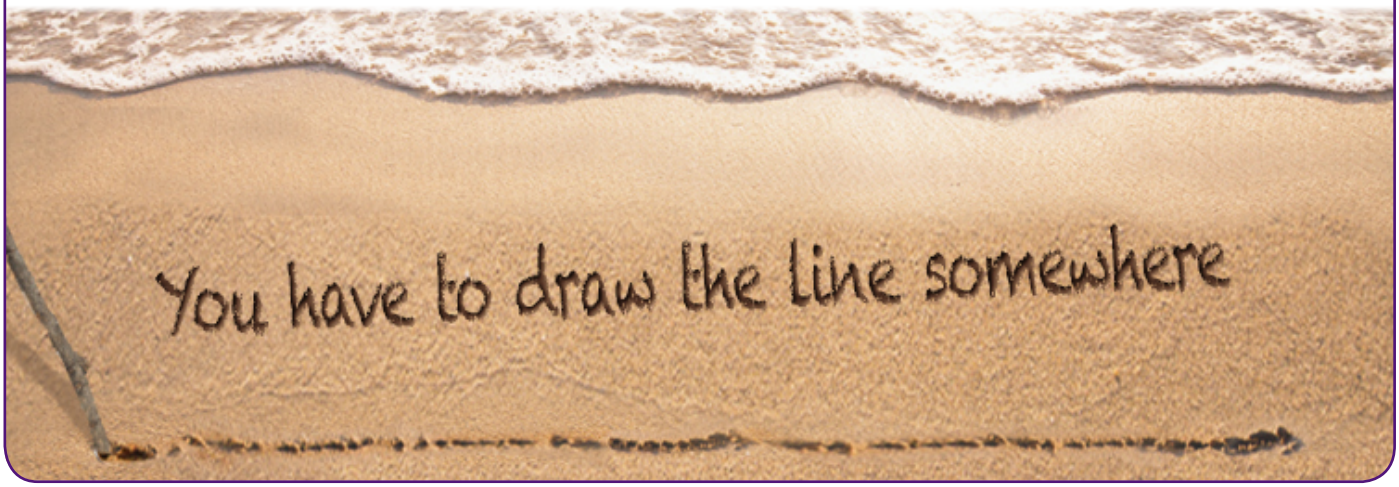
The harsh truth - you can borrow for a child's education (in theory). You cannot borrow for your own old age.

The sixth rehearsal: Practice the admin that nobody wants to talk about

Retirement is when paperwork stops being annoying and starts being decisive. Before retirement, do a full 'admin audit'

- beneficiaries on retirement products and life cover
- up-to-date will/s
- executor arrangements and where documents live
- passwords and digital access for your spouse/executor
- what happens to income products on death (especially where nominations matter)

If you're using living annuities, preservation funds, retirement annuities, or a combination, you want complete clarity on what sits inside the estate and what sits outside it - because they don't follow the same rules.



The seventh rehearsal: Practice location decisions, not just lifestyle fantasies

'Let's retire at the coast' is a sentence that has bankrupted more people than they'll admit. Sometimes it works brilliantly. Sometimes it becomes:

- higher municipal costs than expected
- services that don't match the brochure
- a house that eats maintenance money
- distance from family and healthcare networks
- property illiquidity at the exact moment you want flexibility

A retirement rehearsal can include doing a **trial stay** (weeks, not days) and costing it properly - including running costs and travel back to your support network. Romanticising retirement towns is easy. Living in them is the test.

A simple retirement rehearsal plan (that you can actually execute)

If you want a practical checklist, here's one that works:



Money rehearsal

- Live on your projected retirement income
- Track every expense
- Identify what must change



Portfolio + income rehearsal

- Stress-test a 'bad year' scenario
- Confirm your income plan and buffers
- Decide what rules you'll use for future drawdown changes



Life rehearsal

- Build a prototype weekly routine
- Test healthcare costs and cover
- Have the family finance conversation
- Audit your admin and estate plan
- This is not complicated. It's just honest.

The uncomfortable conclusion (and it's a useful one)

If you're avoiding rehearsing retirement, it's often because you're afraid of what you'll learn. But what you learn is exactly what gives you power. If the rehearsal shows you're on track, you retire with confidence. If the rehearsal shows gaps, you still have time - and time is the most valuable retirement asset you'll ever own.

The first place to pull money from in retirement (and why many of us get it backwards)

There's a moment that arrives for many South Africans in their late 50's or 60's when the conversation shifts. You stop talking about what you are busy buying and start talking about what you are going to use. The vocabulary changes: 'growth' becomes 'income', 'long term' becomes 'this month', and suddenly you find yourself staring at a question that feels oddly basic for something you've spent decades building:

Where do I take the money from first?

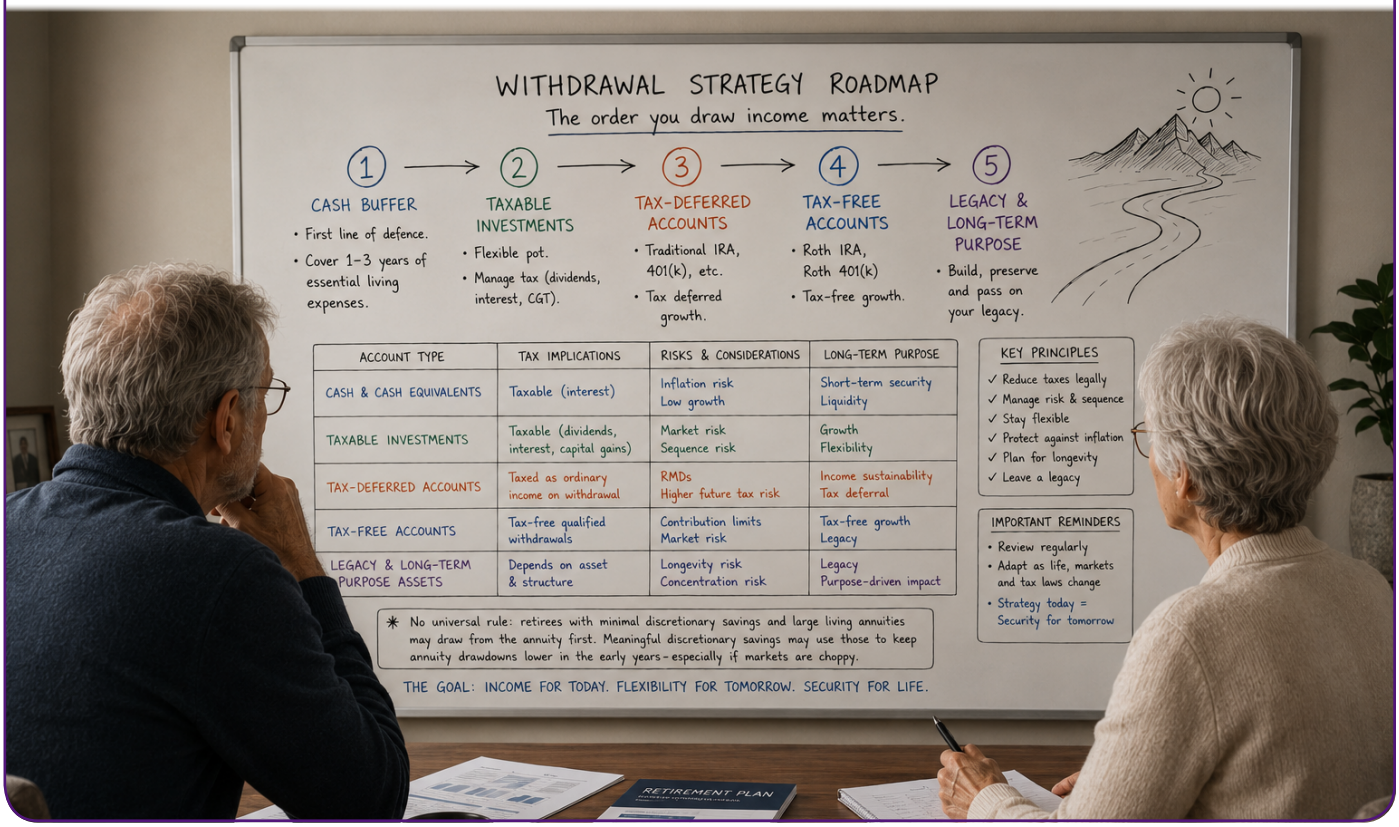
It's a deceptively simple - though very important - question, and the culmination of the first half of one's retirement plan - the savings phase. Any portfolio of long-term savings has multiple 'pots' of money, and the order in which you tap into them can meaningfully affect tax, flexibility, investment performance, risk profiling, and how long your capital lasts.

Before triggering the first income withdrawals from one's portfolio, several considerations are required. Any income withdrawal (and of course this will now be ongoing) requires cognisance of the tax consequences, regulatory constraints, and a clear understanding of the differences between the various asset classes.

Here we've segmented assets based on them being defined as one of: growth, income producing, capital preserving, or speculative. Ensuring the portfolio continues to be managed within a defined 'plan' needs election of which assets are sold to provide the income retirement demands. And then of course you also need to allow enough slack for the odd curve-ball which will almost certainly be thrown.

Retirement isn't for sissies…

While this asset election process can be planned for, it's never just a paint-by-numbers undertaking. There's no universal sequence that works for everyone. The point is to give you a practical way to think about the order of withdrawals - and how to avoid accidentally pulling from the 'wrong' place first.



The quiet mistake: Treating all money as the same money

If you're still earning a salary, your financial life tends to behave like a simple river: income flows in, expenses flow out, investments sit on the side growing quietly (or loudly, depending on the year).

Retirement is different. Retirement is more like having several taps in your kitchen, all connected to different pipes, with different pressures, and different municipal bylaws. One tap is taxable. One tap is tax-free. One tap comes with penalties if you use it too early. One tap is technically allowed to gush at 17.5% a year, but that doesn't mean it should.

The first error many retirees make is emotional: they assume the 'best' pot is the one that feels safest. Usually that means cash. There's comfort in seeing money sitting still. You can touch it.

The problem is that cash has a hobby: **it quietly loses value to inflation**. And then there are the tax consequences. So yes, cash is useful. But too much cash is not conservative - it 's actually expensive. Cash should be your **shock absorber**.

Step one: Cash



If you're retiring (or newly retired), one of the smartest things you can do is keep a deliberate cash buffer - money that exists to fund short-term spending and protect you from having to sell long-term investments at a bad time, when markets are misbehaving.

That's particularly important if you're using a living annuity and your investment markets decide to have a tantrum right when you begin drawing an income.

So, start with cash in the sense of: 'I'm drawing from my buffer while I give my longer-term investments time to behave.'

But here's the discipline: cash should be sized, planned, and replenished when conditions allow - not treated like a mattress you never disturb. Long-term cash isn't a buffer; it's a slow leak.

Step two: Taxable investments - the 'flexible' pot that needs a tax brain

After cash, taxable accounts, or discretionary savings, are the next logical source -on the basis that they are generally less tax-efficient than retirement accounts.

Unit trusts, share portfolios, endowments, and any investment outside retirement wrappers are included in this step.

This is the pot that looks easy to use, because it's accessible. And that's exactly why it's dangerous to use without thinking.

The subtle advantage of taxable investments is flexibility. You can often choose what to sell (and therefore whether you're crystallising capital gains), and you can manage withdrawals to stay within certain tax thresholds. You can also 'manage' your CGT.

For many retirees, drawing from discretionary taxable investments early on can make sense because it gives your retirement products more time to compound, while you keep greater control over tax outcomes. This assumes adequate savings. It may be that drawing from a living annuity is a necessity and not a choice.

The takeaway: Taxable investments are flexible, but they are not 'free'. They require a tax-aware withdrawal plan, not guesswork.

A quick detour: The temptation to fund retirement by selling 'stuff'

There's nothing wrong with using real assets as part of retirement funding - provided you treat them for what they are - illiquid, sometimes emotionally loaded, and often subject to unpredictable pricing. The weekend cottage or the MGA fall into this category. Markets and buyers may not coincide with your disposal.

Treat real assets as options, not as the only exit door.



The South African curve-ball: The tax-free savings account is not a magical ATM

Now we get to the pot that South Africans love - the tax-free investment (TFSA). So why not draw from it early in retirement, if it's 'tax-free'? Because the TFSA has a sting in the tail: when you withdraw and later put money back, that reinvestment counts as a new contribution and affects your annual and lifetime limits. That means the TFSA is not just a tax wrapper - it's a scarce tax wrapper.

So, for many retirees, the TFSA is best treated like the last bottle of water on a hot road trip. Often, the TFSA is the most valuable long-term compounding tool in a family's financial system - and one of the best legacy assets you can leave behind precisely because of its tax efficiency.

Retirement funds and living annuities: The pot that looks stable… until it isn't

Most South Africans don't retire with one neat investment account. They retire with a combination of retirement funds (pension, provident, RA, preservation funds) and then a retirement income product such as a living annuity or guaranteed annuity.

A living annuity is wonderfully flexible - you choose your drawdown rate within regulated limits. But those limits are wide: 2.5% to 17.5%. Try and keep drawings below the portfolio's annual performance.

Once you are drawing from a living annuity, you are effectively running a long-term project: managing market risk, longevity risk, and your own behavioural risk. If you draw too much early on - especially after a bad market year - you can do permanent damage to the sustainability of the income.

Where flexibility exists, it can make sense to use other assets tactically to avoid excessive annuity drawdowns during volatile periods. And if you have a guaranteed annuity component (or other stable income), you may have created something very useful: an income floor that allows you to keep the living annuity invested for long-term growth without panicking.



So, what's the practical answer?

The best withdrawal order is the one that keeps you liquid, tax-aware, and psychologically calm.

This should all happen whilst giving your best compounding assets time to do their job, typically starting with cash and then taxable accounts before tax-advantaged accounts. You'd adapt it roughly like this:



- You begin with a cash buffer that has a purpose.
- Then you look to flexible discretionary investments, but you do it with tax awareness.
- You treat the TFSA with respect because it's scarce and powerful, and SARS effectively punishes sloppy use of contribution room.
- You manage living annuity drawdowns carefully because the rules allow you to draw too much long before they stop you.
- And you remain open to using 'big asset' sales as part of the plan - but not the plan.

The real conclusion: Retirement withdrawals are a strategy, not a transaction

If you take only one thing form this article let it be this: **retirement doesn't only require a good investment strategy. It requires a good withdrawal strategy**.

Withdrawal strategy is about avoiding seemingly reasonable short-term decisions that create long-term damage.

Which pot will you draw from in a normal year? What changes in a bad market year? Which pot is protected for later life? Which pot is meant for flexibility? Which pot is meant for legacy? And what is the maximum drawdown that still allows you to sleep at night?

Retirement is supposed to buy you freedom. The irony is that the right withdrawal order often gives you that freedom by doing something very unglamorous: putting some rules in place while you're still thinking clearly.

Designing a retirement plan for real markets

Retirement has a strange habit of turning otherwise sensible people into short-term thinkers.

You can spend 30 or 40 years saving steadily, investing patiently, and ignoring the noise. Then the payslip stops, and the questions begin: What if markets fall now? What if I have to sell at the bottom? These are rational questions. Retirement changes one crucial rule: you stop accumulating assets and start drawing from them. The order in which returns arrive suddenly matters far more.



That's what people mean by **sequence of returns risk** - the danger that weak markets early in retirement permanently damage a portfolio while income is still being withdrawn. It's the financial equivalent of starting a long hike by spraining your ankle in the first kilometer.

Most retirement plans are built for spreadsheet assumptions: tidy average returns and manageable inflation. Real life rarely behaves that way.

Timing becomes everything

When you're still working, a market decline is unpleasant but not fatal. In fact, it can be helpful in a perverse way: your monthly contributions buy more units when prices are down. You're effectively accumulating at a discount. Time, and cashflow, cushion you.



In retirement, you no longer have that cushion.

You're withdrawing. And when the market falls, you can't simply 'wait it out' if you still need money to live. You still withdraw income, forcing asset sales at depressed prices and reducing the capital available for recovery.

This quickly becomes self-reinforcing. A drawdown that felt perfectly manageable in good markets suddenly starts to feel aggressive.

Many retirees then increase drawdown percentages to maintain the same rand income. Bad markets early in retirement are far more damaging than bad markets later on.

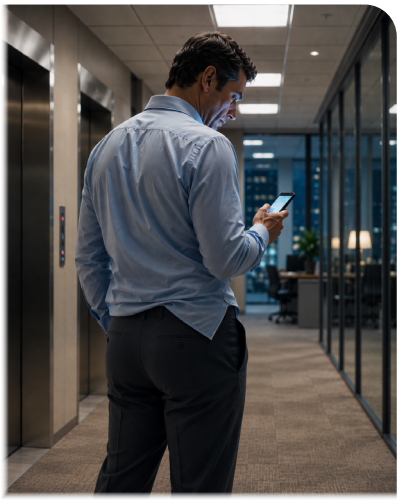
South Africa adds its own twist

South Africans face the same risk, but our retirement structures can amplify it. The living annuity is a good example. It offers flexibility, investment choice, and estate benefits. It's also a structure where you carry the investment and (crucially) the sequencing risk yourself.

Living annuity regulations allow drawdowns between **2.5% and 17.5%** of the portfolio each year. The uncomfortable truth is that people can legally draw down at levels that are mathematically unsustainable unless markets are consistently (and usually) generous.

What makes this tricky is that living annuities are often incorrectly treated as if they were old-school 'retirement income annuities' derived from the defined benefit retirement funds of yester-year, rather than what they actually are: your own income strategy that must survive several decades of uncertainty. If you approach it as a product choice, you focus on features. If you approach it as a system, you focus on resilience.

How do you know if you're exposed?



You don't need an actuarial model to identify sequence risk. If your plan requires you to draw a high percentage of your invested assets just to cover a normal lifestyle - you're exposed. If your income depends on selling growth assets every month regardless of what markets are doing - you're exposed. If you have no meaningful cash buffer and your approach to a downturn is 'we'll see what happens' - you're exposed.

There's also a quieter signal: if you find yourself checking portfolio values far more often than you used to, it's usually not because you suddenly became curious about markets. It's because the withdrawal has made the volatility feel personal.

The goal isn't to outsmart the market

Let's get this out of the way: you cannot remove uncertainty from retirement.

The goal is not to predict the next crash, or to find the perfect fund, or to time the cycle. The goal is simpler and more realistic: **design your income strategy so that markets don't force you into destructive behaviour**.

In other words, you want to reduce the chance that you become a forced seller when prices are depressed.

A buffer is not boring - it's a shock absorber

The most practical defence against sequence risk is simple: keep a dedicated income buffer.

Call it a cash reserve or liquidity sleeve. The label doesn't matter. The function does. Its job is to fund income for a period without requiring you to sell long-term assets at a bad time.

A buffer gives markets time to recover without forcing asset sales. It also creates emotional breathing room, which helps reduce panic-driven decisions.

Buffer size depends on income needs, drawdown levels, and tolerance for volatility. Many retirees hold one to two years of income requirements. The point is to avoid being forced to sell at precisely the wrong time rather than hide from markets forever.



The 'bucket' idea can work - if you don't turn it into theatre

Some people like the idea of dividing retirement assets into time-based segments: money for now, money for soon, money for later. It's often called a bucket strategy. Used sensibly, it's simply a way of making the earlier principle explicit. The '**now**' bucket funds income. The '**soon**' bucket replenishes it. The '**later**' bucket takes long-term growth risk to outpace inflation and replenish the earlier buckets over time. Weak markets draw income from the 'now' bucket. Strong markets replenish it from growth assets. If the bucket strategy becomes a marketing story rather than a rules-based system, it doesn't help. The real power comes from having a clear approach to replenishing and rebalancing - and sticking to it.

Spending flexibility is a strategy, not a vague promise

Retirees often say, 'We can always cut back if markets fall.' That's true in theory. In practice, when markets fall and fear rises, 'cut back' becomes emotionally difficult. The better approach is to decide in advance what 'cutting back' actually means in a realistic way.

A useful retirement plan distinguishes between core spending and discretionary spending. Core spending covers essentials: housing, food, healthcare, insurance, and transport. Discretionary spending is where life happens: travel, upgrades, generous family support, and the impulse to renovate the kitchen.

Discretionary spending should absorb market shocks before essential spending does. If the portfolio drops meaningfully, discretionary spending is trimmed for a period. If the portfolio recovers, spending can be restored gradually.

The key is that the adjustments are planned, not panicked.

Drawdown creep is the quiet killer

Drawdown drift often starts innocently. Markets rise, income increases, inflation bites, spending rises further, and then weak markets arrive. Retirees often respond by increasing drawdown percentages to preserve lifestyle levels. That's when sequence risk stops being theoretical.

If your plan requires rising withdrawals during weak markets, the structure is too tight.

Consider buying certainty for the essentials

South Africans tend to like control in retirement. The living annuity feels like control. A guaranteed life annuity can feel restrictive. But consider a different framing: a guaranteed income component is not about surrendering. It's about insuring the part of your lifestyle that must not fail.

Partial annuitisation can work well: secure essential expenses with guaranteed income, while allowing investment assets to pursue long-term growth.

Retirement is full of trade-offs. Guarantees reduce flexibility and estate potential. The mistake is believing you can maximise flexibility, certainty, income and legacy simultaneously.



Fees, tax friction, and concentration: The accelerants you don't notice until it's too late

Sequence risk worsens when portfolios face additional headwinds. High fees compound against shrinking portfolios. Tax inefficiency reduces usable income. Concentration risk increases the chance that a bad year becomes bad years. Retirement success is often built by reducing predictable drags rather than chasing exciting wins.

A simple stress test for real people

If you want to know whether your plan is resilient, ask three blunt questions.

- If markets fall 20%, where does your income come from?
- If inflation stays high for five years, what changes?
- If you live longer than expected, what breaks first?

Good plans need honest answers more than perfect ones.

Building a robust retirement system

Retirement works best when it's treated as a system rather than a product.

The system usually includes:

- a clear income floor,
- sensible drawdowns,
- liquidity reserves,
- diversified assets,
- spending flexibility,
- and regular review.



You don't need all of these in equal measure. You need enough of them for the plan to survive ordinary market volatility.

The bottom line

Sequence of returns risk is the retirement risk that hides in plain sight. It rarely appears in performance reports. It arrives as an unlucky combination: withdrawals plus early market declines. The way around it is design rather than prediction.

Buffers, sensible drawdowns, structured spending flexibility, and guaranteed essential income all reduce the risk that early market weakness permanently damages retirement outcomes.

A professionally structured, regularly reviewed financial plan should incorporate sequence risk, drawdown sustainability, retirement products, and portfolio resilience. Markets will remain volatile.

The objective is to structure a plan that can survive uncertainty, without emotionally driven decisions.

Contact us

Director - Asset Management
Manty Seligman
T +27 (0) 10 597-6800
E mseligman@gtc.co.za

Head - Multi Managed Portfolios
Clive Eggers
T +27 (0) 21 713-8500
E ceggers@gtc.co.za

Portfolio Manager
Samir Narotam
T +27 (0) 10 597-6826
E snarotam@gtc.co.za

Head - Healthcare Consulting
Jillian Larkan
T +27 (0) 83 453 3344
E jlarkan@gtc.co.za

Senior Servicing Consultant
Jenny Williams
T +27 (0) 10 597-6840
E jwilliams@gtc.co.za

Senior Benefit Consultant
Sabir Bacus
T +27 (0) 10 597-6836
E sbacus@gtc.co.za

Head - Risk Solutions
Roy Wright
T +27 (0) 21 286-0037
E rwright@gtc.co.za

Group Chief Operating Officer
Farhadh Dildar
T +27 (0) 10 597-6830
E fdildar@gtc.co.za

Group Chief Executive Officer
Gary Mockler
T +27 (0) 10 597-6831
E gmockler@gtc.co.za

Head - Finance
Andrea Diamond
T +27 (0) 10 597-6877
E andread@gtc.co.za

External Compliance Officer
Dale Nussey
E dnussey@gtc.co.za

Employee Benefits Administration
T +27 (0) 21 713-8500
E clientservicing@gtc.co.za

Wealth Management Administration
T +27 (0) 10 597-6876
E wealthmanagement@gtc.co.za

Fiduciary Services
T +27 (0) 10 597-6800
E fiduciaryservices@gtc.co.za

formerly Grant Thornton Capital

a GTC, The Wanderers Office Park
52 Corlett Drive, Illovo, 2196
p P O Box 55118, Illovo, 2116

t +27 (0) 10 597 6800
f +27 (0) 10 597 6801
w www.gtc.co.za

GTC Holdings (Pty) Ltd.
reg. no. 1996/015043/07
directors: G.K. Mockler, F. Dildar, M. Seligman, A. Diamond.
FSP no. 731

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