The five financial steps you must take in your golden years

18 October 2021 – People have different views about getting older. For some, reaching their sixties is a difficult moment as they find themselves unable to do some of the things they could in their youth. For others, their sixties are an exciting period filled with new opportunities, fewer responsibilities, and all the time they need to do the things they want.

But irrespective of the differences in how we view our sixties, the one thing that we all have in common is a need to take stock of our financial situation. And that’s especially true of our retirement and estate plans. Samukelo Zwane, Head of Product at FNB Wealth and Investments and Johan Strydom, Head of Growth at FNB Fiduciary share their views on the five financial planning steps everyone should take when they reach sixty:

1. Make the decision about the best at-retirement investments for your needs

If you haven’t yet reached retirement age, now is the time to think very carefully about how to invest the retirement savings you’ve worked so hard to accumulate. Here, too, it’s essential that you think about more than just your own income needs when you’ve retired, but also what the best solutions are to cover the needs of those you will leave behind if you die. Zwane further highlights careful consideration on the differences between living and life annuities as just one example of this type of thinking. "A living annuity allows you to leave your invested capital to beneficiaries when you die, but a life annuity doesn’t," he explains, "so, while the idea of a guaranteed income for life from a life annuity may seem very appealing to you, a living annuity may better suit your beneficiaries. Alternatively, you may need to sacrifice some of your annuity income to add a second life to the annuity so that your partner isn’t left with nothing if you pass away. These are the types of considerations that are essential when planning for retirement.”
2. Make healthcare a priority

For the vast majority of retirees, healthcare cover and medical costs are the largest expense. Ironically, these costs are often overlooked by people as they make their retirement plans. Strydom emphasises the importance of doing very careful projections of what your medical aid premiums and day-to-day costs are likely to be, and how they will grow every year. “These high costs are often a bitter pill for people to swallow as they approach retirement,” he explains, “with the result that many of us underestimate just how much we need to have available to pay for our healthcare as we get older and the likelihood of needing expensive medical treatments and medication increase. It’s vital to be realistic and honest with yourself about medical costs in your future.”

3. Speak to an expert about the best way to structure your estate.

Ensure that you have structured your finances carefully to cater for the smooth transfer of your assets to your beneficiaries. This includes, but is not limited to, drawing up a Will. It also requires that you carefully assess all your investments, policies and assets, and ensure that they are structured in a way that not only meets your retirement needs but will also optimally benefit your loved ones if you pass away.

4. Update your Will

Strydom encourages people to have a valid and updated Will by the time they reach their golden years bearing in mind that it costs money to wrap up your financial affairs when you pass away – from executor fees, to capital gains tax and outstanding personal liabilities like bonds and more. “Make sure that the executor or beneficiaries have access to enough liquid funds to cover any costs and avoid the stressful period of your estate taking months to get processed after you have passed on.”

He also emphasises that it is vital to face the realities of dying as you enter your senior years, and revisiting your Will is one of the most important things you should do in your sixties.
“Check that your document is still relevant to the assets, and people, you may have added to your life over the years, and that it is still a good reflection of your wishes”.

Strydom further adds the importance of sharing the content and location of your Will with your loved ones. “A Will is not some secretive document that nobody should know about. It’s something that will have a potentially massive impact on the lives of the people you care about and, as such, you should be able to openly share its contents with them and explain your thinking behind the instructions you’ve included in it,” he explains.

5. Make sure you have nominated and updated beneficiaries on all your policies and plans

According to Zwane, many people mistakenly believe that as long as they have a Will in place, their loved ones will receive the benefits they want them to. Unfortunately, this is generally not the case. “While a Will is vital in terms of setting out your desires, the trustees of a retirement fund are duty bound to act in the best interests of your dependants” he explains, “which means it is imperative that you have updated beneficiaries for your policies and update them regularly if your circumstances change.” He points out that failing to update your beneficiaries means that there’s a chance that the payment of benefits could be delayed, or even be made to someone from your past that you no longer want to receive them.

While there are undoubtedly many more steps that can, or need to, be taken to ensure financial wellbeing in your senior years, Zwane and Strydom say that the five financial steps outlined above are vital, not only to achieve the carefree retirement you desire, but also to secure the future you want for the people you care about.

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