YESTERDAYS PEOPLE

www.yesterdayspeople.com

Not everyone will become a yesterday's person. You have to be fortunate to do. Yesterday's people morph into butterflies of amazing beauty. Here is a concise guideline on how to get your wings.

Gail Gibson

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Foreword.

"I'm a great believer in luck, and I find the harder I work the more I have of it." Coleman Cox 1922

Thanks have to be given to a number of people and the order is in no way an indication of the importance of them all.

My own wonderful family, who have lived through the trauma of both Mom and Dad being out of work and terrified of how to survive. Thank you for the support, as you listened to us, loved us and showed us how common sense could work when panic did not. My other amazing friends, you know who you are and how I love you.

Nikki Coward, without you and Donald, this book would never have seen the light of day. Thank you for holding my hand, writing the introduction, for coming with me to the old age home and getting stories. Thank you for the questions you asked Kobus Kleyn, whose input has been influential to what I have wanted to do. It is fantastic to have such wonderful people as an example to try and emulate.

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My institute: The Financial Planning Institute and all those beautiful people, who have helped me through the years become a better Financial Planner and then rewarded me with the prestigious " It Starts With Me Award", for simply following their example. I specially have to single out Lelane Bezuidenhout, David Kop, Barbara Mundell, Adele White and Kirsten Da Silva, without you all I would not be the Financial Planner I am today.

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My UFS lecturers and now fellow CFPs, Marius Botha and Wessel Oosthuizen – so much patience and so many answers given.

Most importantly my students from all over the world, you make me the teacher and the taught- I love you all.

Please note that for the cameos in this book the names and some situations have been changed to avoid identification.

Becoming a Yesterday person

It's just personal!

The date was 24 November 2015, the day David Gibson turned 60. David was financially comfortable despite his wife's retrenchment in March 2015. He worked for a blue chip company as an IT Senior systems analyst and was happy there, although often his work hours were long. In fact even as he celebrated his birthday on the Saturday- he had to do work that morning. Despite this he and his twin had a lovely birthday party in a game park, just outside Johannesburg, surrounded by family and friends.

Although he had an inkling that the 60th birthday was a milestone, and often people look forward to retirement practically their whole working lives, Dave certainly did not feel he needed to retire. He was an active person with many varied interests. He ran, cycled and brewed beer. He camped and did off road adventures. He was definitely not in the sunset of his life. Retirement had not crossed his mind -although he had cursorily looked at his companies policies, with a request to HR to ask for information. HR had not given him an idea of their definite cut off age. They had simply stated the normal retirement age is 60, and left it at that. Nothing more had come from them. Most companies he knew used the cut-off point of 65 for men and 63 for women. 60 was a plausible time for starting to plan for retirement and David thought he would like 63 years being his final working experience.

It was the following August 2016, that the bombshell was dropped. HR instructed him to retire immediately. His due date the end of August 2016, two weeks away. HR acted like he had been stealing company funds for working, rather than they had failed to behave appropriately. Two weeks later David was effectively without a job. Pension funds told him that they would not be able to pay out before November at the earliest. Recruitment agencies told him he was too old for another job and the wrong racial group in the present employment conditions present in South Africa. A policy called Broad Based Black Economic Empowerment (BBBEE) was in place and was forcing companies to get rid of white workers. This policy later expanded to non-South African black people and would spread to other race groups in the future. Later in this book we will look at these situation in the cameos we present. Meanwhile his existing boss in total panic pleaded with his company to allow David to stay on for at least six months to allow them to hire his replacement.

HR agreed with a month to month basis, on the stipulation that David worked for two thirds of his existing salary as a contractor. His first pension payment would be received in December 2016 at the earliest.

What followed next was a nightmare for David. He agreed to work for the reduced income with his very embarrassed boss, informing him that he could work less time. In the October, he went back to HR to find out where his leave pay was for his employment period, as this had not been paid out. The HR informed him they would pay out when the last contract date was due, so he could have leave if he needed it. David felt uneasy and asked at what rate his leave would be paid if he did not take it. Imagine his shock when he was informed they would pay his substantial leave at the reduced contract rate. In essence he was penalised for his age again by being robbed of his rate for his leave pay. He was also told he could not take the leave. At this point, David seriously considered taking the company to the CCMA, but was scared this would make his boss's position at risk. All around David white people were being retrenched and removed from positions. His friends and wife were reporting the same story that he was being told by the recruitment agencies. Highly qualified engineers, compliance officers and accountants were accepting jobs for 1/3 of their salary. His wife who was four years his junior was amongst their number, despite the fact that she was highly qualified in the full spectrum financial field. Within those next few months more people were retrenched without pity. There was a scramble for work- any work in some cases. Secretaries and bookkeepers were taking jobs of R 4 000 a month as they were desperate to feed their families, an accountant friend accepted an offer of R15 000 a month, from his old company, after earning in excess of R 60 000 five months earlier. Meanwhile a small politically connected South African black elite were earning salaries that way exceeded what their white counterparts had been earning, job hopping from offer to offer in the employment market as companies scrabbled for these connected black professionals. The resultant mess would cause the economy to start declining and eventually resulted in a technical recession. Then some good news-in December 2015, David was told that the company was unable to find a replacement and the chief Intelligence officer had agreed to a further 6 month contract. In the January 2016, David left the company for good, after disciplinaries were threatened on the managers for not finding a replacement for him. David felt he could no longer endanger his bosses whom he had great respect for given they too were white males.

Fortunately for David his wife had been a certified Financial Planner for many years. She had maintained the discipline, even though her speciality for the last six years had been compliance. Her discipline ensured David was invested in the correct funds for him to retire with a monthly sum, which enabled him to survive. The family had to reduce living standards dramatically, since the retirement income would be equal to less than two thirds of the income they had enjoyed previously, due to tax and medical scheme costs. They were in effect one of the lucky ones. They could still afford to get little luxuries, although the overseas holidays in five star hotels, and lavish presents for people would be at an end.

It made Gail realise how quickly life changed and she resolved to write a book about it.

Gail is me, so that's why we decided to write this book – how do you have enough money to retire when forced to. Most of us don't want to retire anyway. The 63 and 65 cut off comes from an era when people probably would not live much longer than that. However, our lifestyles and medical progress has been made to ensure 60 is the new 40. So if you can't get re-employed or find another source of income, what do you do?

We're all looking for Health, Wealth and Happiness aren't we? And while you're young, you can always count on the fact that you've got time to sort that all out. You can borrow money, work hard, pay off your debts, maintain and healthy lifestyle and make sure you are surrounded by the people you love. All this exacts to Health, Wealth and Happiness. You have time to fix things. However, as your life enters the second half so to speak, time is running out. Companies all over the world start retrenchment programs with the 45 plus employees, because they normally are the most expensive resources. I hear you say they have experience- they certainly do, but many companies do not believe experience matters as a general rule, despite what they say. In part, this is because companies do not believe history is a guide to what will happen in the future. Companies believe the world is changing. Adding weight to the belief is due to most HR functions being run by younger people. After age 40 people take more sick leave and become a higher risk. Those bonuses and above average increases you worked so hard for, now count against you as they can replace with a younger model, for less money and lower the personal risk.

Are you doomed?

I don't think so. But you do need to plan.

You can still have Health, Wealth and Happiness and many studies have shown that your older years can be your happiest and most productive. We have age and wisdom on our side, don't we? So let's make sure it happens and that retirement (or retrenchment) is manageable.

It may seem a good idea to start with Wealth, because that's really what everything boils down to in the long run. Good health costs money! A healthy lifestyle, unfortunately, does not come cheap these days. You can scrimp and save and grow your own fresh vegetables for example. But ultimately a good lifestyle, that's good for your health costs money. Exercise is important. Walking is cheap, but some of us would prefer to do other exercises, join gyms and clubs, for example. But that does cost money. All of us looking into the abyss of old age, know that we cannot take health for granted and few will face their later years without having to cough up for some medical emergency or another, no matter how healthy we decide to live. Some of us just have genes that predispose us to getting things like heart disease and cancer. We could also slip and fall- in the home, or when deciding to take an adventurous hike in the great outdoors. A healthy past time indeed is walking, but anyone can take a tumble – even youngsters. So provision for medical is important and for that you need money, even in countries where there are national health systems.

You need money to live, keep a roof over your head and eat, supply utilities and those little extras. Most of us anticipate having to downscale somewhat; and frankly sometimes that is appealing, until we start to do this task. Smaller homes, smaller gardens and fewer of the responsibilities that go with them, is what a lot of people look forward. But the getting there is problematic and emotionally draining.

It is a fact that you cannot just exist, you need a little bit more money than that. You would like to have treats, doing the things you enjoy, spoiling your family a little bit.

And that's where the happiness comes in. You need to keep in contact with children and grandchildren and sometimes it feels good to help them out with a little more than just advice and wisdom.

It is another sad fact of life, that for many elderly people, children have found work and lives elsewhere. You would like to be able to drop in on them for little get aways, whether it's travelling to another city, or even another country. Those family ties are important. And you can't always expect them to come to you. Adult parents and adult children have to both work at the relationship.

So your happiness also depends on not always watching every penny, of not always turning down opportunities to have fun, not always saying you can't afford to travel, not always watching how much electricity you use to the last watt, or how much water you use to the last drop.

Are you sitting down? Of course you are, you're no spring chicken anymore. So let us begin.

Section 1: Becoming a yesterday person

The nitty gritty of retirement

In this eBook we look at planning for retirement.

- We will investigate why do we do retirement?
- We look at who decided on the age?
- We will investigate retirements around the world
- Then we look at how planning for retirement will give us ways to increase and protect our retirement.
- We will look at how to spend the five year countdown and the D day planning versus what life dishes up to us.

Chapter 1: What is retirement?

Retirement is a reality like death and taxes, eventually we will find that society wants to push out the older people to make way for younger people to get jobs. Countries may differ when we should retire, but there are very few countries in the world that do not have some form of retirement. More to the point, companies do not wish to employ older people, since they perceive the risk to the company becomes higher the older a person gets. A forced retirement age represents legally allowed age discrimination. A discrimination companies exercise with little compassion. This has spread to society as a whole. The retirement mind-set has created people from 60 years old becoming a lost population group and severely curtailed freedoms.

Yet forced retirement also makes economic sense.

Why retire at the age of 60 to 65?

Germany was the first country to bring in the concept of retirement under Otto Van Bismarck in 1881. The "standard" retirement age varies from country to country but it is generally between 50 and 70. In the 1881 days, most people did not reach that age, but in the military and certain other professions, pensions were already in place. The notion that ordinary people should be entitled to a retirement, was a novel one at that point in time. It caught on as the normal Joe realised that finally there may be something at the end of a hard working life to look forward to.

Studies at that time showed persons mental and physical health would start to deteriorate around 60, re-enforced the retirement age. Very few people were expected to reach the age of 65 years. The idea of a country rewarding citizens for a life time of hard work, was popular. The pension environment of giving state pensions was supported with the growth of younger people coming into the workforce, while the number of retirees was expected to decrease quite dramatically, if they reached retirement age at all. In 1908, when Lloyd George ensured a payment of five shillings a week for poor men who had reached 70, Britons, were not expected to reach much past 50 years of age. By 1935, when America set up its Social Security system, the official pension age was 65—with 63 years being the lifespan of the typical American.

After the Second World War, this picture began to change as wealth and better medicine meant that in the post-war boom people started to live longer. Today the average retirement lasts more than a quarter of a century, with individuals expected to live longer in retirement than they did in a working career!

Retirement was a rite of passage!

Retirement is still viewed as a right in many countries. People want to believe that they will be able to give up work and live a life of ease. Baby boomers believed after 40 years of work they were going to find the pot of gold at the end of the retirement rainbow. For most of them this pot of gold was not and will not ever be found. The situation is simply that the state cannot pay a pension, that allows such a retirement luxury and as a result state pensions around the world have decreased in real (buying)terms and this picture is unlikely to change.

The changing world

Why did we have such a dramatic change in such a short time?

After the wars women realised that they could become wage earners and have a part in the commercial world. In most countries women were able to obtain an education that exceeded their mother's expectations. For example, my friend, Nikki and I have university education, but our mothers would not have qualified for entry into those universities. In fact even though Nikki and I are close in age, I was brought up in a world where women were expected to get married and have babies, while younger Nikki was brought up with the knowledge that as an only child of elderly parents, she would go to university. The concept of university education in the 50s and 60s for girls was only for the rich or the extremely intelligent, in the 70 and 80s it was more accepted. My family educated the boys, but not the girls. In fact when I started to desire education, I was given little support from my peer group and my family, who believed I was Godless and unnatural to want to study instead of cleaning and cooking for my family.

Independent and educated ladies rarely want multiple babies. My own girl children were brought up to not only play with dolls but to use computers, study the sciences and practice them. The girls had no doubt in their minds that they would go on to study past their matric year. The pattern I developed in my family was the pattern of most developed countries. We became the problem children of the state. You must understand the state needed us females to be baby machines, to produce in order to keep up the numbers needed to fund the huge baby-boom generation retirement and medical needs, as they became unemployable.

We need to look at this phase in history and understand it to be able to understand why we were labelled old from 55 years onwards.

Baby boomers are the generation who were born after the Second World War. Before World War II the world population was estimated to be around about 2.3 billion**.** In World War II the world lost 50 to 70 million people, mostly Europeans, including 6 million Jews. This brought the world population down to under 2 billion people. After the war in 1947, an estimated 3.8 million babies were born; 3.9 million were born in 1952; and more than 4 million were born every year from 1954 until 1964. At that point the population growth stage tapered off. This explosion in growth became known as the baby boom and those who were born during this period became known as a baby boomers. Now these babies have begun to retire.

Baby boomers had certain characteristics. They were brought up to believe in hard work, equating work and position with self-worth. The generation was exposed to a multicultural society with the event of television.

Television changed our futures!

Television became available in crude experimental forms in the late 1920 but after World War II, an improved form of black-and-white TV broadcasting became popular in the United States and Britain, and television sets became commonplace in homes, businesses, and institutions. By the mid-1960s, colour broadcasting was introduced and became common in the US and most other developed countries. Prior to the war people were pretty area bound, this created a situation where those people would grow up using the cultural norms of the areas they grew up in. Television signals that could reach into the most remote corners reached the isolated rural areas and introduced the youth to the new world. Television introduced us to aspirations in our working class living rooms. Children were exposed to imaginations that were unlimited and given recourse to education that was formerly only the prerogative of the rich. The storage of televised programs started a demand for more programs around the world and television became even more common to the poorest people in rural areas without signals. Television programming has had a huge impact on world culture. In fact the 1950s is known as the Golden Age of Television. In the 1950s quiz shows became popular and general knowledge expanded. Women became educated and realised there was a world out there, beyond the babies. A world that had art and mountains to climb. Westerns, kids' shows, situation comedies, sketch comedies, game shows, dramas, news and sports programming took the place of social gatherings and church meetings. Women realised marriage was not the only option for their future, but how to stop having babies was the question?

Birth control

We must investigate this since it is the topic of discussion la which we explore in the health section of our series: Yesterday people- the sexy senior citizens guide to a wonderful retirement.

According to the Book of Genesis, the biblical character Onan incurred God's wrath by "spilling his seed on the ground." Ever since then, many devout Jews and Christians have considered it a sin to ejaculate without reproductive possibility, whether by withdrawal, masturbation, or other forms of sex. In ancient China and India it was believed excessive" ejaculation would diminish men's vigour and they would become less able to have male descendants. Pleasure, especially sexual pleasure, was considered sinful on the whole and good girls just did not enjoy it!

Sexual pleasure for the baby boomers became a hot topic during the 1950s and this is the generation that often carries guilt about a healthy sex life.

Military leaders in the Second World War as they aggressively promoted the use of condoms. Government training films urged soldiers "Don't forget put it on before you put it in." This led the way to acceptance by the male of female birth control.

For women, the first permanent birth control clinic was established in Britain in 1921 by the birth control campaigner Marie Stopes. Birth control has actually been around for centuries. Women in ancient Mesopotamia and ancient Egypt used birth control methods. Birth control started to be practiced in larger numbers as the feminist movement argued that women should have control over their reproduction. The feminist movement intensified in the '60s and '70s, resulting in laws being challenged successfully all over the world. Television helped the education campaigns while religion played a large factor in the sex lives of the church goers, with the societal acceptance of birth control. Social acceptance required the separation of sexual activity from procreation. Bear in mind that many countries had laws against birth control. For example: In 1965, the Supreme Court of the United States ruled that a Connecticut law prohibiting the use of contraceptives violated the constitutional "right to marital privacy". In 1967 France annulled their law outlawing contraception by the Neuwirth Law. In Italy women gained the right to access birth control information in 1970 while the Republic of Ireland only followed suite in 1980. Pregnancy prevention was fairly mechanical at this point with cervical caps, condoms and withdrawal being the major methods to prevent it.

The birth control pill was developed in the 1950s and was released as such in the 1960s in the US, although it was illegal in 8 states there. In 1968 the pope. Paul IV stated categorically that Catholics using the pill were committing a sin. However the silver screen gave another message to women. This message was clear. My body, my choice. "Good girls" were willing sex partners, in popular movies. A contraceptive sponge was introduced to the American market in 1983 and quickly became one of the most popular over-the-counter barrier methods.

Men also enjoyed the freedom from responsibility. The birth control pill enabled relationships that did not have a pre-destined point of marriage. Since sex no longer needed to be the reason for marriage, both men and women started to marry later in life. The career woman was being created by society.

Marrying later in life meant the woman had less time to procreate, smaller families became the norm. With two parents working came increased income, which meant these children were given more resources in the developmental years. A generational improvement began as the parents planned a better life for their children.

Tax squeeze

A tax base depends on numbers being born to meet the future needs of society but the government is slow to change, even when the problem is obvious. Governments know removing social benefits is a quick way to lose power. Due to the smaller families the tax base was being lessened naturally. Governments realised they needed to look elsewhere for the numbers to support the social and political systems that were in place.

The population started to demand a more wealthy existence than previously experienced. These requirements were for better health, as well as better unemployment and maternity benefits. Emigration policies were put in place to bring in willing workers. Developed countries increased emigration from countries with high birth rates to meet the tax demands, thinking the extra taxes earned would support the indigenous population. The needs of business changed as businesses became more automated and jobs more specialised, and this gave rise to societal problems with existing citizens becoming disgruntled when instead of supporting the tax base, the emigrants increased the unemployment, with resulting demands on state resources.

Unaffordable retirement

Around the world today, countries are raising retirement ages for social welfare. Unfortunately this has come into being at a time when companies are cutting back on workforces due to increased automation and scaling down operations. Augmenting the problem was the world recession of 2008, when many future retirees lost their wealth. A situation has come into being where people wanting to work and the capabilities of work are at odds with the availability of work. The 50 year pluses are at a strong disadvantage. Many employers remain prejudiced against older workers, and not always without reason: performance in manual jobs does drop off in middle age, and older people are often slower on the uptake and less comfortable with new technology.

> Brenda Milner is a neuroscientist, and a professor at Canada's prestigious McGill University. In the 1950s, she made the revolutionary discovery that memories are formed in a brain area called the hippocampus, which is now getting lots of attention for its role in memory loss and dementia.
>
> At age 99 she is still keeping up with research at the Montreal Neurological Institute and Hospital. Brenda has no intentions of retiring.
> https://en.wikipedia.org › wiki › Brenda_Milner

It is true that aging means you see things differently to a twenty year old mainly due to experience. Certainly the aging process should be a learning one.

What is old age in the new age?

Healthy aging requires optimal mental, social and physical well-being in a person's life. This changes the aging process in the body. Optimal aging is most likely to be achieved when communities are safe, promote health and well-being, and use health services and community programs to prevent or minimize disease.

> Charles Eugster, at age 96, was a runner, body-builder, public speaker, writer, rower, and wakeboarder. He held world records in the 200m (indoor) and 400m (outdoor) sprints, as well as British records in the 60m (indoor), 100m (outdoor), and 200m (outdoor). He then became a budding fashion designer, planning his own line in elderly couture. He died at the age of 97, from complications following heart failure.

In an article in Vice written by Matt Blake Apr 11 2016, 4:40pm Charles states:

I was 87 and realized my body was deteriorating. I had a muffin-top waist and my muscles were getting weaker and weaker. I felt so old. But because I was so vain, I didn't like the idea of it at all. So I joined a body-building gym and employed a personal trainer who was a Mr. Universe to rebuild my body from scratch.

He believed people of 70 to 100 years old are the lost population with retirement the biggest killer of old people.

In his book: 'Age is just a number' he stated, "Having arrived in good shape, I can tell you right now that the future is a marvellous place to be."

So what is old? The World Health organisation states that 65 years old is still young.[1] In fact this is their finding:

0-17 years underage
18-65 years youth/young
66-79 years middle-aged
80-99 years elderly/senior
100+ years old: long-lived elderly

This finding has resulted in a change in the standard retirement age used in the USA of 66 years old and in Canada of 65 years old—both are gradually changing into 67 years.

In order to meet the demand for retirement wealth, private companies created products that were marketed to fill the gap. Unfortunately many of these policies and products benefited the product houses and intermediaries, but not the people they were meant to protect. As a result retirees found themselves economically disadvantaged, at a time when they were most vulnerable and social pensions were falling. It is not just planning which is required for retirement an element of luck is needed too! Life is what happens when we are busy living and sometimes we have forced retirements, retrenchments and other life event which can hurt our futures.

Many factors affect people's retirement decisions and the main one is normally monetary.

What would you prefer?

1. Living with the kids and hoping for food help;
2. Living on a state pension; or
3. Enjoying independence.

[1] https://www.mycomlink.co.za/posting.php?i=40501# 20/03/2019

Chapter 2: Pensions around the world.

South Africa

South Africa has a well-developed private pension system and a grant system. For a developing country, South Africa has an established social welfare system and a large proportion of social spending goes towards social grants. Sections 24 through 29 of the Bill of Rights in the South African Constitution recognise the socio-economic rights of citizens, including the right to social security. Over 17 million social grants are paid monthly. The social grants for pensioners are heavily criticised as being inadequate to the maintenance of a decent standard of living. Applicants for social grants must be South African citizens, permanent residents or refugees and currently living in South Africa.

2019: As the pension in South Africa provided by the state is a means-tested grant rather than contribution-based, you don't have to have lived or worked in South Africa for any period of time to claim the South African pension. The SASSA Grant for Older Persons is available to South African citizens and foreigners who have gained citizenship or permanent residence status in South Africa. It is also available to those granted political leave to remain. To qualify for this South African pension, in 2019, you must have earnings of less than R 78 120 a year (or less than R 156 240 if living with a spouse) and have assets worth no more than R 1 115 400 (or no more than R 2 230 000 if living with a spouse)[2]

You must:

- not receive any other social grant for yourself
- not be cared for in a state institution
- not earn more than a specified amount
- not have assets worth more than a specified amount

What you should do Contact the South African Social Security Agency (SASSA) office nearest to where you live to get full details of what is required. Grants are paid by SASSA electronically, into the recipient's bank account, by cash at the local SASSA office, or direct to the institution for those that live in care or residential accommodation. The current South African pension rates for the SASSA grant are a maximum of R1 700 per month, rising to R1 720 per month for those aged over 75.

Most South Africans use private pension funds to prepare for retirement if they can.

Britain

Pensions in the UK can be public, private, and collective, or come from individual savings.

The UK has a state pension based on the qualifying' years of National Insurance payments a person has made**.** There must be at least 10 qualifying years on the National Insurance record to get any State Pension. The State Pension is around £164.35 per week. The pension is paid in arrears every 4 weeks into an account of your choice. You'll need 35 qualifying years to get the full new State Pension.

The UK has pension reciprocal agreements with:

- Barbados
- Bermuda

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[2] https://www.gov.za/services/social-benefits-retirement-and-old-age/old-age-pension 19/03/2019

- Bosnia-Herzegovina
- Jersey
- Guernsey
- the Isle of Man
- Israel
- Jamaica
- Kosovo
- Macedonia
- Mauritius
- Montenegro
- the Philippines
- Serbia
- Turkey
- USA

Canada

Pensions in Canada can be public, private, and collective, or come from individual savings. The Old Age Security (OAS) program is the Government of Canada's largest pension program. It is funded out of the general tax revenues of the Government of Canada. OAS is funded out of general government revenues and individuals are not required to have contributed to receive it. It's a non-contributory retirement pension. It is available to seniors aged 65 (this age is being raised to 67) and older, who meet the Canadian legal status and residence requirements. It is subject to a means test. The benefit is adjusted annually for inflation and depends on how long you have lived in Canada after turning age 18. Supplementary benefits under OAS include Guaranteed Income Supplement, Allowance, and Allowance for the Survivor. OAS benefits may be clawed back if your income exceeds a certain amount. For 2019, if your net income exceeds $77,580, all or part of your OAS pension is "Clawed Back". Maximum monthly OAS benefit for January to March 2019 is $601.45.

Canada

The Canada Pension Plan (CPP) forms the basic state pension system except in Quebec. The CPP is really a defined benefit pension plan, which is not part of government assets. All persons who earn more than a minimum amount ($3,500 per year) must contribute to the Canada Pension Plan (CPP). In 2019, the CPP earnings ceiling was set at $57,400. The contribution rate on these pensionable earnings is 10.2% (9.9% for the base, or original CPP, and 0.3% for the CPP enhancement which began to be phased in on January 1, 2019), the contribution rate is split equally between the employee and employer. If you are self-employed, you pay the full 10.2%. Your contributions are based on your net business income (after expenses). Both base and enhanced contributions determine what the amount of the benefit will be. Ultimately this means when an individual reaches retirement age, his or her benefits are determined based on his or her 40 highest income-earning years. The benefit has a maximum limit. Maximum monthly CPP payment amount for 2019 is $1,154.58. The average monthly benefit is $664.41. CPP rate increases are calculated once every year using the Consumer price Index (CPI).The CPP can continue to a spouse through a CPP Survivor Pension. The surviving spouse must apply (it is not automatic) and the maximum combined CPP pension (personal CPP plus CPP survivor) cannot exceed the annual maximum benefit. Quebec, which has its own system which is very similar to the rest of Canada.

America

Social security and welfare assistance in the United States is only for those who are citizens of the country. It is based on income contributions via your taxes taken directly from the contributing person's salary. The full retirement age is 67, although the monthly benefit will differ if a person accesses it earlier. You must be at least 61 years and 9 months old to apply for retirement benefits. There is a maximum placed on the benefit paid of $2,861 in 2019. Medicare is a preferential health insurance is paid to a pensioner with 66 years. For low-income retirees, additional Medicaid benefits apply. There are other programs such as food grants which the pensioner can apply for. Private pensions or Individual Retirement Accounts (IRA) are widely used - these will be the private savings of the person subject to certain restrictions which will affect the tax status of the fund. IRAs may only be accessed from age 59 or penalties are levied.

Europe

There are big differences in the way different EU countries have organised benefits, healthcare and other social security services.

New Zealand

Immigration Minister, Michael Woodhouse, has temporarily closed the parent category to new applicants, saying he is concerned too many migrants are not honouring their sponsorship commitments. Every year about 5500 parents of migrants come to New Zealand. About half who enter under the parent category are Chinese and around 20 percent Indian.

Chapter 3: Retirement planning

Retirement planning should ideally start from the first pay check a person gets. At least in an ideal world that would happen.

It would be nice if schools would consider helping the future retirees to plan for that time in their lives when they will not have an income from an employer. The reality is very different, as most young people do not see retirement as a reality. Retirement is too far away on the horizon. Most youngsters are not taught how to plan to next week, let alone 40 years into the future.

I am a certified financial planner training professional, one of the most educated and trained professionals in the world. It has been my journey to retirement that means today, it is with deep knowledge, I can tell my students to go to the person they are advising and ask certain important questions. The first question is to ask people what type of retirement planning they have.

The common response is an employer sponsored retirement. This answer shows a lack of deep understanding of the retirement process. There are different employer retirement plans that will definitely have a strong material effect on retirement savings.

To learn what retirement should consist off, let us start by learning what a pension fund, retirement annuity and other pension saving tools we have.

The pension fund is meant to generate stable growth over the long term, and provide pensions for employees when they reach the end of their working years and commence retirement. Pension funds are commonly run by the state itself or some sort of financial intermediary for a company and its employees, although some larger corporations operate their pension funds in-house.

Pension or retirement funds are a tool for the creation of wealth. Creation of wealth for retirement entails the implementation of techniques for the optimisation and utilisation of pre-retirement income streams and the effective use of existing assets in such a way that it increases the net worth of a person, whilst they are still economically active. In our financial planning hood we call that wealth creation.

Wealth creation for retirement includes, amongst other things, the following:

- effective budgeting;
- the minimisation of taxes, income tax, etc.;
- the curbing of unnecessary expenses and costs;
- the provision of capital and income for dependants;
- the provision of retirement capital; and
- effective investment of existing funds.

We need to investigate these briefly, to give the future retiree the knowledge on retirement planning that is needed.

The first question we need to answer is what is a pension fund? We have to ask this because all pension funds are not created equal.

Defining the pension fund

All pension funds are created from a collective savings pot and there are broadly two main types:

1. A defined-Benefit Plan is where the retirement benefits are based on a formula using factors such as salary history and duration of employment. Investment risk and portfolio management are entirely under the control of the company/country. There are also restrictions on when and how you can withdraw these funds, without penalties.
2. A Defined-Contribution Plan is where a certain amount or percentage of money is set aside each year by a company for the benefit of the employee. There are restrictions as to when and how you can withdraw these funds without penalties. There is no way to know how much the plan will ultimately give the employee upon retiring. The amount contributed is fixed, but the end benefit is not. Normally in these schemes the employee is given an option in which portfolio to invest, since they carry the risk that the sum at retirement will be insufficient for the pensioner needs.

We have three ways of funding pensions- a pay as you go system, a notational system and a capitalisation system. Let's look at what this means to us as the man on the street.

In a public pension fund, the payment into the fund is generally compulsory and taken from the income of the person before the final post tax amount is paid to the person. A public fund referred to as a pay-as-you-go pension plan means pensions of current pensioners are paid each year with the contributions of active workers. Unfortunately this pay as you go system is vulnerable to unemployment and demographic changes. We say this type of pension provision is dependent on inter-generational solidarity. In other words the financial balance of the system depends on the ratio of the number of contributors to that of the pensioners. There is then a ratio between pensioners and contributors, and the ratio between average pensions and average wages. If the pensioner gets an average wage in such a system then there must be more contributors to the system than pensioners. If the pensioner lives longer then this ratio will not be sustainable. This problem is found in many countries which is why many of them are raising the pensionable age to 67 years of age.

A second pension fund is one which uses a notional accounts. In Notational accounts the person will pay into the system and draw out at retirement, with regard to the history of what they put in. However unlike our third system of capitalisation, contributions paid in, will in part meet the pensions paid out. In other words excess contributions would buy the assets which are designed to pay pensions for retirees. Individual accounts do not pay out a pension on the amount of funds accumulated. The government or the company will keep the liability to insure the pensioner gets their share of the pension pot.

Capitalisation is where we look at the amount of capital needed at retirement for each monetary unit of pension to be paid annually. Capitalisation means that relatively small changes in financial returns may represent huge changes in pension values and, as a result, very uncertain retirement conditions for individuals. Actual contribution rates when using capitalisation are a problem. For a pension fund offering a defined benefit at retirement of say 60% of salary, the fund would have to take into account the extent to which individuals fail to make regular contributions throughout their lives. For instance, if the future retiree were to skip half of the monthly contributions every year, required contributions rates would have to double to reach the same amount of capital at the end of their working lives.

In a full-capitalization system each individual receives a pension that comes entirely from the capital accumulated in the individual account. Most private pensions will use this method. Capitalization with defined contribution funds generally offer a certain amount of freedom of choice to the individual in deciding the form in which he would like his pension paid when he reaches retirement. The individual therefore has to monitor the amount they will receive from the fund at retirement and the risk they wish to take in order to get the required return.

The private pension fund

A private pension fund is normally established by an employer to facilitate and organise the investment of employees' retirement funds, contributed by the employer and employees. Each private pension fund is governed by the pension funds laws of that country and the rules of the fund. The rules of the fund are made up by the trustees who are elected to the board of the fund. These rules are approved by the Pension Fund Regulator of the country.

North America, as can be expected, has the largest pension fund region in the world, followed by Europe and Asia Pacific. South Africa has a fairly mature pension fund environment.

In South Africa and certain other countries there are different laws for pension funds that are government based, such as the government services themselves, railways or post office funds.

The employer will have different forms of pension scheme for their employees- a defined benefit or defined contribution pension fund and a provident fund.

We first look at the South African pension fund

A pension fund has a restricted lump sum available for members who retire from the fund. You cannot access the full lump sum, but only one third of the member’s interest- that is the amount you and your employer have put into the fund via your contributions.

In the defined benefit pension fund, the employer will carry the liability that the assets in the fund or contributions to the fund will meet the requirements of the retirees. A defined benefit fund will have an obligatory fund run annuity for after retirement as the employer carries the risk and will decide the fund investment.

In the defined contribution the employee will carry this risk that the funds will be sufficient to provide a pension. As a result these funds allow the member to choose the investment mix in the fund. Unfortunately most people do not possess the knowledge to do that, so from the 1 March 2019 the Government made it a law that the fund has to have a default pension option. This default has to be appropriate, reasonably priced, well communicated to members, and offer good value for money. Trustees are required to monitor investment portfolios regularly, to ensure continued compliance with these principles and rules. On retirement the fund must also offer either a life annuity or a living annuity. The annuity can be member owned or owned by the fund (we call this in-fund). The annuity must be appropriate and suitable for the specific class of members who will be enrolled into them, must be well communicated and offer good value for money.

In addition all pension funds have to provide retirement benefit counselling to members leaving the funds.

In both types of schemes there may be not only the employer contributions but also employee contribution plans. Employees make deposits (contributions) to an account. Contributions are deducted from employee's pay; some companies match those payments, while other companies give a fixed percentage of the salary in to the pension fund. Governments give a tax relief to these payments in the form of rebates or deductions in the tax payable. Governments do not want older people dependant on social welfare and it is therefore in their best interests to give these tax breaks. The tax relief is given to the member in their own capacity even if the employer pays into the fund.

The employer payment is considered a fringe benefit in the hands of the employee. This is often called a salary sacrifice scheme.

Provident funds

A provident fund is an endangered animal. The provident fund is a pension fund, as defined by the Income tax act, so you get the tax relief as in a pension or retirement fund. The large difference is on leaving the fund the full amount of the member's interest (member and employer contributions) is available for withdrawal. The government does not want this to continue and has tried to stop the lump sum withdrawal, but unions have protested.

The lump sum payment

Why does the government want the lump sum to fall away? People often use the provident fund as an extra savings account. The result is that they can never retire with a decent income, because it takes a long time to build up sufficient capital to earn an income on retirement.

A second consideration is that pension funds invest heavily in the infrastructure of a government and so stabilise an economy. Governments need the savings to stabilise the country's economic situation.

Since pension savings investment stabilises an economy the government would rather not encourage an early withdrawal of retirement funds. When an early withdrawal is made, the investor usually incurs an early withdrawal fee, which acts as a deterrent to frequent withdrawals before retirement date. The rationale is that an investor would usually only opt for early withdrawals if there were pressing financial concerns that warranted it, or if he or she had a markedly better use for the funds. Unfortunately that premise is based on the reasonable and educated person. Most people are more excited by the cash, than concerned around the implications of obtaining that cash. Different countries have different rules: In Europe for example is against EU law for an EU country to have rules that deter you from moving around in the EU. In the UK you or the employer may use a trust to preserve the pension monies. In some countries preservation funds are used.

In South Africa, funds that have members enrolled into them as a condition of employment (i.e. pension and provident funds), were required in 2019 to change their rules to allow for default preservation Pension funds did not allow resigning workers to leave their accumulated retirement savings in the fund. In 2019 the employee will still have the right and option to withdraw, upon request, the accumulated savings or to transfer them to any other fund, thereby achieving portability. Employees will also be required to first seek retirement benefits counselling, before they make a decision. The fund values may also be preserved in a preservation fund.

Preservation funds

Preservation funds are the retirement funds used when a person leaves a pension fund for any reason such as resignation, retrenchment or dismissal from employment or on the winding up of the employer retirement fund. Preservation funds ensure the pension savings keep the tax protection, while allowing a withdrawal from the fund, should the member require this. It means the pension fund members can keep all their pension savings in one place.

Some countries call such arrangement "qualifying recognised overseas pension scheme" for people to move pension funds to, in order for the person to keep their benefits. Tax can be a problem and it is advised that professional advice is obtained before action is taken.

Summary of the South African situation and preservation of pension funds.
South African employers may use three types of funds for employee pension purposes.

1. A pension fund allows you to withdraw only one third (1/3) of the value of monies at retirement and the rest has to be used for the purpose of an annuity. This pension fund may be a defined benefit in which you receive a percentage of your final salary on retirement, but only the accumulation of funds paid into your account on withdrawal. The pension fund may be a defined contribution fund which will pay out the accumulated funds you and your employer have paid into the fund less charges.
2. A provident fund which allows you to withdraw the full lump sum in your account at withdrawal or retirement, most provident funds are defined contribution fund which will pay out the accumulated funds you and your employer have paid into the fund- less charges.
3. A retirement annuity which does not permit withdrawal except on emigration before age 55 years. At that point subject to certain conditions only one third (1/3) of the lump sum monies are accessible retirement and the rest has to be used for the purpose of an annuity.

All withdrawals before age 55 years are subject to taxation. This taxation is found in Schedule seven of the Income Tax Act. There are two tables that can apply, one is an early withdrawal table and the second is a retirement or retrenchment table. The withdrawal table gives a very low lump sum amount of R25 000 tax free and then taxes the amount withdrawn at 18 % until R 660 000. After this amount it increases to 27% for the next R 330 000 and then goes to 36% tax rate. The retirement and retrenchment table gives a R 500 000 tax free withdrawal. It makes sense to not use the withdrawal of pension fund monies beyond R25 000 unless you are retiring. These tax free amounts are once off amounts and should the person withdraw from a pension fund again they will not get a tax free amount but be taxed at the higher rate of the full first withdrawal.

Terry left his work and used his provident fund withdrawal of R 660 000 to pay for his daughters university education.
Terry got R 25 000 tax free given to him
His tax was worked out on R 660 000 – R25 000=R 635 000
He paid R 114 300 on the withdrawal and received R 545 700 after tax

A year later Terry withdrew from another provident fund one year later and took R 100 000.
He paid a 27% tax rate on the full amount or R 27 000 and only receive R 73 000 of this amount.

When Terry retires he will only get R 475 000 tax free of any lump sum amount instead of the R 500 0000 others will receive and any amount above this will be taxed at a starting rate of 27%.

To protect both the member's tax status and the investment base of the country, on leaving a pension fund, the member may transfer the pension benefit to one preservation fund only, as splitting of the benefit is not permitted. There is a proviso though, if the member belonged to both a pension and provident fund, the pension benefit must be transferred into a preservation pension fund and the provident fund benefit into a preservation provident fund.

Other deductions from the lump sum are allowed before transferring to a preservation fund, and these are limited to:

1. Amounts owed by an employee in respect of housing loans or housing guarantees.
2. Damages caused to the employer as a result of fraud, theft, dishonesty or misconduct of the employee. The employee must admit liability in writing or the employer must have obtained a court judgment against the member.
3. With a member's consent, medical aid subscriptions and insurance premiums.
4. Such other deductions as the Registrar of Pension Funds may agree to.
5. A transfer of a portion of the benefit to a retirement annuity fund.
6. The payment of a portion of the member's benefit to a spouse in terms of section 7(8) of the Divorce Act.

You may have heard of people talking about deductions in terms of Section 37D of the Pension Funds Act, these are them.

There is also a situation if you have a claim in terms of the Divorce Act. Any divorce claim is treated as the first and final withdrawal from the preservation fund. No further withdrawals from the preservation fund will be allowed. Retirement from the preservation fund is at any time between the ages of 55 and 70. The preservation fund also allows retirement earlier than 55 years of age as a result of disability

So far we have discussed employed persons in the retirement (pension) fund world, but what happens when the person is put into an employee required Retirement Annuity or is self-employed or has extra funds to invest?

Retirement Annuities

When a government realises that a large pension fund base ensures that the country grows, they also accept that a normal pension fund by employment may not be sufficient. Self-employed people also need retirement funding and so a retirement annuity fund is the answer. A retirement annuity fund can be thought of as the individual's personal and portable pension fund. In some countries this is called a private retirement or pension fund. Such funds never have to be transferred between employers. Each retirement annuity is governed by the countries Pension Funds Acts and the rules of the fund. The rules of the fund are made up by the trustees who are elected to the board of the fund. These rules are approved by the Pension Fund Regulator of the country concerned.

South Africa

In South Africa the retirement fund has become very popular due to the tax advantages of investing in one. The government is very aware that the pension environment supports the economy and encourages people to invest in the pension provision. This tax deduction follows similar paths as in other countries but is set at a whopping 27.5% of taxable income. Like other pension monies in other types of pension funds, the retirement annuity will not be considered an asset in your estate when you die. For those with more than 3.5 million Rand in estate assets, this is a marvellous tool to save estate duty as well as income tax.

Tom has a company pension fund and two other RA funds. He wishes to retire.

What is Tom's age?
This is an important question.
In South Africa, Tom can only access the RAs when he reaches a minimum age, however he may contribute to the fund until he dies and not retire from it at all. There is no mandatory retirement age in an RA. This means if he has excess funds, he can use the tax deduction on his pension income to create an annuity for his children or grandchildren after his death.

Is Tom still employed?

He cannot access the funds in his Pension fund while he is employed but only after retirement. His company Pension fund will state the retirement age in the rules of the fund. This may be 60 years of age or even older. The pension fund may not allow early retirement before these ages, but Tom may retire from his RA independently of his company pension fund. He may access the RA funds after age 55.

There are two types of these retirement annuities. The best type is a platform or unit trust (collective investment scheme) based annuity and I would advise caution in the policy based type of Retirement annuity which is often called a life annuity. You may hear the term legacy product used to describe this in many cases. A "legacy" product is a contractual savings product, such as an RA or endowment policy, sold by life assurers in South Africa before 2009. Legacy products have higher charges than the newer products, however moving from a legacy product to a new generation product has serious pitfalls. Brokers get paid commission on products and will often advise on the higher commission or those that get them higher sales credits or book values, rather than the best product for you, the client. Unethical brokers and financial advisors do this, secure in the knowledge that there are few consumers that will understand the implications. A good retirement advisor is worth his weight in gold, while a bad one will cost you dearly.

The platform based annuity is largely driven by the fee structure, where the fees (advisor, platform and fund manager) are based on current, and not projected, investment values. There should be no penalty of any kind applied to your fund value should you withdraw from the fund or stop paying the contribution to the fund. Essentially you have the freedom to change, stop and resume your contributions, as your needs dictate. It is also very easy to do additional single (or ad hoc) investments at any stage. You should also be able to switch the underlying funds or invest in new funds in the offering for no extra cost.

The fee structure in a life retirement annuity differs, in that the financial advisor is typically remunerated based on your future premiums. If at inception you commit to a fixed year term with a 10% premium escalation, the advisor is paid upfront a commission, based on the assumptions, which are that you will pay the full period of time. If you then reduce or stop your premium, a penalty is almost always applied to your investment value, to reimburse the issuer for commissions that were paid upfront to the advisor (which were based on future premiums and future investment value). In South Africa some investment policies may also incur a service charge to a maximum of R 300.

These fees can be levied when you:

- Stop or reduce premiums;
- Withdraw funds (e.g. from a Preservation fund);
- Retire early (before Selected Retirement Date);
- Transfer to another retirement fund; or
- Take a legislative withdrawal (e.g. divorce, maintenance, emigration).

Since the financial provider incurred upfront costs, which consist of administration charges and broker commission they are entitled to recoup these costs from the customer. The commission is based on the contributions expected over the life of the policy. The provider raises a loan account against this retirement annuity, charges interest on it, and then recovers this loan over the life of the retirement annuity. If the member lowers the contribution or stops making contributions, the provider accelerates the recovery of the loan, which is the "penalty" they charge.

Jasper was forced into early retirement and could no longer afford to keep up with his retirement annuity (RA) contributions. He requested his financial advisor to explain the implications of this situation to him. Jasper had taken out the policy a number of years ago, from November 2006 and was paying a premium that was to increase by 10% per annum.

Jasper was shocked to discover that by cancelling his monthly premium the value of his policy would be reduced from R542 000 to R 449 860– a reduction of R 92 140.

Angrily Jasper told his transfer his financial advisor to transfer the RA to another product provider, a collective investment scheme based investment. His advisor strongly advised against this action. Jasper would pay further penalties and his retirement investment would fall by a total of R 140 974 to R 401 025.

The insurance company may also claw back the commission from the broker who sold the policy. After the penalty is paid, should a person resume paying into the annuity they will not re-coup the penalty as in all likelihood the existing policy has been made “paid up” and the new premiums will be put into a new annuity with the balance of your paid-up retirement annuity. Ironically this situation will likely cause new costs which will be recovered monthly/deducted from your investment balance).

What can you do with a South African legacy product or a life insurance product that has such high costs?

You have four options which can be explored:

Keep the policy until it matures. This option may be particularly suitable if the life assurer will agree to stop or reduce the annual contribution escalations without imposing any charges.

Make the policy paid up (stop paying the contributions). This could result in a penalty. If you then contribute to a new-generation RA, you need to establish whether, over the long term, the benefits of the new RA will outweigh the loss to your savings from the penalty.

Transfer your savings to a new-generation RA offered by the same life company. Some life companies call this a conversion. When you transfer or convert, you might not have to pay a penalty. If you later elect to change insurers you could be liable for a penalty.

Transfer your savings to a new-generation RA offered by another product provider. The chances are you will pay a penalty for this move. Do your sums, if the penalty is 10 000 and you have five years to go on your policy, the fees you save by moving the RA must at least exceed 10 000.

In South Africa this will require a section 14 transfer. You could be hit with a penalty, so you should first weigh up whether the fees you will save on the new product will outweigh the impact of the penalty.

Section 14 transfer

South Africans often get told they need a section 14 on their retirement funds. A section 14 transfer is when you move the fund from one provider to another. It is a transfer of retirement fund benefits from one retirement fund to another in terms of section 14 of the Pension Funds Act.

A section 14 transfer can take up to 150 days. Section 14 transfers may create a situation which could cost more than staying with the existing provider.

The potential losses include:

- You could incur a penalty;
- You will lose any life, disability or critical illness cover, and it may be more expensive to replace;
- You will lose any investment guarantees;
- You will lose a waiver-of-premium benefit (whereby you don’t have to pay your premiums for a certain period in the event of retrenchment or disability, for example);
- You may incur a fee charged by the intermediary who signed you up for the new RA; and

Your new investment will have to comply with regulation 28 of the Pension Funds Act. Regulation 28 was amended in 2011, and individual policies issued before that date are exempt from complying with the asset allocation limits, whereas new policies must comply. For example, your old RA has an allocation of more than 85 percent to equities and you transfer to a new fund, you have to reduce your exposure to equities to 75% in order to be compliant.

The maximum commission allowed for a broker is based on a percentage of the policy. This commission may be as high as 20% of the premium paid. On newer life policies these fees that may be deducted are limited to 15% of the investment value.

Some brokers and advisors have changed to a fee based practice. Often this can save a person money, but ask for a comparison and refuse to pay for that comparison. According to the laws in most Western countries, including South Africa, you are entitled to be put in an informed position before you buy.

Watch out for insurance policies that are said to be Life Retirement Annuities!

Alex is 60 years of age and wishes to retire from a retirement annuity fund due to negative returns. Due to his age he can retire from the Retirement Annuity funds, but there may be problems in the RA structures.

How would Alex treat this situation before retiring?
Alex should research the Retirement Annuity fund concerned and find out the reason for the low investment returns. In this case the Retirement Annuity fund is in an endowment wrapper, and is a policy based Retirement Annuity fund. The endowment wrapper adds to the administration and investment costs. A direct result of these high costs is that due to poor market conditions, the insurance house sells the units in the Collective Investment schemes, at a lower price-having to sell more units to make up for the poor investment returns and high costs.

To remove the RA out of the company, Alex would incur penalties due to the endowment wrapper.

Sadly, the older RAs provided by life assurance companies, while providing tax benefits on contributions, were not investor-friendly. They typically had high costs, poor investment options and large penalties for discontinuing them or making them paid up. Alex has very few options as he will have to pay the penalty if he leaves the fund before the maturity date even though he is old enough to access the benefits.

When retirement annuities are is based on a policy (i.e. most life insurance retirement annuities) then the member is bound by the policy "terms and conditions", and may incur a "penalty" if they break these terms by reducing or stopping your contributions. The maximum penalty depends on when the retirement annuity was taken out. For older retirement annuities, the maximum penalty is 30% of fund value, but for retirement annuities taken out after 1 January 2009 in South Africa, the limit is 15% of fund value.

A typical South African scenario.

Tom was retrenched unexpectedly with two weeks' notice. He had on the advice of his broker taken out a new RA in the January previous year, since he was undercapitalised for retirement by a large sum. Tom is 59 years of age and after 3 months of searching for a new job he realises that he will not be able to afford the RA premium. Tom was paying in R 5 000 per month (R60 000 per annum into the RA) and the RA value is presently R 70 000. He asks for early retirement in order to access the lump sum which is under R 247 500. If an RA is under this amount the full amount can be accessed as a lump sum, over R247 500 the amount has to be taken as an annuity and only one third of the amount can be accessed as a lump sum.

In the documentation from the Broker, it stipulated the percentage Tom would pay in early termination fees – for example if Tom cancelled after two years he will pay 12% of the policy value in fees, or loose R 8 400 in the value bring the Lump sum amount to R 61 600.

In Tom's case this is a no-win situation and shows the danger of these policies. Tom was advised to go to the FAIS Ombud in an attempt to minimise the charges, or alternatively show that the Broker acted without due care by placing him into such a product. Tom approached the broker and stated the locked in policy period was negligent, in an environment where elderly white people are losing their positions due to active Black Economic Empowerment policies.

The broker ended up by coming to an agreement with Tom for this situation and they both bore the 8 400 cost in a fair ratio.

A limitation on Retirement annuity benefits

There is no need for the existence of an employer/ employee relationship in order to be a member of a retirement annuity fund. An individual simply makes a contribution to the fund (recurring or lump sum) and over the years the money should grow so that there are funds available at retirement.

John retired from an Allan Gray retirement annuity and a 10 X retirement annuity. His interest in the Allan Gray retirement annuity fund is R 120 000 and the total value of his retirement interest in the 10X Fund is R 101 500. The combined value of the funds is R 221 500, since this is less than R 247 500, he is entitled to commute his interests in both funds for lump sums of R 120 000 and R 101 500 respectively.

Employers may also use retirement annuities instead of pension funds for their staff. An individual retirement annuity must be issued in the owner's name, and only the annuity owner or their surviving beneficiaries are eligible to receive benefits from the contract.

Terry earns a salary and also has rental income. His employer pays his pension fund payment and this is treated as a fringe benefit in Terry's hands. He uses a retirement annuity to reduce his tax payable, he pays in 27.5% and his marginal tax rate is 30%. This means that Terry is making sure the government is helping him to save for retirement at a rate of 30c for every Rand Terry contributes.

In South Africa, a retirement annuity fund is established in terms of the Pension Funds Act No. 24 of 1956, and is subject to the supervision of the Registrar of Pension Funds, who, in turn, falls under the authority of the Financial Sector Conduct Authority, the FSCA. There is no need for the existence of an employer/ employee relationship in order to be a member of a retirement annuity fund. If the member changes jobs, it makes no difference to the RA, i.e. there will be no access to the funds–the RA just continues. The primary purpose of an RA is to save towards retirement, and to provide benefits at retirement. An RA does not allow the member to:

- Cancel contributions already made to the Fund (i.e. ask for a refund);
- Transfer or pledge a benefit to someone else as payment or security for your obligations to them; or
- Use a RA benefit to secure a loan.

An individual makes a voluntary contribution to the fund (recurring or lump sum) and over the years, the money should grow so that there are funds available at retirement. Although contributions to a retirement annuity fund are normally at a level chosen by the member, some funds do impose a minimum level of contribution. The frequency of contributions is usually also flexible, and may even consist of a single lump sum.

A member may retire from a retirement annuity fund in South Africa, at any time after the age of 55 years. As a general rule, no benefit may be paid to a member or his dependants prior to retirement, death or disability. A member may, however, receive a lump sum benefit (withdrawal benefit) from the fund if they have discontinued their contributions to the fund prior to their retirement date where:

- The market value of the underlying investments of all Investment Accounts in the Fund is less than R7 000 or any other amount determined by legislation and/or regulatory authorities from time to time;
- The member has emigrated from South Africa and the emigration is recognised by the South African Reserve Bank; or
- The member leaves South Africa at the end of a work visa or visitor's visa, as contemplated in the Income Tax Act.

The main features of a Retirement Annuity in South Africa are:

- A member can retire from a retirement annuity fund at any age after 55. A member can retire from any one RA independently of any other retirement fund.
- The Retirement Annuity fund may not be ceded or encumbered in any way, and, consequently, cannot be used as collateral security (section 37A of the Pension Funds Act No. 24 of 1956). This means they are protected if you go insolvent or are sued for damages.

Annuities in South African pension funds

Regulation 39 under the Pension Funds Act compels the Board of an RA to establish an 'Annuity Strategy', which must comply with specific requirements. There are two benefits payable by a retirement annuity fund to a member or his dependants a lump sum and an annuity (including a living annuity). However, not more than one-third of the total value of the retirement interest may be commuted to the lump sum.

There is one exception to this rule. Where two-thirds of the total value of the retirement interest in the fund does not exceed an amount of R 247 500, the entire benefit may be paid as a lump sum. This rule applies in respect of membership of every separate retirement annuity fund of which the taxpayer is a member. The rules of every retirement annuity fund, that is registered and approved as a retirement annuity fund must provide that the full retirement interest can be commuted under the conditions mentioned. A member's right to commute a portion of the value of the fund for a lump sum is vested in the rules of the particular fund. Where a person is a member of more than one retirement annuity fund, and on retirement the full value of his retirement interest in each separate fund is less than R 247 500 (in other words two-thirds is less than R165 000), they can commute the total value for a lump sum. This applies at the fund level and not at the total interest in Retirement annuities.

In the event of the death of a member, the total retirement interest may be commuted for a lump sum unless the rules of the fund provides otherwise.

Chapter 4: Investing for the future

Not all people are created equal when it comes to money. People have different needs depending on their age, and wealth. The factors that most influence a client's future wealth profile are:

- Age;
- Dependants;
- Level of knowledge or education;
- Term of investment;
- Other Funds and assets;
- Expected inheritances or trust fund monies;
- Investor's perception of the risk; and
- Charges for the investments.

The level of wealth creation a person will undertake, often depends on the level of knowledge a person has. As a general rule the more educated the person the higher the level of resources (salary or income) they can access which increases the wealth creation ability. We can refer to this income and expense that a person will experience as their income statement. The income statement will reflect the amount of demands on the person's income. A parent for example, will have to educate children, afford health care, schooling and food, so they cannot afford to take the risks a person with no children and the same income, may take.

This childless person may use that money, normally spent on children to invest in a property to let and so create more wealth. This in turn helps create more wealth, as they can take on more risk or invest in higher return funds due to the length of time they can invest. This leads to a situation where people who have a certain level of income, create more wealth out of the wealth they have. We call this passive income and eventually this income may actually surpass their actively earned income. Wealth is then created as the person can survive without a pay-check.

Why are charges so important?

There are typically three kinds of fees that one can pay in a retirement or investment product

- Platform fee;
- A broker/advisor fee; and
- The fund fee.

Platform fee

If you invest with more than one fund, you need some kind of administration platform to manage that. That administration platform does the recordkeeping for you, so that you get one investment statement for all your underlying portfolios. There's a fee for that, those fees typically average about 0.5%, so if you are going to be investing in more than one company, through a LISP platform you are going to pay an administration fee. To avoid that fee go directly to the individual companies and invest directly in the funds there, unless that is not allowed by the company. Certain companies will not allow private investors unless they use a broker or financial advisor.

Advisor fee

Retirement is very complex environment, and investment companies have made investing unnecessarily complex. To navigate this environment, brokers or financial advisors normally charge an initial fee. The industry forces the use of advisors because they are not able to give plain language solutions, as that can be construed as providing advice. Providing advice is not allowed except by a person who has the required registration. In this way the financial services environment works much like the legal world. It can be difficult to find a professional you can trust, or work out for yourself what is actually in your best interest. There are two types of brokers or Financial Advisers. One is tied to a particular company and only advises on those products, while the other is independent and will use a range of products from different product houses. The client paying the initial advice fee, will need to either pay the adviser upfront or create a separate loan account with the product provider, which is paid off over time from the fund or investment. The problem, clients find is that many brokers and advisors are not really independent, or educated sufficiently and should really be considered product salesmen.

Good advisors should be able to draw up a financial plan to work out how much money you need and how much you should save as well as where to invest the money. The fee charged should not exceed 3% of the investment. On-going fees may also be charged. The return an advisor brings with a monthly charge, should be in excess of the market performance of a passively managed fund.

Fund fee

Collective investments and unit trusts (mutual funds) also have an annual fee for their platforms and the fund costs. Costs include an administration fee for the investment platform, an asset management fee and an adviser fee. Index-tracking, or passively managed portfolios, are also available and cost on average about 0.3 to 0.35 percentage points a year less.

Funds should publish the effective actual cost and that is supposed to account for everything, your admin fees, your platform fees, your performance fees and your investment fees for the fund.

Compounding this fee problem is time.

If you've got 100 saved and you can earn 3 % per annum on that, you should have 103 at the end of the first year, being 3% on the initial 100. The next year you earn 3% on the amount of 103 which now is 3.09. The third investment period you would have 106.09 and 3% of this will give you 3.18 in return. If you can get an extra 3% on your investment over 40 years that's going to have be an extra of 346 bucks in your pocket.

Investment fees also suffer from compounding in the same way. The result of this compounding effect is to strip your return and this is worsened if there is a lot of volatility in the market. The reason volatility can worsen the situation is that the percentage paid to the charges is taken off even if the market has not performed. In a fund that cost is recouped by selling units at a lower price – this means more units are sold for less money, stripping the asset base of the investment.

When we look at the fees and show the annuities after retirement it will be easy to see why charges are so important on the performance of an investment. For now we need to first understand another situation, risk.

Chapter 5: Why risk is important?

People have very different ideas about what constitutes risk, which can also change as their personal and external circumstances change.

While no person likes to lose money, some people have no tolerance for any loss at all, while others may be able to take a substantial loss before they get worried. This is often linked to the level of wealth the person has and the demands on the income.

A cautious investor prefers careful growth with a high amount of safety and the aggressive investor goes for maximum growth, even if it means taking big risks. In between the two extremes we have the balanced investor who prefers a calculated balance between growth and safety, with more emphasis on safety or the growth-minded investor who prefers a healthy strategy for growth, but with some security measures.

The different risks we will look at are those common to what an investor will face during retirement planning:

- Price Risk;
- Relationship risks;
- Risk of non-payment;
- Liquidity Risk;
- Inflation Risk; and
- Administrative Risk;

In retirement we have to add extra risk. These risks are health and the risk of living too long!

Let's investigate these risks in our next few chapters.

Price Risk

A real danger is buying an asset when the price is high. When we purchase a property, we take out a loan unless we are really well off. If we want to sell the property we would like to get our money back and possibly a little more. If we buy when the price is high for the area and sell when the price is low, we will lose money.

This is called demand and supply and it forms the basics of economics. If I have an item you really want you will offer to buy it. If that item is really rare, you will have to pay my price, to buy it from me since I will not sell it cheaper and you want it.

If I need to sell an item that is available anywhere, you will be able to negotiate with me and if I really need to sell it, I may end up by selling it to you for a price which is close to what I paid for it. If I am desperate to sell it, the price may be even lower than the cost price.

Technology is a good example of this. Let me give you an example of buying high. My first calculator cost me a full one third of my salary as an apprentice for the Post Office in 1979. I spent the month begging people for food to eat. Today, that same calculator is less than a price of a bottle of milk. Why, because every mobile phone has a calculator like that, available with cameras and other items. Another example is how expensive a mobile phone was, when they first came out in 1973? No one could afford them but the extremely wealthy. My first mobile phone in the 90s, made a brick look light. No person today, would want an old Nokia, when they can have a new phone for the same price or less.

Companies will sell their stock at low prices when they see they may sit with unwanted items, this may be due to the item being dated such as my first calculator or because too many companies are making such items. They call these occasions- sales. If you sell the stock for a price lower than it cost to make the item then you have made a loss. We call this selling below cost. Selling below cost can cause a company to go out of business, since they cannot meet the expenses called overheads.

Volatility plays a role in price risk.

Volatility is where a price of an item goes up and down. It is affected by a variety of situations.

A stock's price can be affected by factors inside the company, such as a faulty product, union actions or by events the company has no control over, such as political or market events. This volatility can cause a good equity stock to lose value just when you need the stock to be sold (timing risk) and will contribute to your capital amount risk.

Capital amount risk

The capital amount risk will depend on a variety of facts. One of these will be the timing of when we need that capital amount and the other is how much you are able to save, in order to meet the capital need when you need it. When I bought my asset, the calculator, then let's suppose, I had decided I preferred eating to studying, I would have sold the calculator. If I could not have got the price I needed on selling the calculator that would be a capital amount loss, if I could sell the calculator for more that would be a capital gain, and I would be a richer person. Why? Because I would have bought another calculator and sold it for a profit again, and another and another, each time making a profit.

We each have a working life of around forty years, if we are employed. In these forty years we are expected to save sufficiently to support ourselves for another possible forty years in retirement.

Let's start our exploration of the wealth creation journey, twenty years before retirement. This should be when you are at the high point of your career earning the maximum income for your labour. From the age of forty-five, income will start to fall on an average for this age group. The reason is quite simple. This age group has been increasing their earning capacity due to experience and natural demand. At forty-five you are normally earning more than an organisation will pay for a new recruit. What does this mean?

It is a sad fact that this means you will be the person companies will consider to retrench due to your high earnings and the fact you are considered an older worker. The way to prevent this is to continue letting the organisation sponsor you for learning new technologies or to ensure you have a long time with the company. Both time and cost factors that the employer puts into an employee reduces the chance of retrenchment. Unfortunately most people in this age group will fail to study due to the increased demands on their time and a slowing down of the energy that accompanies this stage. Very often they have changed jobs multiple times chasing earnings.

After 45 years of age, women will be going into menopause and men, andropause or male menopause. Both stages can result in a natural fatigue with a diminished sex drive, reduced muscle bulk and strength, night sweats, infertility, depression, loss of body hair, swollen breasts, palpitations, height loss, fatigue, irritability, reduced self-confidence, poor concentration, memory loss, sleep problems, increased body fat and anaemia. In other words, you may not be a delight at work!

At this point you are 240 pay checks away from the day you will draw your last payment from an income statement and start to live on your balance sheet. You need to be saving at least 15% of your income from age 20 if you are to be able to survive retirement.

Hopefully at this point saving 15% of your income has become a habit and you are not tempted to delve into the savings to support the children in a private school, or buy junior a house. It is also at this point the chance that you are in a relationship and costs are high for living.

Those savings are important. You can save your income in non-pension fund vehicles, but a pension fund is far more tax efficient. Not only does the government give you an allowance to deduct from your taxable income amount. (In South Africa the lesser of up to 27.5% up to the value of R 350 000 per annum), but also there is no capital gains tax or interest taxed in the fund. The fund is protected from any creditors and is protected by strict laws which will not allow government, or any other person to plunder it. The only product that matches it for the return is a tax free investment, however that is made from after tax money. If you have a chance of tax free investments in your country, then use them to ensure you have at least three months' salary in them. This is your rainy day account.

120 pay checks

10 years to retirement to go and hopefully you survived your forties and are into your fifties. At this point you are even more endangered, by the younger generation, in terms of job loss and the chances are it will take longer to get a new position, should this happen. 18 months is the average time to find a job after fifty, although this varies from country to country and is dependent on the skill sets of the person.

At this point retirement saving is so far away, that for most people, it still is not a reality. However we are fast reaching a situation where a retirement plan is becoming expensive and unaffordable for those who have not been saving for this event. This is a risk. Delaying saving has created the situation where to create a capital amount, to pay a passive income, will require a high percentage of the income. Often we find people have withdrawn savings, to meet the needs of a growing family, or parents in need. Should they not be disciplined the savings plan may never recover.

Chapter 6: Relationship risk

We will tell you that we love our families, but for some people family is a problem. Talking about a nasty parent is taboo in most societies, but unfortunately like nasty children they do exist.

When we think of a family risk we normally go straight to divorce. Divorce is not the only relationship risk we face. Family risk can be those we have a legal obligation to maintain. Often this obligation can be a duty. I personally, had to look after my brothers and they were given funds which were sorely needed for my own family. In fact I brought up my one brother, as well as maintaining two other lads financially, before my twenty-fifth birthday- an onerous task given my resources and youth.

Black families will tell you about the "black tax" where the larger family expects the working person to pay, pay and pay again. For example, where I live it is not uncommon for a person to be supporting 20 relations on one pay check. Refusal to pay, brings shame to the black person's family and will anger their ancestors. Even in the spirit world it seems we have relationship risk! Large families, aging parents, children and siblings without work, or with expensive habits, are a drain on the working person's income.

Marriages and risk are probably the best way to start to explain, as often the largest relationship risk though comes through divorce!

Marriage

Different countries have different rules on marriage. In some countries marriage means your assets stay your assets, in some, a female's assets become the husband's assets and community of property. Community of property means everything the marriage partners has is equally divided. An accrual system, keeps certain assets separate and has many flavours. The accrual could exclude everything in the marriage. This means the person is treated as though no marriage has taken place. An accrual system could exclude certain items from the combined marriage property, or could exclude items owned by each person before the marriage but include all property received during the marriage.

The treatment of the marriage or combined property plays a large role in how divorce or domestic partner break ups can affect retirement saving.

South Africa

Marriages in South Africa today are governed to a large degree by the Matrimonial Property Act[3] of 1984 (as amended in 1988) or the Civil Union Act, 2006 (Act No. 17 of 2006). The Civil Union Act is an act of the Parliament of South Africa, which legalised same-sex marriage. It allows two people, regardless of gender, to form either a marriage or a civil partnership. Both these acts require that persons who wish to marry need to decide, before their marriage, whether they wish to enter into an ante-nuptial contract (ANC) or not. The default union will be a community of property union in which all the assets are put into the marriage and each partner has an equal share in all assets.

The Matrimonial Property Act provides that in respect of marriages out of community of property or Antenuptial contract marriages, entered into after 1 November 1984 can be community of property marriages in part or in the whole. Anything the individuals own before marriage will be included in the marriage property at the point of marriage if it is before 1984. The 1984 system was because prior to that date the female was not allowed to own property unless a male was able to "guide her" In other

[3] http://www.justice.gov.za/legislation/acts/1984-088.pdf

words before 1984, women were considered to need a male parent or husband. Well, we showed them, didn't we ladies?

The accrual system after 1984, can be excluded entirely or varied by the spouses, but such exclusion or variation must be expressly provided for in an ante-nuptial contract signed before the marriage. Post nuptial contracts are allowed but these are considerably more complex and expensive.

Black South African males are allowed to have multiple wives in terms of the customary marriages act[4]. After the second marriage, these marriages are considered to be accrual marriages, in which no assets are shared unless so stipulated in the marriage contract. The first wife has to agree to change the marriage contract if an antenuptial contract is not in place.

If in an accrual marriage, a spouse divorces the other spouse, they are entitled to a share of the combined property of the marriage and this includes the pension interest. It is always advisable to enter into an ante-nuptial contract or ANC which should stipulate retirement funds are excluded from the matrimonial estate.

On death of the member of the pension fund, the spouse has a claim on the estate of such a member even if they are subject to an ANC or estranged. This claim takes into account the age, earning capacity, standard of living, existing and expected means versus the financial needs of the surviving spouse, as well as the size of the deceased's distributable estate.

In calculating the possible claim a surviving spouse might have, an actuary will take into consideration the effects of inflation, ensuring that the amount of the claim will be sufficient to maintain the surviving spouse over his/ her expected lifetime. The executor is empowered to create a trust for the benefit of the surviving spouse, in settlement of the claim for maintenance.

Children

The second area of relationship risk is from children[i]. Children are in many countries considered to be dependent on the parent until they become self-sufficient. In other words your forty year old problem child with his two girlfriends and 16 children can be your problem for ever! Our next cameo illustrates this admirably.

Tom was a very successful insurance broker. He got divorced in his forties and his wife tied him up in court. Fighting her case cost him half his available assets in legal costs. The wife accessed most the value in the balance of the marital estate due to having a child. She also received a high settlement, in which 1/3 of Tom's income would be paid to her monthly for the child's medical, schooling and upkeep. Tom was in a commission based industry and in part due to the problems in the economy and his own mind-set after the divorce, his income was drastically reduced. His daughter was placed in one of the most expensive schools and soon most his income was going to keep the child in this school.

Tom ended up without a job in his late forties as a result of the company applying the required government racially based ratios in employees. He quickly became dependant on his friends for a living. He found another position after two years and through diligent saving was able to again become independent of his friends and family. His child was now 18 years of age. From the age of 16 years she had refused to see him despite them living in the same area. Tom had continued to give the child a private education and refused her nothing. Despite repeated attempts he was unable to get the child to talk to him except to ask for money. After the end of school he informed the mother that unless the child spoke to him, he considered he had completed his contribution to her upbringing. Tom also at this point got remarried.

[4] http://www.justice.gov.za/legislation/acts/1998-120.pdf

The child took it as her right to expect a university education and sued her father for further upkeep. The child won the case, as the court ruled the father had created an expectation with the private schooling. Tom's new wife's income and assets was also taken into account as they were married in community of property. More than half the couple's monthly income was attached and the lawyer informed Tom that the child had every right to this support until she became an earning member of society.

Tom again was reduced to poverty and the resulting emotional distress put pressure on his second marriage, resulting in a complete breakdown. The child demanded he sold assets to keep her in luxury and the court did not give Tom relief due to him representing himself against a smart lawyer. Tom had to sell the assets. His marriage broke down and Tom was reduced to penury.

The sad irony of this case. A legal aid lawyer stated that the child would be held liable for the parent if Tom was destitute. The law certainly does give that relief. When Tom applied for this, the child demanded a paternity test and it turned out that Tom was not the child's biological father. He therefore had no claim on the child, he had ruined his life to support.

Maintance is one the areas we will have to look at in our Chapter on death as well. Maybe we should use Stephens's case as part of family planning training! Who would want such a child? Unfortunately Stephen is only one person, of many parents, who have offspring that believes Mommy and Daddy need to provide for ever.

Parents

Your parents are another relationship risk. Parents come in all shapes and sizes. None of them is perfect. Some parents are kind and others controlling and selfish.

Our cameo illustrates how we need our parents, even when they are not perfect.

Desie had a mother who was confined to a wheelchair. Desie ran a successful business, but had not been able to sustain a relationship as a result of her mother. Her mother ran her life and kept her on a tight rein. If Desie made up her mind about anything she would explode with anger. Desie was not an only child, but she was the youngest and her sisters on marriage, had ensured they moved away from her mother. Desie was fifty when I met her and she was physically unable to make a decision outside of her business, without her mother's consent. Strangely it was later so seen that the success of the business in part was due to her mother.

Desie had tried to break free of her mother. While at university she had arranged to live in residence there. Her mother had made her year unbearable with threatening suicide or stating she was ill. Desie had capitulated and moved back home.

Desie told me she was desperate to break free of her mother, but when we looked at the relationship, it was easy to see, that the habit of being with her mother, was going to be a difficult one to break. This was borne out when the mother was placed in a home after falling and breaking a hip. Desie's business during this time ran into trouble as she could not manage the demands on her time and the decisions she had to make.

With counselling, Desie understood that it was better for her to have her mother at home with a nurse then out of her life. Fortunately money was not an issue in this case. With a full time nurse available, Desie was able to start taking small breaks from her mother in preparation for the time when the woman was not going to be in her life. Self-confidence training and the ability to make personal decisions needed to be taught to this fifty year old and her mother had to stop being the alpha person.

On her mother's death, Desie found a partner who was very like her mother in nature and within months moved in with him. Ultimately we could see that she needed the control and was not prepared to take her private life into her own hands. She died two years later of a heart attack. In her own way Desie had become programed to expect a controlled private life, but controlled her business life.

Desie always supported her mother, as she was not a wealthy woman, but what happens if the parent leaves your life and then returns demanding assistance?

The courts have shown that they will expect the biological child to provide for the parent. My experience is most people do this out of a sense of decency, and for love of those parents who brought them up. There are however those parents that one wishes you could divorce. These parents are not only Mother –in-laws! A parent who claims support from a child must prove his need and the child's ability to support. A more stringent criterion of need is applied to parents than to children. In court rulings it is seen that the support of parents normally will be confined to the basic needs, namely food, clothing, shelter, medicine and care in times of illness.

Chapter 7: Risk of non-payment

Capital loss is a reality and in the pension world, unfortunately well known. When a person retires there are many factors to consider. The first is the risk of non-payment of the capital sums you may have saved and lost due to a multitude of factors, which can include political problems in a country, investment conditions, crime, or loaning to family members that do not pay back. A final frightening factor is pension funds that do not perform as they should and the resulting payments being decreased or lost due to fraud and mismanagement.

Don't Lend

One of the heart-breaking things, I find as a financial planner, is the parent who has lent the child a large sum of money for a car, home or business. While some children are amazing to their parents, it would astound people, how many children take the money and never pay it back. Often these children then abandon their parents in their hour of need.

> One terrible Christmas, I was called to our local old age home for a person who was in a severe depression. On entering her flat I found her only son had visited this person, who was his mother and removed her microwave and car on a loan. She had sat the full Christmas day refusing to accompany her friend, my mother to our house, as she believed her son was coming to take her out. The day came and went, the next day too. On the third day after Christmas, my mother called me in, believing the woman had gone into suicide mode.
>
> As a financial planner, I had often counselled these elder people. Due to the fact I am also a master hypnotherapist and have studied psychology and herbs, my advice was often used not just for financial and estate planning. There was little to help the grieving process in this case, but to keep watch on the lady until she came to a place of acceptance. The pain of betrayal is not one that can be hastened by advice.
>
> Fortunately my mother was one of those rare people who could lighten up a dark building. With her help the lady was able to grieve but survive.
>
> At the time of her death, her son had still not returned to visit his mother and had hung up the phone on her calls.

It is of course not only children, but siblings, friends and family are just as culpable. It is a very true adage given by Polonius in Act-I, Scene-III of William Shakespeare's play, Hamlet as he counsels his son Laertes. Polonius states" Neither a borrower or a lender be. For loan oft loses both itself and friend. And borrowing dulls the edge of husbandry". Hamlet Act 1, scene 3, 75–77. It seems the problem of non-payment of loans is not a modern one!

One of the biggest temptations is when a person takes the lump sum from the Pension fund. Remember often this is more money than the person has ever had. One thing we as humans do, is try and revert to a position we are comfortable with. If that position is have a hundred bucks in the bank and we are given a million, we will find a way to revert to our normal position of a hundred. This fact is why most people who win money are broke within months of wining.

To give a normal person a large lump sum of money without counselling in my mind is tantamount to setting them up to failure. No where do we see this more than in retirement.

When the lump sum and the monthly salary is moved we have no choice but to depend on social welfare. However what happens if we have a lump sum, but the timing to convert it to income is not the right time?

We call this situation, liquidity risk. Liquidity risk is a problem, as without income we find it hard to survive let alone eat. In a company, liquidity risk is when the company cannot pay their bills. This does not mean the company is bankrupt, as there may be a storeroom full of stock, but the actual cash is not there to be accessed. Liquidity risk in the company, is one of the main reasons companies fail in the first year.

Liquidity Risk

Liquidity risk, is not having sufficient money to meet your immediate needs. Often liquidity risk is found when a person is retrenched in their fifties and cannot access their pension funds till they reach a certain age. Most people are only as solvent as their last pay check. In other words savings are non-existent or very minimal. The result is although they may have cash reserves in the fund, they cannot afford basic needs such as repayment, water, lights and food. As a result they end up by selling existing assets at a lower price or enter into further debt- creating a poverty spiral in which first moveable assets are sold, then the house and cars.

Financial planners will try and set up an emergency savings account for their clients, but this can only be done if we have a budget of expenses and are able to keep the client's sticky fingers out the account. Most financial wisdom states that a sum for at least three months expenses, should be kept in this account, I prefer to keep a year's expenses in that account, as I find three months is not enough in a time of retrenchment or illness. On retirement, often there is a three to six month period, in which pension monies are not received, as a result of the administration required, so again three months is cutting it fine.

What we do not want is to expose this emergency savings account to risk, but we should ensure that it keeps pace with inflation at the same time. Risk becomes a large part of the money management of a person, if we are to get a return on our savings. We need to investigate this in terms of the return on the savings and investigate what can happen to them.

Chapter 8: Risk and interest

Why the interest in interest?

Interest is tied to the cost of money. Even if you are using your own money, the cost to get that money is in time and effort. When you use other people's money, such as loaning form a bank to buy a car the cost of money includes the interest you pay the bank for that money.

Interest is the return on the money. If you are using your own money instead of putting it into a savings account, you are foregoing the interest you could make on it. Money has a value and ideally should be able to create value. To create that value means we have to look at risk. Risk is the chance you take that things could go wrong and you cannot do what you want to do with that money.

Risk can be measured in financial return as well as financial loss. All people who lend money to another, wish to get rewarded for the risk they take. While the money is used for one thing, it cannot be used for another and this may mean you lose money because your capital is tied up. In finance we have to look carefully at how much return we wish to take for the risk. An investment that has no risk tied to it, (no chance of loss) is the benchmark we use. The rate we can earn on a no risk investment is called the risk free rate and this is used as a base to measure return.

The return on capital is called a risk premium.

A no risk asset is an asset which exists only in our minds in reality. In investment, however people believe the chance of getting their capital (amount invested) back when they invest in certain assets is extremely high. Normally these assets comprise of government bonds. If an investor could earn a 5% return on a government bond (the risk free rate) then the more risky company stock should yield a 5% return plus an additional return (the equity risk premium) in order to be worth the risk of investing in that asset.

This risk we want to be rewarded for, is that we may not get some or all of the amount lent back and the reward is the risk premium.

Banks and cash deposits get rewarded with interest. Interest payments are normally determined by the central bank which sets the rates at which the banks can loan money, called a repro rate. The Central or Reserve Bank of a country is also called the bank of last resort, because this bank will loan money to banks to keep them solvent. As a result, banks have a low risk premium because they are not considered to be risky investments. The result of this thought process is that the Banks or cash investments, rarely outperform equities and properties. Bank deposits normally do not match inflation.

Equities are an investment in company shares. Property may be a direct investment in a house you live in or rent. Property may also be investing in a professionally run portfolio or business and farming land and buildings. Equity and property are rewarded in two ways, the first is the dividend income or rental and the second, the capital growth.

Understanding this relationship is important, because when a person saves money they wish to create wealth. If we do not outperform inflation- in other words get a return that is higher than the inflation rate then we are wasting our time. If our risk premium (return) on our money does not allow us to keep income parity (buy the same items in the future) going forward, then we should spend the money rather than saving it.

Inflation Risk

Inflation is the costs of an item now, versus the cost of that same item at a later point in time. For example if you live in Zimbabwe, a day could be an inflation unit, as a loaf of bread may cost 30% more by the next day due to the exchange rate. As a nation Zimbabwe is one of the poorest countries in the world, the economy is in tatters and basically the country is bankrupt. For Zimbabweans saving money may not be a wise thing to do, as the uncertainty of price means if they have sufficient money to buy an item now, it does not translate into having sufficient money to buy the same item tomorrow.

In October 2018 cooking oil was on short supply in Zimbabwe. A truck load of oil came into a supermarket. People bought the oil. Why was this unusual? Because the price of a two-litre cooking oil bottle of $2, 75 in September went to a price of between $3.50 to $4, which is an increase of up to 27- 45% percent in a month.

Zimbabwe also increased the price of fuel- this meant the price of oil would likely rise again in the next month.

Let us have a look at something we can compare.

A loaf of bread in 2019 in this country of Zimbabwe in January 2019 would cost you $1.40, (R 18.00) in February 2019 the same loaf would be available at $2.10 (R 31. 00), or a 67% increase.

Now let's compare this inflationary increase in Zimbabwe to price increases in the USA.

In January of 1988, the United States Department of Labour, Bureau of Statistics, indicates that a loaf of white bread cost approximately 59¢. In January of 2013, that same loaf of bread cost $1.42. We can use these figures to work out the cost of a staple diet ingredient. If we do that then the inflation rose by 140% in 25 years giving us an average inflation rate of 5.6%.

The example above is not meant to give inflation rates of a country on simply two items, but to demonstrate how price increase will impact on savings. For savings to have a value to a person they must be able to have a certainty that they can beat inflation. In Zimbabwe, it is unlikely an investment could keep up with inflation, unless the risk premium or reward for saving is higher than the inflation rate. This is unlikely so the person would rather buy the bread today and eat it.

In the USA, the person would consider investing, in 1988, in the knowledge that the 59c would have a potential to grow sufficiently to buy at least the same loaf of bread in 2019. To do that they would want a rate that is in excess of the average inflation rate of bread. In other words a return of at least 5.6% per annum.

Keeping up with inflation when a person retires is important as retirees do not expect a pension increase per annum that will be in excess of inflation. As a result it helps to understand another financial term called the Price Index value

Price Index value

Since Inflation is broadly defined as an increase in the general price level, in order to accurately measure inflation for a period we must first assess the general price level. The general price level is measured by a price index.

To create a price index countries will take the price of a basket of certain goods and services. The price at that point is set down and forms the Consumer Price Index or CPI. The price of the basket at that point is set at 100. This basket of goods and services, now forms a reference point or a base index so we can say that should the basket cost 100 currency units in 2018, then if that basket goes up to 110 currency units it will push our price index up to 110 or 10% of the price index price. We can do this for other commodities too- housing, medical care- in fact anything which has a monetary value.

Index linking is extremely important to any business or country since it can give the wage rate or material costs adjusted in proportion to the change in some specified price index, the purpose being to maintain the real purchasing power of wages over the kinds of goods and services typically consumed by wage earners and forming a basis for pricing goods and services in the future. Without this price indexing, organisations would not know how much a reasonable increase in wages or pensions is per annum.

Price indexing becomes a wonderful tool for retirees to use too, because they are often publically available at no charge thanks to the internet.

The next thing we can do is take that same basket of goods and use it to compare the cost of living in other cities or countries. Now this would involve a lot of travelling and would probably cost us too much to do, but can you can see why this could be valuable to us as retired persons?

Fortunately there are companies that calculate these types of "Price Index values". These companies will assigning a value of 100 to a central reference city. Once the reference point has been established, the Price Index value of every other city in the database is calculated by comparing their cost of living to the cost of living in that city.

Therefore, if a city has a Price Index of 134- it means that living there is 34% more expensive than living in a country that has a price index of 100. For a retired person this information can be used to determine where they should live. Just by using this information you can increase your pension by moving to a cheaper area, or even country to maximise "the spend" of the pension-i.e. buy more goods with the same amount of money.

There are many different price indexes that are used throughout the world. One of the most widely known is the Big Mac index. The Big Mac is selected for comparison as the popular fast-food meal is widely available across the world, and remains fairly consistent in pricing. The use of the big mac pricing is also called 'Burgernomics'. We can use this to calculate what the exchange rate should be in order to buy the same meal at different locations across the globe. I have put some sites down in our references at the end of the book to help you in this matter of price indexing.

Keeping current with currency

Currency rates pay a large role in the cost of goods for the local population if items. A currency is considered undervalued, when its value in foreign exchange is less than it "should" be based on economic conditions.

The reason currency is so important is because we live in a global village and our goods will be sold according to the best price we can get in that global village. A country will not want to import an item it can create cheaper on its own soil, unless other factors are present. Factors can be perceived value, or such name brands which are recognised as giving value. This value does not have to be purely economic, it can have a social aspect as well. For example, a Burberry scarf does not keep a person warmer than a woollen scarf, but the distinctive Burberry pattern is perceived to be more glamorous. We call this value branding. Importantly this will impact on the more socially conscious retiree, as their cost of living may increase, due to them requiring other services such as podiatry or dental work.

Currency is also important for our local producers, as they will actively search for areas they can sell their goods at a higher price than locally. The cost they receive for the goods should be higher than selling locally, after factors such as transport, marketing, distribution and administrative expenses are taken into account. We call this value adding. If the currency allows them to get a higher price offshore then shortages will occur in the country as producers are profit driven- or look for the best price.

Currency risk- where will we be?
What are the risks in a Rand based cash investment for a South African investor?

A number of South Africans have lost their children to other countries.
Meet Bheki and Rebeca. Their beloved son and daughter are in Australia and the UK respectively. Both children have married citizens in these countries and grandchildren have been received. Bheki has done well as a municipal worker and has retired with a pension sufficient to live in reasonable comfort, but not well enough to afford the airfares and visa costs to visit his grandchildren. Rebeca has to make do with skype calls, but would love to be able to kiss and cuddle the two babies.

Currency plays a large role in the two Grandparents lives, a small gift can cost a large local Rand value in comparison with two very strong currencies. Their financial advisor has tried to create an overseas investment for them in this regard. Because the foreign investment earns returns in the countries' currencies the Rand exchange rate is not a major factor. The returns will keep up with the needs of the couple to be able to give occasional gifts. Bheki says it is sometimes hard to accept that when the South African currency depreciates and he has been able to visit his children (they try to see the family every second year) that he cannot afford to contribute to the family or take them out to a meal without severely impacting his ability to survive on his return home. The foreign investment although small has helped immensely. His children contribute to visa costs and airfares where they can.

Would the couple move countries to be with their children given the chance? They would, but both agree the thought of being effectively dependent on the kids is distasteful to them. Their hope is that South Africa will improve to an extent that the children will be able to return to a country they are proud off once again.

It is sad to see such loving parents alone, effectively imprisoned by currency.

Chapter 9: Administrative Risk

There are two types of administrative risk we need to look at. One is the administrative risk in an organisation such as a fund, that is going to give you a capital amount and /or income on that capital and the other administrative risk, is from you, the investor or retiree.

We will deal with the organisational risk first so that you know what to look for when you go to those Annual General meetings you have been avoiding. I know they are boring, but did you know this avoidance is part of the administrative risk you have?

Fund administration

Any investment organisation such as a pension plan, will have administration risks that will relate to the risks in administering the investment or pension plan. A plan administrator is subject to the common law duty of care and fiduciary duties. All funds should have a structured process aimed at identifying the most critical risks in the following areas:

- Management Oversight and Culture:
- Strategy and Risk Assessment:
- Control Systems; and
- Information, Reporting and Communication.

Management Oversight and Culture

In the pension fund the management is where the costs of running the fund should be tightly controlled. Principal Officers and trustee costs should be comparable with the fund responsibilities. High salaries are the killer to pension returns in this area. As a trainer to pension funds, I have seen pension funds paying principle officers twice the going salary rates, at a cost to the pensioners. Other than being highly unethical, this is like robbing your parents! When these principal officers and boards were questioned, they displayed the most amazing arrogance and ignorance. It made me realise how the incompetent view themselves as Gods! Fortunately many principal officers are highly ethical and hard working. Many of those funds which I have worked with are gentle and very caring, as well as being completely committed to improving the lives of the many people they will have to take care off. If that was not the case I would never tell people to invest in any retirement fund.

Fund governance is most important and rests with the board. Often board members are called trustees. Some of these trustees are particularly bad, since you do not need any minimum education to sit on a board. In some countries members of the fund can elect trustees to the pension fund boards, and it is a case of the blind leading the blind. If you do vote a trustee in, at least find out if they can do the job- it is your money after all!

The board of directors is supposed to set out its responsibilities in accepting and committing to the specific corporate governance principles, undertaking to run the pension fund correctly.

Strategy and Risk Assessment

Pension fund management should understand the risks run. The board must set acceptable levels of risk; measuring, monitoring and controlling these risks; and ensuring that an adequate and effective internal control system is in place. A compliance function should be in place to ensure these objectives are met.

Control Systems

Risk management comprises of the board looking at where the risks to the fund lie. In my experience, most of these risks are due to the staff, who look to their own pocket and how to minimise work. In many pension funds I have been told people are working so "hard". A simple observation shows the same staff have spent two hours on their cell phones talking to friends, one hour in the bathroom, an hour at lunch and two twenty minute "tea breaks" in an eight hour workday. In addition, PC audits show on-line shopping and Facebook or other social media have been visited. The truth is they were working hard, just not for their employer! Salaries are a major cost in a fund and need to be tightly controlled.

At the heart of any risk-management framework are the control mechanisms – both internal and external. A control system could be simple like having someone sign in at the entrance, or complicated where you have three people signing every check, after a series of questions are asked. Audit systems are a control system and these should be efficient and cost effective. Controls that are put in, should operate at every level and be an integral part of daily activities.

Decision making, execution and checking functions must be assigned to different people and have suitable oversight given to the processes by independent personal. For example getting a husband to check his wife's work is not an efficient or independent check.

Information, Reporting and Communication

Communications are required so that everyone understands their responsibilities and to make sure that relevant information is reaching the appropriate personnel. The pensioners, members and staff of the fund should have information given them in a transparent easily understood format. If a person has access to a computer this should be on-line, but not everyone has a computer, mobile phone and data. The pension fund must be aware of this.

Personal Administrative risk

When putting administrative risk on ourselves we learn the attributes of responsibility and accountability. It is easier to say a company has done us wrong than to say- did we go to the Annual General Meeting, or did we vote correctly? Did we read the documents, did we ask questions?

For example:

- Where is your will and when was it last updated? Does your executor have a copy? Who are the guardians for any minor children? Do those guardians know they are the guardians?
- Do you have a document file in case you are injured or die?
- Who knows your pass words for your computer and social media accounts?
- When did you last look at a holistic picture of your finances and insurances?

It is astounding how many people think they are rich when they are actually cash poor but asset rich and all assets have loans on these assets. All of this knowledge goes under personal administrative risk.

When I used to advise on estates, most people did not have the faintest clue, on how much they were worth. People with children, believed the insurance would be sufficient to educate and clothe their children until they could be independent. People facing retirement had left legacies in their wills to people that would leave their beloved spouses starving. It was a mess and we will take a look at this in our section on estates further on in this series.

Budgeting

Your personal administration is most important, as you cannot control what you do not know. Start today, put all your accounts together and use our budget control template to walk you through taking administrative control of your life. Once organized it will take you an hour per month to manage.

It works like this.

Every month put in your income and your anticipated spend- the amount you think you will spend. At the end of the month put in what you have spent.

Budget control template

		BUDGET	ACTUAL	OVER SPEND	UNDER SPEND
JAN					
	INCOME				
	EXPENDITURE				
	SALARIES				
	PROFIT/LOSS				
FEB					
	INCOME				
	EXPENDITURE				
	SALARIES				
	PROFIT/LOSS				
MARCH					
	INCOME				
	EXPENDITURE				
	SALARIES				
	PROFIT/LOSS				
APRIL					
	INCOME				
	EXPENDITURE				
	SALARIES				

	PROFIT/LOSS				
MAY					
	INCOME				
	EXPENDITURE				
	SALARIES				
	PROFIT/LOSS				
JUNE					
	INCOME				
	EXPENDITURE				
	SALARIES				
	PROFIT/LOSS				
JULY					
	INCOME				
	EXPENDITURE				
	SALARIES				
	PROFIT/LOSS				
AUGUST					
	INCOME				
	EXPENDITURE				
	SALARIES				
	PROFIT/LOSS				
SEPTEMBER					
	INCOME				
	EXPENDITURE				
	SALARIES				
	PROFIT/LOSS				

OCTOBER					
	INCOME				
	EXPENDITURE				
	SALARIES				
	PROFIT/LOSS				
NOVEMBER					
	INCOME				
	EXPENDITURE				
	SALARIES				
	PROFIT/LOSS				
DECEMBER					
	INCOME				
	EXPENDITURE				
	SALARIES				
	PROFIT/LOSS				

If you continually overspend, you should start a list to detail what you are spending.

Example of budget items:

Item	Amount budgeted	Amount spent
1. Bond Payment / Rent		
2. Levies and Rates		
3. Water & Electricity		
4. School Expenses		
5. Car Repayment / Repairs		
6. Petrol		
7. Groceries/food		
8. Medical Aid / Costs		

9. Insurances		
10. Fees		
11. Entertainment		
12. Debt Repayments		
13. Savings / Stokvlei		
14. Church / Charity		
15. Gym		
16. Other		

If you continually overspend then you may have to become more active. This next section we did in the Financial Planning Institute (FPI). The FPI got a group of skilled certified Financial Planners to create 123 Wealth. Many of these planners give up their time free of charge to train people in 123 Wealth course, a volunteer program to help people save. This is the process they use:

Purchase yourself a pocket size A5 notebook. The FPI recommends a hard cover for durability.

Draw 3 columns like so;

Date of Purchase	Description of the expense paid	Amount paid

In this little book you will account for every single purchase no matter how big or small. This must be done as you spend. The daily discipline helps to build an exact record of what you spend on, where you waste money and will help you identify poor and reckless financial habits. Don't try and reconcile once every few days or once per week.

Stick an envelope or two pages at the back or front of the book to the book cover. You need a pocket to insert all electronic transactions slips. These slips are generated when you swipe your debit card or draw money from an ATM or till. You will insert the slips into the envelope or pocket. At the same time write the expense description on the slip. You now have two checks in place – the Budget Diary and the Envelope system.

On the last day of the budget month print off a bank statement either from the ATM or your computer.

Have your Budget Planner in front of you with all the 'budgeted' amounts for the month

Now take the amounts in your Budget Diary and compare with the Budget Planner. We call this reconciling. You also check the amounts on the bank statement. We would call the bank statement a master document to the Planner, Diary and the slips.

- You now have the 'budget' and 'actual' for the month
- Review the outcome. Can you identify where you spend your money?
- Can you improve for the coming month?
- Adjust your budget where necessary.

The aim into month two and month three is that we begin to reduce wastage spend, pay down debt and free up savings. Track this for the next three months and adopt as part of your daily | weekly | monthly discipline and you will soon see a difference in your spending habits.

In this chapter we have looked at money management. I hope you have learned how to budget. It can be fun and being in control is a powerful step for personal development.

Our next part of this series will teach you about "at" retirement living.

It will show you how to use your pension correctly and what to consider. Retirement is a massive step and should not be taken lightly. Emotionally and physically it will take a toll on you. We will show you how to turn that toll into a positive. We look at businesses you can run and how people have adapted and transformed their lives. We call it the butterfly effect. You become a yesterday person and then transform into this amazing senior citizen that creates beauty and leaves a legacy. You earned the right to become a yesterday person, we hope to take you on the journey to become a strong, happy, positive, confident and successful yesterday person who is relevant in today's world.

Section 2: The yesterday person

At retirement

In this section we are going to explore:

- Emotional states and coping mechanisms
- The right time to retire
- Lifestyle changes
- Choosing an annuity
- How to use annuities.
- The cost of advice and management fees.
- Creating a new paradigm- consulting, new businesses, hobbies, travel, fixing the house/downsizing

Chapter 10: Retirement

The dreaded or anticipated day has arrived. This is where the pedal hits the metal of the retirement car you have chosen to drive. Decisions have to be made that have to be the right ones. Except for the very rich, most retirees will have no room to manoeuvre, after they make the choices in this step.

Emotions

A whopping seventy–one percent (71%) of pre-retirees want to continue working. In case you're wondering-this number includes those who have prepared for retirement. Companies that are prepared to continue the employment with flexible work hours are valued for the stimulation and satisfaction. Often the retiree will state this is of a higher value than the actual pay check after retirement.

The truth is that retirement can be terrifying, even for those who have a good retirement income. For those who have a reduced income, it can be overwhelming. Money is naturally the one major consideration, but the ability to interact with human beings on a professional level fulfils a need in all of us. This social interaction is of prime importance.

At Retirement, there is an emotional rollercoaster ride as the sudden realisation hits, that there is no regular income with annual increases and 13th cheques. The first worry in the immediate future is how to pay monthly household bills. This realisation is coupled with the loss of those people you interacted with every day of your life. The initial period before the actual retirement may not be sufficient to come to terms with the enormous life style change. A process of grieving will begin. Denial and shock may be in the start of the process, rapidly followed by anger and frustration. The anger and frustration may display as pain and guilt, the health, possibly, will suffer. Such emotions require a pattern to be put in place to ensure regular, healthy sleep. A lack of sleep diminishes activity in the frontal lobe, which is associated with impulse control.

How can a person ensure they get sleep? Put in a routine to calm the brain down around a half hour before bedtime. Breathing exercises can help to calm the person down. Milky drinks, honey or herbal calming baths and drinks can all help. In ethno-medicine we use lime blossom in the bath and we may even give the person a banana and honey tea. Psoralea pinnata, camomile, lavender, lemonbalm and passionflower are all calming herbs which may be used. A visit to a herbalist or your doctor may be needed if sleep is elusive.

Be aware of the dangers that you could fall into, as this period unrolls. Addiction is common in this phase, the person may become addicted to things such as sport, ill health, drugs or alcohol.

This period however should pass quickly, if you are aware and alert to it and in the maturing process our next step will see the person bargaining with life, by reforming the lifestyle, selling the house, buying a 4x4, travelling or even helping out at a charity. However depression often follows as the feeling of self-worth erodes with the grey hair. Depression is also felt due to the death of family and friends. We will look at this stage in our section on post retirement. Just understand you are not alone. Many people battle to get to an acceptance stage, where they burst out the chrysalis of work life into the butterfly stage of retirement with purpose. The acceptance stage can be seen when the person embraces a retrospective view and stable emotions. They look forward to the future with a sense of responsibility and purpose.

Emotions as you see, will play a huge role in how you plan for your retirement at retirement.

Bob and Ellie both worked until his retirement. They were financially well –off and considered retirement to be a chance to explore their beautiful country. At first they went away, but then Bob got consultancy work and did not know when he was needed, so he ended up wanting to be at home, in case work came in.

Ellie became increasingly frustrated being stuck with Bob as her sole companion. Bob had become a couch potato, more than an intrepid explorer and consultant. Ellie now began to be increasingly angry with her life. This anger worsened when her eldest child moved back into their house from overseas with her two children and a difficult husband. Ellie felt used and abused. Her health began to suffer and soon she had full blown diabetes.

Ellie now had a reason to say she could not do the things she was expected to do. Her blood sugar swings pushed her into frequent comas. Despite the hate she professed for the disease, she enjoyed the attention and the caring she was now getting. The daughter decided to move out the house far from her mother- this was a blow, as Ellie enjoyed the children's company, so long as she was not expected to clean up and feed them. Eventually the son-in –law moved the family out of the country as he was offered work offshore. Ellie again had to clean up the mess they left behind. She became angrier and the anger created more health problems. Bob became her full time nurse and had his hands full with her mood swings, forgetfulness and sugar management.

It became a real problem for Bob. He was not the type of person who was suitable to be a nurse, although he had stepped up to the plate, he also disliked his life. Things came to a head when Bob had a stroke and suddenly Ellie was having to cope with the loneliness and a husband who could no longer walk properly or drive her around.

Ellie was fortunate in that she had access to exceptional psychological advice, from a person who knew the family well. On this person's advice, Ellie met with her brother, who then asked the two if they could help him in his business. This was to give the couple a purpose in their life. Her brother responded with gratitude as the finances were in a mess. Ellie was a very proficient book keeper. Although her brother could not afford to pay her, it gave her the reason to start driving in order to manage the office. Bob came with and pretty soon was found fixing up the business property. Today Bob and Ellie still work at the brother's business in managing it, but have their own lives back. The two of them have started organic gardening in their own property and are enjoying their lives far more than 5 years previously. Ellie still has brittle diabetes, but modern technology helps her to monitor the disease. She has also joined a Pilate's class and both her and Bob have a sympathetic chiropractor. The Chiropractor was a person whom they knew well as a child, which allows them to talk to her, not only to help with the aches and pains. The chiropractor ensures she has long appointments for the two as she recognises their need for both social and physical interaction.

Ellie's take away is that you need the right people in your life, as money is not sufficient to give a person purpose. She knows now, that for her and Bob, family is important, but there also has to be a line in the sand. They have the line drawn- it allows them to help the family, but not to be taken advantage off.

Finances

Why do we have to plan in retirement for retirement at retirement?

At retirement you change the retirement or pension fund lump sums into an income producing stream, called an annuity. Scary facts tell us that 40% of retirees take just 2.4 years to deplete the lump sum benefits they have provided. [5] For many people being given the lump sum is overwhelming. The sum appears larger than the income it can provide and temptation to spend it may override common sense. It is also not unusual for family members to just need a little help as you hit retirement, and the promises to pay back the money may not be fulfilled.

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[5] Sanlam's 2016 BENCHMARK

Pensioners have to make certain choices before retirement. While you are in the emotional pre-retirement stage you have to decide on annuities prior to retirement. For those lucky enough to have a defined benefit pension funds, giving a defined income, the chance of getting a similar performance outside the pension fund on those monies, is often slim to none. In the defined benefit fund the income is known and is fairly safe. You should try and reduce your spending to match this amount. For a person in a defined benefit fund retirement does not have to be timed. For the rest of the population we have to look at a variety of different methods to insure an income.

Timing of retirement

On retirement there may still be liabilities owing. Liabilities include all financial obligations (housing bonds, debt) as well as family obligations. Liabilities where possible should be paid up before retirement, unless the return on investment exceeds the cost of the liability.

The income choice has to be made between a fixed or conventional annuity and the living annuity. We will look at annuities in detail in our next chapter. Before we choose we need to not only understand the annuity but also inflation expectations. We will also have to understand bond prices and interest rates which in turn affects the cost of a purchased annuity.

If you are in a defined contribution fund, try not to retire when the economy is down and in a bear market. A Bear market is where the share market is losing money. A rising market is preferred for retiring if you do not have that defined benefit fund.

Timing, when you buy a fixed or conventional annuity is critical. If inflation rises, interest rates tend to go up, and the cost of the annuity falls, so you receive a bigger monthly income for your lump sum. You ideally want a high interest rate for the purchase of the annuity. If you have to retire in a low interest rate environment, make use a living annuity, until the market changes and then if required, buy into a fixed or conventional annuity, when annuity rates rise. . An annuity is a financial product sold by insurance or pension companies that pays monthly, quarterly, bi-annual or annual payments to a person, for as long as he or she lives. Annuities are usually purchased by investors who want to secure some type of income stream during retirement. Which annuity you get, will depend on your financial knowledge and the capital you have accumulated. Annuities vary considerably. We will look at these in more detail later in the chapter on annuities.

Annuity rates vary considerably as a result of age as well. A fixed annuity amount will vary between insurers and a million will normally buy around 6000 per month at age 65 for a male or 5 400 for a female. There is up to a 3% per annum increase, in the amount an annuity will pay, for every year you delay retirement. Planning at retirement must take into account your life expectancy. This is crucial to you at the point of retirement. Those in good health may feel they will continue to experience such a situation, while those who are sickly may decide to have a reduced annuity. Both approaches may be wrong.

It is not unusual for a retiree to have the need to reduce the lifestyle substantially due to retirement. Budgeting during the period, before retirement, takes a lower priority to after retirement. This is due to life style changes that take place when we get more income, due to career progression and less expenses, as children and other dependants no longer are a continual drain on the finances. In addition we often forget the impact of the life changing events, which may happen, such as a marriage of a child or frail care for a parent. These payments can dramatically impact on a retiree if not planned correctly.

When the income from the annuity starts to reduce, the pensioner may not find another job due to age discrimination in the work place. Contract work may not be easy to find given the current economic environment except for those with essential skills. What will worsen this scenario are the technological advancements that lead to our longevity, as these also result in one of the top expenses for us all in retirement, namely a medical scheme or medical health care.

When hitting the expenses, an immediate kneejerk reaction is that many retirees decide to cancel their existing risk policy contracts as a quick solution, to increase affordability of higher priorities. This could result in you becoming uninsurable, if you want to buy another property to rent out, or open a business and obtain a loan. In order to understand our situation, let us look at the tools we normally use at retirement.

From pension to income

This period at retirement marks at what we call the "Decumulation Phase". At this point you have to start living from the balance sheet and not from an income statement. Effectively you can deplete your capital very fast. In this book we are going to look at that very carefully in our section on post retirement, to help you not run out of money.

Your pension fund may have an offering of an in fund annuity, which is normally linked to a large fund or an out of fund annuity. Out of fund always means the fund is run via an insurer and this has certain implications for the retiree

Out of fund means the annuity is not subject to any Pension funds Act and so can be left to any person, if a living, death benefit or guaranteed period annuity is bought. The risk to the person taking the annuity is that the insurer goes out of business. In fund, the fund will first apply the requirements of the relevant pension and tax acts, which normally means they need to look at the dependants first and only then does the balance of monies go to any appointed persons, these persons are named the beneficiaries. Another major difference is an in-fund annuity cannot include any external funds you may have saved, while the out of fund can take these savings into account, this may help in negotiating of the costs of the fund management.

The pension fund will normally request a PRI (post retirement interests) from the member in order to give advice as there are a number of annuity options, all dependant on what you actually have saved.

Pension fund annuities mean there is a written agreement, between an insurance company and a customer, outlining each party's obligations in an annuity coverage agreement. This document will include the specific details of the contract, such as the structure of the annuity – does it pay monthly or quarterly or annually. It will also specify the amount payable for that period. The agreement will list any penalties for early withdrawal, (if that is permitted), spousal provisions such as a survivor clause, and rate of spousal coverage, and more. Pension funds will buy an annuity with the lump sum for the member on retirement from the fund. In some cases this is a legal obligation, while in other situations the setup of the fund will determine the obligation to purchase an annuity. Countries also will have different requirements; for example, in the UK income based levels determine the requirement to buy an annuity with 75% of the lump sum from an approved fund.

South Africa currently, does not require a provident fund member to buy an annuity at retirement. The same situation will be found from existing preservation funds and you can take a single withdrawal, if you need cash to supplement immediate lifestyle costs, without withdrawing from the fund before retirement.

All withdrawals from any fund will be subject to a lump sum taxation, with an initial amount allowed tax free and the balance taxed on a table that is set by the tax authorities. Once tax is paid you cannot get it back, so it is advised to ensure that only the tax free amount is taken as a lump sum or the minimum amount you need. This tax free amount is a once of amount allowed throughout the individuals life time, and will be reduced or even non-existent, if you took a withdrawal before retirement, such as on a retrenchment package. Withdrawals from both a provident and pension fund may be taken on leaving a company, retrenchment or retirement depending on the country you are in.

Other retirement funds

Personal pension funds have many names ad flavours. These are individual retirement funds taken outside the employment or compulsory country retirement savings requirement, for additional retirement savings.

Individual retirement funds are known as private pension funds or retirement annuity funds. Retirement annuity is the name to the pre- pension saving and they are so called because the funds have to be used to purchase an annuity after retirement subject to certain conditions. In the USA there are a variety of Retirement Annuity accounts used by employers outside the 401 (k) plan. The USA will also use Keogh or HR 10 plans.

Individual retirement funds differ depending is they are approved or unapproved by the tax authorities as retirement plans in that jurisdiction. Plans that do not meet the guidelines required to receive a favourable tax treatment are considered nonqualified and are exempt from the restrictions placed on qualified plans.

International retirement plans are found in jurisdictions such as Guernsey. Guernsey is a favoured spot for Individual retirement funds in Sterling, Euro, or US Dollars. Income and capital gains arising from the investments held within the plan, or benefits paid by the plan, are not subject to Guernsey Income Tax.

At retirement you may decide to make existing approved Individual retirement funds /Retirement Annuities (RA's) paid-up. Again depending on the country, the condition of the approved Retirement annuity is normally to buy an annuity with majority of the lump sum. This annuity is based on your lump sum and pays you an income. Depending on the type of annuity the income should be paid until you die or run out of money in the capital (lump sum) account.

While the pension or provident fund may be dependent on age and necessity to take a partial or full withdrawal, individual retirement funds or retirement annuities, in most countries do allow for later retirement with higher limits on membership than the employer would have. Allowing for later retirements has a benefit to these funds and the people investing in them, as it allows a longer period of contributions. Before you do convert your individual retirement funds /retirement annuity, please do a financial needs analysis prior to retirement and if necessary choose to receive financial advice in retirement.

We will look at the various annuities you can buy and which are readily available in the next chapter.

In our section on Managing the finances we will look at the various investment types to help you understand how you should invest to make the money last.

Chapter 11: Annuities- the choice is yours

In an annuity the insurer or pension fund will be concerned on the capital amount you bring in and the amount they have to pay out. To calculate this the insurer will use a table which is worked out to give the average life expectancy of each person applying for the annuity. This way they can take a calculated risk that the capital you bring in will last for the annuity in your life time. The risk to the insurer is that you will outlive your expected life span. We call this risk longevity risk- the risk of a longer life than expected.

Annuities may be bought with funds that legally have to be invested and funds that are not required to be invested, such as your private savings. It is normally beneficial to invest in these voluntary annuities as the taxable income you receive is weighted to discount the lump sum amount put into the fund, while capital gains and dividend tax is not levied on the fund, resulting in a higher return per currency unit invested than you can get privately.

There are two main types of annuities:

1) Immediate annuities.
2) Deferred income annuities.

Immediate annuities

When you make a lump-sum payment to an insurance company upfront, you receive the right to receive payments from the insurer on a regular basis beginning immediately. The payments are based on factors such as life expectancy and interest rates in force at that point.

Deferred income annuities.

For certain people retirement actually means changing the pension fund into an annuity they do not need at that point. Insurers recognise that when a person has to retire from a pension fund, they may need a vehicle to put the money into, but not a vehicle that gives them an income at that point. Deferred annuities are used for this. You pay a lump sum upfront amount, and in exchange, the insurance company promises to pay you a certain amount once you reach the age specified in the annuity contract. These annuities effectively reduce the tax payable as the income from an annuity is taxed at the person’s marginal rate to a deferred date when the person will not have such a high income. These annuity type products carry surrender charges, limiting cashing out and ongoing annual fees.

Deferred income annuities can comprise of two broad annuity investment types.

- Fixed annuities.
- Variable annuities.

Fixed annuities.

When you put a sum of money into a fixed annuity the value you will receive on payment is based on stated returns within the annuity contract. Typically, fixed annuities don't have payments begin right away and are therefore deferred annuities, but unlike a deferred income annuity, you retain the flexibility to choose if and when to start receiving payments from the insurance company under the contract.

Variable annuities.

When you put a sum of money into a variable annuity. The value you will receive on payment is based on market returns. In other words it varies according to the returns received. Again this annuity operates like a deferred annuity, but you retain the flexibility to choose if and when to start receiving payments from the insurance company under the contract.

Now we have an idea about the annuity product we need to deep dive into the flavours or forms used to create these annuities.

Compulsory annuities

Compulsory annuities are bought with the legally required amounts for the pension fund. You may receive a different income for the same amount invested, so you should shop around for the best available rate at the time. The only time your choice of annuity will be limited is on a defined benefit fund as the fund guarantees the annuity amount on retirement. The annuity the fund will give you is normally about the best you can get- however you do lose the capital amount if you die. This situation is a problem if you have a spouse or if you have a dependant such as a mentally challenged child.

Unless the compulsory annuity has options to provide for a dependant, you should consider moving any non-compulsory annuity amounts into another company, which will provide for both parties, without a tax implication on the withdrawal. We call these product voluntary annuities.

There are a few types of such voluntary annuities.

Life annuity

A life annuity is a financial product sold by insurance companies that allows you to swop a lump sum of money and to trigger a stream of future income payments. Life annuities provide an income stream that you cannot outlive. It is a promise for life. However it does not necessarily pay the same income for life- this will depend on the annuity structure. Insurers have a fairly good estimation of your lifespan by using mortality table.

In a life annuity, the insurer will pool all annuity customers together. Once you die the annuity ceases and nothing more is received from the insurer. The risk in this type of annuity is that you (or, indirectly, your heirs) forfeit your savings, in the event that you die sooner than expected (unless a guarantee or life assurance is built into the contract). Annuity rates can differ from company to company as well as from month to month. A quote for such an annuity is only honoured when the cash is deposited with the company. This process can take up to six months after you have informed the pension fund that you wish to move your funds to another company. Most quotes are valid for a certain amount of days.

Be doubly careful that you insist that should the annuity rate go down, you wish to have the right of refusal, because once the money is in the fund – you cannot move it. Insurers in my bitter experience, tend to place the money on it arriving in their account but do not check the annuity rate is the same or better than you were given. Fluctuations can be wide. In my case I found fluctuations of 2% on a return on one hundred thousand (100 000) currency units. In other words that is 2 000 per annum you have lost for the rest of your life.

Guaranteed life annuity

A guaranteed life annuity are those annuities that are bought without an expiry date – the annuity you purchase must provide you with an income for life. The annuity you receive therefore factors in your life expectancy at the age you take out the annuity. The younger you are the lower the annuity you will receive. The annuity is in effect an insurance policy that protects you from the risk of longevity and low market returns. The drawback is that your capital dies with you, and no money passes onto your heirs even if you die the next day after signing the annuity agreement.

Guaranteed and then for life annuity

This annuity will pay out less than the guaranteed life annuity product, as it shields you from the risk that you die soon after retiring and thus forfeit the bulk of your retirement savings to the life assurance company. This annuity (fixed or variable) is guaranteed for a set number of years (typically between 10 and 20); should you die within the guarantee period, your heirs will continue to receive your pension for the remainder of the guarantee period. You will continue to receive your pension after the guarantee period, but the payments will then stop upon your death (i.e. your heirs no longer benefit).

Level or fixed annuity

In a fixed or level annuity, you receive the same amount every month for the rest of your life. This means that your income does not grow with inflation; the purchasing power of your annuity (and hence your standard of living) will gradually decline because of inflation.

The choice of a level fixed annuity should only be used if you are banking on not surviving much past a 10-year period and you do not have dependants. This annuity normally gives the highest upfront payments.

Escalating or variable annuity

This is a most expensive annuity initially as it will pay less than the level annuity. This annuity increases annually, either by a fixed amount, or in line with a pre-determined inflation index, such as the Consumer Price Index (CPI). An escalating annuity will pay out less than a level annuity initially, but will maintain its purchasing power and thus gradually overtake the fixed annuity in value. Within 10 years the level annuity and inflation-linked annuity usually break even and the inflation linked annuity will start to outperform the level or fixed annuity after this period.

Annuity's with profit

Often considered the next best option to an inflation linked annuity as above. The profit linked annuity normally cannot give a pension increase of less than 0%, but will depend on the market performance. If the market in which the insurer is invested performs badly, then the profits may not allow increases for some years. Pension increases are subject to smoothing, where the life assurance company holds back some of the profit made in high-return years, to soften the blow of low-return years. There are higher costs related to this annuity and there will be conditions attached to it. This is an escalating pension, guaranteed for life; however, the rate of increase is not guaranteed and depends on the net (after cost) investment performance of your initial investment. Increases are declared as bonuses; and once declared, become permanent (i.e. part of your guaranteed pension).

Capital-back guaranteed annuity

This product combines an annuity (fixed or variable) with a life policy. The annuitant uses part of his annuity income to purchase a life insurance policy with a sum insured, equal to the capital invested in the annuity. Your annuity is reduced by a premium, which pays for this life assurance policy, to the benefit of your heirs. Such a plan normally comprises two separate contracts. The one is the annuity contract and the other a separate life insurance policy. The premiums that are paid in respect of the policy are not tax deductible by the annuitant and the proceeds of the policy on death is tax-free to the beneficiaries.

Joint and survivorship annuity.

An annuity product which ensures that your spouse, partner or dependant will have an annuity (fixed or variable) after your death. You select the income level your surviving dependant will receive (typically 75%). This is highly recommended for couples where only the one spouse has accumulated retirement savings and the two parties are close in age. This type of annuity pays out less than a single person annuity, as the longevity risk increases for the life assurance company. The annuity is based on the lowest age, so if there is a large difference between the two prospective annuitant it is not recommended unless there are sufficient other assets to ensure a comfortable retirement.

Enhanced annuities

In exceptional circumstances, you may qualify for an enhanced annuity if you can demonstrate that your life expectancy is restricted, such as a person that has cancer.

A living annuity

A living annuity is something I do not recommend as a stand-alone product for an investor that is not financially savvy. There are many reasons for this. The costs in the annuity can be greater than the return. These costs increase if you need to appoint advisors who may charge the maximum fees on top of the insurance and platform costs. You can circumvent the costs as you yourself can invest your retirement savings in single living annuity default portfolios run by funds, but you need to be aware of how to minimise fund fees, platform fees, maximise returns, and draw a sustainable income to keep the capital amount from running out. The annuity should be carefully structured to your needs, as it needs to be tax effective. Some counties do not allow you to move a living annuity from one insurer to another, should the insurer's performance become less than what you wish. Withdrawals are referred to as drawdowns in these annuities. In South Africa the minimum drawdown is 2.5% while a maximum drawdown is 17.5% of the capital invested. If you do not need 2.5% in income, the minimum drawdown could mean that you end up by earning income that you do not need and increasing your tax rate.

How does a living annuity work?

If we look at the sum of 1 million and put it into a living annuity, you have to look at the cost of fees and what you take out annually- this is called the drawdown. Your annual drawdown is normally increased by the cost of living (inflation) or the CPI (consumer price index). Each country will have a different inflation rate. The higher your inflation rate the more your money needs to work to bring in a higher return.

An example is with our 1 million. In this instance we drawdown 3% of this amount for ourselves, giving us an income of 30 000 per year, or 2500 per month. We have costs of 1.35% or 13 500 per annum. Our annuity will continue to perform for 23 years if we have an average 6% per annum, return on our funds and a 6 % inflation rate. Our drawdown in this case is 3%+1.35%= 4.35%.

For the person who retires at 65 it means they can live until age 88, at which point the annuity will start to fail. By age 92 they will have no more money left from that annuity. Remember the costs are 1.35%. What would happen if there 0.5% (5000) costs and the drawdown was 2.5% or 25 000 per annum? That annuity would last for 26 years at a 6 % inflation rate, giving us an extra 3 years, or until 91 years. In this annuity we would run out of capital by 96 years of age.

Inflation and costs are a major factor in the living annuity and some places charge up to 2.8 % in costs.

How do you work out the return on your money? Simple!

Take the amount you start with in January which in our case is 1 million and divide it by the amount you have in December. Now if we have a 6% return this amount should be 1 060 000 or 60 000 per year.

1 060 000 /1 000 000=1.06.

Now just subtract the 1 because we want the percentage return on the sums and multiply by 100

(1.06-1) x 100=6%

6% may sound like a good return, but if inflation is running at 6% then your annuity is just keeping up its purchasing power, which is why it will run out. It will run out despite you having a drawdown of less than the return, because your drawdown and your costs are increasing by inflation. If you had a negative return for one year, this would worsen the situation.

How can you ensure the annuity remains positive?

In financial planning we use a process called diversification!

Diversification is when you do not keep all your eggs in one basket. Most managed funds do this in their prudential or retirement funds monies, by using what they call balanced or stable funds. These funds will invest in a basket of assets. The funds will own shares on the stock exchange, government bonds and cash. They may even invest in property. We will look at asset mixes in our section called "Making the money last". In "Making the money last" we look at how you can mix and match the different retirement monies to ensure you are diversified and have a stable income in case dementia strikes.

The real danger in using a fund which protects the money from loss, is that the investor does not have enough exposure to growth assets, if we are to have an income that lasts, then we need to have a return that will exceed the inflation, costs and our drawdown.

Voluntary annuities

All the above annuities can be bought as voluntary annuities. That is an annuity bought with monies that do not have to buy a compulsory annuity. Most countries will give different tax rates on these annuities, due to a splitting of capital return and income. Every payment the person receives will have a portion of the original capital amount in it, while the interest is taxed as income.

Tom and Judy were shocked when his company gave him three weeks' notice that he had reached the retirement age in the company. Tom had no idea that 60 years of age was his cut of date for the company. There was no counselling, just time for his co-workers to give him a dinner to say goodbye and then the last pay check.

Tom had always been a member of a retirement fund, but he had been retrenched 6 years prior to getting his present job. What he did not understand at the point of retirement, was that the retrenchment had taken his full lump sum tax free withdrawal amount. The company did not provide him with financial advice, but a representative of the provident fund contacted him. He discovered his full 6 years of saving in the provident fund was a paltry R 756 000. His previous company pension fund was R 5 million. Judy, was younger than Tom, but had been a housewife with a limited working career and had little in retirement savings. Tom approached a financial planner to help.

The couple initially asked for a living annuity to provide an inheritance for their children, but the return for a living annuity would be R 230 000 per annum, taking more than this would severely deplete the capital and cause the annuity to fail. This amount was a far cry from his salary of R 650 000. In short he needed a two thirds reduction in living expenses.

The adult children of the couple were consulted on the financial planner's advice. Together with the financial planner the family decided Tom should enter into a fixed annuity with his pension fund. This fixed annuity would return R 280 000 a year, increasing with CPI and was fixed for life. The annuity would also continue if Tom died before Judy for her life at 60% of the amount Tom was drawing. The provident fund money was invested in a living annuity to avoid tax. This would be drawn at a 4 % rate giving and extra R 30 240 per annum. This gave the couple a before tax income of R 310 240. A budget was entered into that ensured the couple would be able to live within the constraints. The budget allowed for Tom to maintain his life policy which would either serve as an addition to Judy's income or an inheritance for the children.

The couple had a large property as their only other asset. The option of selling the property was explored and rejected, as the resale value of the area was depressed and a sale would result in the couple having to use capital for a retirement home. The property was able to be used more productively, if they kept it and changed it, to allow it to work for them.

The house was divided to create a flat which was rented out. This was estimated to bring in an extra R 3 500 to the couple with very little impact on their life style, in the rest of the property. The cost to convert the flat was R 130 000 and this was funded from existing savings. A tenant was sourced from the couple's church.

The use of a professional had increased Tom's income and decreased his costs. This had been done at a lump sum fee of R 6 500 for the nine hours it took the professional to determine the situation and out in the solutions. Tom also received advice on a more cost effective medical scheme and his short term insurance needs which reduced the lump sum fee as the broker received commission for these purchases. Tom did not wish to pay a management fee for the living annuity and opted for the lump sum fee, with regard to this advice, although the financial planner would send via email, investment updates and a newsletter as Tom was now a client. The children, by being part of the negotiation, were aware of the situation and agreed to put funds toward their parent's upkeep, these funds would be kept in a tax free savings account and only accessed when required. This was to provide a safety net, if the couple ran into medical situations or needed frail care. The option of frail care insurance was discarded, as the children felt they could self -insure for this eventuality.

Tom and Judy are managing on the budget. The flat income allows them to take regular holidays in their caravan, while the tenant takes care of their animals.

Why must you exercise caution with annuities?

The correct choice of annuity is really important, as the temptation of taking the higher initial income from a level annuity could prove to be unwise, particularly considering our increased life expectancy

The fixed annuity will cease on death unless we have taken out some form of insurance (guarantee). The fixed annuity may be taken as a level annuity which is the same amount for the rest of your life. Great if you have no inflation or intend to die in around 10 years as you will come out better on the level annuity than an escalating one.

I personally prefer escalating annuities as we are living longer, but the choice is the annuitants. I would want an annuity escalating by a factor such as inflation. Again try and match expenses to this income if possible. The fixed or conventional annuity means there is no choice of portfolio- the investment house will take care of that.

In any type of annuity the best advice is shop around. If you do not understand the product find someone who can explain it to you. Some products are very complicated and linked to wellness targets and interlinked with certain performance criteria. Insurers certainly have not become rich by letting us understand what they do.

An income for life is a major plus for budgeting – you know exactly what you are going to get in advance. With life annuities, pensioners carry no longevity or investment risk, as the initial pensions and increases are guaranteed for life, and will never decrease. These annuities also release pensioners of the stress of having to make their own investment choices. This is especially important when cognitive ability starts to decrease during old age. A life annuity is therefore advised for those people who may not have the discipline to keep withdrawal rates down, or persons that can no longer make their own decisions. Joint annuities are valuable for those with significant others to take care off, but may be counter indicated if the age difference is too great between the couple.

The correct matching of annuities on an income need, can reduce the need to rely on families, friends, charities and government to help make ends meet during retirement. Those who are lucky enough to have spare cash or need a living annuity will need to understand how to make the income last.

A living annuity can be commuted to a fixed annuity, if interest rates are low at the point of retirement. Using a combination of the different annuities may be more suitable for a person than choosing a single annuity, subject to their personal circumstances.

Chapter 12: Business in retirement

While busy with our careers, we tend to have a higher concept of our importance to society. Work is a meaningful act because it creates value (not only monetary). When we stop work we lose that value and this can lead to depression and isolation. Often a retiree cannot continue to work, as society does not value the contribution an older person can make. Many retirees take on lowly paying jobs as a result of this attitude, because of need or sheer boredom. Retirees have immense skills, born of experience, fortitude and intelligence. They have simply retired, not lost their brain, but circumstance may make them feel otherwise.

People in 50-60s start businesses at twice the rate of those in their 20s. Necessity normally drives this need. Entrepreneurship rises in recession and “lifetime” employment when over 50, declines in the recessionary period.

People past retirement age do not necessarily have to carry on in the same jobs as before. In Japan pensions are small and lots of people are still working in their later 60s and even 70s. Companies like Hitachi have found ways of re-employing staff after retirement—but in a different capacity and, significantly, at lower pay. Companies have asked their high skills employees to work for shorter hours or to consult. Some retailers such as Wal-Mart or Britain's B&Q, and caterers such as McDonald's, have started hiring pensioners because their customers find them friendlier and more helpful. In addition skills shortages has caused companies to bring back older workers. A retirement plan in which the future pensioner decides to upskill in an area of skills shortages is not the worst idea one can have.

Ernst is an engineer who consults to mines. At his retirement he has upskilled on project management and started a new business in which he contracts to countries such as Mali and Ghana. This allows him to oversee new engineers with the benefit of his experience in occupations where experience counts, but without the drawdown of a younger person who would be hesitant to impart their knowledge because of the danger they would then damage an incoming income stream.

Starting a new business in retirement

Pensioners can also consider starting their own business. New business can be a risky business, for the first time business person and catastrophic for the pensioner! Many pensioners risk all the retirement provisions into such a vehicle and loose it when the business fails. However a small business can also give great comfort and bring in some spending money. The same rules apply to a retiree business as to normal business. Think, do an analyses, think again and only then act.

The retiree may look at using their hobby as a business.

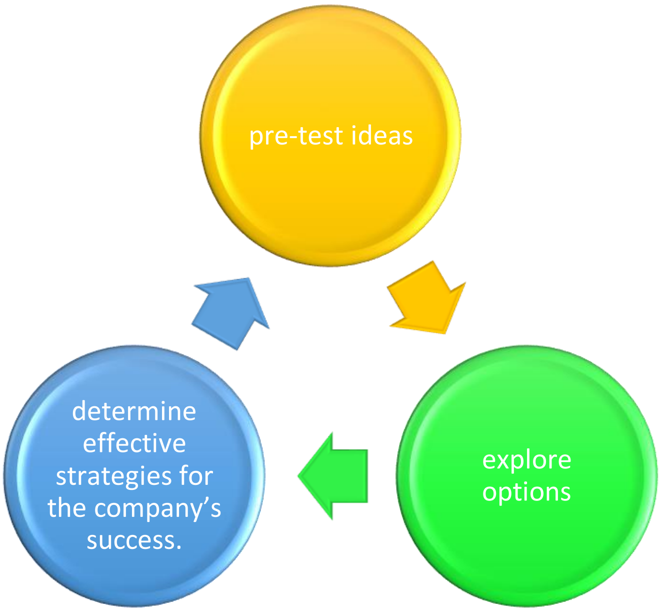
Tandy, loves her sewing hobby and wants to open up an embroidery service, to bring in extra money during her retirement. She has a domestic embroidery machine, but feels she would need a bigger industrial machine. She will require a loan for this machine. She has done embroidery as a favour to her friends and she thinks there is a market. How should she go about this process of creating a business? She would need to create a Marketing Plan. The marketing plan is a highly detailed, heavily researched, document that describes the benefits the customer gets when using or buying the product. It will detail her: • Market: Where her products or services are sold. • Marketing: The method of promotion and/ or selling of her service.

- Market Orientation: gives the business strategy whereby her company focuses on meeting the customers' needs and wants.
- Market Sector: Competing businesses, which produce or buy similar goods and/ or services which she will offer.

It includes the 4 Ps of Marketing

- Product: what is she selling?
- Price: what will she charge for her time and the material used?
- Place: Where will she operate and where will her market be?
- Promotion: how will she make herself known?

Tandy should then run a test drive using her domestic machine to accumulate the figures and determine if the demand will require an industrial machine,



If her product sells she can then move onto the next phase of her business plan and apply for a loan.

Tandy determined she would first be advised to use her existing machine, doing private jobs. Her name became known and she started to do small lots for companies. She bought a second hand industrial machine and makes a comfortable income. She uses her domestic machine and has got her friend involved in helping with larger orders.

By starting small and containing costs Tandy was able to supplement her pension. Tandy had a skill and a machine, which puts her into a fortunate category. If Tandy had to get a loan to buy her equipment, her business may not have been successful. A business needs cash to survive, and loans eat cash reserves as they need to be paid.

Some pensioners have an external interest or may have been helping with the grandkids. As a result they could decide to make this into their retirement business.

David has a great interest in his grandson and the school he attends. David went to the same school as did his father before him. His grandson has become passionate about rowing and David has been able to accompany him to the rowing heats. David is very hands on and loves DIY. When the opportunity came to buy a rowing scull for his grandson, for an affordable price due to the work needed, David decided to restore the scull as a project.

David enjoyed restoring his grandson's rowing scull. The school after seeing the result asks him to undertake their rowing boat maintenance. David suggests that he either gets remunerated per hour of work, or on a contingency of sixteen hours per month. The school will pay for any material he requires.

The school obtains his services on this contingency basis, which means they get an enthusiastic member of the team, David enjoys his work and is frequently at the boatsheds repairing the boats. He enjoys interacting with the students.

Although David is doing a service for a school, he has ensured he is not to be abused. It is very easy for a pensioner to agree to voluntarily take on work for no compensation. Such a situation can lead to the person not being treated with the same respect and consideration a salaried employee would receive.

Section 3: Beyond yesterday

Post retirement

In this section we will deal with the contentious issues of retirement.

We will look at:

- Some theories of retirement
- The importance of staying active
- The value of belief, morals and ethics
- Elderly abuse- how it happens and how to stop it

Chapter 13: The stages of acceptance in retirement

Even if you have a solid financial plan with professional advice, once the pay cheque stops coming in, retirees will experience a tremendous amount of stress. But is retirement just stopping work? We need to establish what retirement is. Retirement may vary as we will see when we look at different retirement circumstances. These circumstances could include the following situations:

- Change of jobs retirement;
- Early or premature retirement;
- Retirement due to ill-health;
- Semi-retirement (phased retirement);
- Late retirement; or
- Old-age retirement.

Change of jobs

For many people the thought of staying home and tending the roses equates to “shoot me now please!”

These active individuals simply change lanes, for some it is a new employer, for others a new business, while for others it may be back to school or writing a book on brewing.

It is all good, because life is not made for a one size fits all person. For me the thought of retirement will always involve being able to write my stories with no criticism- I know I am an idealist, but give me credit as you are reading this book aren’t you? However, income and ego needs dictate that I need to be valued and earn my own way. Not earning a salary, was stressful, and just collecting a pension felt wrong, mainly because of my early years in a poverty background and an upbringing where hard work was expected.

Pensioners often feel this way. Psychologically some people need to work. I therefore still work doing training and travel the world giving lectures. In fact after being retrenched, I re-invented the me! That was important to me, because like retirement, retrenchment destroys the person and their sense of self-worth! Today, as a pensioner, I know that the best thing to happen for my personal growth was losing my well paid job. While I have not gained financially and I certainly still miss my large corporate bonuses, my self-worth quota is in the black. It helps if you love what you do and the money becomes a secondary consideration. While working for a high salary, I often felt resentful and distressed as I fulfilled my corporate obligations, according to my orders. Now I have a company where I use my skills to improve peoples’ lives, which makes up for the loss in income, by the increase in self-worth. This situation is a typical ‘change of jobs’ retirement.

Life in a change of job situation, is often about finding a balance between income, expectations and happiness!

Early or premature retirement

Unfortunately, this is a type of retirement often inflicted by circumstances on a person. When it is unexpected, the person may not have time to prepare and the result may be dis-orientation and depression. Often these people become hard to live with. Mood swings are common as they enter into a grieving process. My husband and my friends have had this form of retirement and for none has it been a happy transition.

If premature retirement is due to retrenchment, if you can, demand counselling from the employer and ensure that you understand what tax benefits and company benefits you are entitled to. If necessary get legal advice. Check whether there's any support you can claim to replace your lost earnings– for example, employment and support allowances or unemployment insurance.

For those who live with a person who undergoes this form of forced premature retirement, you need to have oodles of patience. Expect anger and disorientation for a sustained period. It may be an idea for the family to also get psychological counselling or join a support group.

There is another premature retirement, which is the happy kind. The individual has the means to leave permanent employments and of their own will, embraces the freedom of no longer working. It can get to be a little boring, and we will look at the stages the normal retiree will go through later in this section.

Retirement due to ill-health

Sadly sickness and ill–health forces some unfortunates to retire. If this is before normal retirement age there may be insurance coverage. Insurance is in the form of an income replacement of a portion of the salary. If no insurance then you will have to deal with the double whammy of ill health and no income. You normally have to wait until you're at least 55 before you can start getting your pension. But if you have to retire early because you're ill or disabled you might be able to get your pension earlier.

Get advice and make sure you claim everything you could be entitled to because of the extra costs associated with being disabled or having a long-term health condition.

Semi-retirement (phased retirement)

For some people leaving full time employment is welcome, but the thought of all those hours in the days is not. They just want to wind it down. I love the fact I work three days a week now, my five day weekend is always eagerly awaited and I am fully ready for work on a Monday.

Late retirement

Sometimes you get the opportunity to work until 70 and then you have to retire. It means extra money to make. With our life spans extended you may still be looking at a long life ahead.

Old-age retirement

This is where the company decides on the retirement age and the individual may have very little say in the matter. Often characterised by a feeling of resentment due to the lack of control, these people may show anger and depression.

Complete retirement

When a person retires fully and no longer participates in paid employment, they have entered into retirement. A person will experience retirement in different ways. There are different types of retirement that affect an individual and[6] not all individuals will experience the same thing in retirement. It helps to provide a framework for thinking of retirement as a process that involves both emotional and financial adjustments, rather than as just a one-time event.

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[6] Mushaphi, NM. 2010. The knowledge and involvement of retirement planning among employees in their middle adulthood. Unpublished Master's Thesis. Pretoria: University of Pretoria.

Busy business people who have a planned retirement with sufficient income normally experience the "honeymoon" feeling. A yay, we are on holiday attitude, with so much to explore feeling! These people become very busy doing many of the leisure activities they never had time for previously, especially travel. This is the point where most people are enjoying themselves. Many decisions are made, and some of these decisions will not prove to be wise in time, while others may take you down a new path. The most common decision is selling the family home and moving to a new smaller home or retirement village. It is advised this decision is not made in the honeymoon period, but in pre-retirement or in the next stage of retirement. Honeymooners should rather go on holiday and leave business to the time when they return.

People who have been experiencing a full and active schedule in addition to their employment may be fortunate as they will experience a synchronous retirement routine and quickly establish comfortable, yet busy schedules soon after retirement.

Persons who have had very busy careers with limited time to themselves frequently choose to do very little in their early post retirement period and this honeymoon period may be for weeks or even months where they just want rest and relaxation. Often they will be the ones who choose to retire in an area far away from family and friends.

Norah and her husband retired in the June. They sold their home the year before and had bought a place in the beautiful Cape area, where both of them enjoyed the sea and sun on holidays. By July they were in the new retirement village where they had purchased life rights.

The two were exposed to the wind and the rain of this area in winter. It was miserable weather. Norah quickly found telephone conversations with her daughter and son, were not nearly as satisfying as having a lunch with them. In the summer the weather was hot and the village had no pool for the couple to cool off in. Within a year the couple were spending more time back in Johannesburg than in the Cape.

Norah says that they cannot afford to get out of the Life rights situation and will have to resign themselves to the fact that they will have to live in the Cape, but is now bitterly unhappy with the decision and wishes they had rented a place in the Cape first, to see if such a move was the wisest decision.

Life rights means you get to stay for the rest of your life in the village, however this also means should you change your mind, the initial investment will not be repaid. We will investigate these property rights in our next section, so you understand them.

The six stage process

A Professor of Gerontology, the late Robert Atchley, developed a six-stage process retirement process in 1975. His gerontology interests included adult development, spiritual development, long term care, public policy, work and retirement, health change and disability, and family issues.[7] Atchley developed descriptive phases of retirement to represent a transitional process that individuals go through when they permanently exit the workforce. Let have a look at what some people can expect after retirement according to his findings:

- Stage 1 Anticipation- this is the pre-retirement stage
- Stage 2 the Honey moon- retirement life is great
- Stage 3 Disenchantment- the this is the rest of my life stage
- Stage 4 Reorientation- I can change my life

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[7] http://www.aifg.org/atchley.cfm 23/03/2019

- Stage 5 Retirement Routine- putting in a schedule
- Stage 6 Termination of Retirement: disability and death

These phases do provide a guide for thinking about what some individuals may encounter when they transition into the retirement stage of life.

Why do we need a retirement structure?

Retirement has two arms- the financial arm and the well-being arm. We focus financial planning on the financial arm. As Financial planners we are taught to ask you- what do you need to retire on? We do not ask what you want to do as we are not trained to be retirement coaches.

If you say: ‘When I retire I want to travel the world” we know you need more resources than “I want to fish from the beach while living in my caravan.”

However for a full retirement planning both questions do need the next question- then?

- After you have travelled the world- what then will you do?
- After you have fished on the beach what then will you do?

Do you move to an old age village, will you keep your home, do you live with your children?

For example: In my thirties, I wanted to save the world, today I want to be near my family- I am allowed to change my mind. It is my right to do this. I cannot tell you when I am thirty that holding my grandchild will mean more to me than climbing Everest. I had never experienced holding a grandchild at thirty. I could never have given my retirement plan at thirty, the same detail as I can next year. My experiences will change me both before and after retirement. This is why a retirement coach or mentor can be extremely effective in pre and post retirement.

As you approach the retirement date, for most of us, fear of the unknown is the overwhelming feeling, but the attitude will shape the feeling. Retirement coaches understand this attitude versus feeling and will help you develop such a positive attitude.

Retirement is not the end of a life, it is the beginning of an exploration. This period of exploration will likely be for twenty to forty years- in essence as long as you have been working.

In our next section we look at how to keep the excitement and financial means to continue that exploration. For our next chapter in this section, we will look at what has become known as purposeful aging- or as I like to call it, how to stay young.

Chapter 14: Staying Alive

Retirement often sounds like fun and relaxing and then reality hits in-and you visualise the next 20 years of doing nothing and realise it is a formula for a boring life. Work provides many things that enhance our lives, such as challenge, structure to our days and, for most people, a social forum as co-workers and customers become friends. In fact, in retirement the stress of our job is often replaced by other forms of stress, and sometimes even depression. The truth is there is anxiety over deciding what to do next. Then there is your spouse, your life time companion, or the new domestic partner. Yes we love them, but not for 24/7 for the next however long we live! It's like boredom central to be with the same person, day in and day out. That cute habit she had, suddenly starts to drive you to think of murder. The fact he chats over the cornflakes, makes a spoon become a potential lethal weapon. For many women suddenly the house cleaning becomes your job, while he sits and watches TV, or plays TV games-results in a massive fight daily. Eventually since we are not normally murderous, we may get driven to the divorce courts, probably by our frustrated kids who can no longer stand the fighting. There is a reason so many marriages and partnerships die with retirement.

Finding new meaning and purpose in life after retirement takes not only thought and introspection, but also a leap of faith for a couple. Failure to be proactive will eventually lead to health issues, divorce or mental problems.

Our first step is to accept you need to adjust. You may have gone on that world cruise, but eventually you will have to come back and deal with the rest of your life, hopefully together.

In this chapter we look at ways other than work to keep us young and to work as a team if we are with another person.

Staying active

Retirees often have arthritis and other aches and pains and use this as an excuse to be sedentary. This worsens the physical distress. While physical aspects do dictate the activity to a degree, slow walks, yoga, dancing or Pilates are advised even for the inactive. It is best to try and get a group together or join a class, but other options do exist. Skyping for example, may allow you to join with a friend across the world to do your activity as well as keeping in contact with that friend.

Swimming and water aerobics are two excellent sports for those with arthritis or movement difficulties if there is access to a pool.

For those with serious mobility issues chair exercises can be designed. A biokineticest should be consulted for any weakness in the muscles.

Back problems are a major issue for mobility. David was a keen runner who ruptured his vertebral disc and was in extreme pain. He went to a chiropractor who referred him to a neurologist to see how bad the damage was, due to the extreme level of pain he was in.

The neurologist wanted to operate, but David's wife, a massage therapist refused after being told he would probably never run again. David obtained a second opinion from another Orthopaedic surgeon who also stated the only option for relief was surgery. The couple then went to another surgeon, who had been highly recommended before they made the decision. This was an excellent idea, as this surgeon worked holistically with a chiropractor, physio therapist and a biokineticest. Life style changes resulted, the main one hurt -when the Chiropractor banned David from driving in his car, a low slung convertible and the couple bought a sedan for him to travel to work with, which David said was like driving an armchair.

David's wife agreed to massage David daily after his exercises, and three months later David was running again.
s.
His rehabilitation cost was one third of the back operation. He missed two half days for specialist visits and he had been unable to go to work for three days, due to the pain in driving. The back operation would have been a six week period where he could not work.

When on a follow up with the surgeon, the doctor told them that back surgery was one of the best paying surgeries in the country and as a result the country had high unnecessary back surgeries. David wondered about the surgery, and if it would have been a quicker fix option. The specialist assured David he would probably not have run again after the back operation and that the recovery period would have been substantially longer.

The physiotherapist told them the success of the treatment was the holistic interaction between all parties and the willingness of the couple to comply with the life style changes and exercise program.

David will have to do core exercises for the rest of his life. Should he stop within weeks he can feel the weakness in the back returning. He also uses the chiropractor once a month. Since doing this his general health has also improved.

Gym and other sports

Despite the health benefits of sport, the proportion of people participating in sport decreases with age. While I was working, many people would leave home at 5 am to miss the traffic, get to the wonderful gym near our work and do their morning classes. In one of my companies there was an on-site gym for those who followed this procedure. In the afternoon the same thing would happen and the gym scene was an active one. It is sad to meet those people now and see the increased weight and complete loss of sparkle as they have gone into retirement. While in some cases, the need to give up sport has been a physical or monetary one, for many it simply has been too much effort.

For those people who enjoy their gym or sport joining the nearest one to their homes is often the way to go after retirement. However, many people find the change of gym traumatic because the local gym may be smaller than the one they use close to work. I do not recommend people stay with a gym far from home as they will eventually find the distance a problem.

Sport is a great way to stay active and keep in contact with people. Park runs are a cheap (free) way to keep active, and offer an opportunity to become a volunteer, which increases the engagement and social aspect of the sport of running. Even those that do not play sport, may find a new interest in the bowling club or taking up that old tennis racket. Joining a club is advised where possible as this brings about increased social interaction.

Having friends

The worse thing about entering the afternoon of your life can be the goodbyes that you say to your friends and colleagues. Don't all of us need some form of human contact? We need to be able to discuss our lives and have respect shown to us. On retiring that is lost. The sense of worth goes with it.

Sawubona (I see you) I am told by Nofoto.

Nofoto has retired back to her village due to cost implications of retirement and a desire to leave the fast run life of the city.

She misses the city she tells me, as here she must walk to catch up on the community news because both electricity and cell phone signals are erratic. Church is a fair distance and Nofoto does not drive, so walking or catching a taxi is her only means of transport.

'It is strange', she says" that I do not understand the elders despite being one". When I ask her why she explains the modern way of speaking is different to the really old people who still use traditional isiZulu. She finds it difficult to fit in, Nofoto has another problem, because she is considered wealthy and many of the village are very poor, so she is expected to help financially. Her family members are popping in and out as we speak and you can see she is kept very busy.

"Would you move back to the city?" I ask

She shrugs and takes her time about answering. "My name means I am like my Grandmother, and my grandmother lives near me now. I think I want to be like her."

Nofoto believes that a financially literate person should be able to meet their financial obligations and use their financial resources in a way that would allow them to maintain their lifestyle. I hope she will be educating her village on finances -as unemployment is rife and most the village depends on monies sent from working relatives from the city.

Loneliness is a reality. The solution may be to take up the knitting needles, woodworking or paintbrush and join a group. If you find that you are getting stressed then maybe a chat with a counsellor is in order. Find one that specialises in retired persons. I promise you a young person will not understand the problem. There are specialist counsellors and coaches that deal with the retired. Yesterday's People hopes to train more as the number of retirement coaches is low.

If getting that help will involve cost you cannot afford, then see if the religious group you belong to can help or go to the local old age offices. Often they have counsellors there. Your plan for emotional and psychological stability is just as personal as your plan for financial stability.

Get your sense of self-worth back- you can offer to babysit the neighbour's children, do a charity, but ensure at least twice a week you interact with other humans meaningfully. In our area we have active retirees that have organised walking groups, pet sitting services and pool services.

An existing hobby is a wonderful way to continue to keep busy. Even if you have to scale it down, there will still be opportunities to use. Many churches and organisations have weekly meetings.

Business clubs such as Probus can also be a source of fun and meetings. Probus is an association of autonomous clubs, around South Africa and throughout the world, that cater to the fellowship needs of retired professionals and persons who have held office in any business or organisation. Senior clubs are both a great way to make new friends, and can help you get needed resources.

We have a list of these clubs on the website. WWW. Yesterdayspeople.com

David is a keen craft beer brewer and has won awards for his beer. He is an active member of the Worthogs and takes great delight in managing the finances by collecting club fees.

His beer brewing has to fall slightly on retirement, since the cost of the ingredients is high, but he has created a smaller brewing capacity by building his own brew set and is now able to concentrate on speciality beers. His children have been instructed that gifts come from the local brewshop. He will spend some time researching his recipes before brewing in order to fully explore the cost versus the taste. It has become a matter of some fun for the family, who enjoy a trip to one of the local brewpubs in the area with their Dad.

David also is showing people how to brew, so they can enjoy the pastime and enter into the competitions. He has an international network which he can use to learn new methods of brewing, via his computer. It keeps his mind active and the rewards are good tasting beer.

Keeping in touch

Technology has bought a reward for those who do not have the privilege of living close to loved ones. WhatsApp groups keep families and friends in contact. It may not be possible to have a lunch, but a skype session means the grandchildren are aware of the existence of Granny and Grandpa. Emails make contact almost instantaneous and allow us to communicate with others, with ease and immediacy. Face book and Instagram means pictures may be shared moments after they are taken. It may be a glass half fill, but it is better than having no glass at all.

Digitalise family ties. Don and Bev have no children left in South Africa and they have digitalised family ties. Bev tells us they have weekly skype lunches with the overseas family and a WhatsApp group has been named "Family matters". "The Facebook page allows us to keep in contact with photos and articles that we like. In fact sometimes we may share a little too much…." The children find it great as they can give the gift of mobile data to their parents even if they cannot afford to put them on a plane to see them. This gift kills two birds with one stone. Bev laughs "When we get notification our data has been upped, we know the kids are thinking of us and they know that we enjoy the extra freedom, and the cost of sending the present is nothing, so we get the full benefit." Don feels that there is a snake in the grass because data gets taken away from you on a monthly basis in South Africa. Bev still misses the real physical hugs, but says "half a glass is better than no water at all!"

Volunteer work

In the late afternoon and evening of our life it may seem we have little control on our circumstances, money or social circle. Often the retiree feels helpless or dependant on others and less than what they were. This feeling can be aggravated by how their immediate society treats the aged and what society seems to think.

Gail wanted to feel a sense of worth after she was hit by retrenchment. Unable to find another job in South Africa due to her age and her skin colour, it would have been easy to climb into a depression. Gail became increasingly angry at society for what she felt was an unfair situation. Fortunately Gail realised the futility of this emotional roller coaster. With the help of a mentor she decided to use her wealth of experience to help others. Using her professional expertise, she started doing volunteer work for a professional organisation she is a member off. She also proposed a non-fiction book to a number of publishers. The reason she chose non-fiction was because publishers are more inclined to consider a first time author in an area of expertise. She had been involved in compliance training and had been part of the consult team who created a compliance practitioner qualification. Ironically one other reason she was given when applying for other positions after her retrenchment, was because she had not obtained this qualification. With the help of her mentor she realised this would be the perfect subject choice as she had

felt unempowered and needed to get her self-worth back. Her book is the A-Z of compliance (Governance Risk and Compliance simplified) published by Juta. She was aware that the book would not bring in substantial income but would increase her self-worth.

The book started a new interest and direction in her career. She was asked to create a training course around the subject and to train the subject to others. At first payment was sketchy, but within two years she has a number of international courses per annum. Although not yet sufficient to pay all the bills, this money is a welcome addition to her family and allows her to travel.

The spin off in her own country was offers of local work and today she has a permanent part time job working three days a week.

She admits that the journey was tough, but she has learned that she is resilient and capable of learning new skills despite her apparently decrepit age.

Age is not an excuse to stop the learning process. She intends to go back to university as soon as she can afford it to study further in the area of training. She has remained committed to her mentoring and volunteer work, despite the fact that she now has limited time to do this.

How to find volunteer causes:

Research shows pensioners involved in acts of service to a community, such as volunteering, are less likely to suffer from depression. We call this the "meaning loop" in which creating value for others gives a sense of personal value, which in turn supports psychological wellbeing. Whether it is small non-profit or a worldwide organization, charities with volunteer work are an integral part of every community. Since there are tons and tons of non-profits finding a volunteer opportunity is pretty easy to do. The issue is finding an opportunity that fits your needs and interests.

Terrence is a widower and has retired to the coast. He has no children and no friends there. After going into a depression, he realises he needs some company and joins the local animal anticruelty. He starts to foster older animals which he takes for walks on the beach and in the local park. Soon he has a routine in which he is able to talk to other people. He keeps to a routine everyday resulting in people becoming used to his face. His enthusiasm and dedication to his senior animals excites others to join his endeavours. Should he not be seen for a day these people have shown concern and will come to his home to see if he is okay?

Terrence not only has helped himself but others as well. His life is full and he is much happier.

The volunteer work can be in many areas from animal welfare to spiritual development. Health and environment jostle with the poor, websites need to be developed and people fed, read to and counselled. Churches often have causes they need the church members to work with. Other areas are hospices, animal shelters and orphanages.

Wealthier pensioners will often find they enjoy leaving an endowment or trust fund, as a legacy to the charity or activity they enjoy. Such a legacy is also an effective way of reducing tax payable on death, if the charity is a recognised non-profit organisation. Another effective method to reduce tax on death is to loan items of value on a lengthy time period to museums

If charity work is not your thing, mentoring or training another generation may be a good fit. A mentor is responsible for one mentee, whereas one trainer may be responsible for an entire group of students. When entering into these fields first determine what you are an expert at and how you would develop a program. The best method is to approach professional organisations active in mentoring and training programs and ask if they need qualified volunteers.

Charging for training may be subject to certain laws of the country. In South Africa you cannot form a school without registration. The most important body that you have to comply with is the South African Qualification Authority (SAQA). However if you are giving small classes to teach practical skills that are not designed to lead to any qualification, such as pottery or knitting, then you should be okay giving classes in such skills.

Volunteering and sharing knowledge is one of the most potent forms of attaining your sense of worth. It gives a sense of achievement. However do not do it with a desire to be thanked. Often such work is not recognised for the importance it has and recipients of free training programs are known to be rather demanding and ungrateful. If you can deal with people and do not have high expectations, the occasional wins you do get will lift you up.

Chapter 15: Getting in touch with God

Getting in touch with God does not mean you need a church or a spiritual body to help you find a way. Some people love going to a church or temple, others much prefer being alone and find dealing with highly religious people extremely trying.

Knowing your God does not mean you are a religious fanatic. In fact religious fanatics may be said to know their religion and not God at all.

The God principle is in all of us. Even atheists believe in something. Humans need to belief in a greater good, it is hardwired into our frontal cortex's[8] – which are unique to humans.

In fact, belief should be looked at as an evolutionary asset that helps human survival. When faced with overwhelming odds, the human brain is hard wired to believe something will happen to make it right. If we did not have that ability we would not fight for survival. Whether you believe in God or Darwinian natural selection theories, we will have certain beliefs that will help us through difficult times. In psychology we call these core beliefs. Core Beliefs may be interpreted as a knowing. However a core belief may not be the truth or even based on reality. A child will believe in Father Christmas or the tooth fairy, but an adult, hopefully, will know these are imaginary people.

Core beliefs can be defined as the very essence of how people see themselves, others, the world, and the future. Core beliefs are normally set by our cultures and societies. Beliefs arise through our experience of the world around us and the teachings of those we admire. Beliefs may change, but we find it difficult to do this. Core beliefs may be negative, such as "I am unlovable, or not good enough" Core beliefs govern your life, so try to ensure they are good and positive.

Core beliefs create our values and morals.

Exercising our belief, such as in a church, gives humans great satisfaction and a sense of meaning. This may involve us trying to convert others to our belief structures.

If you are in a Retirement Villages, hopefully you find the ministers of many faiths serving this community, allowing you to find someone to be sympathetic to your belief systems. Spiritual growth is important as we grow older. It is okay to be an atheist, agnostic or even a believer in the Church of the Flying Spaghetti Monster. The danger is connecting to all those who have different beliefs- do not go to into a Methodist church village and try and convert others to your belief, unless you want to find yourself isolated. Definitely do not buy into a complex that you have strongly different beliefs to.

Values

That which you decide is important to you is a value. Values will influence your behaviour to others and your sense of right and wrong.

Here are some examples of those values I recommend developing:

- Dependability.
- Reliability.
- Loyalty.
- Commitment.
- Open-mindedness.

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[8] https://www.independent.co.uk/news/science/belief-and-the-brains-god-spot-1641022.html 25/03/ 2019

- Consistency.
- Honesty.
- Efficiency.
- Integrity.
- Diligence.

Morals

When I train ethics, I tell people that morals are when you do the right thing. That is a standard, as morals govern what is considered right and what is considered wrong and are interpreted by the person concerned. Morals and ethics are not common to all cultures. A culture may belief drowning a chicken is a moral step, while another will look at them in horror and scream animal cruelty.

> Any form of racism to me is morally wrong, but to my Government in South African in 2013 the forceful implementation of racially bound ratios in all businesses was done with very little moral outrage from the business or the people.
>
> As with any kind of government intervention on social engineering, this one went very wrong and as I write this book, South Africa is in a rapid economic decline and teetering on civil war.
>
> Social engineering- such as racial profiling is morally and ethically wrong in most developed cultures. Such profiling always leads to a serious skills shortage unless accompanied by excellent education systems, to churn out the needed skills.
>
> The South Africa education system declined due to racist policies and union involvement, to a degree where the children are barely functional in literacy from the government schools. In addition the people with needed skills are emigrating due to the decline in economic climate here, while our neighbours (except for Zimbabwe) are having positive growth.

Morals are co-operative, as they can be influenced by belief and training. When I train people, often they will insist they believe they are very moral persons. These same persons believe it is acceptable to steal time from an employer, but not money. People will happily do personal shopping, have extended lunch and tea breaks, do social media and personal work during work hours and then charge the employer for overtime. In one organisation the morals were to protect (at all costs) the organisations staff. Lying was encouraged if that was required. Tribalistic societies will often have these type of morals instilled, where the survival of the tribe is all important. Often morals are shaped by culture or tradition more than by reality and fact.

> Part of my work required me to be trained in forensics. I was absolutely appalled at an organisational aspect of criminal activity when exposed to a meeting in which a "rah rah" session was held, equivalent to any Tupperware sales meeting. The terms "rob" and "murder" were not used. Instead it was bring in the work, bring in the money, and meet your deadlines. These meetings were held every Monday morning.
>
> In this particular organisation, the families of all the workers were protected if they died doing their jobs. There were degreed persons, psychologists and accountants working in this organisation, which was run with sound business principles except for the product, it was a sound business model.

Morals can be said to be elastic and a product of our upbringing, while ethical principles are rules driven and often have to be trained to give a standard of ethical conduct in a community.

Now you understand why you believe what you believe- let us look at how you can believe.

Church and temple

Christians, Jews, and Muslims believe in a personal God (male) who has revealed himself to mankind. Buddhists and Hindus believe God is impersonal and unknowable. Christianity believes that God reached out to man to save him because man was helpless to save himself. Some religions require sacrifice, the practice of certain actions and even the infliction of pain upon a believer, in order to become holy in the sight of God. Are they all right, or are they all wrong? I have absolutely no idea of the answer after years of searching most the religions of the world. That not knowing, makes me happy, because I can believe in a creator who is greater than my human understanding. I would feel very worried if I could understand someone who can create universes with my limited brainpower. However everyone is different and that is really okay. The amount of time or energy spent with a church is up to the individual.

Whether it is the church of the flying spaghetti monster or a beautiful mosque- finding a church or place of worship to use to give your self-comfort, it is a wonderful way to feel safe and prepare for life's knocks and the ultimate journey we all must take. Often this place of worship can become a full function area for the retiree to exist in. Most belief structures are, fortunately, non-violent and believe in ethical behaviour by caring for the society in which they exist. Providing that does not lead to outright paternalism, I think this is admirable.

Paternalism, is where you believe you know better than the other person and as such are entitled to change their life style. Taken to extremes we can state paternalism led to slavery. Those slave owners will tell you that the slaves had a better life under them, justified by the fact they gave them a religion, a roof over their heads and better clothes.

Governments have paternalism inherent in their ability to govern. A law telling you to wear a seat belt is paternalistic in nature. In my personal universe no person has the right to limit another's behaviour unless it is in the public good. Any infringement on the personal freedom and autonomy of a person needs to have a justified argument of how it will improve or protect society as a whole. This belief explains why I do not do "religion" in its true sense. Acceptance of people is crucial to our spiritual growth. How do you determine the correct belief structure for yourself and others?

These are the guidelines I have used for my family.

If the belief structure looks down on any part of society or even worse, expects people to conform or they are harshly judged, well I would suggest you re-evaluate, because the chances are you are wrong. True spiritual growth comes from a love within given to others. True love gives you understanding and a willingness to cross over to the other person's belief (not necessarily to believe in it) in order to help them become the best they can be for themselves and society. I have learned it is only when you understand the other person's belief that you can understand the motivation for their behaviour. Even atheists believe in nothing, which is a belief. Some people are locked in a perpetual struggle to find a belief. For example the agonistic, is locked in a battle to find meaning and reasons. For many people nature is the place of worship, and when I look at a flower and the beauty our creator has blessed us with, I totally agree with them. Certainly I believe walking on grass makes me more spiritual and grounds me.

If there is one thing I have discovered in my life, it is that no man's book is the right one for finding their God, they are all just road signs on the path of life.

Spiritual retreats

From austere suffering to imbibing strange substances- spiritual retreats have been known to mankind since- we became mankind! Yoga, exercise, meditation and spiritual retreats to get in touch with the inner you, can greatly improve your quality of life. Sometimes the brain just needs to shut down and rest from everyday affairs. My family is very involved in meditation. It brings us great comfort especially when life gets hectic and we have to deal with rampant emotions. Naturally as a hypnotherapist I believe it is essential to find that peace within. A spiritual retreat may well be the place to find peace.

Personally I find my personal renewal gets done better with a good hot stone massage and a glass of wine, rather than fasting and taking odd tasting substances, but explore your spirituality and enjoy the trip.

Chapter 16: Elderly Abuse

Sadly, sometimes being spiritual does not exclude experiencing elderly abuse. As a professional I often find those who appear most pious, may have skeletons in the cupboard and elderly abuse is often one of them. It is a subject no person likes to talk about. Unfortunately it is a reality and one I have seen in my own country and others.

> Please not like many of our cameos, names have been changed:
>
> Jonathan was a very religious man who believed he was head of the family, as the eldest male. His mother lived with the family and was used to look after the children, clean and cook, while Jonathan and his wife were working.
>
> When his mother became sick, Jonathan got the church to pray for her soul and cast out the devil of sickness. His mother's health deteriorated and she was subjected to fasting and further prayer. Jonathan did not believe in doctors, sickness was from Satan and was a result of sin.
>
> The estate, in which they lived, became increasingly concerned about the health of the woman. She became thin and rambled on about strange things. They tried to talk to Jonathan but were met with hostility. One day the old lady collapsed and could not get up. Her neighbours called for an ambulance who took her to a local hospital, were they found she had cracked her hip -the pain was leading to the dementia.
>
> Jonathan was enraged his mother had gone to hospital. He retaliated by moving out the estate. He refused to allow her to return home since she had allowed the "devil to treat her". She died in a government home some months later, alone.

I quote from the statistics from New Zealand as published in their official Seniors Publication in 2017:

"Elder Abuse - the facts:

- up to 70,000 seniors will experience some form of elder abuse this year
- 79 percent of reported abuse is at the hands of a family member
- 46 percent of abusers are partners, or adult sons or daughters
- 43 percent of abusers live with the person they are abusing
- women are more likely than men to experience abuse
- older men are more likely to experience abuse than younger men.

Elder abuse can be physical, mental and financial.

Physical abuse is the most likely to be reported because it is the most visual abuse. The physical abuse may be slapping, hitting, shaking, pushing, and use of any physical or chemical restraints, administering incorrect or excessive medication.

Mental and financial abuse is normally not reported.

> My mother-in –law died 10 years after we got married. She had employed a maid for much of that time, whom we all deeply loved. I even made her come to our wedding. She was a delight, bright and outspoken.
>
> It came as a shock, when one day she pitched up after her retirement clutching her bag. I made her coffee and we sat to chat about her life. I knew Mom had been fairly generous in her retirement of the maid and I was fairly certain I was about to be asked for more money. I was dreading the issue as my husband and I were a single income family and had already two extra people to support as well as the three kids.

Finally the words I was dreading came. "I need a favour!"

The maid rummaged in her bag and I tensed expecting some bill or account that I would be expected to pay. I was astounded when she handed me a bank book. Had the pension not paid into her account- what was the problem and how was I to fix this when everyone was now dead? In fact the papers were sitting in the UK with my sister-in –law?

"Please will you keep this for me"

"What?" I said in surprise. The maid lived in KwaZulu Natal, a trip of 5 hours drive away and I must keep her bank book? It just made no sense.

Finally, after much asking I got the story from her through her tears and sniffles. Her children had been taking the money and withdrawing the cash. Her only solution was to come to me. It had been at great cost to her. This showed me her desperation. I knew what the price of driving in a taxi from her home to me to ask this favour must have been. How could I refuse? I agreed to keep it on the condition that she tried to find someone nearer to her in the next few months. It was not necessary, her son died of HIV and she came to reclaim her book so she could take care of the grandchildren.

I remember thinking how sad that the Zulu lady had to trust me, a person who had married into the family to protect her from her own flesh and blood.

Elder abuse has no geographic limitations and is often done by those who are closest to the old person. Nursing homes and old age villages have also experienced this abuse by those who are employed as health care givers.

Senility, term is a used to describe a decline in an older adult's physical and cognitive health. Like dementia, senility can cause changes in mental health, such as memory loss or a decline in judgment. Senility is hard to deal with for the family. The older person can react in strange ways when senility occurs. Abuse becomes a two way street where the elder abuses the family that tries to help them. This is a very difficult situation to deal with.

Harry was a 65 year old male who had lost his job and hurt himself. Cellulitis set in to the wound, The family took him to the hospital. A few days later he came home to his family. He had certain drugs which unfortunately caused a bleeding ulcer. Again he was rushed to the hospital. Despite the distance the family tried to visit daily for the three weeks he was in hospital.

Harry called them one day and said he had been discharged. The family took him home, not questioning why he had been waiting outside the hospital. A week later his daughter took him back to the hospital. The nursing staff were very antagonistic. It appeared he had left the hospital without permission. On being brought back he had regaled the staff with stories of abuse and being forced to leave the hospital. The daughter asked the nursing sister, if she could logically see how they were abusing the man, when they had bought him to the hospital three times. The sister responded with the fact the wound was septic and full of animal hair. The daughter pointed out they had a number of dogs and Harry refused to allow them to be put off the bed. When the wound was sore he would rip off the dressings and let the dogs lick the wound. He also refused to bath and fought her and his wife when they tried to get him to clean himself. The daughter was frustrated and angry. The wife no longer visited with the daughter preferring to use the excuse she needed to look after her grandkids.

The nursing staff eventually came to the conclusion the patient was senile and helped the family to deal with the situation. By that stage, the one granddaughter had developed ulcers from the stress, at the age of eight years.

Senility and dementia have a commonality of a loss of cognitive thinking making the person difficult to live with for a loving and patient family. In environments where alcohol and drug abuses is found these cases tend to be more severe and have a higher incidence of abuse.

Dementia includes various forms, but it seems to increase the reported incidence of abuse, however it may also be linked to the dementia itself, as opposed to genuine abuse and care is needed when dealing with these unfortunate souls. A person with dementia will often find the world has become terrifying and people become impatient with the person. Often dementia is accompanied by a psychological abuse of isolation. It is difficult to determine unless there is physical evidence to show abuse is occurring.

> We had one delightful old dear whom we had to stop leaving one of the old age homes I worked in. She would then become increasingly hostile and would have to be restrained. One day she got out the home and we found her, after she had been taken to the police station where they were trying to understand her accusations of kidnapping. When we identified her and explained her condition the police understood completely. It appeared this was not the first time such an incident had occurred.

Alzheimer's disease is a type of dementia. The most common early symptom of Alzheimer's is difficulty remembering newly learned information, because the disease typically begins in the part of the brain that affects learning. Patients are unable to remember what they ate for breakfast and will confuse timelines. In the one old age home, I helped at I was told by a sufferer that she was being beaten, but I could find no evidence of any ill-treatment. Finally when speaking to her daughter she told me her mother had been beaten by her stepfather as a child. The poor soul could recall that, but not the fact her loving daughter had been to see her. As the disease, Alzheimer progresses, it leads to increasingly severe symptoms – including disorientation, mood and behaviour changes, deepening confusion about events, time and place, unfounded suspicions about family, friends and caregivers, and difficulty speaking, swallowing and walking.

If real abuse is occurring in such dementias, it may be traced to a lack of education on the family and frustration of the parties in dealing with the dementia.

> What is the situation in South Africa?
> South Africa has passed the legislation for older persons that promote and maintain the status, rights, well-being, safety and security of older persons. (Older Persons Act 13 of 2006) and its regulations. This is an "umbrella" or principal Act that has been legislated in a manner that forces changes to conflicting legislation that may exist, to be changed in order to conform to the intent of this Act. In a sense therefore this is the same as the Constitution of the RSA which is the main source of measurement applied when legislative conflicts occur. This Act allows you to report abuse and be able to expect action. It says for example: "The Director-General or the social worker to whom a report has been made must investigate the matter." Chapter 5 25(3)
>
> - An official's failure to act on reports is an offense.
> - This Act comes into its own especially when frail seniors are in a care facility
> - It is important to note that chapter 5 of The Older Persons Act states under clause 26: "(1) Any person who suspects that an older person has been abused or suffers from an abuse-related injury must immediately notify the Director- General or a police official of his or her suspicion
>
> If your rights as an older person are being violated or if you want to help someone who is being abused, neglected or exploited you can contact one of the following organisations for help.
> The South African Human Rights Commission
> Go to https://www.sahrc.org.za/index.php/what-we-do/lodge-complaints for the complaint form
> Action on Elder Abuse SA
> Email: action@actiononelderabusesa.co.za
> Tel: 021 426-5255

Halt Elder Abuse Line (HEAL)
Toll-free: 0800 00 30 81
Tel: (002711) 483 7497
You can also contact Magistrate's Courts or Equality Courts and Police stations.

Psychological abuse such as ignoring the elderly person; isolating them from friends; humiliating them, shouting or swearing at them or intimidating them is rarely reported. Often psychological abuse is inadvertently given by the family in a misguided attempt to help the older person.

Abuse is given to the care giver as well, and it can be hard to restrain those on the receiving end from retaliation.

My mother would lash out at us, as kids, both physically and verbally throughout her life. It became very difficult, when without resources she had to live with my family, We were fairly non-violent and believed in negotiation rather than physical punishment for the children. My mother felt we spoilt the children and they deserved hidings. Staying at home seemed to make her more childlike and quite nasty at times. The resulting situations could get quite unpleasant. My kids would try and resist if she wanted to hit them, without any retaliation, but I felt bad, especially when she became abusive.

The crunch came when my eldest daughter, physically assaulted her grandmother in retaliation. I was not home, and her grandmother had started screaming, tried to hit them and in the process ripped my daughter's cross from her neck breaking her chain. My daughter hit her back. I knew we had a problem, yet it was difficult to deal with it. The guilt of what she had done made my daughter attempt to take her own life.

It made me aware of how difficult it was for the social workers to deal with such cases. In the end, on the advice of a psychologist, we had my mother put into a government run, old age home, both for our sanity and safety. Strangely enough, that move restored her mental abilities to a large degree, as she was no longer coddled by a family and had to make her own decisions.

It made me aware that inadvertently I had abused her, psychologically, by making her a child when she was an adult.

Sexual abuse is another area which social workers tell me is prevalent with older persons. This is an area which is on the increase.

In Africa in particular elderly black people, mainly women, are sometimes "identified" as witches by others in the community. Witches are claimed to have wrinkled or darkened skins due to age, or are reclusive or independent. This accusation will mean the person along with their hut are set alight and burnt to death. Witchcraft accusations are an easy way to rid an elderly person from the community and obtain the elderly persons' property or possessions.

For the older person preventing abuse is a matter of insuring safety. If you have to stay with children, try to have a defined place in the household, with responsibilities. No one wishes to order Mommy to wash the clothes, so you as the person will have to state "I will wash the clothes as part of my duties in this household, but I am not responsible for ironing them."

Living with your children can easily make them the parent figure and you the child. Some form of counselling may be required, to help the different people in the family understand a healthy individual role balance for each person in the family as a whole. This counselling should be re-visited in any case of change in the family, to ensure everyone understands their changed roles.

If you stay on your own in a free standing house, then keep security gates or doors, locked at all times, unless you live in a safe neighbourhood which is well policed. Make sure doors and locks open and close easily without jamming. Make sure your house number is large, well-lit and unobstructed so that emergency personnel can find your home quickly when needed. It may be wise to carry a panic button on you around your neck.

Abuse by situation.

Often we forget that with age, we lose certain physical functions. Quite often if we have not been exposed to keeping an elder person we are unaware or too embarrassed to tell people that our eyesight is not what it should be, or we are forgetful, or even that we have not got the physical dexterity to do things. Older people have urine seepage and may battle to control other bodily functions. They get embarrassed and will not talk about such things. The family may have to take action to help the person deal with such issues. Older people may find it difficult to get into a bath, remove clothing, or feed themselves correctly. Often they become abusive because they are frustrated. The care givers in turn give abuse, due to their frustration. Not all abuse is because people are fundamentally nasty. You have to understand the situation and see what is giving rise to the abusive circumstances.

To minimise the risk of injury consider rails and grab bars in the bathroom and on stairs to reduce the chance of a fall. Get rid of loose rugs or install non-slip backing on rugs. My experience is that wall to wall carpeting is really better for an older person than tiles, however there are drawbacks to that as well.

> I had three fires in my house caused by my mother who wanted to meditate with candles. In the last fire she had locked herself in the room and we watched her burning through the windows while we tried to get access to the room. Thank God I had been cleaning the garden by the window while my husband and children were all nearby. Fortunately she only had mild burns, but she was in serious shock by the time we reached her and carried her out the burning room.
>
> Another fire was caused by her putting clothes over a heater
>
> Fortunately we found a dri buddi clothes drier to be handy for her in this matter going forward. The dri- buddi hangs the clothes and then this edifice is covered with a tent and the fan heater turned on. It helped with both the ironing of her clothes and drying. The added bonus was that it folded up into a small bundle for storage when she was not using it.

Keep emergency numbers next to the phone, or programmed into a cell phone and ensure someone close has keys to get into your house. On your phone programme an in case of emergency number (ICE). Paramedics and other personal are trained to look at a mobile phone for this number

For those who have power failures, try to get an inverter or battery operated light. When cooking try to get the older person, who is less steady on their feet to make use of a microwave rather than an open gas stove top to heat food.

For all older persons turn down the thermostat on the geyser to avoid accidentally scalding.

If you live in a retirement home, ensure you have communication with the guard at the main gate. I would also suggest that you ensure that someone checks on you on a daily basis. This may be by a simple WhatsApp message. When we get old we cannot stop getting hurt, but we can minimise the chances substantially.

Section 4: Paying for yesterday

Managing the finances in Retirement.

In this section we are going to look at managing our money.

In this section we are going to look at the following financial aspects that will impact on the retiree.

- Investment types and investment risks
- Risk of outliving resources due to drawdowns on annuities
- Risks associated with aging and housing
- Shopping- how to make the money stretch
- Housing
- Medical costs and expectations
- Death and the survivor
- Wills
- Remarriage
- The importance of pets
- Pets and Retirees
- State help for you
- Domestic help

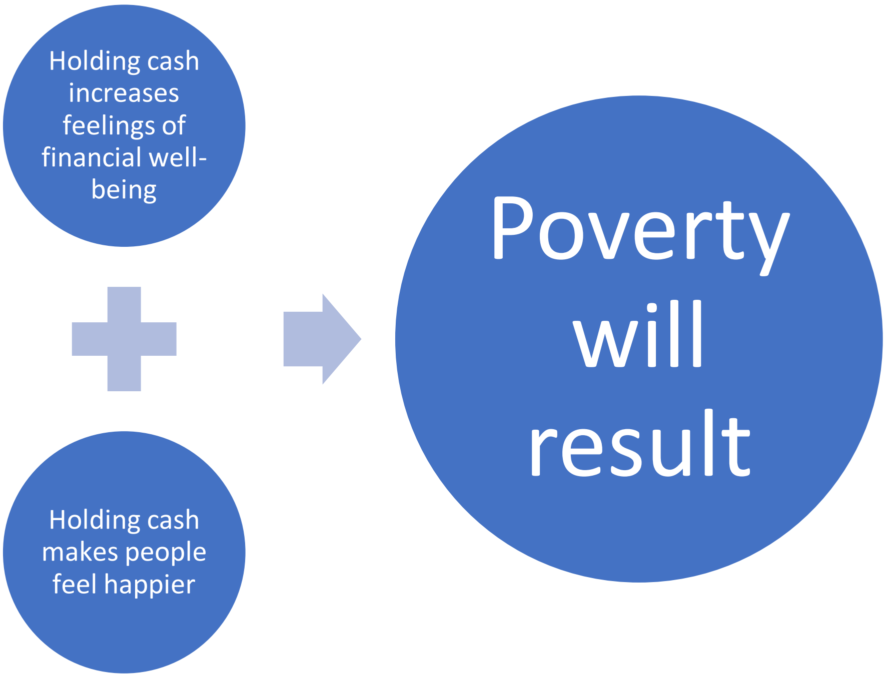
Chapter 17: Making the money last

In this section we will tell you exactly what investment is about. We will deal with investments in more detail in our series on wealth. In this chapter we will give you an introduction so you know what you need to have in a portfolio. I am going to start off giving you a warning.

All investments carry some degree of risk, and one of the most effective ways to manage this risk is through diversification, or by spreading your investments across different asset classes such as cash instruments, property, bonds and equities, as well as across different regions and sectors.

Most financial advisors will tell you that they want you to be invested in safe (cash based) investments and they will be most likely be wrong, unless you have oodles of cash, they are condemning you to a life of poverty if you survive too many years. Remember we expect to live twenty to forty years after retirement and advisors have been trained to think of ten years as a maximum.

Cash is the safest investment type but it will not serve you well if you survive for more than a few years after retirement.



Cash makes people feel safe! We find wealthy people with very little cash may still feel more financially distressed, than poor people with relatively more cash. While cash is part of the hierarchy of retirement income needs for a retiree, we know the same effects are felt by people in their mid-30s holding cash- namely, that they feel wealthier than people with investments that are not cash.

We therefore need to deal with the psychology of cash. If you are educated, then you are able to deal with this psychology and you will be more likely to be emotionally OK without wads of cash. We recommend holding some cash during periods of volatility, but want to make you able to remain solvent, keeping you invested in other asset classes.

If you have a twenty to thirty year life expectancy you should feel better about being invested for the long run in a mix of equities and other investments.

Since we need to educate you to be less likely to be panicked when markets are volatile, I will start by introducing you at a high level to my world of finance.

Risk

Risk is simply the chance of between 1-99% of events turning out differently than you would expect. People are created differently. When something happens we call it an issue and then it is dealt with as a fact, but risk is not a fact, it is a situation that may occur. People deal with risk differently. Risk in financial planning for retirement, is the chance you will lose some or all of your money.

I am more risk adverse than my husband, but less risk adverse than my daughter- that's okay because it means we get a balanced view of our risk by using three different risk profiles. A person who enjoys gambling, is inclined to enjoy risky investing, but then you have the person that panics when they lose any money at all. That person is risk adverse. Unfortunately, to make money you need to take some risk. Even cash can be a problem as banks can go into insolvency and inflation can erode the buying power of your money. Fear and anxiety about market behaviours (volatility), coupled with a low-growth environment, often drive retirement investors to low-risk investment options such as cash, in an attempt to protect their capital.

How much risk to take, is a personal question and depends on many factors. The most important is how many resources have you got? The more resources you have, the more risk you can take. Fortunately many people have studied risk and as a result have created what we can call optimal portfolios for retirees.

Investment types

There are many different investment types which we use for retirement funding. Let's have a quick look at them and how they tie into risk and the length of time or term that we need to hold them.

Investment Product	Type of investment	Examples	Risk of investment	Term to hold the investment	Liquidity(quickly convertible to cash without loss)
Cash/Money market	Income generating asset	Bank Deposits Money markets Income funds	Conservative	Short (bank deposits may have defined periods)	Fully
Property	Income generating asset Growth asset	Flats Farms Business premises Own home Rental properties Property unit trusts	Conservative to aggressive	Medium to Long	Low, unless in a property unit trust.

Investment Product	Type of investment	Examples	Risk of investment	Term to hold the investment	Liquidity(quickly convertible to cash without loss)
		Real Estate investment trusts			
Government Bond (gilts)	Income generating asset	Treasury bonds Government bonds Parastatal bonds	Conservative to moderate	Medium to Long	Low
Non-government bonds	Income generating asset	Company bonds	Conservative to aggressive	Medium to Long	Low
Insurance (capital)	Growth asset Income generating asset after maturity	Endowment policies	Cautious to aggressive	Long 5 years +	Low
Shares(equity)	Income (dividend) generating asset Growth asset	Any part ownership in a company Preference Non -voting Voting	Moderate to aggressive	Medium to long	Low to fully liquid
Collective investments	Depends on asset classes Varies between different offerings	Unit trusts Mutual funds Collective investment funds	Cautious to aggressive;	Medium to long	Medium to fully liquid
Living Annuity	Income generating asset		Conservative to moderate	Monthly pay-out	Not liquid, pay-out monthly

Investment Product	Type of investment	Examples	Risk of investment	Term to hold the investment	Liquidity(quickly convertible to cash without loss)
Annuity funds(policy)	Income generating asset	Fixed Annuities Joint annuities Capital guaranteed annuities Variable annuities	Conservative	Indefinite	Not liquid, pay-out monthly

The standard investments which we normally use are equity- shares, cash (Deposits, income and money markets), bonds and property.

Equity

Investments in equity are in shares and these shares are traded on a market (exchange). There are different types of shares and each has a risk attached to it. As a rule we want a share that has good dividend income and the price of the share grows by inflation. The dividend, is the profit in a company and declaring a dividend allows for part of those profits to be divided between the shareholders. The dividend yield, is found when we look at the price of the shares and the dividend that is declared. For retired persons we want high dividends, so we look at the more mature companies. A technique called fundamental analysis is used to ensure the company is still a good buy, in a managed share portfolio. Fundamental analysis looks at the fundamentals of the company, including the sector in which it operates to ensure the products are still good for the sector. They will also look at the country they operate in and the risk in those countries.

Another method of analysing shares is technical analysis- this is where you use graphs to map trends to determine the correct price for a company's shares.

Shares are also known as securities or equity. Such investments vary considerably. Good quality shares are good for the retiree since they have a built in inflation beater, called dividends and additionally should provide capital growth. The companies will want to grow their markets and hopefully bring in more money to give higher dividends, which keep pace with inflation. The share price will vary considerably during the company's life time, depending on various factors, not always related to the company itself. These factor are just like any other market, since the share price is based on a willing seller and willing buyer, so it will depend on how many sellers of shares there are, to how many buyers of shares want them. Trades in shares will be executed at the prevailing market price, quoted by the relevant recognised exchange for that security, at the time the stockbroker executes the trade.

The easiest way for an ordinary man on the street to own shares is through a wrapper, such as a mutual fund, collective investment scheme or unit trust. The share ownership in these wrappers may be managed by a portfolio manager, who will charge a fee for the service. We call using a portfolio manager active investing, as the portfolio manager or managers should be able to beat the market performance of the same share portfolio that is not managed. A portfolio that is not managed is a passive portfolio and often goes by the name of an exchange traded fund or ETF. History has not been kind to most active managers, as many have not really justified the cost of their portfolio management fees in recent years.

You can own shares directly. Equity holders enjoy voting rights and other privileges that only come with outright share ownership, because equity represents a claim on a proportionate share of a company's assets and earnings. If you deal in shares, directly you will need a fair amount of money to invest in order to be able to protect yourself from the shares losing value. We call this diversification. You can buy shares through most banks or through a stock broker. Charges will vary considerably in the investment platform you use.

For those who dislike the risk in share ownership, there is an alternative. It is known as a smart beta fund or shares. Beta is the term used to measure risk. When the term "smart beta" is used it simply means the unit of return is greater for the unit of risk. Smart Beta is a blend of active and passive investing because it follows an index, and considers other factors in choosing the stocks from the index. It is also known as passive smart indexing investing. Smart Beta funds don't have managers trying to beat the market, making them cheaper than a traditional actively-managed fund, but more expensive than a passive portfolio.

We have to use equities in a portfolio, as historically equities will provide the highest returns in the long run.

Property

Property follows equities in return, but the risk may be higher.

You can own property in a direct form- we call that bricks and mortar, or indirectly via a professional property management company. Property has two legs in income producing- it can bring in rental and provide growth. You can speculate by buying a property to sell, at a hopefully higher price, or buy to let (rent). Unfortunately property also has direct costs- costs of ownership, other than the purchase price, these costs include municipal charges, maintenance, damage, loss of rental income and the threat of area degradation. Unlike the share markets, property markets move very slowly and there will be years when prices will not move at all.

To buy a property to rent look at:

- Income (rental) producing –can the growth outpace inflation and will the rental pay the bond?
- Positioned for capital growth – will grow in real value over time?
- Location
- Easy to maintain – watch out for those gutters, geysers and gardens!
- Easy to manage – keep an eye on let-ability, can you outsource management easily?

Many people buy a flat to rent out in order to bring in income, but often find the costs and time to manage this investment outweigh the income. Understanding the tenant market demands, when buying, is not easy and pitfalls are many. Before you commit to buying property, it's important to calculate the potential yield on the property. Good research can mean the difference between having a sound investment and a monthly expense. A single property can give a high risk to the investor.

Thabile purchased a small studio apartment in the prestigious suburb of Sandton South Africa in 2007 for thinking he was setting himself up, by getting into the market as soon as possible. He started to rent it out, however he realised he was paying out more in costs than the rental was bringing in. The tenant defaulted on payments and Thabile had to go to court to remove them, costing further money.

Thabile had to repair the damage the tenant had done and finally sold the property for less than he had spent on it as a result of the economic downturn. Thabile says he has learnt from this experience and now uses a professional property rental service for the properties he has bought. He has built up his portfolio to three properties and intends buying more in the future.

Using a property fund, which invests in publicly-listed real estate companies may give you residential, industrial and retail properties. By investing in a fund, you can have stocks in different properties types such as shopping malls, office blocks, and townhouses, this lowers the risk of property investment. Property performance will be dependent on factors such as the country growth and business investment in the country.

Investing in property syndicates, with single developments, is an area to exercise extreme caution, unless you have money to lose. Rather go with established and listed property funds.

Marina Martinique, a development at Port Owen, South Africa, was designed to be a resort, with commercial and residential properties linked by a seawater canal system and a harbour giving access to the Indian Ocean. The canals were poorly designed and silted up, making them useless. The developer, Marina Martinique Company, went bankrupt after the collapse of Masterbond. Most the investors in Masterbond lost most or all of their investment.

Bonds

Bonds will give a higher return in the long run than cash, but have not beaten property and equities.

The bond is a loan instrument. When you loan someone money you want a reward, for the risk you take, in loaning the money. Bonds are loans the bondholder (the investor) makes to the issuer in exchange for the return of the investor's principal (initial amount paid to buy the bond) plus interest (coupon). Bond interest is called a coupon because, before electronic trading, investors were given paper certificates when they purchased a bond, and attached to each certificate were coupons for interest payments. The owner of the bond would detach the coupon and take it to the bank where they would receive their money.

Bonds are good for stabilising the portfolio, as payments to bondholders are normally honoured. Junk bonds are an exception to this rule, as the issuer of the bond may not be able to make the bond payment. Bonds have different time periods from short term of 1 to 5 years to long term bonds that are 30 years from maturity. Maturity is when the bond pays the capital back to the investor. One of the ways people can create a retirement portfolio is to purchase bonds with a maturity rate that ties into the different times. We call this a bond ladder, and as an investment strategy it has limitations, since inflation and the length of life are not known. Bonds can have fixed or floating interest rates. Fixed rates stay the same throughout the bond's life. When you buy a bond of 1 million with a fixed 6 percent coupon, you receive 6 percent of the 1 million in interest every year. Because the bond pays 6 % to you, if the interest rate falls then the bond price will increase on the open market as people will want to lock into a higher interest rate. The bond will increase in price. If the interest rate goes up, the bond becomes cheaper. If the bond has a floating rate when the interest rate changes, it will change the amount you receive as the coupon.

Some financial advisors put bonds into the cash category, as they bring in income - I do not. A bond price can be volatile and can easily lose money, if you need to sell in a hurry. When stocks fall in price (a bear market) bonds often offer the better value, and diversify the risk in a portfolio.

For this reason some bonds should be held in all portfolios. However certain countries have bonds that return negative amounts. While capital is guaranteed, negative returns do not appeal to me.

Cash

Cash is the safest asset class, but it provides the lowest return in the long run. The cash amount a retiree should have is dependent on their own personal circumstances but at least three months cash reserves should be on hand at all times. I like money market and income funds as the interest they return is higher than in a normal savings account. The money is normally available in 24 hours in these money market funds. The drawback is the high minimum amounts needed to be left in the funds to keep the account open. Deposits should only be used to lock in high interest rates or for those people who tend to be undisciplined with cash amounts.

Foreign investments

Fund managers will chase high returns across borders. In emerging mar from geographical and political risk to investment performance and currency risk. Currency risk can be explained as buying a book today for ten currency units, but tomorrow that same book costs nine currency units, so you have made a 10% loss in buying that book. IT can also work the other way, in which case the book is an appreciating asset. Buying in a foreign market is considered a higher risk due to these factors.

Endowments

Endowments are an insurance provided wrapper for your underlying assets, a bit like a plastic bag for a number of sweets. This plastic bag is an expensive investment, cost wise, but the endowment is a good savings vehicle for high tax paying individuals. An endowment should not be used for anyone that has not first used the tax free or retirement tax deductions available. If there is a tax deductible interest amount, then this should first be used, before considering an endowment. Endowments suit wealthy people and trusts, but are often miss-sold to other investors, as they pay high commissions to the financial advisor. They are expensive administration wise and have early withdrawal penalties. My hackles rise when a financial advisor offers them to certain clients as they are not a good choice in investment vehicles.

Low-tax income is created in an endowment, by making partial surrenders of the policy. The tax is paid by the insurance company at a determined fund tax rate on the gross interest and net rental income earned by the investment. This is advantageous to investors with a marginal tax rate exceeding that fund rate per annum. However, a capital gains tax liability is incurred by the investor who buys a second-hand endowment policy to get these low tax surrenders. If you have a marginal tax rate of 40% and the predetermined fund tax rate is 30%, then you can see the investment makes sense. However if the marginal tax rate is 30% or lower, then the person will pay more tax in the fund than in their personal capacity.

For the high tax investor the endowment does give some advantages. Since the benefits are tax-free on maturity, the investor need not take the proceeds when the policy matures. Instead, the proceeds can be left with the life office and allowed to continue to grow as a tax-sheltered investment. The investor then can partially surrender a portion each year as a tax-free income to supplement their income. For example if the policy grows at 9% per annum, the investor can withdraw the 9%, free of tax, without decreasing the capital or getting taxed on the income.

For example: John is a high wealth investor who has a pure endowment policy and pays 1 000 per month in his pre-retirement period. The Illustrative value after ten years will be 260 000. Technically John could withdraw 23 400 per annum tax free from the end of year eleven assuming 9% growth per annum, tax free.

Spending in retirement

A good financial planner will break the asset allocation across stages recognising the changing needs of the investors across the lifecycle. They will understand that spending behaviour will change throughout the retirement phase.

You are hearing the term financial planner in this section. I must explain what this designation means. It is given by a professional financial organisation which is internationally respected as the pinnacle for financial advisors to aspire to. As a Certified Financial Planner, you should be more educated and better trained than regular a financial advisor, when it comes to giving advice for retirees. Financial planners, have intensive and on-going training to carry the designation certified Financial Planner. In this training we are taught to look at three distinct phases of retirement. Effectively for every 5 years a retiree ages, the spending is expected to reduce in by approximately fifteen percent (15%). Understanding this trend and being able to work out the inflationary value of the currency at that point means we can create target date funds or life stage portfolios to suit the retiree.

Portfolios

A portfolio is simply a collection. In our context of retirement planning it is the investments a person will have. It's like a ladies handbag in that you put in the bag, the make-up, the money, tissues and possibly (in my case) the kitchen sink.

When we create the portfolio with the investments, we will give the overall return in the portfolio by weighting the assets return in that portfolio as a whole. Portfolio and investment returns will be influenced by:

- economic forces (such as lower GDP and investment globally);
- disruptive factors (such as regulation, technology and geographically oriented politics);
- The investment mix: and
- Investment challenges (such as unrealistic return expectations, lower returns, and people's extended lifespan).

In a retirement portfolio we will have different assets such as; equities, bonds, cash, property and non-traditional investments. In equities we may have different classes of equities. Risky but high performing shares, and low risk shares that may give us a good dividend (income yield) or growth shares that we believe will grow to help us cope with inflation twenty years down the line. You may be invested in various property and bond investments. Money markets and income funds may be included in cash. You may put non-traditional investments: tank containers, collectable items and private business interests. You normally would not have portfolio items that you need for personal use, such as your retirement home in a portfolio, although these items are also considered assets in your estate. The portfolio is there to make you money. As financial planners, we may use non-traditional asset classes such as hedge funds and exchange rates.

Hedge funds are a specialised group of assets, in which ownership is not in the asset but in the right to buy or sell the asset. They are for highly sophisticated investors and beyond the scope of this particular book. We will investigate them in our wealth series.

Stock selection works hand in hand with asset allocation to provide diversification. It is important to diversify, as if some equities do not perform, hopefully the other equities, property or bonds will ensure we do not have to sell portfolio assets at a loss.

When we create a portfolio, we create to a model. For a risky portfolio we may put in the portfolio with certain requirements such as 80% or more in assets and alternatives, to diversify the risk we maybe add 15% property, and 5% bonds and cash. We call these asset selections weighting of the portfolio. A portfolio overweight in cash will be 50% or more invested in cash investments and cash equivalents such as short term bonds. Investments are not static and will change in value. To keep the model we do a portfolio exercise in which we rebalance the portfolios, by selling high performing assets and buying low cost assets we think will perform, in the underweight asset classes. We call this exercise dynamic allocation.

Dynamic asset allocation is simply an investment strategy where an investor makes long-term investments in certain asset classes or securities and periodically buys and sells those securities in order to keep the allocations in their original proportions. Dynamic asset allocation is used to balance the asset mix in the portfolio to suit market conditions.

Dynamic allocation is important in retirement income planning. Equities are normally the growth assets and can be a villain or the hero of a portfolio. Diversification can help, but the ability to move between asset classes is fundamental in the performance of a retirement portfolio.

Life stage planning and portfolios

Another technique used to help us in planning for retirement is life stage planning. We can divide our pension years in to three stages:

1. 1st period: a continuation of pre-retirement lifestyle. You will likely copy your pre-retirement spending.
2. 2nd period: less active, health and energy begin to decline, some discretionary spending tapers off. Between 70 and 80 a retiree will normally be spending 50% less than a person in their late 50s.
3. 3rd period: most discretionary spending stops, replaced by rising healthcare expenses we expect a 10% reduction at age 80 to 85, followed by another 10% reduction at age 90.

Now you understand these stages we can help you build target date funds or life stage portfolios created to meet these phases. Just remember there is no such thing as a perfect retirement portfolio!

1st retirement period.

The first decade after retirement spending patterns reflect the interests. Interests include food, hobbies, home improvement and travel. A traditional portfolio with a standard approach is the allocation of 60 percent equity and 40 percent bonds. This portfolio mix is often preferred at this point by many financial planners. For the more risk conscious and involved retirees, they may want up to 75% of the money in equities.

The 60 % equity is put into various equity investments which may include property and offshore.

The bond investment is divided between bonds with different maturities from one to five years and cash.

We should consider all the factors continually. When we decide on our portfolio mix, we must be aware it requires periodically rebalancing the portfolio. Rebalancing a diversified portfolio involves actively shifting money on a regular basis from assets that have performed well to those that have been lagging. We also need to look at the portfolio balances and ensure they are still suitable for the life style phase. Practising such dynamic management will help minimize emotional aspects of investing. We see the portfolio as a tool and not an extension of our well-being.

As investors, we need to look at the safety of the income stream in this stage, rather than market value of the income stream. An income focused investment strategy is known as a liability driven strategy. The income stream has to meet the liability (expenses). At this point we can still look at goals based investing; such as children's education, sustainable retirement income, etc. Higher net worth retirees may have much larger discretionary expenses, when they enter retirement, while a more typical retiree may find that most of their spending is for essential needs, which will not decline and must adjust with inflation.

The goal in our investment model is to make sure the next 5-10 years of your retirement expenses are backed by fixed sources of cash flow. This process is referred to as "asset-liability matching" and has been used by pension plans for many years. This does not mean you invest purely in cash, but use bonds and other instruments which are convertible to cash.

Most retirement portfolios do not recommend a withdrawal rate in excess of 4% of funds. To put that into perspective for every hundred currency units you invest, you should not take out more than 4 currency units including investment costs. Hopefully you can adjust your costs to meet this drawdown limit.

As an illustration, we are going to assume a 6% inflation rate and that we can get an 8% return on capital. We call this a total return portfolio, as we are using a balance of assets in the portfolio that can give us a sustained return through most market phases. The 8 % investment return is the highest we should use as it is inflation plus 2%. Only equity portfolios can produce such sustained returns, if we take inflation into account. Our initial capital in this example is 1 million. We can see using this portfolio, we will run out of capital in year 36.

Year	Annuity @4%	Remaining capital at 8% return	% of capital drawdown
1	R 40 000,00	R 1 036 800,00	4,00%
2	R 42 400,00	R 1 077 344,00	3,94%
3	R 44 944,00	R 1 118 587,52	4,02%
4	R 47 640,64	R 1 160 433,88	4,11%
5	R 50 499,08	R 1 202 769,51	4,20%
6	R 53 529,02	R 1 245 462,05	4,30%
7	R 56 740,76	R 1 288 358,25	4,40%
8	R 60 145,21	R 1 331 281,70	4,52%
9	R 63 753,92	R 1 374 030,31	4,64%
10	R 67 579,16	R 1 416 373,58	4,77%
11	R 71 633,91	R 1 458 049,56	4,91%
12	R 75 931,94	R 1 498 761,58	5,07%
13	R 80 487,86	R 1 538 174,65	5,23%
14	R 85 317,13	R 1 575 911,49	5,41%
15	R 90 436,16	R 1 611 548,25	5,61%

16	R 95 862,33	R 1 644 609,78	5,83%
17	R 101 614,07	R 1 674 564,50	6,07%
18	R 107 710,91	R 1 700 818,75	6,33%
19	R 114 173,57	R 1 722 710,68	6,63%
20	R 121 023,98	R 1 739 503,56	6,96%
21	R 128 285,42	R 1 750 378,42	7,33%
22	R 135 982,54	R 1 754 426,15	7,75%
23	R 144 141,50	R 1 750 638,75	8,23%
24	R 152 789,99	R 1 737 899,86	8,79%
25	R 161 957,39	R 1 714 974,46	9,44%
26	R 171 674,83	R 1 680 497,59	10,22%
27	R 181 975,32	R 1 632 962,08	11,14%
28	R 192 893,84	R 1 570 705,21	12,28%
29	R 204 467,47	R 1 491 894,16	13,71%
30	R 216 735,52	R 1 394 510,18	15,54%
31	R 229 739,65	R 1 276 331,34	18,00%
32	R 243 524,03	R 1 134 913,83	21,46%
33	R 258 135,47	R 967 571,46	26,68%
34	R 273 623,60	R 771 353,59	35,47%
35	R 290 041,01	R 543 020,86	53,41%
36	R 307 443,47	R 279 019,06	110,19%

To illustrate the importance of drawdown on our portfolio performance, if we increased this to 5.39% our annuity would fail in year 27. At the time of writing 5.39% was around the annuity rate received for a fixed annuity with a 6% escalation rate guaranteed for 10 years. If your drawdown goes to 10% your annuity will fail within 10 years. In other words your drawdown, or income requirement including the investment costs, should determine if you should go into a living annuity or use a guaranteed product. Investment costs can destroy living annuity portfolios, so be very aware of the costs of investment. At a 5 % drawdown the living annuity will possibly fail by year 16. The person requiring a 5% return on capital, should look very carefully at a living annuity. A required drawdown rate of 10% means you could risk living annuity failure by year 5. There is nothing in the financial planning arena that can rescue a pensioner who requires an income on day one of 10% or more of their capital. The only solution is for them to work longer, or reduce spending, or go into high risk investments such as private property.

According to Jaco Van Tonder, the advisor services director at Investec Asset Management in 2018, an annuity with your income requirement between 2% or 3% per annum, can have equities as low as 30% or 35%, to provide an income for 30 or 40 years. When the drawdown goes higher the equity exposure needs to be as high as 70% or 75%. A living annuity should contain some offshore equity to hedge against risk, such as found in emerging markets such as South Africa, which is in fact a very small market. Fortunately most shares in South Africa do have an offshore component due to the globalisation of the companies in this country.

You can build a living annuity using balanced funds, prudential or stable funds to meet the income needs, but you will need to apply some time to understand which mutual, unit trust or collective investment scheme funds, you want in your mix and then balance them to reflect your own portfolio needs. The average returns should not be over exaggerated in any event on your investment returns. Look at the 5 year figures on the funds you wish to include in your portfolio and use them. For example if one fund gives a 12% return and the second fund 3%, you will not get a full 15% return on funds, as the amounts invested in the funds will be different. We call this weighting. Remember too, this reported return may not factor in the costs of the investment, so your return may be less. Any investment that return 3 % with 1% costs means the investor earns 2%.

Be aware there will be monthly, quarterly, and annual volatility, even times where your investments were worth less than they were the year before. This is why you have a portion of the portfolio in cash, so you do not need to sell shares when the market is poor. If the portfolio underperforms its target return for an extended period of time, you would need to begin withdrawing less.

If you have excess income when you retire, try not to spend it- this may be put into a risk-free retirement asset such as a retirement annuity or private pension fund, if the tax system of the country allows that. This will lower the tax payable and increase the income stream for later years.

Portfolio managers recommend we adjust equities to between 50 to 65% of the total portfolio into a variety of equity investments. The balance of the portfolio goes into investments which includes bonds. This can be around 25% to 35% of our investment. We should ensure we have at least 5-15% in cash, such as money markets, income funds and bank accounts or other cash equivalents. Different asset classes perform differently at varying stages of economic cycles, and through blending different types of assets, you will be able to “smooth out” some of the volatility or the unevenness of returns. Annually look at the portfolio and sell high performing items to bolster the required amounts to keep the balance of assets, in the portfolio, a good time to do this is in May in countries with summer holidays.

Joan’s advice.
When we retired we were given so much advice. Most of it was to approach advisors from tied agencies.

I was not very clued up on retirement investments, so I followed that advice. It was the worst thing I could have done.

The gentleman we appointed was highly recommended and had all the product knowledge and none of the actual knowledge on retirement. He chased commission rather than service. The advisor has cost us over a million in costs, to unravel the mess he put us in.

My advice to retirees is do your research on the advisor. Ask for at least two or three personal clients who have been retired for at least 10 years and speak to them. This advice is especially important if you are going to enter into a fixed annuity, with no way of cancelling it down the line. Check your costs, and remember no one looks after you better than you in the long run. The advisor is in it to make his or her living, not to make yours.

2nd retirement period

The next period of retirement sees the person slowing down. This is the time where we need to insure we create a long-term care plan with the family, in case of frail care being required. We may need to look at moving from the family home to a smaller place (downsizing) if this has not been already done.

People who are part of the multigenerational workforce, will normally stop working at this point. For those who bought their new car at retirement, another new car may be needed, but instead of a new car for both spouses, there may only be one car needed in the family.

The drop in spending normally comprises of insurance premiums (as life insurance, disability insurance becomes less necessary and home contents insurance reduces), transportation (as the household consolidates to 1 or even 0 cars), housing (as spending on new furniture and other household goods slows down), and clothing – while health spend rises.

This is a decade where those who have retired still may be active but they become less active, as health and energy begin to decline. Discretionary spending tapers off, but health expenditure starts to increase. Now we start to keep abreast of healthcare trends and often join organisations for problems we now have to live with permanently. Arthritis foundation is one such organisation. The implication of long term and frail care starts to rear its ugly head and the desire to downsize and simplify, is prevalent at this time of life if we have not already done so earlier.

3rd decade

Our 3rd decade sees most people losing friends and finding life that bit harder. Transitions now will definitely need to be made and as we enter the late 80 and 90s, we become less able to cope with change, noise and want some quiet time.

> When my Mom fell and broke her hip at age 82, she recovered well, but now doesn't want to travel or eat out as much. She also is no longer keen on spa days, although she loves getting her hair and nails done still.
>
> We found that she took up knitting instead of playing sport with some interesting knitwear coming out. Baby will be around 10 years of age before he fits into the hat she made him!
>
> Her spending habits have definitely changed, she spends far more on items such as over the counter health care, but less on entertainment and beauty products. She also has changed her eating habits as indigestion plays a role in her eating now. She eats far less than before.

In our 3rd decade, healthcare spend increases often to over 20% of the retiree income. In some cases discretionary spending stops, replaced by the need for rising healthcare expenses.

The portfolio should be increasing short term cash reserves from 15% to 30 % as we age and increasing our fixed income portions to between 35% to 50%. The balance should still be in equities including property.

Long-term care expense becomes an issue on the horizon, as certain tasks become difficult and the mind may be less active. The cost of long-term care not only includes direct costs but also indirect costs, which will include the family and decisions will need to be made. Financial caretaking or healthcare and medical decision making becomes the criteria that have importance in this decade.

Insurance in your retirement plan

Protecting your assets is another way we need to look at making the money last. While it may seem an expense, insurance is the one safety net you need when your house catches alight or you have a car accident with a brand new Ferrari and you are responsible. Worse still if you kill someone then the family can sue you in a civil claim.

> Steve drove his pride and joy- an aging Landrover Discovery. Now as everyone knows these things may not go fast but they certainly do not stop on a whim either. Landrovers are vehicles to be reckoned with.
>
> Steve had no insurance on the car as it was old and he felt he could do without the cost.
> On his way out to a farm where he wished to do some game viewing, he was blocked by a traffic jam. Watching the car behind him, meant Steve did not stop in time and pushed more than hit the car in front. It was a brand new Audi.
>
> Although both cars were drivable, the rear of the Audi showed some damage. The Landrover, lived up to its tough name as not a thing was damaged.
>
> Steve was not worried until he was sued for 60 000 for damages. The case is still on-going as Steve has not got such money and the insurance house is not letting up.

As a person over 55 years often you can get insurance that is cheaper if you shop around. Senior insurance discounts are because we are considered lower risk for car accidents and home problems. Certain insurances are more important than others and you should be concerned about car cover.

Car cover will cover you for your own vehicle and others (fully comprehensive cover, or for the accident damage to the other vehicle alone (third party fire and theft). Always get quotes for both situations as often the monthly cost difference is minimal for increased coverage.

Car cover is normally cheaper when bundled with home cover. If you believe you won't be robbed, then just cover house contents just for fire, storm or flood damage and acts of God.

Personal insurance is also important, ensure you have Home loan life cover, if you still have a home loan or if you have invested in rental properties to bulk out the pension. If you still have a standard life insurance policies, money is paid to a beneficiary and this can be the home loan company. It may, therefore, not be worth spending money on further home loan life cover.

If you have the money and there is no national health systems, then definitely get some health or additional health cover. Dread disease cover for illnesses like cancer is seen as important for most people. The chance of dis-orders such as cancer increase with age. Cancer is a growing disease and it is obvious that treatment like chemotherapy is expensive. Depending on your health cover, you may need dental, gap or hospital insurance cover to protect you against unexpected expenses, particularly for in hospitals. Check with your insurer or financial planner what cover is necessary if you are not certain. Funeral insurance is also a good idea to have. It is normally available relatively cheaply if you buy young. Just check the upper age limits, many policies do not cover after 75 years of age.

If you travel, accidents and ill health happen, it may be wise to take out travel insurance. Before taking out travel insurance, examine the health and life policies you have, to find out how accidents and injuries during your travels or missed flights are covered. Life insurance policies usually cover the insured, in the event of a fatality while traveling. Personal accident cover may be included in your home cover and make sure your luggage cover is sufficient. Limited travel protection is also sometimes available if you are using your credit card for booking your travel, so check with your bank and travel agent.

Chapter 18: Shop right

Savings and cutting costs are crucial to most retirees and fortunately many businesses have recognised this with discounts and special offers for the pensioner.

Pensioners often find that while money is tight time is not and many start to enjoy shopping. Today with both parents working often on-line shopping is a boon, but there are times when a person enjoys getting the items they want and often the pensioner can perform a shopping service.

> Tsheke has started a business where she buys at stores who give her discounts. She has created a circle in which she buys for her family and neighbours who are working as well. They pay her a small fee for the shop, this fee, coupled with what she saves a means she is able to survive on her pension and look after her grandchildren. The parents send money sporadically for the children, so she is grateful she has this option as otherwise her pension would not feed them all.
>
> Tsheke says her best investment was buying a small truck and getting her driver's licence since this has managed to help her in what would be a very miserable retirement.

Using discounts in South Africa

It is great to see businesses who give discounts and this section is all about saving. The best way is to go around your local shops and find out what savings they offer. Often identification and a pensioner card may be required to prove you are really that old.

Often municipalities will give pensioner rates for properties although this is normally means tested.

Since I am South African I found out about some (not all) of our nation-wide offers, hopefully this will give you ideas, if you are not in South Africa of what to ask for.

A South African site that negotiates discounts is https://youve-earned-it.co.za/

Day	Business or Shop
Monday	None found
Tuesday	Food Lovers Market. Ask your local store about how to qualify. Makro: you have to apply for a pensioner's card and remind them to give you the discounts. 10% off on general goods and 5% off on food items. No discounts on liquor. Tiger Wheel & Tyre – In-store discounts on tyres / selected products and services for customers. The Cape Wheel, located at the V&A Waterfront, offers pensioners a discounted rate on tickets Pensioners pay only R75 from 10 am until 6 pm (weather permitting). South African citizens over 60 can enter Kirstenbosch Botanical Gardens for free.
Wednesday	Builders warehouse: 10% This excludes services and sale Doppio Zero:10% discount to pensioners from 7am to 6pm at the following Gauteng based restaurants: Belair, Mall of the South, Clearwater Mall and Bassonia The Banyard Theatre: discount for their Wednesday shows Clicks – Pensioners can earn double points on the second Wednesday of the month on their exclusive "Double Points Days". On these days you get an additional ClubCard Point for every point that you earn. Items Dischem has a 60 Plus Programme for senior citizens over the age of 60. The benefits include Double points on all items purchased in-store every Wednesday, one free blood pressure test a month, discounts on selected salon treatments and invitations to exclusive 60 Plus tea parties Game Stores: Apply for a Game Pensioners Card at the customer service desk : 10% discount on purchases of up to R3000 Mowana Spa 15% discount all regular priced Mowana Spa Single Treatments and Beauty@Mowana Treatments 10% discount on all regular priced Mowana Spa Retail Products Royal Orchid Thai Spa has a special for pensioners every Wednesday called "The Golden Years Discount." The Cape Wheel, located at the V&A Waterfront, offers pensioners a discounted rate on tickets Pensioners pay only R75 from 10 am until 6 pm (weather permitting). Two oceans Aquarium: R45 discount on your admission ticket
Thursday	Mowana Spa 15% discount all regular priced Mowana Spa Single Treatments and Beauty@Mowana Treatments 10% discount on all regular priced Mowana Spa Retail Products
Friday	None found
Saturday	None found
Sunday	The Banyard Theatre: half-price shows to over 60's every Sunday afternoon at Cresta, Emperors Palace, Silverstar & Gold Reef City theatres.

Longevity means the older person in some economies are responsible for millions jobs and contribute huge amounts to the Government as a result of wages and salaries. The over 50s spend more than other age groups as they are spending on their own children, grandchildren and their parents.

Yet few businesses try to get their attention. Business that are of value to older persons, include mobile health, telemedicine, regenerative medicine, anti-aging market, sensor based tracking systems for aged and Alzheimer's patients. The older person wants ergonomic designs to make them comfortable, cars that are easy to enter and exit as well as structures they can use with mobility aids.

Fortunately the picture is changing and certain shops and businesses offer discounts to the elderly.

Age related rebates	Business
55+	Hertz's 'A group' fleet. Rates include theft and damage waivers, airport surcharge, VAT, tourism levy and 200 kilometres free per day.
60 +	AA (Automobile Association) –discount for an annual AA Membership on the AA Alliance option. This includes three call-outs per membership year. Bertha's Restaurant Quayside Centre, 1 Wharf Road, Simonstown: senior menu City sightseeing: 50% discount; Cape Town and Johannesburg CapeNature: 30% off all self-catering and camping facilities. Car, Getaway magazine and Leisure Wheels magazine: 30% discount on an annual subscription of 12 issues. Cape Metrorail : Tuesdays 09h00 and 14h00 Free train rides Cradle of Humankind: discounted ticket Diemersfontein Wine and Country Estate in Wellington in the Western Cape: 15% pensioners discount available on a midweek stay subject to availability Eyesave : Western Cape: free eye test Golden Arrow Buses have a discounted pensioner's clipcard, available to passengers over 60 years of age and is valid for 10 rides. This clipcard must be used within 60 days of purchase date and can only be used between 08:00 and 16:00 on weekdays and all day on weekends and public holidays. Greyhound : 15% discount on off peak periods. MediRite: a free wellness screening on the first Wednesday of every month Metrobus: Johannesburg, Gauteng: Pensioners use a black Metrobus tag, which is valid for a year. They receive a 50 per cent discount on their bus trips. The minimum amount on the stored value tag is R50, and the maximum is R500.00. Montagu Fruit and Nuts Location: National Montagu stores nationwide offer a 5 to 10% discount to senior customers. Movies@ Montecasino: Pensioner discount available on the purchase of tickets everyday of the week Mango flights 10% discount for Tuesday, Wednesday and Saturday. Numetro Cinemas also offer pensioner discounts on every day of the week except for Wednesdays, as Wowza Wednesday Special applies which costs even less than senior prices. Pick n Pay have various pensioner policies which vary by store. Intercape: 15% discount Intercity Xpress: 5% discount on tickets Orion hotel group:40% discount on B&B rates. Sanparks: discounts for only certain months of the year and excludes Fridays, Saturdays and long weekends. Shosholoza Meyl rail service: a 25% discount on Tourist Class only Ster Kinekor –a 50% discount for all movies at Ster Kinekor on weekdays and weekends, up to and including the 5.30pm shows.(you need to join the club) The V&A Waterfront free parking 09h00 and 12h00. from Monday to Friday The Willows Holiday Resort & Conference Centre in Eastern Cape offer Pensioners a 10% discount on accommodation units and a 50% discount on camping sites. Torga Optical offers free eye testing and discounts on frames and lenses Weighless (ladies only) 18% discount World of Birds: Cape Town, Western Cape: 62% discount on entry fees for pensioners.

63+	Tsogo Sun Hotels, Southern Sun hotels and resorts, a 50% discount to those who are over the age of 63 on the Best Available Rate of the day, subject to availability.
65+	Spur Steak Ranches will give a Senior's Menu,
70 years	SABC: If you are over 70 years of age, you can apply for a rebate on your TV licence. People under 70 who are eligible for a government pension or disability grant are also able to apply.

The rule of the retiree is: Always ask the business you use if there is a senior discount.

Cashless bartering

For many pensioners they enjoy gardening and can return a beautiful crop of fresh produce which others will buy. Either swop for a different produce or ask the person to pay you in other items. People do this in order to get financial advice and accounting services and one person even pays for their chiropractic treatments in sewing items that are needed for the practice. The pensioner has skills which have value, but may not want cash, rather preferring to have a service or swop. In researching this book, I found people giving massages in return for fresh produce. Nail care for haircuts and project management on building sites for holidays in a person's home by the sea.

We have a wonderful swop going here in which I make tinctures and salves in return for bottles of pure alcohol in our Worthog brewers group. As I am a trained herbalist, this means the b person with the still gets a product which they want and I get the means to make it. Since I know the source I know the alcohol spirit is pure and I can measure the efficiency. Additionally the person giving me the alcohol uses the product so they have an interest in the quality.

Chapter 19: Housing

Traditionally, care for older adults has been the responsibility of family members and was provided within the family, but the picture has changed and in many countries the children won't or can't assist.

It must be stressed that most retirement communities are privately owned and operated, representing a shift from a 'care as service' to 'care as business' model. Retirees moving to such communities cannot expect to live based on means tests and state grants, should their circumstances change, they will become homeless. In some countries the children will be expected to assist their parents. The children may be taken to court and sued for the debt their parents incur, should they fail in this duty of care.

Retirement is a massive life changing event.

Before you make a major change like selling your house and moving to the other side of the world, remember, by retiring, you are already involved in one major life change. So, try not to do everything at once. Many people find the word retirement to be in some way offensive and will not buy a property in an estate with the word retirement in it. This is a reason why developers will often use the words, mature estate, or senior living as opposed to the term retirement.

In purchasing a house for retirement-a legal minefield exists, as there are about 20 pieces of legislation in South Africa alone that apply to the elderly. When you buy property in South Africa, you'll typically need to pay transfer duty plus a registration fee and conveyancing fee.

The UK is different with most advanced and transparent deeds registry systems in the world. In UK, it is only at the point of the formal exchange of contracts that the sale become a binding legal agreement.

You can buy into a sectional title, or you can buy a life right, or have outright ownership of a retirement property. The legal implications and rights on the property will be slightly different for each and every country and situation. All property transactions, throughout the world, have certain legalities that must be observed.

Common to all countries is that the purchase agreement (or referred to as the sale agreement) must be in writing and signed by all parties concerned (the purchaser and the seller).

The seller, or the purchaser, can be represented by an agent. There must be proper authorisation for the agent. If the seller is an agent, they must be a company, close corporation or trust, or have a special power of attorney that complies with the requirements.

The purchaser normally chooses the language of the agreement.

The contract must contain certain information.

If the seller is a developer, the contract must be clear on who the parties to the agreement are. The purchaser and seller must be identified by setting out their full names, identity numbers or registration details and addresses. The seller must set out in the agreement whether he/she is the owner of the land, or if there is another reason that will make him/her entitled to sell the life right in the Retirement Village.

What the purchaser is buying must be clearly described in the agreement. The contract must clearly describe the land concerned with an erf number as well as any applicable unit number. The document must contain precise description as to the legal grounds on which the life right is sold. In other words the period of that will apply to the life right detailed.

Raising money for a retirement property

The retiree may have money from the pension funds or use savings which can be used for the retirement property. Unfortunately most pensioners will need the equity in their existing property to buy such a property. Banks may loan senior citizens money dependant on income and the ability to pay the loan back.

Some banks provide senior citizens with a covering bond. In a covering bond the prospective purchaser will put up their existing property as security for the loan. If your bank allows this then you can buy off- plan and remain in the existing property until the new property is built. Once you sell their existing property, you will have to pay off the loan.

Question and question some more

Before purchasing any property in a retirement village ask questions. If the developer does not have any track record in developing retirement villages, you should be nervous. Ask for information, including audited financial statements, about the developer and ensure a well-known bank is involved as they should do due diligence. If it is a well-known company involved, that has developed many retirement villages, this should instil some confidence, but still ask for the financials. Ensure the developer has the financial resources and the experience to develop the village, and whether it can deliver on what has been promised.

> Helderberg Village in Cape Town South Africa, was originally sold on a shareblock basis.
>
> After building 300 of the 500 planned units, the developer ran into financial difficulty and could not complete the promised facilities. Residents raised funds to pay for these facilities, and a new developer bought the right to build further units.

Check list when looking for a retirement home

- Consider your future requirements carefully;
- Compare a number of developments or estates, their facilities and costs;
- Request and read all relevant information pertaining to your chosen development and ask questions where necessary;
- Inspect the facilities;
- Talk to existing staff and residents;
- Check on the developer's track records and reputation;
- Enquire about levy increases and special levies; and
- Seek advice from a certified financial planner and a real estate professional if necessary.

Before signing ensure you understand the rules of the development and make sure it is zoned as a retirement village (not a security village) and the constitution of the managing body reflects that the housing scheme is a retirement village.

The rules may include age, visitor and pet restrictions. There may be noise regulations and alteration stipulations.

> In South Africa if a retirement village includes a frail-care facility, it has to be registered with the Department of Social Development and will be subject to the Older Persons Act of 2006.

Be aware that it is very difficult to compare the value of retirement villages due to the fact there are so many different factors.

Purchasing a life right in a Retirement Village

Internationally the term, a life right, means you and possibly your spouse will be able to live in the property until you die. This model is also known as the 'Life Time Lease' model, while in Europe, the 'Apartments for Life' and the USA 'Life Plan' model. Life rights gives you assurance you will have a roof over your head providing you can meet the conditions in the contract. The developer carries the responsibility of management, maintenance and upkeep of the property. There is no purchase of real estate but a purchase of the right to live in a specific unit, providing you can pay the levies. Life rights will pay no transfer duty or registration fees as ownership of the unit is retained by the development and is not transferred to the individual as with sectional title. The property itself does not become an asset in the purchaser's estate and therefore cannot be bequeathed to an heir.

The legislation that applies in South Africa is the Housing Development Schemes for Retired Persons Act 65 of 1988 and section 6 of the Act, a states that a developer may not receive any monies from the sale of a life right in a Retirement Village, unless an architect or a quantity surveyor has issued a certificate, which states that the housing development scheme concerned has been erected in accordance with any applicable officially approved building plans, town-planning scheme and applicable local authority by-laws. The certificate must state that the buildings are sufficiently completed for the purposes of utilization of the life right concerned. The contract must contain a clause that a copy of this Section 6(1) certificate was furnished to the purchaser.

Make sure you find out whether the life right is registerable, as well as a statement as to whether the Title Deed of the land has been endorsed. The Title Deeds of the property of which you are purchasing a life right of, should have been endorsed in the Deed's office on the Title Deed of the property.

The Title deed endorsement should note that the property Is subject to a housing development scheme. The Registrar will put a stamp with notes on the original Title Deed, in terms of the Endorsement of Title Deeds Act of 1990. If the developer fails to endorse the Title Deed and proceeds to sell the life right, he can commits and offence and can be fined R 20 000 or even go to jail for 5 years.

The Act states that the amount of the purchase price ("consideration") must be set out in the agreement plus what the percentage interest is, if any, that will be levied on the purchase price if it is paid off. If the amount is to be paid in instalments, the amount of each instalment must be stated, as well as the dates on which payments must be made. No transfer fees or VAT is involved in the purchase.

Costs for communal services and facilities are shared and levies must be calculated two years in advance and made known to the purchaser.

You must be 50 years plus to be able to buy a life right in a Retirement Village. You will pay a purchase price and in return obtain the right to occupy the property subject to various conditions, for the rest of your life. The home owner's association or the body corporate will be able to also charge a levy on top of the purchase price. The purchase price can be paid in one amount by the purchaser, or it can be paid off – it will depend on the developer, or seller. Be sure that you read the clause on limitations and rules that may exist that may apply to the life right in an agreement of purchasing a life right in a Retirement Village with extreme caution. Ask yourself if you understand exactly what you are buying, what the life right means, what your rights will be in terms of the life right, what you can and cannot do with the property.

If the seller is not the owner of the land but the owner of the life right itself, the seller must state in the contract who the owner of the land is, and also give the details of the owner and give a statement in the agreement as to where the purchaser, or any interested party can find a document which confirms that the seller has a right to sell the property. The right will be given in an endorsed Title Deed, or a copy of the agreement when the life right in the Retirement Village was originally purchased.

If any services are to be rendered in the Retirement Village where a purchaser is buying a life right, the contract must contain a statement setting out where the services will be delivered, when it will be delivered as well as what the rights and obligations of the purchaser are with regards to those services.

Services to look at would include:

- primary healthcare;
- home-based care;
- recuperative care;
- frail and dementia care; and
- palliative care.

We will look at these items in greater detail in our chapter on health and affordability.

In this type of purchase we find the following risks:

- Investment risks
- Liquidity risk
- Service risk

Investment risks

A Life Right is not a property investment and will not provide a financial return on investment. Upon resale of the unit, the outgoing resident (or their deceased estate) receives a percentage of the market-related resale price. The exact percentage will differ between each development but will be in relation to the number of years the resident occupied the unit. Should you die within a year of being in the life right agreement, monies will be lost in the estate.

You will need the money upfront as banks are not keen to grant finance on a life rights property because of lack of security.

A positive in life rights, is a lack of transfer fees, VAT payments and the potential of Capital Gains Tax when a unit is sold on. If legacy capital is not a primary concern, then an investment in a life rights property is a safe and secure way of ensuring you are looked after.

Liquidity risk

You may not be able to sell the interest in the life right to another party, keeping your money tied up in a place where you no longer wish to be.

Deidre and Hans, moved down to the coast, when Hans was retired. The estate was a church estate where Han's mother had lived. Deidre was a housewife with her single daughter staying close by. Hans moved down to fix up the apartment they would stay in, modernising it. Deidre refused to go down and leave her daughter. When their home was sold, she moved in with the daughter in a flat. After a fall out, she moved into another flat. Hans finally refused to pay for these flats and Deidre reluctantly moved to the coast with him.

Deidre hated the community and the snakes. Hans was bitten by a snake and the couple moved back to the town in which their daughter lived. They could not afford to give up the life right, and decided they would keep it, but remain in-land for three months and at the coast for a month.

Hans at this time had a fall and became increasingly frail. He was found to have prostate cancer. Sickly and in pain, the two had placed their hope in their child, who was now involved in a relationship, in which the new boyfriend, did not wish the parents to play a part. The boyfriend convinced the daughter to move to another country for business success. Hans and Deidre now had to sell the daughter's flat in which they were living, as the daughter required the money.

The couple decided to go back to the coast and try again, as funds were running low. Hans was now a shadow of his former self and was not expected to survive much longer. As a result Deidre made a concerted effort to start a life anew. The couple have now made friends and are far more settled in their coastal home. Deidre enjoys the beach and knows it will be better for her to live in the estate, when Hans passes on. She has accepted her daughter will probably not return to the country.

Service risk

The most important advantage of a life rights scheme is the administration and management of the retirement village. The amount retained by the development on a person dying with a life right is usually used to subsidise the number of facilities provided by a retirement village. In practice, if there is a good turnover in the estate, then this stabilises the monthly levy and removes the risk of inflation and drastic increases in levy which could be of great concern to a retired person with a limited income. Unfortunately with people living longer this has become an issue. The result is that monthly fees may increase at higher than inflationary increases and this will constitute a debt to the pensioner.

It is advisable to invest in larger retirement life care centres that benefit from economies of scale. This makes it comparatively cheaper to provide security, healthcare, garden maintenance, catering and cleaning.

There are other ways to purchase retirement care, however these methods do not give a life right to the property. We now will look at sectional title, outright ownership and share ownership as alternatives to a life right purchase.

Sectional Title

Sectional title varies between countries. Essentially sectional title is where you buy part of the property jointly with other owners of the building or property. There is ownership of the property and a sharing of the costs. The sectional title owners will be able to sue for recovery of costs should one sectional title owner be unable to pay.

The devil is in the detail of the ownerships can be seen by the following example:

In South Africa, a sectional title means that an individual owns a unit within a communal building and a portion of the communal areas. All common property is owned by all of the owners in the scheme, in undivided shares, based on the owner's participation quota, and is for the use and benefit of all members of a scheme. An example would include a pool area or a communal garden or the driveway. The rights of use of common property areas can, however, be limited in terms of the rules of the scheme.

A sectional title levy will be given to the entire building or property divided by the sectional title owners on a pro rata basis. In both South Africa and the USA when you purchase a property in a sectional title scheme, you will automatically, by operation of the law, become a member of the body corporate. You will automatically be bound by the rules of the body corporate, whether you were given a copy of them before you purchased/became the owner, or not and regardless of whether you agreed to them or not. The body corporate might be mandated, by the members of the scheme, to appoint a managing agent, who has the expertise to manage the scheme and provide the majority of the services needed for the day-to-day management of the sectional title scheme.

In the UK, where an individual owns a flat or apartment within a complex, the freeholder (who owns the ground the building is built upon) retains ownership of the communal areas. The freeholder installs a management company and the leaseholder is bound to pay for these via a service charge. In the UK, leaseholders are protected by the Leasehold Tribunal, which sets the maximum leaseholders can be charged for services.

In South Africa there is a difference between a housing scheme for retired persons and a development which is a Sectional Title scheme in terms of the Section Title Act, Act 95 of 1986. If there is a bond on the property, the seller must give clear details of who the bond holder is, what the name, address, registration details and amount of the bond are.

Sectional title represents a real asset in the estate. The sectional title interest can be sold, or leased according to the body corporate rules. A sectional title purchase offers no lifetime guarantee. If older residents outlive their pensions, they might find themselves in a position where they are forced to sell up and move. A sectional title purchase in a retirement complex, with frail-care facilities is the best way to own property under this scheme for the pensioner. Some financial institutions offer what are known as reverse mortgages, which enable pensioners to unlock the cash value of their properties in the sectional title scheme, to cover monthly costs. Repayment can be delayed until you die and the property is sold.

Sectional title investment carries similar risk to outright home ownership, and additional risk in the management of the sectional title scheme itself. Sectional title residents are also liable for all costs relating to maintenance, insurance, and security – costs which are not applicable in life rights developments.

Share block

If a building is bought in the name of a company, then often shares are sold to enable the owner of the shares, or their appointees, the right to live in the building. A sale agreement is still a requirement for the valid sale of a share block unit. This type of investment will normally have to be done on a cash basis. Banks dislike financing share block schemes. Management rules are normally drawn up and a shareholder levy is required for maintenance and other costs.

In South Africa, transfer duty is still payable on the purchase price to the Receiver of Revenue, for both natural persons and legal entities in such a scheme. A share block transfer is however not registered in the Deeds Registry. The Share Block Control Act 59 of 1980 regulates the operation of a share block scheme. The shares are property in the estate.

Outright property ownership

The least common method in specialised retirement housing is outright ownership.

If you are the sole owner of the property, or own it in conjunction with a child, spouse or other partner, then you have straightforward property ownership, where you are registered as the owner of the property.

Owning a property means you have costs to own that property, these may include conveyancing, municipal, insurance and maintenance costs. On death, the property is an asset in the estate. The property is able to be used for home equity release loan, or reverse mortgage loan. Such a loan is extended as a lump sum or multiple payments to borrowers who are over the age of 65, in terms of which residential property is offered as security for the loan which is not ordinarily repayable for the lifetime of the borrower. In the event of the proceeds on the sale of the property being in excess of the value of the loan, either the estate or the owner of the property will receive this amount. The reverse is also true, where the estate or the owner of the property will have to pay in to the bank any excess amount, not met by the sale of the property.

You can also buy a property in the name of a legal entity such as a company or a trust- however there are certain requirements on the sale of the property, such as taxes, that may be more excessive than buying in your own name as a natural person.

Ownership of any property will be subject to location risk, where the area downgrades to an extent that the property becomes unsalable, or the market does not support the intrinsic value of the property. It also will tie up capital.

The state sponsored facilities

In general, most retirement village operators are run for profit, but there are some charitable organisations. Most countries have some form of old age homes, for those who cannot afford other living arrangements.

In some countries, people who have minimal savings or other asset, are provided with care either in their own home (from visiting carers) or by moving to a residential care home or nursing home We found these are often, if not run by the state, have a religious group affiliation. The Methodist church for example, have such homes.

For pure state run facilities, social welfare, or local municipality offices is normally the first step to approach for this need. You have to contact the relevant department of a social development office, to find a residential unit or care giver and have a means test, to be considered.

The criteria for residential homes and frail care beds, is strictly monitored and often in short supply. Most countries have waiting lists. Many states will expect a means based contribution to the facility. Normally fairly basic accommodation is provided and often these places tend to carry some form of stigma, often undeserved.

Beatrice was divorced by her husband in South Africa, after they were forcibly removed from their farm in Zimbabwe. The couple were married in Malawi and Beatrice therefore had no rights to the conjugal estate, despite the fact that she had worked hard to build a life, first by washing windows and then by building small businesses, using the pitifully small amount they had managed to get out of Zimbabwe. She was effectively broke with very little funds after the divorce and a strong dislike for living on charity.

Beatrice applied to the municipality for help and was allocated a small one roomed flat, on the third floor of a building in Alberton. Beatrice was able to receive a small pension and her daughter contributed what she could to her living expenses. Beatrice would refuse money, so her daughter bought her groceries which she would share with those less fortunate. Her granddaughter also helped with making sure she had good quality appliances, contributing to her healthcare and ensuring she had a reliable car. Friends helped with arranging trips away for her from the complex, allowing her an active social life, despite her reduced circumstances.

Although little care was given by the authorities to the residents, Beatrice became extremely active in running the building and was able to live happily in the complex until her death.

She considered herself lucky, as among those she helped she found tremendous hardship. She asked us to include what she found as she wanted to let people know.

- One woman had her possessions stolen by her drug using son and was beaten badly by him.
- Many of the occupants had no access to food once they had paid the small fee for the living quarters.

- Tremendous loneliness as many children forgot their parents.

Beatrice found the saddest story was when one Christmas day she tried to take those who had no family to her daughter's house for Christmas lunch. Most the old ladies refused to go as they were scared they would miss their children's calls. They sat by the phone the whole day. Most of them had no food in their house to eat and yet they still believed a phone call would come from that son or daughter.

Beatrice said having money would have been nice, but having love was far nicer.

The Gypsy life

The eternal hunt for summer, was introduced to us by pensioners in the USA and Canada. In North America the term used is Snow bird for these people. Pensioners relish the freedom to follow their interests, which include birdspoting, boating, water sports, kayaking, horse racing, shopping, and golf. Some people hire or buy homes in these warmer climes but there are those who have to reduce their expectations.

As a result there are many pensioners who decide to rent out or sell their homes for extra income and take to their mobile home for living.

Life in a mobile home is simplified, diets change and the lack of stress and increase in exercise, adds years to one's life. Children and grandchildren are able to visit and holiday with the parents in certain areas.

Fortunately this is a way of life that can be done fairly cheaply, as many mobile home, caravan and camping parks actively encourage the occupation of otherwise empty stands, especially out of season. In high seasons this way of life becomes less easy.

Campsites vary in price but this pricing also depends on what you like. Most parks will want you to stay at least a month, to qualify for special pensioner rates. That means every month you could have new places to see, people to meet and the joy of living in nature. Many mobile homes or caravans are equipped with a full kitchen and shower. On hand ablutions make life easier. If the mobile home does not have such ablutions, life will mean shared ablutions and a prolonged exposure to showers with cold walks in winter or in rain.

The benefits of a gypsy life are:

- Freedom to pick up and move or travel anytime;
- No room for clutter;
- Inexpensive; and
- New people to meet.

The drawbacks are:

- Small living quarters;
- Little storage space;
- Need to find campground to park the mobile living quarters;
- May mean leaving family and friends; and
- No health care continuity.

Each country has different aspects to the gypsy life. You should definitely be healthy, fit and experienced campers. You need lightweight, aluminium camp chairs and tables. A reliable tow vehicle is a must and possibly ensure you have Automobile Association coverage. Insurance should be taken out for both caravan and car. Insurance and fuel will be the most expensive item on the monthly budget.

> Johan and Mary have a caravan and love it. The couple have rented out their home and spend nine months out of the year living in it. They have travelled to Namibia, Botswana, as well as throughout South Africa.
>
> Mary says her day begins with a cup of coffee at 6 am while looking at the best views in the world, canyons, game and sometimes the sea.
>
> They hope they can continue this life for the next ten years. Presently they are planning a trip to Malawi.

Unfortunately there are those who are forced into a single trailer or caravan park. Such people may afford only the living quarters and not the vehicle to transport it. When considering the move to such a living quarter consider:

- Some may be a distance from medical facilities;
- Rent prices (for the actual space in the park) have tendency to increase; and
- You may be limited to location as not every area has trailer parks for permanents.

> Tom and Julie were wealthy and successful farmers in Rhodesia and the then Zimbabwe before they were violently chased from their farms. The couple fled for their lives and ended up in South Africa with little resources.
>
> For two years their home was a small car and a tent. Now they hope to be able to afford a caravan. Work opportunities were non –existent due to the couples' age, inability to speak the local language and the race laws placed in South Africa by the ANC regime. There is no happy ending to their story. Politics unfortunately are not kind to those who have to flee dictatorial and brutal regimes such as those found in Zimbabwe under the late Robert and Grace Mugabe.

It can be seen that there is a wide range of living options available to the retiree. However options are increased by the income the pensioners can generate, or the assets they have at retirement. Those who have not got such funds have serious limitations. They are reliant on living conditions as provided by the state or have to make do within their limited resources.

Chapter 20: Health and affordability

Health is a contentious issue in many countries. For the aged it is a serious problem, even in countries with good health care services. In this chapter we will look at the methods of health care and do a shallow dive into what health care will mean to us as we age. We will look at this subject in much more detail in our series on health, where we will look at common problems and the different modalities we can use for them. In that series we will also be getting health care professionals such as Doctors, physiotherapists, dieticians, biokineticests, and chiropractors to give us health tips. However in this chapter, we have to understand the nuts and bolts of health care. Health care will be one of our major cost and concerns. If we decide to move, health must be foremost in our minds as we age.

Sally was offered a job in Australia, in her capacity as a software specialist. The salary was $160 000. Before committing to what looked like a generous offer, Sally did her maths.

The Australian Medicare system provides free or subsidised medical treatment for all permanent residents. Anyone living or working in Australia (even temporarily) who isn't eligible for Medicare treatment should have private health insurance. Health insurers offer two basic types of insurance: hospital and ancillary. Hospital cover contributes to the cost of in-hospital treatment and accommodation as a private patient, in a private or public hospital, while ancillary cover contributes to the cost of out-patient medical services that aren't covered by Medicare, such as, chiropractic, dental treatment, physiotherapy, and spectacles or contact lenses. Ancillary insurance may also include ambulance cover, home nursing and other services, although there's usually no refund for X-rays or prescriptions. There are payment limits for ancillary cover, both per visit limits and annual limits. A one year waiting period is in place for existing conditions.

Sally has a husband who suffers from a form of muscular dystrophy and Barrets disease. She would have to pay for his treatment as a private patient, since no insurance would cover him that first year. He needed to see a chiropractor and physiotherapist around times a week, or ended up in extreme pain as his muscles continually contract, forcing the bones to move. He needs a cardiologist and a gastro specialist twice a year, plus a physician every three months. His medication needs are substantial. The salary that looked so generous definitely did not stand up to the amounts her husband would need to remain in good health. Sally turned down the job in favour of her existing health policies, which meant she could afford to live well and give her husband the care he needed.

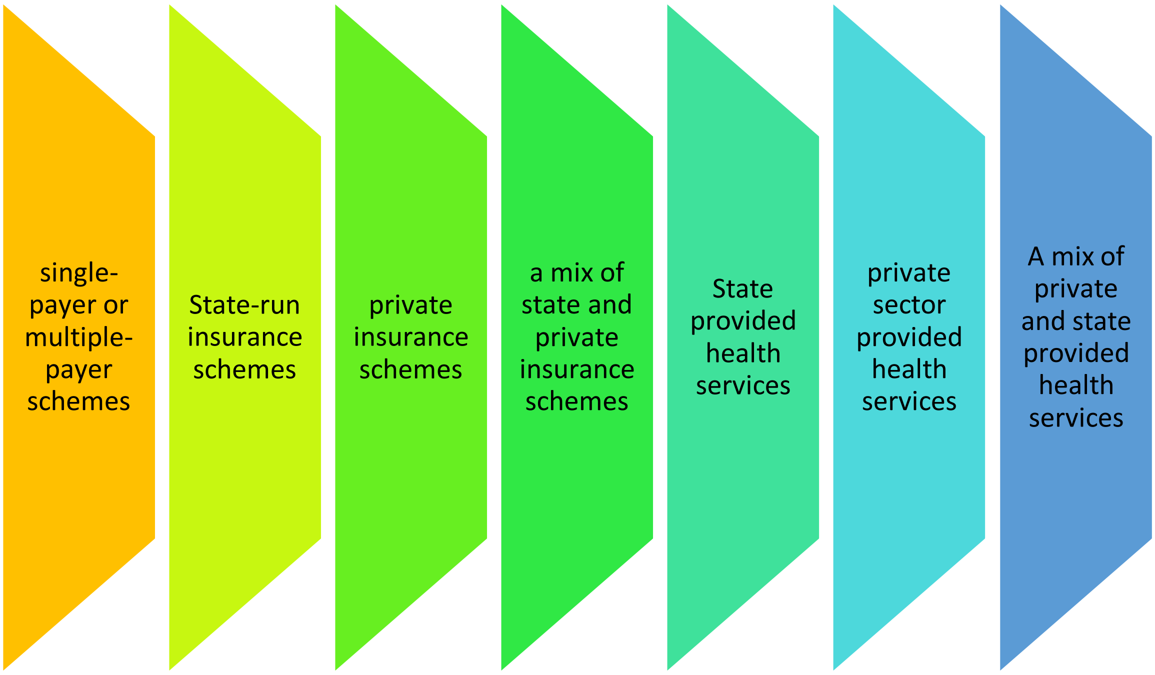
Life would be easier if we had followed the World Health Organisation (WHO) recommendations in every country, while we were young. WHO recommends prepayment financing mechanisms such as health insurance, to protect against financial risk and also to improve access to healthcare[9]. The main strategies for healthcare, are the use of subsidies and sliding scales for premiums. Common prepayment schemes employed are National Health Insurance (NHI) schemes and Social Health Insurance (SHI) schemes.

We may have schemes that are:

- Single-payer or multiple-payer schemes;
- State-run insurance schemes;
- private insurance schemes;
- a mix of state and private insurance schemes;
- State provided health services;

[9] 6 WHO. (2005). Sustainable health financing, universal coverage and social health insurance. 57th World Health Assembly, Ninth plenary meeting, 25 May 2005, Resolution WHA58.33

- private sector provided health services; or
- A mix of private and state provided health services.



Subsidies can be by way of governments paying for indigent populations, in part or in full. This could also be in the form of tax credits. A third option for subsidisation is from donations made by non-governmental organisations for the premiums of the poor.

Countries allow for subsidising premiums and increasing the quality/quantity of services in the health insurance package, as this effectively reduces the real cost of health to households, improving affordability of these services. However, financial sustainability challenges are found in health, due to cost escalation. Other cost factors in health will be influenced by the broadness of the health benefit package, and the proportion of members that are exempt from contributions.

South Africa is trying to put in a mandatory National Health System.

The South African health insurance system has a voluntary private health insurance system, which is quite unique, because you are free to decide to join a medical scheme or leave one. It is not a condition of employment that you must join a medical scheme. Other countries such as the USA, have used health insurance, as a vehicle, to achieve health policy objectives of access to care for a significant proportion of the population. Many countries have made health insurance mandatory. The medical schemes industry in this regard, is quite unique to South Africa, as it is a voluntary membership.

Medical schemes are non-profit organisations governed by the Medical Schemes Act. Schemes have to match premiums and benefits paid to providers or members, over the period of a scheme year. Applicants are guaranteed acceptance, although limited underwriting may be applied.

It is advised to employ a broker for a medical scheme, unless you know the environment. There are onerous responsibilities related to moving a member from one scheme/insurer to another.

Outside the medical scheme environment, we find a number of Health insurance products issued by for-profit (insurance) organisations, who rely on underwriting and actuarial knowledge to predict expected future claims over the long term. They may refuse cover to a person based on the perceived risk of that person.

To cover the expense of medical care, a product is added on to medical schemes by members is gap cover. This covers the gap between what a medical scheme will pay and what the service providers (doctors etc.) will actually charge.

South Africa has a public health system funded by general taxes, for which public sector health facilities are the main health service providers and all South Africans have an entitlement of access to this public health system, regardless of membership to medical aid. This right of medical care has been written into the constitution for all those living in the country. Most the South African and many foreigners use the public health services due to the cost of the voluntary medical aids and private health care. The National Health System will limit that right to public health care to only South Africans and South African permanent residents.

State run institutions though in the country, are not (at time of writing) well managed and long waits are expected by the users of the system. Often there is a lack of medication. Presently the state of cleanliness, access to medical personal and accommodation in certain hospitals has been widely criticised.

Older people are driving the growth and direction of the healthcare industry and healthcare consumption forecasts may be expected continue to grow. The reason for this is that aging carries its own problems.

Direct health risks associated with aging.

- Cognitive aging;
- Long-term care requirements due to general deterioration of the body (e.g. arthritis);
- Accidents;
- Emotional depression;
- Elder mistreatment by society: and
- Frailty.

We need to understand each aspect of aging risk and see if we can minimise the risks.

Cognitive aging

Cognitive abilities are the mental skills you need to carry out to carry out any task from the most simple to the most complex. Cognitive abilities change throughout our lives. It is a normal process of aging and a subject of interest to the medical community. We have been geared to expect certain amount of cognitive decline as a normal part of ageing. Vocabulary will be resilient to brain aging and may even improve with age while conceptual reasoning, memory, and processing speed, decline gradually over time unless we actively use these skills. Some people, will experience a severe deterioration in cognitive skills, leading to dementia and will be unable to cope with ordinary day-to-day tasks. This deterioration will require special care. This slowing of speed of brain processing begins in young adulthood. As an educator I believe it is because we stop learning as we start doing repetitive tasks but not challenging tasks which require us learning new skills.

Cognitive dysfunction needs care. Both the physical and mental care aspects have to be considered. It must be stressed that some people do not show signs of aging as much as others, so this area is complex and certainly you should not think, that you will deteriorate, because you have reached a certain age. There will be many factors that will change the picture. Life style and preventative care being of extreme importance, as is your own attitude to aging.

Pets and grandchildren, have shown themselves to be aids to cognitive health. Certain organisations take animals into old age homes and retirement villages to give the inhabitants the love that a dog or cat can give. If you do want pets, consider an older animal, senior animals often are unwanted, so it seems a good fit for us. If you do have an animal consider their care if you cannot look after them. We have created a trust for our animals, as seven dogs, 30 garra rufa fish and two cats may be a lot for someone to take on.

Long-term care

Long-term care covers a wide range of medical services provided over an extended period of time. Long term care is not a senior situation alone, as it is experienced by the youth as well as the aged. Disorders such as asthma or allergies all need long term care. There are two types of long term care seniors will require; personal care and medical or skilled care.

Personal care is where you will need assistance with the normal activities of daily living and includes the supervision of an individual who is cognitively impaired. This care can be given by less educated individuals, than skilled care will require. Most long-term care isn't medical in nature, but rather personal care, nevertheless the costs can be considerable. Such long term care is normally covered under a countries' social welfare program and not the province of national health programs or medical insurance. Insurance products may be obtained to cover the cost of frail and assisted living costs, but they may be too expensive for the pensioner unless bought when the person is young.

Medical or skilled care will include primary and specialised health care. Such care includes nursing or any category of medical care. A person may need occasional care to daily or even hourly care. Costs can vary considerably for the different medical services.

Although it is tempting to save money by trying to deal with health care costs on your own, it really pays to see the right health care professionals and get your health right for a better quality of life. Try not to skimp on this expense! Most of us will need primary healthcare, so that is where we will start.

Primary healthcare

Primary health can be called essential health or basic health care. Primary health care is for those sneezes and sniffles as well as more serious illness. Primary health care is an approach to health and wellbeing centred on the needs and circumstances of individuals, families and communities. It covers the provision of health services, including diagnosis and treatment of a health condition. Primary health provides support in managing long-term healthcare, including chronic conditions like diabetes, in as far as it is often the first, and sometimes the only contact, of the individual and the health system. A primary health care provider will direct the person to specialist or hospital care, should they believe it is necessary. To illustrate how a primary health care system would work: high blood pressure (hypertension) would be treated by a primary health care point, while cardiac problems would be referred to a secondary specialist in a primary health care system.

Dental care:

Good dental care is a requirement to a healthy old age, but is often not on the national health list of treatments. Even if you have false teeth, the mouth changes and bad fitting dentures can cause immense pain and infections. Implants come loose. An annual dental check-up should be high on your list of to –do things along with the delightful experiences of a prostate gland check-up or pap smear.

Accidents

I have a husband who normally moves like poetry in motion, he is athletic and is just a pleasure to watch, but his hearing is going in one ear due to his injuries received and not treated in the army.

Every so often I notice him fall or move clumsily. Often being off balance is due to our ears, they do take a tremendous beating if we listened to boom- boom music or shot weapons in our misspent youth. Black Sabbath needs to be a lot louder to us as we get older, doesn't it?

Eyesight is a massive problem and can be a reason for accidents too. Get those eyes checked if possible once a year. For those on National Health systems, this is where private insurance may be a good idea.

Teeth and jaws becoming misaligned can also cause balance problems. My daughter, the chiropractor, adjusted my jaw, after I had prolonged toothache which the dentist could not fix. I was a little off balance with it and put this unbalanced feeling down to the throb in my jaw. She did her magic and wow! Suddenly accident prone gran was no longer falling and I felt rejuvenated, until I ate the next toffee at least.

Accidents happen to us all, but when we get to the new middle age they do seem to be more serious. We heal slower and we break quicker. We need to be aware that part of our health costs will involve being pro-active and healthy.

If you do find you are not a flexible as you were, then start yoga or a stretching class. Any movement class such as dancing makes us more flexible and helps with our balance and will stop fall frequencies.

If you can afford a gym or an exercise club then join one for the social and exercise rewards, your health will thank you.

Emotional states

When we retire it is okay to have the occasional off days, but it is not okay to be in a permanent state of hating tomorrow. Depression is real, the treatment is getting out of bed and getting involved in something that makes you realise life is not over. Drugs are not the answer here, but activity is a good replacement. You can change the world, little by little by being involved. Have a look at our section on volunteer work to get some ideas on what to do. Depression for me gets solved by me writing books, or cleaning the house with loud music blaring. You are welcome to copy me.

Elder mistreatment by society

While we dealt with the abuse that family members and carers may inflict on the elderly in chapter 16, here we need to add to it. Thugs seem to be in every society and as we age we are more vulnerable to them. While pulling an arm, with a thug snatching a bag may mean a two day pain for a twenty year old, for us folks, it's a serious injury and months in pain. Being active can help us appear less vulnerable and heal quicker.

Abuse in the health system is another aspect we do not hear much about. It is however very prevalent. My 76 year old doctor has told me how medical professionals will over service elderly people if they have insurance, and underservice those that do not have sufficient funds, or who are on a limited national health system. Over service means you get too many consultations or sent for too many tests. It can also mean you are sent to specialists or operated on when a simpler solution is available.

Diana age 63, lives in a high income area. She is not active, overweight and smokes many cigarettes a day. She started with a problem of urine seepage. To date she has had 8 operations for this situation. Each time the operation is effective for a few months. Her doctor and specialist work in the same building. Both tell her she will need these operations regularly.

Aphiwe age 65, lives in a low income area, she also had urine seepage problems. She uses the public health system. Aphiwe was given exercises and a diet to control the urine problem. Within three weeks she says it went away.

Speaking to a senior physiotherapist and my own gynaecologist, both agree that it would be better for women with this very common problem, to do pelvic floor exercises.

Both agree the operation is an expensive quick fix method that rarely is a permanent solution.

Due to cost restraints on some health systems, older people are subject to a total cost of treatment. If the cost of treatment for an older person exceeds this cost then you will find your health care provider reluctant to undertake further treatment. There are still systems that consider the elderly not good candidates for organ transplantation, dialysis, or advanced surgical procedures. With a heart conditions costing around $80 000, it is easy to see how the costs can mount up with the elderly persons.

In any health care system the elderly are vulnerable, as the elderly do not contribute and are in effect representing a cost carried by the youth of that country. As the numbers of elderly increase, and in some countries out of four people on a public health systems one will be elderly, the youth are becoming more reluctant to pay the higher contributions required, putting strain on the system. Often these people, without private means, will be underserviced. Underserviced means you do not get the correct tests and will be given cheaper medication, without the underlying health condition being correctly investigated.

Certain doctors have told me by prescribing medicines they get to meet their quotas in pharmaceutical sales and will be rewarded with prizes. It definitely is not an honest world out there.

Ethicist Daniel Callahan has argued that expensive medical care be limited for elderly patients in his highly controversial book, "Setting Limits — Medical Goals in an Aging Society[10]." A nurse told me, when treating my mother in the UK, that after age 70 most countries believe the elderly have had a full life, and disorders such as erectile dysfunctions should not be given expensive public treatments.

Doe's had surgery for a blood clot, hip replacement and Gus has had several open heart surgeries. All very, very expensive. Although Doe worked for just a short time after being a stay at home mom, she made sure that when she did retire from her last permanent job that she remained on the medical aid. Doe believes they would not be alive without this care.

Doe suggests at least a hospital plan should be taken out but is happy with her choice of a network plan as it works out cheaper than paying a hospital plan and doctor's consults.

What to do about health service management. Get knowledgeable about your condition. Ask why this drug or that drug is given to you. Tell your health professional you do not want over medication. All medicines will re-act in some way with your body and the other medication. Ask about side effects of any medication given and write it down or record the advice given.

10 Setting Limits — Medical Goals in an Aging Society, Daniel Callahan, ISBN 10: 0878405720, Georgetown University Press, 1995

Be active, not in physically demanding sports, but taking walks, or doing something controlled such as yoga, or light exercise. Activity is an answer for many ailments, as it increases the blood flow and releases feel good chemicals in the brain.

Health expense

The level of specialisation, the disease would need, will affect the cost of the treatment. Few Health systems will support the cost of biological drugs and new treatments due to two reasons. Costs and evidence based treatments. Most diseases have an associated medical protocol described, called an evidence based treatment, and only after substantial tests will that treatment plan be replaced with another evidence based treatment. Health systems will normally pay for the existing evidence based treatment only. A doctor can not deviate from those norms if they wish to be paid.

> Walter Pike has prostate cancer. Although at 71 he is still working actively and is independently wealthy, he is taking part in an experimental study at the Steve Biko hospital in Pretoria.
>
> He had to fight his medical aid to pay for the treatment initially, but after winning that fight, is having the treatment free anyway because he is willing to be a guinea pig.

Do all people need to pay for medical care? Depending on your health system you may need to budget for private health insurance over and above any publicly available treatment. Long waiting times are prevalent in many public health systems and for older people this can be detrimental.

Frailty

With age comes a lack of good health and for the unlucky few frail care or some form of assisted living is required. Alzheimers and senility will also require some form of care. When you become frail there are certain options you can look at:

- home-based care;
- recuperative care;
- frail and dementia care; and
- palliative care.

When an elderly person is no longer able to cope with the demands of everyday life, he or she can apply for assistance from municipally funded home-help services if they are available.

Home-based care:

Being cared for in your own home is definitely first prize. Carers can be appointed to come in or live in, and take care of the person. This is not normally medical care which is required, or it may be very basic medical care such as medicine management. A basic caregiver course is around 8 hours and then there is an exam. Such short trainings mean the normal a care giver is not a trained professional, having basic first aid only. That said, these people are normally dedicated to others. Having home care is not a cheap exercise. In South Africa, rates are around R20 per hour or R160 per day. In the UK most carers earn around 95 sterling per day while the USA is in the ball park of around $12-15 per hour.

Some countries will provide free or subsidised home based care, based on the situation and resources. Home based care can be temporary or terminal care, and costs can increase depending on the level of care required and the skill of the carers. Nursing staff may also do home based visits and even do live in services. Nursing visits may be paid for in a limited form by a medical plan or even the health services of the country. For many elderly people, these nursing visits will keep them in good health and out of hospital. Full time nursing will need the person to go into a home, unless the pockets are very deep.

Recuperative care:

This care type is normally after surgery or an accident and is temporary in nature. Often recuperative care is fully covered under a medical plan. Such care may have home nursing or be in a step down facility. The cost of care will depend on the services required for each situation.

Frail and dementia care:

When a person requires frail care or care for certain dementias, we assume this is terminal care- that means it will continue till death. Dementia can be resolved if it is from pain, however there are dementias which may not ever be resolved, such as Alzheimer’s disease. There are registered organisations that deliver 24 hour care, and they vary considerably in price.

Frail care insurance is available. As financial planners we often recommend such insurance particularly to the children of parents that do not have substantial means to pay for such care. Some countries do have facilities, free or subsidised for these poor souls. For those on the NHS in the UK, funding from the NHS will cover the full cost of your care, if you are deemed to have a healthcare need, whether in your own home, or in a care home. However for most countries, it is difficult for people with dementia to meet the criteria for eligibility, because they are often assessed as having social care needs, rather than healthcare needs. Social care will be means-tested in most countries. In certain cases home based care can be considered as an option, depending on the level of dementias or medical services required.

Palliative care:

Palliative care uses both specialized medical and nursing care for people with chronic conditions. It focuses on providing relief from the symptoms, pain, physical stress, and mental stress at any stage of a chronic or terminal illness. The care will consist of relief not treatment. Palliative care does not equal impending death, but will mean the patient has an expected limited life span. Hospice will fall into this palliative care category. Hospice care, is normally provided to individuals who have been diagnosed with six months or less to live.

Increased need for health expenses.

Older and younger generations often require a support or safety net in health paid for by the working people. The generation that is presently retiring, often has parents that are still alive and children still dependant on them. Conservative estimates put 49% of unpaid family caregivers at over 50. This burden of care can scupper the best laid pension plans, if not considered carefully. In any retirement plan we need to understand the costs of health and understand the requirements of health costs when we start our retirement journey. Health care costs will increase at a cost higher than normal inflation. New developments in health may be expensive, may be effective and may be needed or desired. We accept we will have health costs and at retirement must determine what we will require.

Living wills

Should we not want advanced life-saving care after a heart attack, or a tube feeding you as you wander with the fairies, then we will need to look at a living will or an instruction which the family can give to the medical team, if you are not able to refuse treatment yourself. You may also consider a Power Of Attorney For Health Care. A sample of both a Power Of Attorney For Health Care and a living will from Schedule 3 National Health Act 61 Of 2003 of South Africa is attached.

The guideline for both the living will and Power Of Attorney For Health Care can also be found on our website www.yesterdayspeople.com. Both documents must be done while you are of sound mind.

The living will should be signed and a copy given to your house doctor as well as copies kept by trusted family members. Your country may have certain requirements so it is best to speak to a financial planner about this matter.

ICE on a phone

It is important to ensure your loved ones can be contacted if you are hurt or unable to talk. Keeping an ICE number in your mobile phone memory is important as the emergency services are trained to look for such a number. The ICE acronyms stand for (I)n (C)ase (O)f (D)eath and (I)n (C)ase (O)f (S)ickness. There are other apps such as my SOS which can be used as well.

Health is a fundamental need in retirement. We need to determine what it will cost twenty years into the future as our life span will require it. Without analysing our health needs any retirement plan will be doomed to failure.

There are certain things we ourselves have control of. Activity is one of those needs we have to undertake. Failure to do so will result in ill health or injury.

Chapter 21: Death

Death- can kill you

For many years, this rather painful niche was exploited by the unscrupulous in our society, but legal restrictions have come in to play and it has become fairer to die. In this chapter are some of the questions you need to ask anyone trying to sell you a policy.

Death is a subject that nobody wants to talk about, but death is a part of life. Death can bankrupt a family. For many cultures, a funeral is a vitally important thing. Strictly, you do not, legally, own your own dead body and, therefore, cannot specify what should happen to it. However, it is very rare that the state refuses to allow you to have the funeral and management of your remains as you wish. Either use your living will or your will to make your funeral wishes clear. It is most likely, that your executors and relatives will carry out these wishes out. For some culture, money has to be spent and a loved one has to be sent off in style. This has spawned a major funeral policy business. For many people a funeral policy very good way to save money for what can be a very expensive undertaking.

Here is what various policies have to offer.

- The cost of burial or cremation;
- The cost of a headstone;
- The cost of transport of mortal remains;
- The funeral costs; and
- Monthly amounts for those left behind;

Look at any funeral policies, and decide who needs to claim the benefits and arrange the funeral.

If you are not sure what your loved ones want for a funeral it would be good to discuss this and possibly even create a letter of wishes or a living will. While for many this is an uncomfortable discussion, it gives the family comfort instead of the arguments that will follow a death, which often break up the family. Questions to be answered should include whether there will be:

- a burial;
- cremation with or without the family attending at the Crematorium;
- church service, with or without the coffin present;
- will there be a viewing, at the funeral home or at the church;
- whether the deceased will be dressed, or stay in his/her clothes at the time of death, or simply be covered with a shroud; etc.

Discussions should also cover topics such as:

- Religious Leader, if you have one. This person should provide the necessary support on a spiritual and emotional level.
- Social media requirements and how you will contact friends and family.
- If the Deceased is an Organ Donor, as arrangements for organ donation need to happen quickly.
- Together with family members, decide on who will be delivering eulogies/tributes at the funeral or memorial service or gathering, and the pallbearers for the coffin.
- Don’t forget about the pets!

The Funeral Home will assist with all funeral preparations. However a family should meet with the Minister (Religious Leader) who will be conducting the funeral or memorial service, to discuss the service details and hymns, and participants in the service (eulogies/tributes and readers), as well as arrangements for the coffin to be brought into the church (placed in front beforehand, or in procession with Minister and Pallbearers), and taken out afterwards (usually in procession).

A coffin will need to be selected. This is required for burial and cremation (even a private cremation, for which a simple unpainted chipboard or cardboard coffin will suffice).

The funeral director may help in arranging optional services (which can be arranged either by the Funeral Director or the family and friends). These include placing of press notices, ordering of flowers, and printing of leaflets, and arranging for a post-funeral catering after the service. A wake or reception can be at the funeral/memorial service venue (adjacent hall), or a restaurant, hotel or private club, or the home of family or friends. The Funeral Director will also have contacts in catering.

If the Funeral Director or a printer will be preparing a leaflet, the content needs to be given in good time. Donations (in lieu of flowers) to a charity or organisation can be included in the press notice and leaflet or on the social media platform. If you have a family member who has died then enlist the help of friends and family, or a Church hospitality group in all the arrangements, don't try and do it alone.

Death processes and documents required.

A hospital death is the easiest death if you have insurance. You simply contact a Funeral Director – he/she will advise you on procedure.

The Funeral Director will collect the deceased from the hospital.

Many large Government hospitals appoint a Funeral Director (on a tender basis for a period) to remove/collect all the deceased (unless special arrangements are made with the Ward Sister). However the Funeral Director chosen by the family can normally collect the deceased from the hospital's Funeral Director at no charge (within 72 hours). The hospital will issue the Notification of Death (In South Africa this is DHA 1663) to the family's Funeral Director, as well as a Medical Certificate for Cremation (Form B), if required.

Remember you will have to collect the personal belongings at the hospital.

A home death

Contact the family Medical Doctor (GP) – at whatever time of day or night. Many doctors have an 'on call' roster with other doctors for after-hours service. If a doctor is not available to come to the house, contact companies such as Netcare 911 or ER24. They will determine if the death is natural or unnatural, and (if natural causes) will issue a Declaration of Death (DOD) form.

South Africa

In South Africa, the medical service used will usually call the SA Police Service (SAPS) to come and confirm that death if by natural causes. The SAPS officer needs to issue a SAP 180 form. The Funeral Directors can then be called to collect the deceased.

You will have to contact the Funeral Director or your funeral insurance contact number, who will advise you on procedures. The Funeral Director will remove/collect the Deceased and liaise with the Medical Doctor.

Copies of the DOD and SAP 180 forms, if obtained, should be given to the Funeral Director, who will forward copies to the family Doctor or specialist, who will be issuing the Notification of Death (DHA 1663).

DOD and SAP 180 forms, together with the Medical Certificate for Cremation (if applicable), will be collected by the Funeral Director when ready – which may be a day or two later

If the deceased was an outpatient of a hospital or day hospital or clinic, the Funeral Director will need to take the deceased's hospital card together with the DOD and SAP 180 forms to the hospital, and request a DHA 1663 (Notification of Death form) and a Form B for cremation (if required).

Unexpected deaths

Should the person pass away at home and it appears that there has been a forced entry, or there is evidence of unnatural causes, or you consider something suspicious has happened, call 10111 or your local SA Police Services. They will arrange for the removal/collection of the body to the nearest State Mortuary (run by the Provincial Department of Health). It is likely that a post mortem examination will be performed by a Pathologist (usually from the local university medical school). The Department of Health will issue the Notification of Death to the Funeral Director or your representative, signed by the pathologist who performed the post mortem (autopsy), or was satisfied that death was by natural causes (without a post mortem). If required, the Pathologist will also issue a Cremation Certificate(s).

A Funeral Director is often the first point of call as they will advise on the procedures involved and who will also liaise with the correct authorities. You must obtain the DOD and SAP 180 forms, and hand these to the Funeral Director, as well as the hospital outpatients card (if applicable), and the deceased's ID book/card or a copy.

The Funeral Director may then remove/collect the deceased to their private mortuary.

In all cases where the deceased has been taken to a State Mortuary, the Next-of-Kin will need to go there and identify the deceased, and take their and the deceased's ID document to show the official. If the Next-of-Kin wishes to delegate the identification of the deceased to another family member or associate, he/she will need to write a letter authorising this person to do the identification on his/her behalf. The official will then issue a letter to the person, authorising the removal of the deceased. This, and the deceased's ID document, needs to be handed to the Funeral Director, who will liaise with the State Mortuary to find out when the deceased will be released, and can be collected – which will be after the post mortem (if performed).

If death appears to be from natural causes, call the family Medical Doctor. If the doctor is not available, call the Paramedics and Police (as described above). In all cases where there is no family doctor, and the deceased was not an outpatient of a hospital or clinic, or there is no medical history, the SA Police Service will need to be called, and the deceased taken to the State Mortuary. If there is no suspicion of unnatural causes, the family may be asked to give the medical history of the deceased to an official at the State Mortuary, who may decide that a post mortem examination is not necessary.

The Funeral Director will then need to meet with the family to attend to the following:

- Receive the deceased's ID document – which will returned after the death has been registered with the Department of Home Affairs.
- Receive the ID of the next-of-kin, or other connected person, who will sign as 'Informant' on the Notification of Death. This ID can be returned immediately, after the Funeral Director has made copies.

- Obtain personal particulars of the deceased, for completion of the Notification of Death – which will be lodged with the Department of Home Affairs, together with the deceased's ID document. Home Affairs will then issue the official Death Certificate, and Burial Order, and return the ID document.

The Funeral Director will provide the original and five certified copies of the Death Certificate. (More copies can be requested).

Completion of the Application for Cremation (if applicable), signed by the family representative, and attested before a Commissioner of Oaths (at the Funeral Director's office), as well as instructions concerning the cremated remains (Ashes).

The living must not neglect their own health while dealing with the death and arrangements for the funeral – you need all your strength for the practical arrangements.

If there is no spouse, then arrangements need to be made for the pets. Consider arranging for the pets to see (and sniff) the body of the deceased after death, so as to understand that they have not been abandoned by the deceased. For the pets it is also a huge loss and they can comfort you. Be aware you may need the advice of a professional such as a therapist or bereavement counsellor. Ask for help. Get support from family and friends

The Estate

The Estate of the Deceased needs to be reported to the Master of the High Court within 14 days from the date of death. There is a Death Notice form, a form which details the deceased person's assets and liabilities, and (if there is no will) a form showing the close family tree (for intestate succession). These forms, together with the original Will, and a certified copy of the Death Certificate, need to be submitted to the Master.

Once you have found the Deceased's will, establish the name of the Executors and contact them to advise on the death of the Deceased. The appointment of the Executors needs to be confirmed by the Master of the High Court.

If the Executors do not have the experience or professional competence to wind up the Deceased Estate (e.g. family members), they can appoint an administrator (who may be an attorney or accountant, or other professional) to act on their behalf (with a power of attorney).

A Power of Attorney given by a person ceases upon death. Thereafter the affairs of the Deceased can only be conducted by the Executors (or their appointees). In the UK a grant of probate will be given or letters of administration issued, if no will is found

After death the Deceased's bank accounts are frozen. This is usually effected by the Executors, but may be done by the bank, if it hears about the death. (If a family member with access to the Deceased's bank account, pays medical, funeral or other bills after death, he/she needs to be able to account to the Executors).

If no Executor has been nominated in the Will, then the next-of-kin or close family members can propose suitable persons to the Master. An Attorney, Accountant, trust administrator or suitably equipped relative are options. Sometimes there can be disputes over money or possessions. Death can bring out the worst in people. Be prepared for this and appoint an executor that is able to manage difficult persons.

South Africa

For the small estates worth less than R250 000 are administered under Section 18(3) of the Estates Act – a simpler process. The estate needs to be reported to a local magistrate's court and a nominated Executor or other suitable person needs to apply to and be appointed by the Master to do this.

Bills and accounts

Once the Death Certificate has been issued, the family should advise the nominated Executor or Estate Administrator of bills that need to be paid, bank accounts to be closed or debit orders stopped –these costs would include, life insurances, medical aid, cellphone, mortgage bonds, household and car insurance, the bank.

The family or the executor must notify the Deceased's Financial Advisor, stockbroker, etc. and cancel the Deceased's driver's licence, TV licence, email, social media and website accounts. They should also notify any memberships of clubs and organisations of the situation.

The last will and testament

If there is a will, then the estate has to be treated as the will directs, unless the master of the high court or other relevant official directs otherwise. Wills can only be executed as per the terms contained in the signed and witnessed document. Some of the greatest and most enduring unhappiness in family circles has been caused by inappropriately or incorrectly drafted Wills. Unless the will is simple, it is advised to go to an estate specialist and not just a normal attorney to get the will drafted. The will should ideally be reviewed every year. If you have named children and grandchildren then please remember the new babies. You do not want to be hated after death because you forgot the latest addition to your family. Other situations which should have the will dusted off include remarriage and divorce. Remember if there are minor children or grandchildren, you should set up a Trust for them in your Will and in this way you make sure that they are financially cared for and have access to funds for their maintenance after your death.

Once a person dies, their assets are frozen and cannot be dealt with until, administration letters or a grant of probate (UK) is received and an administrator or an Executor of the estate appointed.

This delay is shortened if you have a Will appointing an executor. You can appoint your nearest and dearest wife or spouse, but be warned if the amount going to them is more than they would get in an intestate estate they may be disqualified. If you do appoint a person you know as executor do give them the power of assumption and release them for posting security for the estate, also allow them to claim for reasonable costs.

Overseas or offshore assets

A separate will should be created for each country you have assets and property in, but be careful, do not state in any will you create, that this one is your last will and testament, if you want another will to have power. The will you write that phrase in, has to replace all the other wills.

In wills we often find conditions are placed. The will directs that "so and so" will get part of the estate or an asset if "such and such" is done. We call these clauses either resolutive or suspensive. In a suspensive clause there is no vesting of the legacy in the legatee, if the condition is not fulfilled. In other words, if the heir has to get married to receive the asset, then the asset cannot be released by the executor, until the marriage is registered. If the marriage is not registered by the time of the estate finalisation, the heir will not receive it. In this case a substitute heir must be named to receive the asset or the condition becomes void. In the case of a resolutive condition the legacy will vest immediately on the death of the testator, but it will terminate on the condition being fulfilled. In other words if the asset can be released by the executor, it will be done when the marriage is registered and the condition of vesting is complete. The estate cannot be finalised until the vesting is done.

Intestate Estates

How you are married will affect the will and how you can leave your property. In some countries such as the UK, an existing will can be cancelled on marriage. If the married person dies without a new will the law of intestacy decides the way the estate is left. There are rules as to who can administer the estate of someone who has died intestate, and to whom it is distributed. Intestate means that you die without a will. In an intestate estate the assets will first go to pay costs and charges. Taxes are deducted and the balance of the estate (the residue) goes to the family, in the following order.

The spouse gets a defined portion first, then natural or adopted children are considered. If the children pre-decease the person, the estate will pass down to their children, grandchildren and so-on. Without a spouse or children to consider the estate then flows backwards to the deceased's parents. The estate residue will go to the deceased's surviving parents and then flows through the parents down to the full brothers and sisters or their children and grandchildren etc., who will receive the residue of the estate. If the deceased does not have a full blood sibling then half brothers or sisters will be considered in the same way. If the deceased is a single child, and parents are dead, then grandparents are brought into the line and through that line, the uncles and aunts of full blood considered with the estate flowing down to the descendants of deceased Uncles and Aunts. Failing the full blood uncle and aunts then Uncles and Aunts of half-blood and their descendants, will be considered and failing them the state may receive the residue.

Community of property (COP)

If two people get married in community of property, the legal effect is that the spouses' separate estates are joined to form one joint estate. All assets which were owned separately by each spouse prior to the marriage become part of the joint estate. The same applies to liabilities. All assets acquired and liabilities incurred, after the date of the marriage, would also belong to the joint estate. At divorce or death the estate belongs in equal shares to the spouses (50/50). On death the estate of both spouses is frozen and then has to be divided 50% according to the will or the intestate rules if there is no will and other 50% to the surviving spouse.

> Tammy and John were both in their second marriage. They got married in community of property. Both had children from their first marriages. John's children were particularly hateful to their new step mom whom they believed had been instrumental in breaking up their family.
>
> A year after the marriage John died of a heart attack. Tammy was devastated but worse was to come.
>
> John was shown to have died intestate, as the only existing will found, was not drawn up according to the Will act. The couple had bought a house together, which on John's death was paid off in full by his life insurance. The Intestate Act meant Tammy got R250 000 of John's estate. In effect this meant Tammy now only owned 75% of her home as John's children now owned the other 25%.

South Africa and Protection from Creditors in a community of property estate.

In 2003 by the Supreme Court of Appeal ("SCA") in the case of Du Plessis v Pienaar NO and Others. In that case the SCA held that when a joint estate is sequestrated, both spouses become insolvent debtors for the purposes of the Insolvency Act 24 of 1936. The spouses' undivided interest in the joint estate as well as any separately owned property will be used to meet the claims of the creditors. It is submitted the same would apply even if there were no insolvency – creditors can claim any property belonging to either spouse. A marital exclusion clause in a testator's will can protect an inheritance from a claim by the beneficiary's spouse but not from a claim by any creditor of the joint estate.

This point is important as a testator cannot stop the process by stating the proceeds of the estate may not be used for a creditor requirement. If such a situation is in place, the best bet in a will, would be to create a trust for the beneficiary, but to allow trustee discretion for the amounts to be paid to the insolvent, or the partner of the insolvent, married in COP. If you leave the proceeds of the trust to the person by name, it is an entitlement and as such allowed to be attached by the creditors.

Antenuptial contracts (ANC) without accrual.

I would definitely not use a joint wills in this type of a married situation. If two people get married in ANC without accrual, the legal effect is that the spouses' separate estates continue to remain separate estates. Nothing can change this situation unless the marriage was before 1984 and in South Africa. In such a case the woman may have a claim on the other spousal male estate assets. Such a claim is due to the fact that women at that time, were often subject to this ANC regime, meant to prevent a woman from having a claim against the male partner's estate. A south African female before 1984, was subject to a male parent or husband giving permission for her to open a bank account or own property. Often at divorce or death the woman was left destitute as she had been a housewife and accumulated no assets in her own name.

The partner estate cannot be attached under an ANC without accrual, even if the spouse is insolvent or in debt. In an "accrual marriage" any inheritance or legacy is excluded from the accrual anyway, unless the parties agree otherwise.

Antenuptial contracts (ANC) with accrual.

If two people get married in ANC with accrual, the legal effect is that the spouses' separate estates continue to remain separate estates until death or divorce, when they become one estate and are split equally, subject to the stipulated exclusions and the value at time of marriage. If couples use this regime, we normally tell them to stipulate they exclude retirement funds, inheritances and the proceeds of such inheritances or winnings. Most couples at marriage merely declare their assets which often are negative due to the debt of cars or homes. A negative value is reflected as 0 in this estate calculation. In an "accrual marriage" any inheritance or legacy is excluded from the accrual anyway, unless the parties agree otherwise, but the proceeds (any positive returns) of the inheritance will be included in the joint estate.

Divorce.

Countries vary in how they treat divorce in a will. Some countries will give a grace period to the testator which effectively will dis-inherit the ex-spouse. This can mean the person dies intestate, as the will leaves everything to the spouse, and the spouse may not receive it due to the divorce. Sometimes this can create a partial intestate situation in the will for the same reason.

South Africa
The Wills Act No. 7 of 1953
Section 2B of the Wills Act No. 7 of 1953 ("the Act") reads as follows:

"Effect of divorce or annulment of marriage on will.—If any person dies within three months after his marriage was dissolved by a divorce or annulment by a competent court and that person executed a will before the date of such dissolution, that will shall be implemented in the same manner as it would have been implemented if his previous spouse had died before the date of the dissolution concerned, unless it appears from the will that the testator intended to benefit his previous spouse notwithstanding the dissolution of his marriage."

In other words after a divorce, a South African resident will have three months to draft a new will. After three months it will be assumed the deceased intended the ex-spouse to inherit.

Joint or mirror wills

Mirror wills are written by husband and wife, and the wishes of each 'mirror' those of the other. They are a bad idea, since they can be revoked by either party without the other person's knowledge or consent.

Leaving property: Protecting the heirs in South Africa.

The Matrimonial Property Act (Act 88 of 1984) provides for certain exceptions to a community of property or ANC with accrual by stating that the following assets and liabilities do not form part of a joint estate:

- Property donated or bequeathed to a beneficiary subject to the condition that it shall be excluded from the marriage in community of property.
- Delictual damages for non-patrimonial loss (monies awarded by a court).
- Delictual liabilities (cost awarded to another by the court).
- Certain life insurance policies.

Bequests in a will which are subject to a marital exclusion clause, are excluded from a joint estate and protected from a claim by the beneficiary's spouse. If the marital exclusion clause is not inserted in a will, any bequest to a person married in community of property, will form part of the joint estate and be shared with the beneficiary's spouse.

Property in the will

When you give specific “gifts” or inheritances, they are deemed to be free of inheritance tax. Look at the example below. In this example the brother, Johnny, is given a bequest of $40 000. Johnny will receive the full $40 000 if that sum is in the will. The wife will get the rest of the estate only after any taxes, bills and other costs are paid. That means if tax or any other costs is due on your estate, it is paid using the money and assets that you have not already given away (your “residual estate”). This situation can deprive those closest to you by making gifts to less important people.

Estate	$80 000	
Bequests		$40 000
Funeral cost		$5 000
Tax outstanding		$15 000
Outstanding loans		$15 000
Administration Fees		$1 000
Estate residue (to wife)	$4 000	

A will that gives an amount to any person needs to be reviewed at least annually as situations change. A will that relies on external factors, such as life insurance, should also be drawn up by a financial planner with an estate attorney. Even when a will seems to be well thought out, bequests can still leave the vulnerable at risk. Our next cameo illustrates the need to have a full picture and an understanding of the law.

Tim (the deceased) had private insurance to cover the mortgage on two homes. In his will the holiday house was left to the children of the first marriage. These children were aged 18 and 20. Both were at university. Tim was paying maintance for both children. The house had a substantial bond on the property.

The present wife and children would then have the house they were staying in and a small cash amount from the existing life insurance as well as certain investments. Tim's intention was his life insurance would pay for his bonds on both the houses. This condition of the life insurance payment, was not stated in the will.

Tim intended his new family would also receive his full pension, since he had paid 50% of this pension amount, to his first wife on their divorce.

Tim had been diagnosed with cancer in his twenties, but was in full remission at 48 years of age. When he redid his will on his second marriage, he did not envisage he would be dead within the year from a fast growing tumour.

In the will the plan looked fine, but for one deadly mistake. The life insurance had an excluded condition, cancer. The lawyer drawing up the will did not know Tim's medical history or understand life insurance conditions. Tim did not realise this exclusion existed or he did not understand it.

When he died from cancer it was an excluded condition.

Result:
The life insurance did not pay and the investments in the estate as well as the second house were liquidated to pay the holiday house bequest to the children of the first marriage. They received the house fully paid off. The balance of the investments and house sale, went to pay the medical bills, taxes and funeral costs of the deceased.

The pension paid out to the five dependants, wife, the two major children and the two small children. As Tim paid maintance the pension fund had to consider the two elder children dependants.

The second wife was left homeless, with two small children and a pittance as an annuity.

Death and taxes

Death is a tax event. This means when drawing up a will the government will require certain taxes to be paid. These taxes will be dependent on the country but can include value added tax, sales tax, Capital gains tax, estate duty taxes and income taxes. Taxes are a first call on any estate. If the Deceased owed taxes in a personal capacity they will be deducted first, then estate duty and other taxes will be deducted. If there is not enough money in the estate, then the pension funds (if any) will be requested to make up the shortfall in taxes, before they can pay to the beneficiaries.

Executors and payment

If you want a professional executor, he will usually act only if he is paid for his time. So always provide a simple sentence authorising payment to executors in your will or you may find it cannot be finalised due to a lack of an executor.

It would be most unusual for a family member acting as an executor to demand payment for time, but the will should reasonably allow for repayment of expenses.

Power of Attorney

When a person becomes non-compos mentis i.e. not in control of his or her mental abilities, a normal General Power of Attorney loses its force and effect. You have to approach the courts for permission to act on behalf of a person. Such a process can be time consuming and requires proof that the person is not able to manage their affairs. This is when an existing trust becomes a very valued asset. Certain countries allow the creation of a trust vehicle, which is legal person separate from the people who created it.

Trusts

Trusts have been around since Roman times, where they were created to look after heirs. In modern day we call the creation of a Trust while you are alive, a living or Inter-Vivos trust (a Trust that is operational whilst one is alive, but will continue to exist once you die). This type of trust was created by the English during the time of the Crusades. Today a trust has many variations and is an attractive planning vehicle for the wealthier clients, traditionally used to avert estate duty on estates in excess of a certain amount. It is still considered a wealthy person's asset. That consideration is a pity, because correctly structured, an inter vivos trust is great for any person owning assets, to protect their assets should they become unable to do so. Trusts are also ideal for looking after remaining pets and any disabled persons. A trust can aid in the protection of assets, estate duty and tax purposes. Trusts may also help with the protection of both minor and major children's interests.

> Both I and my husband have a trust in case we become too feeble to manage our own affairs. We have an independent trustee whom we trust to ensure we are taken care off. Even though we love our children, and trust them, we have no idea of what the future holds. The children could leave the country and be unable to help, or they could remarry a person who is not as honest as our present son-in-laws. They could predecease us (God forbid).
>
> A trust prevents this from being a major problem, as our full estate would be paid to the trust in a loan account vehicle, with an annual full tax free donation amount, being taken into account until the loan account is paid or we die. If we die the loan account goes to the surviving spouse or to the trust itself.

The founder creates the trust via a trust deed and nominates trustees to run it. The trust deed is registered by the country laws and the trust become a legal person. At least one trustee should be a trusted professional person such as a financial planner, accountant or attorney. This does add to the cost of the trust, but also ensures it is run correctly. If you have a family member in one of those professions, then perhaps they can help you in this matter. The third party to a trust is the beneficiary, this may be a class of persons such as a family, or individuals (vesting beneficiaries). If the trust has vesting beneficiaries the amount vested is property in their estate and can be attached by creditors.

Trusts can look after disabled children as well as minor children. You can also create such trusts via a will. These are testamentary trusts and normally created for minor or disabled children.

Trusts are normally taxed as a legal entity, however if the trustees has the correct permissions, they can use a flow through or conduit principle. Flow through or conduit principle. means the trustees can push any income or capital gains to a beneficiary and they are then taxed on the amount as an individual.

> The functions of a Trustee are not dealt with in terms of a specially drafted Act in South Africa, but fall under the directives, guidance and requirements of the Trust Property Control Act 57 of 1988.

Trusts can be a comprehensive solution with which to address potential problems such as dementia and remarriage. The assets can be left to the trust under independent trustees, via a loan account, with a percentage each year going to the trust to ensure tax efficient transfer of the assets. This allows the surviving spouse to still have the usage of them, with the children of the preceding marriage not losing the assets. In my experience much of the fighting with a second marriage is relieved once the children of pre-ceding marriages know they will still have the assets from the parent on death. Such knowledge can prevent much family fighting and unpleasantness. The independent trustee becomes the buffer board.

A trust can also help with those problem heirs. I would use a trust for heirs married in community of property, if I did not like or trust the spousal partner. A trust also takes care of those insolvent heirs, and those heirs who should not be put in charge of a walk in the park without adult supervision.

A trust also helps the heirs with property that needs to be shared, such as a beach house or agricultural property. In some countries, trust are eternal until they are closed by trustees, while others are linked to the generation of the founder and time sensitive. Be careful though in leaving property to a trust as in some countries they are not recognised as a separate legal entity and the estate may not be able to be wound up. Greece comes to mind in this regard. A trust will create confusion with the Greek tax authorities and other public administration offices in Greece. Trust are interpreted or adjusted to Greek law with difficulty.

The legal notion of the Trust, is non-existent in the Greek legal world, which follows the continental law system and does not have many common aspects with common law legal systems (like US, English, Australian law, etc.). Greeks have a condition that heirs must sign an Acceptance of Inheritance required by their estate law before the estate is wound up. A trust has no legal standing in Greece so trustees cannot sign this document.

Fortunately the Greeks are also very pragmatic and will allow the law of the country of citizenship of the deceased and not Greek law to apply if required.

Death and grief

Although we deal with emotions such as those death brings in our series on health, we need to reference it briefly in this chapter.

Death is never easy, but losing child or a spouse is particularly nasty. Grief can be debilitating. Grief may need psychological help or the help of a group such as compassionate friends. One thing is for certain, the sadness is intense and painful. It can be worsened by worried friends and family members, who tell you to snap out of it, or get over it. Forgive them as they are trying to help in their own way.

Do not expect your grief to follow a pattern- you are unique, so are your feelings.

There are two forms of death a sudden loss and the gradual deterioration of a loved one.

My Mom (Jane) was a huge part of my life, she lived with me after the death of my first wife, looking after our baby when I was in no state to do so. Fortunately three years later, when I met my second love, she was understanding about my Mom and allowed her to live with us still. Both my new wife and my Mom got on together which was a blessing.

Mom had suffered vascular problems before, but this time the pain was seen to be intense. We took her to hospital even though she fought us. An angiogram was done and her allergies kicked in to the iodine, a heart attack resulted. The doctor told us our options were surgery, which she may not recover from, and a long recuperation period. At first we were angry, at Jane herself for waiting so long to do something about the situation and then my brother and his family. My brother seemed to feel my Mom was just playing up. The family was fighting. Jane was getting more distressed as we fought. My wife sat by her holding her hand talking to her. She was amazing. She moved past those emotions to the real question. What did Jane want?

Jane said she did not want the surgery. My wife became the buffer, stopping us from harassing my mother to survive. She spoke to the doctors and found out how to deal with the situation. We sat by Mom to three days, as she became weaker and more fractious. Finally we gave her permission to go. We told her if she wanted to rest, we would understand. After that it was gentle, she slipped into a coma and within an hour of the machines being switched off was gone. I think she was waiting for us to give the permission.

It was easy in the end, we miss her of course, but the pain for her was over.

I honestly belief that seeing a love one suffer means I am better able to cope with the loss as the denial, anger and bargaining is accomplished while they are alive. After death, the loneliness is intense, but love rejoices that the suffering is done.

The grief process

It is very rare that a person will accept death straight away.

A Swiss-American psychiatrist named Elizabeth Kübler-Ross wrote in her book "On Death and Dying" that grief could be divided into five stages. In my counselling I use the Kübler-Ross model. The work is valuable as her observations came from years of working with terminally ill individuals. I studied her work during my studies on death and these are the situations I have seen or experienced in dealing with death.

There are certain stages of grief. At first there is a numbness and denial that the person is going to be gone. This may be accompanied by a growing anger at the person even before they have died. This anger may be redirected at those around the grieving person. Typically fights will be picked with loved ones. These fights may be vicious and nasty.

A bargaining situation may arise in some individuals when faced with a person dying, where the person begs for a different outcome, promising to go to church, or give to the poor for example. Bargaining is a common constant, the person will promise to do anything to save the person suffering or dying. Frequently I will hear a grieving person refusing to go back to church, because God did not listen! Anger will come in if that person does not get their wish. In Jane's case the family was fortunate that there was a choice made by the patient, not to have surgery, in this way the family guilt is assuaged as the choice is not theirs to make anymore.

Depression is normally the step after death, even for the mentally healthy we expect intense sadness and then the maturity of acceptance to start to kick in. After a year the grieving process is normally complete with occasional sadness and tears. Life has adjusted to being without the person.

My lovely Mom-in- law was heartbroken. I had to go to her. I was in trouble with the sister -in-law as we going to be late going to her for dinner, but Mom needed to talk, however she knew how I hated the fights, so she told me to go to her daughters. I thought she looked sick, she was grey, but she had been upset by her son's nasty wife and I put it down to emotions from that nasty phone call.

I told her to go to bed and relax and I told my husband we needed to go there the next day. We got to the sister-in-law who was in a high tantrum due to our lateness. Dad phoned while we were there. Mom had had a heart attack and was in hospital. She was never to come out.

For years I felt guilt, but in truth if I think about it, I could not forgive the sister-in-law for her behaviour. I still battle with her 30 years later. She really annoys me quickly. I know I was not to blame for Mom's death, but I still believe I could have changed the outcome.

Guilt is common in a sudden death, as the human brain is wired to learn from situations. It will nit-pick on how a different outcome could have arisen. Guilt will pro-long the grieving process. Guilt is easy to create and difficult to remove.

Remarrying after the loss of a spouse.

Marrying again – this can be a minefield. Few people would deny anyone a second chance of happiness, but for many older people they have other folk to consider. Their children for example, might feel pushed aside or angry. But that shouldn't be the only consideration.

> After Beth died her husband John was lonely. His wife of forty years had been almost bedridden due to the pain in her legs. However her death was unexpected as her health was good. She had simply caught a cold.
>
> In a senior living village he was surrounded by females. Females normally out live the males. John became the pet project, but it was only when Suzanne came to the village that he felt a connection. Beth had been gone 8 months at this point.
>
> His two sons were not understanding, but his daughter did. She spoke to the boys, telling them that unless they were prepared to give up every weekend and phone daily, they should be happy he had found someone who would keep him active and involved. The boys and their families quickly came to the conclusion she was right. One grandsons needed psychological counselling. When John and Suzanne decided to pool resources and live together, the family went in and did what had to be done.
>
> John was with Suzanne for only a few months before he became ill and died. However the family had bonded with Suzanne and continues to visit her, as her children are not in the country.

In our cameo it can be seen the loss of a first wife did not preclude a second relationship. This is due to the fact time passes far quicker for an older person, but in a strange way slower too. Elderly people experience grief differently to younger folk. On average their symptoms of depression usually last for up to 2 months. If they can get through the depression acceptance and the ability to move on with what is left of their lives will come faster than the younger person.

The loneliness is the main reason a second marriage would help. The companionship is tantamount and a loving pair of arms is not to be dismissed. A second marriage or relationship may not have everyone supportive, but often the fear of losing assets is a subversive factor. Total honesty may be required to put things in order. We would suggest that an antenuptial contract be a priority. A trust may be required. Above all remember, adult children are still your children and may need reassurance that you will still love them.

Closing

Forgetting people's names, groaning when you bend down and arthritis is not the only thing about getting old. We have the wisdom of experience.

Finally we know enough to be able to determine what will blow our heads off and the spirit to not give a damn. We may use that wisdom to be mentors or inventors. We have the freedom to be us. If we have sufficient money, it is a time when we can explore the Andes, climb the mountains, learn a new skill and free our innermost desires. If money is tight, we can start hiking, help others for a fee and still enjoy life. Our bucket list is there, money may be the interpreter.

We no longer have to worry about what the youngsters think, they are young, shame, but that will be fixed.

Remember we can now legally do drugs, as the doctor prescribes them!

As we walk out the halls of commerce, we have a new life, scary but fun, or scary and scarier. The choice is yours. We can go back and study history at university in order to visit the sites older than us. We can take that cruise, even if it is only on a rowing boat around your local dam. Age is not the limit, our attitudes are.

So in closing, I will tell you my secret- For the first time in my life, age means I can be irresponsible, our children are grown up, we can be reprehensible, we can be eccentric, above all we can be the butterflies and go on to produce the next generations flowers- we are that awesome!

So open those retirement wings, tell the youngsters that they know nothing and be as impossible as you want!

Love not wisely;

Live not carefully;

Dance even if they are watching; and

Enjoy fully.

Remember you are amazing!

Links and contacts

South Africa

http://ageafrica.net/resource-library/

AgeAfrica.net is an online resource library aimed at facilitating knowledge sharing. The purpose is to provide information and data on ageing issues for country age networks, policy-makers, government, civil society, academic institutions and other stakeholders.

https://www.gov.za/services/social-benefits-retirement-and-old-age/old-age-pension

http://www.pension-watch.net/pensions/country-fact-file/south-africa

HelpAge is an international network of organisations dedicated to achieving the right to social security so that all people can enjoy a dignified and secure older age.

Pension watch supports this aim by working towards universal pension coverage in developing countries engaging with governments, academics, and donors, the UN and civil society to make income security for older people and their families a reality.

COMPLAINTS HANDLING PROCEDURES OF THE SOUTH AFRICAN HUMAN RIGHTS COMMISSION

https://www.sahrc.org.za/home/21/files/Complaints%20Handling%20Procedures%20-%20SAHRC%20-%20Public%20-%201%20January%202018.pdf

Form must be sent to the respective regional office:
Eastern Cape
Tel: 043 722 7828/21/25
Contact: Yolokazi Mvovo
E-mail: ymvovo@sahrc.org.za
Gauteng
Tel: 011 877 3750
Contact: Nthabiseng Kwaza
E-mail: nvkwaza@sahrc.org.za
Free State
Tel: 051 447 1130
Contact: Alinah Khompeli
E-mail: akhompeli@sahrc.org.za
KwaZulu-Natal
Tel: 031 304 7323/4/5
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Western Cape
Tel: 021 426 2277
Contact: Shafeeqah Salie
E-mail: ssalie@sahrc.org.za

Website: www.sahrc.org.za

E-mail: sahrcinfo@sahrc.org.za

Retirement sites

http://www.aftreeoorde.co.za/

http://www.saherpa.org.za

www.seniorservice.co.za

South African frail care and retirement homes
http://frailcare.co.za/

Organisations to help you

Alzheimer's South Africa

Alcoholics Anonymous Arthritis Foundation

Aryan Benevolent Home Council

Asthma Education Programme

Cancer Association

Caring for the Aged Catholic Women's League

Concerned Friends of the Abused Frail and Aged

Council for the Aged of SA Council for the Aged,

National Dementia

SA Department of Health and Welfare Department of Welfare and Population Development Depression and Anxiety Disorders Group Diabetes

South Africa Dystonia Association

SA Executive Welfare Council (AFM)

Family Foundation Arcadia

Friends of TARA Gluten Intolerance

Headway Support Group

Heart Foundation of South Africa

Hospice

Human Rights Commission

Johannesburg Association for the Aged (JAFTA)

Meals on Wheels

RSA Mental Health Info Centre of SA Motor Neuron Disease Association

Multiple Sclerosis Society Muscular Dystrophy Association

Natalse Christelike Vrouevereniging

National Jewish Welfare Forum

NG Church Ministry of Caring

NG Welsyn Noord-Kaapland Ondersteuningsraad

Optometric Association

Oranje Vrouevereniging

Osteoporosis Foundation Parkinson Association

SA People living with Cancer

SA Association of Retired Persons SA Blind Workers Association

SA Chiropractic Association SA Federation for Mental Health

SA Home Equity Release Protection Association

SA Inherited Disorders Association SA National Epilepsy League

SA Society of Physiotherapy

AC for the Aged

SANC for the Blind Sandton Goodwill Association

Slovo Women's Organization for the Aged

South African Mental Health Information Centre (SAMHIC)

South African National Epilepsy League

Speech and Hearing Association

Stroke Aid Stoma Centre Stroke Foundation

The Allergy Society of SA

The South African Podiatry Association Witbank Society for the Aged

Documents

Both documents are from (Section 7B) Schedule 3 National Health Act 61 Of 2003 of South Africa

Guideline For A Durable Power Of Attorney For Health Care (Section 7A)

I, ... (full name), in granting this Durable Power of Attorney for Health Care, wish to confirm that I

- am 18 years or older;
- am of sound mind;
- act of my own free will, free from duress induced by others; and
- have carefully considered my own values, beliefs and preferences, as well as misfortunes of body and/or mind that may befall me.

Hence, should I, as a result of illness, injury or any other trauma, at a future date, develop any condition as a consequence of which I lack the requisite competence to have or communicate any rational preferences regarding my future health care,

I wish to appoint . . . . (full name) as my agent (proxy) health care decision-maker, mandating him/her to act as my substitute for any and all of my health care and medical decisions, and instructing any person or institution to act on the directives of this duly appointed health care agent.

Should my first choice as health care agent be unable to assume this responsibility,

I wish to appoint . . . . (full name) as my alternative agent (proxy) health care decision-maker, mandating him/her to act as my substitute for any and all of my health care and medical decisions, and instructing any person or institution to act on the directives of this duly appointed health care agent.

I understand that this Durable Power of Attorney for Health Care mandates my health care agent to make health care and medical decisions on my behalf for the duration of my biological life, thus enduring while I am no longer competent to revoke it. Should I, however, regain the requisite competence, I understand that I would have the authority to revoke this health care mandate.

In making health care and medical decisions on my behalf, my health care agent should give due recognition to my known values, beliefs, principles and personal preferences. Should it be impossible or difficult to know the practical implications of these considerations in particular circumstances, my health care agent should act in my objectively determined best interest.

In particular, I authorise my health care agent (proxy) decision-maker to make any and all of my health care and medical decisions on my behalf, that is, any and all decisions I would have made while still competent. In this mandate to my health care agent decision-maker,

I specifically include decision-making directives that would be routinely included in a Living Will, that is, directives relating to refraining from life-sustaining medication, treatment or procedures that would otherwise prolong life, thus impeding a natural death. [This clause may be excluded.]

In addition, I mandate my health care agent to make decisions on my behalf regarding the donation of my organs or tissue for any legitimate medical or scientific purpose. [This clause may be excluded.] [The grantor/maker of a Durable Power of Attorney for Health Care is free to issue specific instructions or directives to his/her health care agent about any medical intervention that the grantor/maker chooses to include in or exclude from the mandate.

GRANTOR/MAKER of health care mandate/proxy Name (print in full)	
Identity or passport number	
Signed at (name of place)	
Signature	

WITNESS 1 to the signing of this Durable Power of Attorney for Health Care I declare that I have witnessed the signing of this Durable Power of Attorney for Health Care by (i) its grantor/maker and (ii) witness 2.

Name (print in full)	
Identity or passport number	
Relationship to the maker	
Contact telephone number	
Email address	
Full residential address	
Signature	
Date	

WITNESS 2 to the signing of this Durable Power of Attorney for Health Care I declare that I have witnessed the signing of this Durable Power of Attorney for Health Care by (i) its grantor/maker and (ii) witness 1.

Name (print in full)	
Identity or passport number	
Relationship to the maker	
Contact telephone number	
Email address	
Full residential address	
Signature	
Date	

Guideline for a living will

I, ... (full name), in making this Living Will, wish to confirm that I

- am 18 years or older;
- am of sound mind;
- act of my own free will, free from duress induced by others; and
- have carefully considered my own values, beliefs and preferences, as
- well as misfortunes of body and/or mind that may befall me.

Hence, should I, as a result of illness, injury or any other trauma, at a future date,

- develop a terminal and incurable medical condition; or
- become permanently vegetative; or
- become completely and irreversibly unconscious,

and, as a consequence, no longer possess the requisite rationality or competence to have or communicate my health care decisions, I grant authority to and authorise any medical professional and/or medical facility and/or other carer to execute this Living Will, thereby allowing me to die a natural death by refraining from keeping me alive by artificial means, or by potentially life-sustaining medical intervention, treatment or procedure, such as:

- artificial nutrition;
- artificial hydration;
- dialysis;
- any medication or drug, including antibiotics, administered through
- any method, including an IV tube; or
- life support of any kind.

[The maker of a Living Will is free to insert a clause instructing an attending or treating medical doctor/health care professional, or any other person, not to discontinue a specific form of life-sustaining treatment, for example, artificial hydration.]

In addition, I authorise any attending medical professional and/or medical facility and/or other carer to administer to me comfort or palliative care, specifically adequate medication to alleviate my pain and suffering, even though it might hasten my natural death as a secondary consequence.

Moreover, I give permission for any of my organs or tissue to be donated for legitimate medical or scientific purposes. [This clause may be excluded.] [Recommend: A clause may also be included on costs as these may be recouped from the family.]

Moreover, I give permission for any of my organs or tissue to be donated for legitimate medical or scientific purposes, however I direct that the costs of such donation should be borne by the recipients of such organs or tissue and not by my estate.

GRANTOR/MAKER of health care mandate/proxy Name (print in full)	
Identity or passport number	
Signed at (name of place)	
Signature	

WITNESS 1 to the signing of this Durable Power of Attorney for Health Care I declare that I have witnessed the signing of this Durable Power of Attorney for Health Care by (i) its grantor/maker and (ii) witness 2.

Name (print in full)	
Identity or passport number	
Relationship to the maker	
Contact telephone number	
Email address	
Full residential address	
Signature	
Date	

WITNESS 2 to the signing of this Durable Power of Attorney for Health Care I declare that I have witnessed the signing of this Durable Power of Attorney for Health Care by (i) its grantor/maker and (ii) witness 1.

Name (print in full)	
Identity or passport number	
Relationship to the maker	
Contact telephone number	
Email address	
Full residential address	
Signature	
Date	

References used

Corporate Benefits: Group Retirement Benefits: MBSE Study guides material written by Gail Gibson

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Papers used

Elder Abuse and Neglect in South Africa: A Case of Marginalization, Disrespect, Exploitation and Violence. A study by: Monica Ferreira, DPhil, (President, International Longevity Centre–South Africa, University of Cape Town, Faculty of Health Sciences, Observatory 7925, South Africa (E-mail: monicaferr@mweb.co.za), and Pat Lindgren is Director, Action on Elder Abuse South Africa, P O Box 16063, Vlaeberg 8018, South Africa (E-mail: pat@actiononelderabusesa.co.za).

Price Index sites

https://tradingeconomics.com/south-africa/consumer-price-index-cpi

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https://saarp.net/

https://www.numbeo.com 21/03/2019

https://www.morningstar.com/content/morningstarcom/en_us/model-portfolios.html :24/04/2019

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[i] Smith v Mutual and Federal Co Ltd 1998 4 SA 626 (C)

Oosthuizen v Stanley 1938 AD 322 328

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Clubs

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https://saarp.net/

South Africa

https://hcl.org.za/senior-citizens-s-club/

http://lonehill.info/senior-citizens-coffee-club-turns-1/

http://www.toastmasters.org/

https://www.redhatsociety.com/default.aspx

UK
https://www.royalvoluntaryservice.org.uk/our-services/social-activities
https://www.scarletwomenofportsmouth.com/

USA
American Association of Retired Persons

https://www.americanseniors.org/