If Retirement is Approaching

If you're 55 or older, it's time to start thinking about how you'll be spending your retirement. There are various pension options available to you, each with advantages and some risks. It is important that you make an informed decision, which will suit your particular set of circumstances.

! *Please remember that very often your decision is final and cannot be changed once you are retired. Choose carefully, and make sure you understand your options and the consequences, especially if you are thinking of taking a portion of your benefit in cash. You cannot reverse your decision once SARS has calculated the tax that you will need to pay.*

The options discussed below are the retirement options generally available in the market, but the plan most suited to you will be determined by your specific circumstances. Make sure you make the best choice for YOU!

*Speak to an **accredited** FINANCIAL ADVISOR or reputable life assurance company. Don't wait until you retire: the earlier you start, the better you can plan and prepare. Find an advisor at www.fpi.co.za*

YOUR OPTIONS (Try our great calculator to help you choose)

You will have saved a certain amount by retirement age. This is usually your total savings in the retirement funds you have belonged to over your working lifetime, as well as any other retirement savings you have. This amount can then be used to 'purchase' a **life annuity** from a registered insurer (payable for the rest of your life) or you can invest in a **living annuity** (income not guaranteed for life).

LET'S LOOK AT EACH OF THESE.

LIFE ANNUITY

If you're thinking of purchasing a **life annuity**, you'll be paying over your savings to an insurance company at retirement. The insurer will look at the amount available and let you know how much you can receive as a monthly annuity (pension), depending on factors such as current interest rates, assumed future interest rates, your age, etc.

LIVING ANNUITY

You might choose to be invested in a **living annuity** instead. It's a small difference in wording but a big difference in implication. With a living annuity, you invest a cash lump sum with an insurer (or your current retirement fund if it offers this option) and then withdraw a monthly pension from that amount. The larger your capital (amount invested) and the higher your investment returns, the more you will be able to withdraw. In other words, although you are retired, your money is still working for you, and is still subject to the rise and fall of the stock market. This means that you can afford to be invested in the stock market before you retire, as you will probably be invested in it directly after retirement. So if the stock market drops before you retire, you will be there to share in the recovery after retirement.

Make the decision that is right for you!