Final Media Release

ARE GEN X GUINEA PIGS ON TRACK WITH ENOUGH?

Generation X – born between 1965 and 1979 (40-54 years-old) – is set to start retiring relatively soon. Amidst the millennial and Gen Z hype, X-ers don't make headlines all that often; but they should. A guinea pig group for defined contribution (DC) funds and the so-called sandwich generation, X-ers were the least optimistic about having enough retirement savings in the Sanlam Benchmark Survey. Here's what they – and other generations – need to be saving, based on meaningful multiples.

Karen Wentzel, Head of Annuities at Sanlam Employee Benefits, says there's a simple formula that can show every generation if it's on track to retire with enough. "The goal is to have more than 15 times your final salary saved at retirement. That number 15 is based on the assumption that you retire at 65 and how much you need to save to buy an annuity to replace your salary. We base the figures on the assumption you save 15% of your annual salary pa, get investment returns of 10% pa, receive a salary increase of 6.5% pa and that in a partnership, both members contribute to retirement."

Based on these assumptions, here's the table, showing your years worked and the multiple of your *current* salary you should have saved:

Years worked	Multiple of current salary saved
5	1.2
10	2.3
15	3.7
20	5.3
25	7.2
30	9.4
35	12.0
40	15.0

It also all depends on what age you start saving. Compound interest means the earlier, the better. Here's what percentage of your salary you need to save, based on the age you commence saving:

Start saving at age	Percentage of salary needed to save till 65
25	15%
35	24%
45	43%
50	60%

What this means for Gen X:

Based on the above, a typical Gen X-er aged 45 who started saving at age 25 and currently earns R500 000, with an expected final salary of R1.7m at age 65 should have the equivalent of R2.65m saved by now.

The fact that the Sanlam Benchmark survey suggests most X-ers feel far from ready to retire with enough stems from myriad factors like family responsibilities, the rising cost of children's education, high living costs, expensive medical fees, and, perhaps, DC funds (where an employer and employee add fixed contributions to a fund. Note, the contributions are specified, but the retirement benefit is *not* guaranteed). There's also longevity risk – the increasing risk of outlasting one's savings.

Wentzel's advice if you've done the multiples maths and can see you're not on track?

"It's not too late! DC Funds carry a few risks, namely that earnings can fluctuate according to market returns. Speak to a financial adviser and consider which savings product could help saving more monthly. Also, it's vital to preserve if you're changing jobs. Accessing your money early has long-term implications.

Depending on when you started saving, you may need to up your monthly retirement contributions each month and reshuffle your budget in order to do so.

It's also an idea to start thinking about a savvy side hustle to start now and continue into retirement. Stopping working at age 65 is a very outdated idea. Continuing work could help supplement your income, especially if you're only going to be able to start to seriously save after your current family responsibilities have diminished.

A final tip would be to dodge lifestyle creep and save more instead. As we earn more, there's inevitably the temptation to spend more. X-ers especially are known for 'Keeping up with the Jones'. Try to avoid this and rather focus on paying off debt – a home loan, especially. Once you've paid off debt, you can ramp up your savings."

A word for millennials and Gen Z-ers:

The youngest millennial (Gen Y) is 23, the oldest is 38. The youngest Gen Z-er is only 4. The oldest is 22. That's quite a difference in age and stage! Let's take an example of a 32-year-old who started working at age 22. If she currently earns R 300 000, as someone who has been working for 10 years, she should have saved R 690 000.

Done the multiples and not on track?

Wentzel says time's still on your side, especially for the youngest millennials – and definitely for the Z-ers! Age 25 is considered the 'golden' age to start saving, but if you start earlier than that, it's even better. Even saving tiny amounts like R250 a month make a difference, due to the magic of compound interest.

Wentzel says it's best to seek professional advice. "An adviser can help you manage your money to maximise savings. They can also point you in the direction of the right combination of products that suit your desire for flexibility and choice. As a young person, you can afford to invest more aggressively as time is on your side."

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