

How much do I need to retire

Setting your retirement income goal



Plan to have 75% of your current pre-tax income

It is challenging to plan for the savings journey without knowing how much you need - making it difficult to set a goal for a specific amount that will enable you to retire well. As everyone is different, the most appropriate amount to target depends on your individual circumstances and aspirations for your retirement.

What to consider when setting your goal

1. Decide on the lifestyle you want in retirement

Most people want to maintain their standard of living in retirement. You should also consider other aspirations which would mean more income is required in retirement.

2. Determine how much income you need when you retire

You will most likely need less than 100% of your current income to live comfortably when you retire as some expenses fall away once you retire.

Ask yourself these questions:

- **What would I no longer pay for when I retire?**
The things I don't need or no longer have as expenses
- **What would I still pay for when I retire?**
The things I need to cover like living expense and lifestyle aspirations
- **What expenses may start or increase?**
This may include new hobbies, aspirations like travel, and healthcare costs

TIP: Why you may need a lower income in retirement?



- No need to save for retirement
- Lower taxes for retirees
- Possibly zero bond expenses i.e. bond paid in full
- Possibly zero child-related expenses e.g. education
- No work related expenses e.g. commute or clothing

Consider a retirement healthcare goal

Your healthcare expenses are likely to increase as you get older and generally increase at higher inflation than living expenses. We recommend setting a retirement healthcare goal to protect the income for living expense and to ensure continued access to quality healthcare.



3. Determine your income replacement ratio

The income you get, after evaluating the questions in 2, expressed as a percentage of your current income.

Your income required before retirement and in retirement

Example: earning monthly income of R50, 000 pre-tax

Before retirement

R 50 000

100%

you need 100% of your income to maintain your standard of living

■ Income required

■ Income no longer required

Retirement

R 37 500

R 12 500

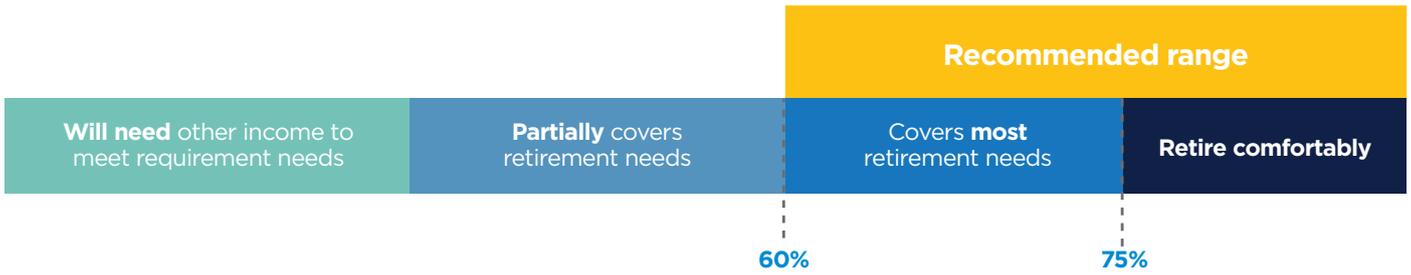
75%

you need less than 100% of your income to maintain your standard of living e.g. 75%

Income replacement ratio

Goal Manager guidance

Based on research, the recommendation is to target at least 60% of income before retirement. Aiming for 75% will ensure that you are more likely to retire comfortably.



Working with a Sanlam financial planner or accredited broker to help you in setting the right target and staying on track during your savings journey can go a long way towards helping you accomplish your goal.

Supporting research on retirement income

Having enough income is a real challenge*



8 in 10

South African retirees surveyed said they do not have enough income or could do with more to live comfortably

How much is enough?*

SA participant's over 55, who have not yet retired were asked what percentage of their current salary or income they thought they will need to live comfortably in retirement. On average they said:



85%

of retirement funds aim for at least 60% replacement ratio, according to the 2020 Benchmark research



Sanlam Employee Benefits research

The SA retirement industry norm is to target a replacement ratio of

75%
of current income



*Saving for a comfortable retirement. Global Investor Study 2018. Schroders