Prudential Investment Managers
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Retirement planning for age-gap couples

One of the most important aspects of investment is your time horizon. If you're not working towards a specific time-bound goal (like, for example, your retirement in 20 long years' time), it can be difficult figuring out what your investment time horizon should be. If you're planning towards your retirement, you'll know what your time horizon is, but there could be other factors that make things complicated.

One of those factors is if there's a significant gap in age between you and your partner, in which case it's likely that one of you will retire much earlier than the other. For example, if one of you retires this year at age 60, while the other partner is still 50, there's potentially a 10-year gap in your retirement dates!

For couples who don't hit retirement around the same time, this can create a few challenges. It's worth knowing what those are, so that you can plan – and invest – accordingly.

In the above scenario, the older partner will reach retirement age significantly earlier than the other. Here you'll need to decide if you're both going to retire around the same time, or if the younger partner will carry on working while the older partner enjoys retirement. If you choose the latter, it could affect the dynamics of your relationship, especially if the retired partner spends all day rattling around the house, and still expects the younger partner to come home and pick up all the house chores!

The temptation in this case might be to choose a second possible scenario, where the younger partner retires early. This will give you more time to spend together enjoying life and relaxing into retirement, but it will also reduce the younger partner's investment time horizon prior to retirement. As a consequence, this could increase the timeframe that their post-retirement investment will need to last. It could also mean loss of career opportunities, and loss of financial independence. It will certainly mean that the younger partner's investment portfolio will miss out on a few years of growth, and on the full value of the returns they would have expected if they'd kept working.

Often, we get more conservative and more risk-averse in our financial planning as we get older. If the older partner can live with the volatility, it may be worth setting up your combined portfolio based on the younger partner's time horizon. Remember, your combined retirement period lasts from the day the older partner retires to the day the longest-surviving partner dies. If your age gap results in a significant differential between your deaths, the partner who outlives the other could well spend a few years living on their own. You'll want to ensure that there's enough money in your combined retirement savings to cover this very possible scenario. One solution, which you might consider discussing with your financial adviser, is to split your combined investment portfolio across two strategies, with each half based on a different time horizon and timeframe, appropriate to each partner's different needs and expectations.

A difference in age can be compounded by a difference in life expectancy. If the younger partner is a woman, that age gap could mean that your money will need to last longer. In general, women tend to live longer than men – so that will add a few years to your retirement savings requirements. If you haven't factored this into your plans, it could come back to haunt you a few years down the line.

For advice on retirement planning – as an individual or as a couple – speak to a financial adviser. Alternatively, for more information please feel free to contact our Client Services Team on 0860 105 775 or email us at query@prudential.co.za