Prudential Investment Managers
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Tips on managing your investment during retirement

The golden rule of investing is to start as early as possible and stay invested for as long as possible. While this is certainly great advice, it does mean that a lot of the information out there is heavily skewed towards people in their **20s or 30s**. But what if you're already well into your 60s or 70s and into your retirement years? Should you still be focusing on your investments?

The short answer is, yes. People today are living longer than ever before. In 1960, according to World Bank figures, the average South African life expectancy was just over 49 years old; by 2016, that had increased to over 62 years old. In developed countries it's even higher, with the United States at 78, the United Kingdom 80 and Japan 83. This means that your retirement savings will need to last even longer than your parents' or grandparents' did – and it's a very good reason to consider **putting your retirement savings** to work, even if you have 60-plus candles on your birthday cake.

There’s a simple rule of retirement planning, and no expert or financial adviser has yet found a nice way to say it: You want to make sure your money lasts at least as long as you do. If you outlive your savings you’ll be left having to rely on others (probably your children) to support you, and the last years of your life probably won’t be as comfortable as you hoped they might be.

As a result, many retirees stick with super-conservative investments that show as little volatility as possible. This is understandable, given that most retirees can’t afford to risk losing their capital. However, there is a fine balance between protecting your investment and allowing it the opportunity to grow enough so that you don’t run out of money further down the line.

So how much growth do you actually need? A good starting point is to consider the amount of income that you are drawing regularly from your investment. If your income withdrawal rate is higher than your investment growth rate, it means you’re taking out more money than is being added by your returns over time. So there’s a good chance that you’ll eventually run out of money. To extend the longevity of your capital, it’s important that your investment returns offset the income that you draw, either partly or fully. So the less you withdraw, the lower growth rate you’ll need, or the longer your funds will last.

With the lower returns we’ve been seeing from our markets in the past five years or so, many retirees may find their budgets stretched these days. It could be that you’ll need higher returns going forward to avoid running out of funds. So rather than putting your money in conservative cash-type deposits that will barely beat inflation, you could consider investing in a well-diversified multi-asset fund that contains the right mix of growth assets (like equities and property) and fixed income assets (like cash and bonds). These funds are more likely to outperform cash (and inflation) over the longer term.

At Prudential, we have a range of multi-asset funds for you to choose from depending on your investment objectives and tolerance for risk, such as the **Prudential Balanced Fund** (which has a higher proportion of growth assets), the **Prudential Inflation Plus Fund** and the **Prudential Enhanced Income Fund** (which has a higher proportion of fixed-income assets). Speak to your financial adviser to help you gauge the level of investment risk you can afford to take on.

In conclusion, age shouldn't be a deterrent when it comes to investing. In fact, the older you get the more attention you should be paying to your investments. Make sure you have the right mix of assets to increase the probability of having your money last the distance, consider investing in multi-asset funds… and of course… speak to your financial adviser before making any big decisions.

To find out more, contact your financial adviser, our Client Services Team on 0860 105 775 or email us at **query@prudential.co.za**.

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