FINANCIAL PLANNING FOR SENIORS

IMPORTANT NOTE: I am not a financial adviser. Nevertheless, I hope you find some of the information I have gathered will help you with your prudent financial planning.

INDEX

1.0 MOVING IN TO A RETIREMENT COMPLEX (Skip this section if you have already moved)

You will find a very comprehensive and useful checklist of the different legal aspects of the four types of retirement accommodation mentioned at http://saarp.net/pdf/Retirement_booklet_2016.pdf

FOLLOW THESE STEPS

1. Make an analysis of your own needs and priorities.
2. While budget is always an important factor, make sure that the environment is one in which you or your family member would feel at home.
3. Zero in on those places that meet your needs. When visiting:
-- Talk to the residents and their families about their likes and dislikes
-- Ask to see more than just your room and common areas.
-- Ask for copies of sample menus, activity calendars and newsletters.
-- Ask if you are able to sample a meal or participate in an activity at the residence.
-- Look for bulletin boards that might have notes or reports from resident groups, the board of directors, administrator, or documentation from an accrediting organization.

SELLING YOUT HOME

You also need to take some actions as to how you can make your home look its most attractive and thus secure the best price. Here are some tips:

Repair leaks … clean light switch cover plates and dust lampshades … oil hinges … dust and vacuum … sugar soap walls … check guttering … remove weeds … trim hedges … add some pot plants … tidy garage and wash/paint doors. Wipe everything: clean windows....tidy cupboards to show they are roomy … add fresh flowers … borrow Persian carpets … turn on lights in dark passage … use air freshener perhaps … inform agent of latent defects. Focus particularly on the bathroom and kitchen, organizing for maximum working space.

Unfortunately, on sale of a property, you will also have a number of expenses:

Electrical services to make house compliant & electrical certificate; beetle certificates, conveyancing fees, plumbing certificate, and bond cancellation fee perhaps. Capital Gains tax may be payable depending on the selling price of the property. Estate agent commission will be payable 5 -7% + incl VAT (negotiable). Then there could be other costs: transferring attorney's fees, property search fees, postages and petties, FICA, rates clearance, and 120 days provisional rates and taxes (refundable) possibly deeds office fee, transfer duties.
Then there are the further costs of locating to your new home: Deposits, new curtains, furniture removals, etc. You can probably expect that selling and rebuying and moving in will cost in the order of 10% - 15% of your sales price.

Before moving into a sectional title read the Section Titles Schemes Management Act carefully.

1 .Get a copy of Rules of Conduct and study very carefully. If you don't like the rules, don't buy. Make sure you know exactly what it is you are buying.
2. Is there open ground? Check on the sectional title plan and ask management, especially if it is a new complex, whether the developer has rights to extend.
4. Review the financial statements presented at the AGM. If more than six months old, ask to see current accounts.
5. Investigate the arrear levies. Get proof of current insurance on the building and the value of the flat in which you are interested.
6. Get a copy of the most recent levy certificate from the owner which will indicate what monthly charges you need to budget for.
7. Prescribed Management Rules need to be read carefully. Note that Sections are demarcated by solid lines. If the section includes an unenclosed area such as a verandah or balcony this will be demarcated with dashed lines.

	Provider 1	Provider 2
NAME OF COMPLEX **ADDRESS AND TELEPHONE NUMBERS** **Name of manager/contact person**		
TYPE OF ACCOMMODATION - RETIREMENT VILLAGE Full purchase □ Sectional title □ Share block □ Life right □ **Controlling body:_______________________________** **No of units: _____________** **Prices: from R____________ to R______________** **Levies per annum: R____________** **Stabilization fund? Y/N** **Rates and taxes/electricity included?** **Affordable?** **Deposit required?** **RESERVING A PLACE** **Admission restrictions: Age (min) _____ (max)______** **Health?______ Financial stability?________** **Length of waiting list_______ Typical waiting period____ years** **Refundable/non-refundable deposit?______________** **(a) HOME FOR ELDERLY** **No of single rooms______ Rooms for couples______** **Flatlets___________** **Monthly Tariff: From R________ to R_______.** **Or % of income:___________** **(b) FRAIL CARE HOMES/ NURSING HOMES** **No that can be accommodated:_______________** **Monthly Tariff: From R________ to R_________ per day/month** **Preference given to:___________________________________**		
LOCATION **Is the location appealing to you? Nice view?** ***Positives:*** **Near stores, a park, and a familiar neighbourhood, in a rural area? Easy access to walks/sea?** **Accessible to public transport?** **Close to greenbelt/shops/church or synagogue & public transportation services? Near cinemas?** **Easily accessible for visits by family or friends? Near medical facility? Good security? Easy to resell?** ***Negatives:*** **Street noise? Noisy pipes? Powerlines?** **Smells and pollution?** **Possible future developments in area?**		
FINANCIAL MATTERS **Does the entity own the premise?** **What is the financial health of the organization?** **What are financial reserves?** **An accredited organization?** **Ownership and financial stability?** **Cost of units** **Deposit required? Refundable?** **Levy costs: fixed or escalating?** **What guarantees against exorbitant levy increases? What**		

is the history of monthly or annual levy increases? Any extra charges? How determined? How is billing managed? Does accommodation provide any insurance against theft, fire, etc.? Is this an extra cost? What services are included in fees? Policy on willing home to heirs? Are housekeeping, linen service and personal laundry included in fees or are they available at an extra charge? Costs incurred should you terminate agreement? Resale value – how determined? Guaranteed? Who is responsible for costs of refurbishing on resale? Any restrictions on who or when the owner may sell to? On resale of place what percentage of purchase price recouped? What happens in the event of purchaser running out of money to afford levy etc.? Frail care costs? How are other semi-medical costs charged? (i.e. physio) How financially secure is the complex? Exit fee on resale/death/early leaving?		
MANAGEMENT AND POLICY MATTERS How managed? Is there a written statement of residents' rights and responsibilities? Does contract agreement disclose healthcare, accommodation, personal care, support services, admission and discharge provision? Residents' council? Policies i.e. alcoholic beverages/smoking (in own rooms/common areas)? Is there flexibility around visiting hours? Pets and music? What if you get divorced or want to bring in someone to share? Practicalities: Cleaning arrangements? How often is bed linen changed? SECURITY systems for perimeter/visitors' gate? SECURITY systems for cottages. Burglar bars? Panic buttons? Repair and maintenance of Life Rights Cottages. Who is responsible? 24 hour call service? Handyman services available Are all furnishings provided by the residence or can you bring some of your own? Redecorate? Is there emergency evacuation plan? What are smoking rules? (Designated public areas?) Who is responsible for refurbishing on resale?		
LEGAL MATTERS Is the premises owned or rented by the supplier? Is legal liability cover provided? Conditions re: selling on, renting out/moving out early if you do not like the place?		

Type of contracts i.e. life rights? Can residents' contracts/leases be terminated against their wishes? Capital gains Tax payable on sale of unit?		
DESCRIPTION OF ACCOMMODATION-TYPES Size of complex? Number of residents? Length of time in existence? Facility owned by a For-profit or Not For Profit organization? Main language spoken by residents? General age of residents? What percentage of the apartments has been rented and is occupied? Is there a waiting list? If so, how long do they estimate it will be for a unit to become available? Reputation in the community? Do residents look busy and happy? Does the building appear to be clean, comfortable, inviting and well-maintained? Do you like the facility's location and outward appearance? Are visits with the residents encouraged and welcome at any time? Is the facility convenient for frequent visits by family and friends? Floor plan well designed and easy to follow?		
FOOD Meals provided? How many times a day? How many times a week? How many meals are included in fee? Does menu vary? How are special diets handled? special dietary needs? Viz. diabetic)? Qualified dietician who plans approves meals? Dining room superintendent? May residents eat in own units? Snacks available? Meal times? Tray service if resident becomes ill? Can residents have guests? Cots? Are the menus varied and appealing to you? Can family or visitors dine with you? Kitchen? Is it clean? Is there flexibility about mealtimes (choices of food, location, time)? Self-catering allowed? Also look at general kitchen and panty if meals are offered. Review menus. Braai area?		

STAFF **How many staff?** **How are performance appraisals conducted?** **How long have they been with organization?** **Staff to resident ratio?** **Do the staff seem friendly? Appropriately dressed?** **Are staff warm and concerned when interacting with residents?** **Address them by their names?** **Can you talk with residents about how they like living there and about the staff?** **Are criminal background checks, references and certificates required for staff?** **Is there a staff training programme? What does it entail?** **Is there an administrator or appropriate staff person generally available to answer questions?**		
FACILITIES **Is there Wi-Fi/TV?** **Minimum noise from neighbours?** **Wooden or tile floors. Non-slip?** **Pets (cats) allowed** **Secure parking? Off-street parking?** **Garage costs? Extra? Size? Electrically operated?** **Garden sprinklers?** **Clearly marked exits?** **Telephones?** **Privacy?** **Access to DSTV?** **Gym? (scheduled exercise classes?)** **Tennis courts, etc.** **Library service?** **Laundry service? Costs?** **Religious services held on premise?** **Swimming pool?** **Nursing sister?** **Wheelchair and walker access?** **24 hour security?** **Restaurant? Community centre? Organized outings?** **Who schedules/organizes activity programme?** **Outside courtyard or patio for residents and visitors?** **Is gardening allowed?** **Hairdresser?** **Transportation services?** **Elevators? Hand rails?** **Is premise licensed? Attitude towards alcohol? Bar?** **Dining room?** **Sun porch? Garden? TV room?** **General condition of kitchen?**		
HEALTH AND FRAILCARE **Nursing services available?** **Registered nurses or care workers?**		

Qualifications of the matron? **Frail care? (Specialized services for dementia?)** **If you have to move to frail care section, who decides?** **Occupational therapy?** **Is there an arrangement with nearby hospital?** **Can a private carer look after you in your own cottage?** **What happens if a bed is not available when you need it?** **How are families involved in the planning for the resident's care?** **How frequently are services such as physiotherapy, occupational therapy and foot care (chiropody) available?** **24 hr medical care?** **What is procedure in case of medical emergency?** **Reminders about or administration of medications** **Parkinsons?** **Supervision of or reminders about daily medicines to be taken** **Help after a short hospital treatment?**		
ROOM FEATURES **Is the type of room and the bathroom to your liking?** **Does size of unit suit you?** **Two large bedrooms?** **Convenient area to hang out washing?** **Main en suite with loo?** **Dining area separate from sitting room** **A small self-contained kitchen?** **Are bathrooms private and able to accommodate wheelchairs/walkers?** **Shower?** **Bath easy to get out of?** **Toilets? Bidet?** **Water pressure? Noisy pipes? Geyser capacity at least 160 litres?** **Will personal belongings be secure? (E.g. Lockable drawers)?** **Can you hook up a phone or TV in the room?** **Adequate lighting?** **Adequate storage? Built-in cupboards?** **Room warm in winter? North facing?** **Quality of fittings? Gas heater allowed?** **Sufficient power points?** **Smells?** **Views out of window? Small patio** **Smoking policy?**		

2.0 MAKING SURE YOU DON'T RUN OUT OF MONEY

LONGEVITY

Living too long is problem because folk are scared of running out of money.

LONGEVITY

Estimate a Retirement Period

	Male	**Female**	**Joint**
Age	70	70	n/a
Health	Average	Average	n/a

There is an "x%" Probability You Will Live this many years

	Male	**Female**	**Joint**
99%	1	1	6
95%	3	4	11
90%	5	7	14
75%	11	13	18
50%	17	19	23
25%	23	25	28
10%	28	29	31
5%	31	32	33
1%	35	35	37

Estimate a Retirement Period

	Male	**Female**	**Joint**
Age	80	80	n/a
Health	Average	Average	n/a

There is an "x%" Probability You Will Live this many years

	Male	**Female**	**Joint**
99%	1	1	3
95%	2	2	6
90%	3	3	7
75%	6	7	11
50%	10	11	15
25%	15	16	19
10%	19	20	22
5%	22	22	24
1%	26	26	27

It used to be said that 70+ was 'old age'. Today 90+ is the new 'old age'". And if you do make it to age 90, you have more than a 50/50 chance of living another five years! Will you *or your spouse* outlast your money – that's the question? Spouses take note!

It is too extreme to plan financially until you live to 100! Rather take the above 50% level as a reasonable approach, perhaps adding a couple of years for extra safety.

3.0 WHAT LEVEL OF INCOME CAN YOU AFFORD TO LIVE ON?

If you have a pension in which all the decisions about how much you will receive are in the hands of the pension fund trustees, you don't have much say in the matter. If you have a living annuity, you would be wise to select the top figure in each block in the grid below – or risk depleting your capital later.

Example: Retirement (pension) capital: R3 000 000
Age: 65 – 69
Annual pension: R150 000 – R180 000 *before tax*
Recommended ANNUAL income depending on pension capital and your age

Capital	60- 64	65-69	70 -74	75-79	80-84	85-89	90-94	95-99
1 million	**45 000-** 55 000	**50 000-** 60 000	**55 000-** 75 000	**60 000-** 80 000	**65 000-** 95 000	**70 000-** 115 000	**75 000-** 140 000	**80 000-** 175 000
2 Million	**80 000-** 110 000	**100 000** 120 000	**110 000** 150 000	**120 000** 160 000	**130 000** 190 000	**140 000** 230 000	**150 000** 280 000	**160 000** 350 000
3 Million	**135 000** 165 000	**150 000** 180 000	**170 000** 225 000	**180 000** 240 000	**195 000** 285 000	**210 000** 345 000	**225 000** 420 000	**240 000** 525 000
4 Million	**180 000** 220 000	**200 000** 240 000	**260 000** 300 000	**240 000** 320 000	**260 000** 380 000	**280 000** 460 000	**300 000** 560 000	**320 000** 700 000
5 Million	**225 000** 275 000	**250 000** 300 000	**275 000** 375 000	**300 000** 400 000	**325 000** 475 000	**350 000** 575 000	**375 000** 700 000	**400 000** 875 000

The following table applies to most folk with limited capital. Note the recommended amount you should have in fixed income.

Age	**Withdrawal Rate**	**Maximum Fixed Income**
65:	**4.36%**	**25.0%**
70:	**4.77%**	**32.2%**
75:	**5.35%**	**36.4%**
80:	**6.22%**	**42.4%**
85:	**7.66%**	**51.6%**
90:	**10.42%**	**67.8%**

These are American figures so use as a crude guideline. (I forget the source – apologies.) But remember, keeping your money in the money market (a strategic defence against a market crash) is only advisable for a relatively short period of time. As far as the share market goes, a number of folk suggest investing 120 minus your age as a rough guideline.

There are lots of websites you can look at. Many are American but you can get the general idea:
https://am.jpmorgan.com/blob-gim/1383280097558/83456/JP-GTR.pdf

(1) The only guaranteed approach is to live more modestly. Unless you think your house is going to be a terrific investment, move to a smaller place. Get rid of your second car or even both cars and go Uber.

(3) Don't invest too conservatively. It has been estimated that the total retirement benefit of a person

retiring at age 65 will be around 8 per cent higher if they can achieve a 1 percentage point per annum higher net return post-retirement.

(4) Negotiate fees with your financial adviser down – or find someone else. A 0,5% annual review cost on R5 million is R25 000 p.a. for a few hours work.

(5) You probably know that at any time you can convert your living annuity into a conventional annuity. What you do know is that should you convert, you and your spouse will be guaranteed an income for life.

(6) Some good news! Michael Kitces in the USA writes (concerning those who selected to draw down 4% p.a. and annually increase this by the inflation rate): *Retirees finish with more than 100% of their inflation-adjusted principal 60% of the time, and double their real wealth almost 1/4th of the time, even after supporting a lifetime of inflation-adjusted spending at a 4% initial withdrawal rate!*
https://www.kitces.com/blog/the-ratcheting-safe-withdrawal-rate-a-more-dominant-version-of-the-4-rule/
In other words, if you are overly cautious and draw down too little, scrimping and saving unnecessarily, you could end up with a stack more money for your beneficiaries than you may have thought. But meanwhile, you have perhaps unnecessarily foregone some of the joyous things in life which often cost money. Finally, in your retirement years, you are likely to move from the more expensive GO-GO years during the early years of your retirement, to the less expensive GO-SLOW years, to the most economical NO GO years.

(7) If you fear a stock market crash, what can you do? One strategy is to put as much as you need for your living expenses for one year in the money market; another two to three years of annual income in the stable market, and the balance in bonds and equities. You may have better approach but this approach protects against having to sell stuff when the market is right down, assuming it will recover in 3 years or so.

4.0 KEEP YOUR INVESTMENT COSTS LOW

With most investments, there is (a) the cost your fund managers charge whether invested in living annuities or unit trusts which can range 0.5% (somewhat unusual) to 3.5% with an average of perhaps 2% and (b) if you use a financial adviser often his or her fee of about 1% (sometimes more)

Let's ignore these costs for the moment and assume you put your money in a savings account and can get 6% p.a. return.

Example 1

1. If you invest capital of	**R1 000 000**
2. At this growth rate	**6%**
3. Amount earned (1 x 2)	**R60 000**
4. Your tax rate	**22%***
5. Return after taxes (3 – (3 x4)	**R46 800**
6. Net value after taxes (1 + 5)	**R1 046 800**
7. Inflation rate	**4%****

**** Note: Although the CPI may be lower, the cost of municipal services, food, and medical aid costs are far higher.**

8. Inflation effect on after-tax value of capital (6 x7)	**R41 872**
9. Value of capital after inflation and taxes (6 -8)	**1 004 928**
10. Real rate of return ([9-1] divided by 1	**0.4928%**

As you can see you are barely breaking even. If you had to deduct investment costs through a unit trust you would in all likelihood be losing money

5.0 THE LIVING ANNUITY: HOW MANY YEARS WILL YOUR CAPITAL LAST?

There is a danger of drawing down too much income each year and running out of capital later on. The following table shows you how many years your capital will last:

Income Drawdown	Annual investment return before inflation, but after all fees				
	2.5%	5%	7.5%	10%	12.5%
2.5%	21	30	50+	50+	50+
5%	11	14	19	33	50+
7.5%	6	8	10	13	22
10%	4	5	6	7	9
12.5%	2	3	3	4	5
15%	1	1	2	2	2
17.5%	1	1	1	1	1

Source: Asisa

It is important to note that the table above assumes that the income drawdown rate is adjusted over time to maintain a real income by allowing for inflation of 6% a year. Once the number of years in the table above has been reached, the pensioner's income will diminish rapidly in the subsequent years," states the Association For Savings and Investment SA (Asisa).

The average withdrawal rate in South Africa is about 6.6% p.a. whereby each year you withdraw 6.6% of your capital as a monthly pension. This is a potentially risky draw-down level in the early years of retirement particularly if you do not have other capital or resources to fall back on.
So what can you do?

Here are four suggestions:
(1) Lower your standard of living (pretty obvious).

(2) Make use of Capital Gains Tax allowances.
Let's say you have R4 million in capital in a living annuity and R1 million in investments. You are currently drawing down 6.7% from your living annuity to give you R268 000 p.a. before tax. If on the other hand you were to draw off R40 000 p.a. *less* from your living annuity i.e. 228 000 p.a., this would mean drawing off a more sensible and conservative 5.7% p.a.

You make up the R40 000 shortfall to meet your desired income of R268 000 by withdrawing R40 000 from your R1 million investment *without paying any capital Gains tax on the first R40 000 of this gain as a concession by government.)*

The result? Let's assume on this R1 million you could have earned 10%. Your tax on this R100 000 would have been R18 000. By drawing off R40 000 your tax on the R60 000 is R10 800. Conclusion: (1) The tax applicable to your living annuity is only marginally reduced, but more importantly you are preserving the capital value of your living annuity. (2) Your take home pay is exactly the same and you have saved yourself R7 200 in tax. Do you own calculations!

(3) Use an offshore account. Magnus Heystek of Brenthurst Private Wealth suggests that you consider taking an amount say the equivalent of $10 000 and investing this amount in dollars (as far as I understood) offshore in a place like Mauritius. The return you get there won't be much say 3%. But if the rand deteriorates you will score, and you can use this card apparently in South Africa to pay for stuff.

(4) Other suggestions have been govt retail bonds sold through Pick n Pay. Or African bank will give you (at the time of writing) up to 12.2% if you invest for five years. Or Tyme bank which after 3 months will give you 7%p.a.

6.0 RISK VERSUS REWARD

A *market correction* of 10% where the share market drops by this amount is not infrequent. It takes perhaps a year or so to get back to where you were. A *bear market* is a more serious decline when the market collapses by at least 20% but averaging some 32.5%. This decline may take a couple of years or be a relatively sudden collapse. There have been 12 market collapses since 1926. With a 20-25% loss, it often takes perhaps 1.5 to 3+ years to get back to where you were. Don't forget if you lose 25% you have to earn 33.3% to get back to where you were. Let your capital crash by 30% and it will take an increase from this base of 42.85% to get back to where you were. So don't lose money!! The problem is that many folk bail out at the wrong time.

https://www.thebalance.com/does-taking-on-investment-risk-deliver-higher-returns-4061801

Consider: You have R 3 million invested. You have heard the adage: it is time in the market, not timing the market that counts. So you decide not to sell. Your capital reduces by 20% to R2 400 000.

If you had a living annuity (popular among seniors), and were drawing off 6.5% p.a. you would have R195 000 before tax (probably about R15 500 per month after tax). Now with your reduced capital of R2, 4 million at 6.5% you will only get R156 000 a year OR to retain the same standard as in the previous year you will have to draw 8.125% p.a. BUT *meanwhile inflation has gone up over the year which you haven't taken into account.* As Warren Buffet says: Rule number 1: don't lose money. Rule number 2: Re read rule number 1 again.

You have to decide how conservatively to invest. Perhaps think of it this way. You have fire insurance on your house. You don't like the cost, but you are glad you have it. So a very conservative investment approach can hurt in the long run. The BIG question is: how much of a loss are you prepared to stomach. You can do some calculations yourself. Let's assume you want to prepare for a "worst case scenario" of a share market crash of 30% - 40%.

Here then is how much you should be *investing* in the share market:

Acceptable loss	HERE IS THE LEVEL OF FEAR YOU HAVE ABOUT MARKET CRAH		
	Market crash (40%)	Market crash (30%)	Market crash (20%)
5%	12.5%	16.6%	25%
10%	25%	33%	50%
15%	37.5%	50%	75%
20%	50%	66%	
25%	62%	83%	
30%	75%	100%	

To explain: If the maximum loss you want is 20% and you are comfortable with this, you can invest between 50% and 66% in the share market. But then you had better be prepared to sit tight for the market to recover – and that might take a while. Because as we have shown above, if you sell out at that time with a loss of 20%, you need a recovery of 25%.

How likely is it the market will decline or crash? Here are some stats?

Market loss	Historical frequency
10%	Every 11 months
15%	Every 24 months
20%	Every 4 years
30%	Every decade
40%	Every few decades
50%	2 to 3 times a century

7.0 INFLATION

Everyone knows costs are rising. But we sometimes forget by how much inflation has eaten away at our income.

For example: If you had R1 000 in 1980, to retain the same purchasing power you would need R26 747 today; R1000 in 1990, R6 828.48 today. If you had R1 000 in 2000 you would need almost 2.8 times as much today to have the same buying power. (Out of curiosity, in 1975 a litre of petrol costs R0.16 but with inflation that would be R7.57 today.)

To get an idea of how much things are going to cost in the future, use the 'Rule of 72'. Here's how it works: Divide what you think the inflation rate will be in the coming years into 72 and there you will find your answer. So if inflation averages 4% p.a. (we should be so lucky!) it will take 18 years for prices to double; 6 percent p.a. and prices will double in 12 years; and – heaven forbid – if inflation is 12% p.a. prices will double every 6 years!!

8.0. YOUR INVESTMENT STRATEGY

Step 1. Work out an annual budget. Take a guess at a future inflation rate. 6%?
Step 2: Determine your tolerance for investment risk.
Step 3: Formulate a strategy on how you will handle this (See bucket approach below).
Step 4: Consider your time horizon. How long do you want your money to last?
Step 5: Put a realistic value on all your assets including your own home.
Step 6: Establish a prudent 'long-term' capital figure for medical emergency such as stroke/heart attack/major operation; dementia (occurs about 25% of the time over age 85.)
Step 7: Decide on your investment objectives and priorities: e.g. enough to live on, capital set aside for family members, replacement car costs, helping family members, frail care etc.
Step 8: Determine your investment style. Do you want to look at your investments weekly /monthly/annually? Speculate with a portion of your capital?
Step 9: Develop a strategic asset allocation plan: How much money invested offshore? Locally? Equities? Bonds? Diversify – don't put all your eggs in one basket.
Step 10: Determine what percentage of your invested money should be in each asset class. Look at the long-term expected returns and risk levels of each asset class when deciding on the target percentage for each class.
Step 11: Write down your strategy. Consider the bucket approach below.

9.0 CONSIDER THE BUCKET APPROACH:

Bucket number one: Cash: enough to cover 2 year's worth of living expenses. Draw down money from here.
Bucket number two: Mainly bonds or relatively modest (8-10% safe yields) – enough for another five years
Bucket number three: The international share market.

Example: Total assets excluding home R3,5 million
Bucket 1: R500 000 (anticipating inflation) i.e. about 15% in cash
Bucket 2: R1 500 000 i.e. about 35% in bonds or similar
Bucket 3: R1 500 000 i.e. up to 50% in equities

General advice: Keep a minimum of 25-50% of your retirement savings in a medium risk portfolio with a 5-10 year timeframe. WARNING: (1) Carefully evaluate the expenses associated with each investment. Consider low-cost exchange traded funds. (2) Don't over diversify.

10. PREPARING FOR LONG-TERM HEALTH CARE COSTS

Statistics suggest that over the last five years of your life you are likely to spend as much on medical costs as during the rest of your life. Even now, assuming you have a full medical aid plan, your monthly costs could be more than your food bill.

The big question though is: if you have major medical expenses, with a lot of after-care needed, where is the money going to come from? You may have to sell the house or downsize… take a loan on an insurance policy… ask family members for help, etc. These potential future costs should caution you to be prudent when deciding whether to help out family with a large sum of money now.

What problems may arise? What may you need to do. Staying at home is the cheapest option with a carer, whether this is a professional nurse who 'lives in' or a friend who pops in most days -- or somewhere in-between. Try to think ahead. Is your home wheel-chair friendly? Grab bars in the shower (a shower stool?), toilet or bath? How burglar poof is your home? Medic alert bracelets, emergency 'panic' phone system, transportation? Alzheimer's Association in the USA estimates close on 50% of the 80+ age group will be at risk of Alzheimer's or dementia. Have you left written instructions with your spouse or trusted friend that your doctor should feel free to share confidential patient information with other health care workers?

Suppose a son or daughter decides to help you, when either you or your spouse become infirm … with bathing, shopping, getting medications, transport and so on. Should this person do this for free as a loving child? Or be paid reasonable costs? How do you think other siblings will feel? Will they believe that this means any assets you still have on your death will go mainly to this person and that other siblings will be 'cut out'? Will you be creating 'bad blood'? Are you going to inform all your children of your approach and decision -- or ask for their advice?

How about discussing the possibility of getting a loan from a son or daughter while they are under no pressure? You might agree to pay them back at a specific interest rate out of the financial assets you hold. Isn't this the sensible thing to do rather than selling assets in a depressed market?

Here are some things that everyone can do:
(1) Pick the right medical aid plan/GAP cover. A hospital plan is the most affordable. Compare total package costs. For example, some health insurance plans give discounts on health foods and gyms. Compare costs: http://www.medicalaidcomparisons.co.za/

(2) Get an annual check-up. Ask for cheaper generic medications, if available.

(3) Choose a public 'state' hospital rather than a private one. You'll be surprised how good some – not all – are. Huge savings.

(4) Doctors are afraid of being sued. If your doctor wants to may send you for blood tests, MRI scans, tell you to see a specialist, recommend getting further pathology reports, etc. Ask: "if so and so', then what?" before you undergo all these tests.

(5) Negotiate with your doctor/dentist (insurance companies do it all the time.) Does your GP charge medical-scheme rates? Some charge up to three times this rate! Phone the doc up and say "I'd like to come and see you but I can only afford a cash payment of 70% of what you normally charge. Is that OK or must I go elsewhere?"

(6) Query whether there isn't a less expensive option: in some case, ultrasound tests are just as effective as costly CT scans.

(7) Donate blood. You get your blood pressure taken every three months for free. And if you are hospitalized and your medical aid doesn't want to pay for the cost of the blood for the transfusion, the Blood Donor Society will help to offset costs.

(8) If you are over 65, a good chunk of medical expense and contributions may be deducted from taxable income.

(9) Pathcare offers pensioner's discounts but only when you have exhausted your annual benefits as offered by your medical aid. Ask them for a Pathcare card to enable this.

(10) Get out of hospital as fast as you can. Find out what the 'check-in' and 'check-out' times are to avoid being billed for an extra day.

(11) Refuse routine hospital tests if they do not relate to your condition or surgery. Demand itemized billing and scrutinize carefully. (Take note of how many doctor's visits you have had.) According to http://healthland.time.com , in the USA 8 out of 10 bills for healthcare services contain errors!!! It could well be the same here.

(12) Don't forget the medical cost of your pets! Negotiate prices down with your vet. Don't necessarily respond to the automated annual reminder you get sent to get your animal vaccinated! One website says these vaccines last three years. (But do your own homework!)

No one can predict the future. Nevertheless, while you are putting your affairs in order, do give some thought to budgeting for future healthcare costs – it goes without saying that gambling – now a significant problem among seniors in the USA -- isn't the solution.
"70% of people turning age 65 can expect to use some form of long-term care during their lives."
Source: http://longtermcare.gov/thebasics/who-needs-care/

Sadly, for a number of folk, health problems will or may arise. Would a care home be best? Or getting in a carer? While 7% of adults 60 and older have dementia, with the rate doubling every ten years. About 1 in three folk 85 and older can expect to suffer from this disease. The two most common causes of dementia are Alzheimer's disease and vascular dementia.

8. DEVELOPING A DISASTER PLAN

8.1 you help out a charity carting food to people and driving their vehicle. Suppose you pranged into a Rolls-Royce or injured your passenger? Would your insurance pay out? Have you been indemnified? Are you sure?

8.2 If you are in a relationship, sooner or later one of you will die. If you should go before your partner, will this other person know about money management and what to do? Or let's say you are married in community of property. Your house is in your partner's name. You decide to sell the house and downsize. Your spouse dies. Now what?

8.3 You have personal assets… paintings, that beautiful hanging lamp. Etc. Have you thought about who should get what? How will you prevent disputes later on? Suppose a loving daughter helps you as a part-time carer? Should she be paid for doing this? What will your other children think?

8.4 Create some 'what if' scenarios. What if the surviving spouse doesn't know how to manage money? What if the executor can't find where you have put stuff? Where will finances for your spouse or partner come from while the estate is being wound up? What if your aged parents or an adult child needs financial help?

8.5 Your financial adviser. When choosing a financial adviser, you might want to ask if this person has a CFP (Certified Financial Planner) qualification which is widely regarded as one of the top industry qualifications internationally. Secondly, you could ask, how many clients do you have and how long have they been with you? Thirdly, you could ask for testimonials. Finally, most people seem more comfortable dealing with someone within five years of their own age group.

8.6 Do you have enough cash in your estate to wind up your affairs?

11. FORTY WAYS TO SAVE MONEY

1. Get out of debt. As someone said, "Debt is nothing more than impatience expressed in money." Forget credit card debt. Forget owing money on a car and buying on HP. The cost of 'interest on a debt' sucks the lifeblood out of any financial plan. Tackle the largest debt first but get rid of it.
2. De-clutter. Get rid of stuff.
3 See to what extent you can slash your food bill without necessarily 'slumming it'.
4. Get smarter money-wise. Avoid drawing cash from ATMs. Ditch the overdraft if you have one.
5. As a senior citizen, your banking charges should be minimal.
6. Eat (and drink) better and more healthily. Getting fat makes you bank balance thin. (There is a direct ratio between 'calories' and cost)
7. Reduce the number of cleaning products. Vinegar and baking soda will probably do most jobs
8. Eat properly and can chuck those vitamin pills out the window.
9. Gym membership is expensive – perhaps R30 per hour actual usage. Walking is more or less free.
10 Remain cautious before you skimp on medical insurance. But try to maintain good health. Get generics.
11. Charity begins at home. Are you giving too much to church, charity and others? Your tips to car guards and petrol attendants could cost your R1 000+ a year. It's good to give … but do review.
12. If you have a financial adviser, ask him or her to reduce his or her fees. Try for an hourly rate.
13. Some time back MyTreasury.co.za calculated that the average South African, driving 40 km per day (14,575 km per year), would save as much as R14,000 per year by ditching their car and switching to Uber.
14. Downsize your home or consider getting in a boarder
15. Or sell your house -- and rent accommodation or move into a small private hotel.
15. Establish a 'reverse mortgage' set-up whereby you sell your house at its current value but have the right to live in it until your death. Warning: Can be costly
16. If you have a life assurance policy, the beneficiary could well be one of your children. It might make sense for you to stop paying the premiums and let your grown-up children pay. (You save a monthly outlay; they probably will get a better return than if you made the policy "paid up".)
17. Although not well-known, you may be able to sell your policy to others for a discounted price.
18. If possible, get rid of all credit cards and eliminate debt. For example, if that new TV costs sells for R4 000 and you pay over three years, your actual cost will DOUBLE to R8 000.
19. Reduce your electricity and water bill. Heating is the really big expense. Can you cut back through a time-switch and turning down the geyser setting?
20. A 'pay as you go' cell phone contract can save you several thousand rand a year. Ditch the landline.
21. Ask yourself whether a full TV package is worth it. There's an easy R5 000 savings per year. Some say you can get sport on your cell phone.
22. How many items on you bathroom and kitchen shelves? Reduce over time.
23. Review your household and car insurance. Self-ensure more by increasing the 'first excess'. SAARP (South African Association of Retired Persons apparently offers good rates and other membership benefits.
24. A new report by Just Retirement finds that pensioners can expect to pay almost twice as much for private home care compared to renting in a middle-market retirement village. (H'm!?)
25. Have one bank card only unless the one bank offers you free stop and debit orders and the other doesn't.
26. One ticket only – and only occasionally -- on the Lotto
27. Use draft mode for your printing cartridges and save about 20%
28. Use less computer printer paper by changing the default margins on your word-processing programme to 1.9 cm all round. You'll use 5% less paper – in other words, every 20th packet of paper will be free.
29. Don't buy bottled water
30. Drive carefully and save one litre every 30kms. That's R5000 a year. Reduce your car's average fuel consumption by up to 5% and save around 45c per litre. Make sure your car isn't carrying extra weight by emptying the boot where possible and taking off roof boxes and roof racks as soon as they're not needed. The right tyre pressure can also help you save.
31: Is comprehensive insurance on your car worth it?
32. With the cost of electricity rising, replace your current light bulbs with low energy light bulbs (Compact Fluorescent Lights). Low energy bulbs use up to 80% less electricity than standard bulbs and last up to 10 times longer. Installing a pre-paid electricity meter will also make you more conscious of the amount of power you're using and will help you keep track of how much you're spending.
33. Pensioner discounts in restaurants and elsewhere. Always ask

34 Buy generic. A packet of 30 branded painkillers costs around R70 versus R40 for the generic equivalent.
35. Buy no-name brand foods and save on your monthly groceries bill. What many people don't realise is that the products are made by the same manufacturers and are simply packaged differently.
36. Instead of using expensive household cleaning products, use more natural alternatives such as bicarbonate of soda, lemon juice and vinegar. Toothpaste can be used when the kids have been scrawling on your walls and Coca-Cola can be used as a kitchen de-scaler! As a bonus, the alternatives are also kinder on the environment.
37. Consider growing your own vegetables.
38.How much do you throw away? Unused pet food (you put out too much), stale bread, salads In UK equivalent of R4 000 per person.
39. How much interest do you pay on your credit card? But do you have a Pic 'n pay card, Click club, Exclusive books, Woolworths card, Discovery/ Vitality card?
40. How much are your cell phone and telephone costs per month?

More useful stuff:
Try SmartMoney's One Asset Allocation System.

https://www.pensions-institute.org/IRRIChapter1.pdf   and further chapters

http://canadianbudgetbinder.com/free-tools/

https://canadianbudgetbinder.com/2018/02/27/create-monthly-grocery-list/

www.everplans.com

http://frugalinsa.com/basic-grocery-list/

https://www.thesimpledollar.com/21-ways-to-reduce-your-spending-without-making-your-life-miserable/

https://dontwastethecrumbs.com/2016/08/cut-monthly-expenses/

https://www.moneysavingexpert.com/family/stop-spending-budgeting-tool

https://www.makingsenseofcents.com/2016/05/ways-to-drastically-cut-your-budget-household-expenses.html

https://www.lifehack.org/articles/money/30-ways-cut-your-monthly-expenses.html

https://businesstech.co.za/news/general/144997/how-many-south-africans-earn-more-than-r500000-a-year/

http://www.healthinaging.org/resources/resource:eldercare-at-home-problems-of-daily-living/