ARE YOU CONSIDERING
EARLY RETIREMENT?

Over the past few years, many South Africans have found themselves considering taking early retirement. As the pandemic continues to roll on and companies attempt to adjust to financial constraints, employees have found themselves re-evaluating how long they will continue to work.

It can seem tempting to retire earlier than you had planned to, especially if you are eager to get your hands on your retirement savings. However, early retirement comes at a huge cost. Since compound interest allows your savings to increase exponentially over time, withdrawing your money can undo a lot of the work you've put into increasing your fund value. Working an extra five years can potentially double the funds you've saved for your nest egg.

Before you decide to retire early, consider the following:

How many savings vehicles do you have?

If your pension/ provident fund value is the only money you have saved for your retirement, you may have inadequately prepared for an early retirement.

What will your monthly income be once you retire?

If it is lower than your current income, you will need to be prepared for the possibility of having a lower standard of living than you're used to.

How many people currently rely on you financially, and how many people may rely on you financially in future?

You will have to consider how your retirement will affect their own standard of living.

Do you have any unpaid debts or large financial commitments?

This can be your car repayments, home loan, children's tuition, etc. If you do, early retirement is a major risk.

How is your health right now?

As you reach your golden years, you will have to think about how you will take care of your body. It's imperative to have adequate health insurance.

It is common knowledge that human beings are living longer and longer lives.

This poses the question: will your retirement savings last for your entire lifetime?

It's crucial to have a comprehensive retirement plan, no matter how far you are from retirement. Once you have scrutinised your financial position and have a clear view of the potential risks of early retirement, it's time to refine your long-term plan.

Check your budget
A regular review of your monthly budget will ensure that you stay aware and up to date with your exact expenditure. Inflation will undoubtedly affect your budget, so be sure to update it regularly.

Speak to your Fund
Retirement funds have avenues through which you can check your fund value. Find out if there is an online portal on which you are able to empower yourself and remain informed about the exact amount you have saved up for retirement.

Get financial advice
Before making any major decisions, you must speak to a registered financial advisor. It's easy to make oversights about your money, and speaking to a professional will minimise the risk of this.