



Fin-Ed

Free Financial Education
for Our Community

How Much Money Do I Really Need to Retire?

The amount you need depends on your lifestyle, income needs, inflation, and how long your retirement may last.



THE GOAL

Generable an income that lasts as long as you do.



THE 5% RULE

A sustainable withdrawal rate of approximately 5% per year.

For every R1 million invested, you could potentially draw around R50,000 per year ($\approx$ R4,200 per month).

MONTHLY INCOME	APPROXIMATE CAPITAL REQUIRED
R10,000 pm	R2.4 million
R20,000 pm	R4.8 million
R30,000 pm	R7.2 million
R40,000 pm	R9.6 million
R50,000 pm	R12 million

These figures are guidelines, not guarantees.



KEY FACTORS THAT MATTER



Inflation

Prices rise over time.
Your income must keep up.



Longevity

Your money may need to last 25 years or more.



Investments

A balanced approach helps your money grow and provide income.



Planning

A good plan today leads to financial confidence tomorrow.



NEED ASSISTANCE?

A personalised retirement projection can show how long your capital may last and whether you are on track.

Contact our office to arrange a retirement planning consultation.



Plan today.

Retire with confidence.

How Much Money Do I Really Need to Retire?

One of the most common questions people ask is:

"How much money do I need to retire comfortably?"

Unfortunately, there is no one-size-fits-all answer. The amount you need depends on your lifestyle, your income requirements, your health, inflation, and how long your retirement may last.

However, there are some practical guidelines that can help you determine whether you are on track.

Start With Your Monthly Income Requirement

The first question is not:

"How much capital do I need?"

The first question is:

"How much income will I need every month when I stop working?"

Consider your expected expenses, including:

- Housing costs
- Medical aid and healthcare expenses
- Food and household expenses
- Vehicle and transport costs
- Holidays and leisure activities
- Family support obligations
- Emergency expenses



Many retirees discover that their expenses do not reduce as much as they expected after retirement. While work-related costs may fall away, medical and lifestyle costs often increase.

The 5% Rule

As a general guideline, many financial planners use a sustainable withdrawal rate of approximately **5% per year**.

This means that for every R1 million invested, you could potentially draw around:

R50,000 per year or approximately **R4,200 per month**

The capital remains invested and hopefully continues to grow to offset inflation and future withdrawals.

Using this guideline:

Monthly Income Required	Approximate Capital Required
R10,000 pm	R2.4 million
R20,000 pm	R4.8 million
R30,000 pm	R7.2 million
R40,000 pm	R9.6 million
R50,000 pm	R12 million

These figures are not guarantees, but they provide a useful starting point.



The Hidden Threat: Inflation

Many people underestimate the impact of inflation.

An income of R20,000 per month today may need to become:

- R26,700 per month in 5 years
- R35,700 per month in 10 years
- R63,000 per month in 20 years

Simply maintaining your purchasing power requires your investments to grow faster than inflation over the long term.

This is why retirement planning is not only about generating income today—it is also about ensuring your income can keep pace with rising living costs.

How Long Must Your Money Last?

People are living longer than ever before.

A person retiring at age 65 may need their retirement capital to provide income for:

- 20 years
- 25 years
- 30 years
- or even longer

For a married couple, there is a reasonable chance that one spouse could live into their 90s.

This means retirement planning is often a 25-to-30-year investment strategy rather than a short-term income solution.

Why Bank Accounts Often Fall Short

Many retirees feel comfortable keeping large amounts of money in bank savings accounts or fixed deposits.

While these investments are generally low risk, they often struggle to outperform inflation after tax over long periods.

The result is that retirees may unknowingly spend their capital faster than expected, reducing the sustainability of their retirement income.

A diversified investment strategy that includes income funds, balanced funds, and growth assets can often provide better long-term outcomes.

Retirement Is About More Than Capital

Successful retirement planning is not simply about accumulating a large amount of money.

It involves:

- Managing investment risk
- Generating sustainable income
- Minimising taxes where possible
- Planning for inflation
- Protecting against longevity risk
- Ensuring sufficient liquidity for emergencies
- Structuring assets efficiently for estate planning purposes



So, How Much Do You Really Need?

The honest answer is:

You need enough capital to generate the income you require, while allowing your investments to continue growing to combat inflation throughout retirement.

For some people, that may be R3 million.

For others, it may be R10 million or more.

The only way to know with confidence is through a detailed retirement planning analysis that considers your personal circumstances, income needs, investment portfolio, life expectancy, and future goals.

Final Thoughts

Retirement is one of the most significant financial events in a person's life. Yet many people only discover whether they have enough money when it is too late to make meaningful changes.

The earlier you understand your retirement number, the more options you have to improve it.

A well-structured retirement plan can help answer the most important question of all:

"Will my money last as long as I do?"



FinEd – Empowering Better Financial Decisions Through Education

This article is intended for educational purposes only and should not be construed as financial, tax, accounting or legal advice. Professional advice should be obtained before implementing any financial strategy.