Fin-Ed

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THE BIGGEST RETIREMENT MYTH: "I WILL SPEND LESS WHEN I RETIRE"

Reality: Expenses often stay the same—or even increase.

WHY THIS MYTH EXISTS

- More time to enjoy life
- Travel and experiences
- Hobbies and activities
- Healthcare costs increase with age
- Supporting family

SPENDING OVER TIME

- **Active Years (60–75)** Higher activity & travel
- **Slower Years (75–85)** Some costs slow down, healthcare rises
- **Care Years (85+)** Care & medical costs often increase

A PRACTICAL EXAMPLE

- Travel increases
- Medical aid rises
- More leisure & family support
- Inflation increases cost of living

Expenses often return to pre-retirement levels—or even higher.

THE REAL GOAL

- Sustainable income
- Protect against inflation
- Manage investment risk
- Plan for the unexpected
- Preserve your lifestyle

Plan today. Live tomorrow.

PLAN TODAY. LIVE TOMORROW.

Good planning today leads to peace of mind tomorrow.

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The Biggest Retirement Myth: "I Will Spend Less When I Retire"

One of the most common assumptions people make when planning for retirement is:

"My expenses will decrease once I stop working."

At first glance, this seems logical.

You may no longer have to pay for:

- Daily commuting
- Work clothing
- Business lunches
- Professional memberships
- Retirement contributions

As a result, many people assume their monthly expenses will reduce significantly after retirement.

However, in practice, this is often one of the biggest retirement planning mistakes.

For many retirees, expenses do not decrease nearly as much as expected—and in some cases, they actually increase.

Why This Myth Exists

Retirement is often viewed as a period of slowing down.

Many people imagine:

- Spending more time at home
- Travelling less
- Living a simpler lifestyle
- Having fewer financial commitments

While this may be true for some individuals, most retirees quickly discover that retirement creates a different spending pattern rather than a lower spending pattern. The money simply starts flowing to different areas.

You Finally Have Time

During your working years, time is often limited.

Retirement changes that ,suddenly there is time to:

- Travel
- Visit family
- Pursue hobbies
- Join clubs and social groups
- Play golf
- Renovate the house
- Take holidays

Unfortunately, many of these activities cost money.

One of the most common observations among new retirees is:

"I am busier now than when I was working."

And often, they are spending more than anticipated as well.

Healthcare Costs Often Increase

One of the largest expenses facing retirees is healthcare.

As we age, medical costs generally rise.

This may include:

- Medical aid contributions
- Gap cover
- Specialist consultations
- Medication
- Dental treatment
- Hearing aids
- Mobility assistance
- Home healthcare services

Healthcare inflation often exceeds normal inflation, meaning these costs can increase faster than many retirees expect.

A medical aid contribution of R5,000 per month today could easily exceed R10,000 per month over the next decade.

Supporting Adult Children and Grandchildren

Many retirees continue to provide financial assistance long after retirement.

This may include:

- Helping adult children financially
- Assisting with grandchildren's education
- Family emergencies
- Housing support

Although these expenses are rarely included in retirement calculations, they can have a significant impact on retirement capital.

Inflation Never Retires

Even if your lifestyle remains unchanged, inflation continues.

The cost of:

- Food
- Fuel
- Electricity
- Insurance
- Municipal charges
- Healthcare

will continue increasing every year.

An income that feels comfortable today may not provide the same purchasing power ten or twenty years from now This is one of the reasons retirement planning must focus on maintaining purchasing power rather than simply generating income.

The Retirement Spending Curve

Interestingly, retirement spending often follows three phases:

Phase 1: The Active Years

Typically ages 60 to 75.

This is often the most expensive phase of retirement.

Retirees travel, socialise, pursue hobbies, and enjoy activities they postponed during their working years.

Spending levels often remain similar to—or even higher than—pre-retirement spending.

Phase 2: The Slower Years

Typically ages 75 to 85.

Travel and activity levels may begin to reduce.

Certain expenses may decline, but healthcare costs generally increase.

Overall spending often remains relatively stable.

Phase 3: The Care Years

Typically age 85 and beyond.

Lifestyle spending may reduce, but healthcare and care-related expenses often increase significantly.

These costs can include:

- Assisted living
- Frail care
- Home nursing
- Medical equipment
- Specialist treatment

For many retirees, this phase can be financially demanding.

A Practical Example

Consider a person earning R50,000 per month before retirement.

They assume their expenses will reduce to R30,000 per month after retirement.

However, after retiring they discover:

- Travel costs increase.
- Medical aid contributions increase annually.
- They spend more on leisure activities.
- They assist family members financially.
- Inflation steadily increases their cost of living.

Within a few years, their expenses have returned to levels close to their pre-retirement spending. This scenario is surprisingly common.

The Real Goal of Retirement Planning

Retirement planning should not focus on reducing your lifestyle. It should focus on preserving it.

The objective is to accumulate sufficient capital so that you can continue living comfortably without constantly worrying about money.

A successful retirement plan aims to:

- Generate sustainable income.
- Protect against inflation.
- Manage investment risk.
- Provide flexibility for unexpected expenses.
- Preserve purchasing power over the long term.

Questions to Ask Yourself

Before retiring, consider the following:

- What do I realistically spend each month today?
- Which expenses will disappear?
- Which expenses will increase?
- How much do I expect to spend on travel and leisure?
- What provision have I made for healthcare costs?
- How will inflation affect my lifestyle over the next 20 to 30 years?

The answers may surprise you.

Final Thoughts

The belief that retirement automatically results in significantly lower expenses is one of the most dangerous assumptions in financial planning.

For many people, retirement simply changes where their money is spent.

The most successful retirees are those who plan based on realistic spending expectations rather than optimistic assumptions.

Retirement should be a time of freedom and enjoyment—not a time of financial stress caused by underestimating future expenses.

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