Prudential Investment Managers
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# 7 Financial mistakes to avoid in your 50s

By the time you reach your 50s, you should have a sense of what your retirement might look like. But are you on course for a secure and comfortable financial future? Here are 10 mistakes to avoid in your 50s, to help ensure that your 60s and the retirement years that follow are all you would want them to be.

**Mistake #1: Spending your retirement funds**
People in their 50s are sometimes referred to as the 'Sandwich Generation', caught between financially supporting their elderly parents as well as their young adult children – and possibly providing a home to all three generations. If you're caught in the middle like this, you may feel tempted to reduce – or access – your retirement savings. Doing so, however, has significant tax implications and could dramatically reduce the amount of money you have in retirement. Speak to your financial adviser about ways to avoid falling into that trap.

**Mistake #2: Not having a will**
All the financial planning in the world won't help if you haven't made provision for your death. By this age, you're likely to have built up a fair amount of assets, and if you have a current, valid, binding will in place, your loved ones will be spared the confusion and frustration of how your assets should be distributed after you're gone.

**Mistake #3: Being too conservative**
At 55, you'll still have about 10 years of pre-retirement work left, as well as about 30 (or more) years of life (and earning returns) ahead. Don't fall into the trap of thinking you need to start making your portfolio more conservative. Even when you do stop working, your retirement savings needs to last another 30 years or so, and those savings need to earn strong returns. Our analysis of investment returns has found that maintaining some exposure to growth assets like equity and listed property is important for sustaining your income after retirement. If you're thinking of going more conservative, be sure to speak to a financial adviser to see what the impact on your future returns might be.  These days, extended longevity means you probably need a riskier portfolio longer than your parents did.

**Mistake #4: Retiring too soon**
Retirement planning is, in its crudest form, a race between you and your money – and you only "win" if your money lasts as long as you. It's not inconceivable that you'll live until the age of 95; yet it's almost impossible to fund 30 years of retirement with just 40 years of retirement savings. If possible, avoid leaving the workforce too early. Consider staying another year or two with your employer (and, more to the point, your employer's retirement fund) – these couple of years can make a big difference, since you're contributing extra funds and delaying drawing them down at the same time. Otherwise, you may want to think about starting a late-life second career. This could easily be contract work or a part-time job, since today's employers are more flexible than in the past.  Your longevity should be a positive factor for you, giving you opportunities your parents might not have had.  Living a longer and happy life means you may well need that additional post-retirement income.

**Mistake #5: Underestimating your retirement requirements**
It's usually more expensive than you think. You may want to travel more, do things you enjoy that you haven't had time for when the kids were younger,  or remodel your home. You're also likely to face higher costs due to inflation, not to mention higher medical expenses as you age. It's generally recommended that your income after retirement should be between 60% - 80% of your gross income before retirement (also called your income replacement

ratio). Use our online retirement calculator to get an idea of whether or not you're on track with your retirement savings, and then sit down with your financial adviser and sketch out a budget to help ensure you don't outlive your money.

**Mistake #6. Relying too heavily on your employer's pension fund**
Most people rely on their employer's pension fund as their sole source of income after retirement. However, research suggests that less than 19% of retirement fund members will have enough saved in their employer's pension fund to retain their current standard of living after retirement. This means that most of us have a lot of catching up to do! . Fortunately, you may still be a decade (or more) away from retirement, which is still a reasonable investment time horizon. Remember, it's not too late to take control of your financial future by saving and investing more than you are right now. Apart from your employer, you may want to start a retirement annuity (RA) for additional retirement savings, which also offers favourable tax treatment. Once invested, RA funds are only accessible to you after age 55.

**Mistake #7: Doing nothing**
Hopefully, you've been diligently saving and investing, and sticking to your perfectly-thought-out retirement plan. But that plan may need to change as your life changes. Check in on your investments regularly and meet with your financial adviser to determine if you are indeed still on track to achieve your goals, or if you're missing out on potential value. Patience and planning are good; sitting in 'autopilot' isn't always the best idea.

For more information or if you have any questions, please contact your financial adviser or feel free to get in touch with our Client Services Team on 0860 105 775 or query@prudential.co.za