

FOR IMMEDIATE RELEASE

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The Importance of Retirement Planning

Retirement planning is of paramount importance for individuals to secure their financial future and to maintain a comfortable lifestyle after they stop working. A tragedy that we often see in Namibia is that after a successful working career, our elders fall into poverty. Failure to adequately plan for retirement can result in serious financial difficulties at a later stage in life hence the need to understand the importance of retirement planning.

1. What is Retirement?

Retirement in simple terms means when you cease to work permanently. The current retirement age in Namibia is 60 while employees are allowed to apply for early retirement from the age of 55 up to 59. Although, our circumstances differ from person—to-person, our retirement goals are often the same. Meaning that, we all would still like to maintain a good standard of living in terms of basic needs such as food, housing and medical care. Similarly, we also want to receive a steady income or annuity after retirement. Manier times, retirement planning is often neglected or postponed until we are closer to retirement age.

2. Know your Retirement needs

Retirement needs refer to the various financial requirements and expenses that individuals must consider and plan for during their active years of employment . These needs can vary based on factors such as personal circumstances, lifestyle choices, and location, but there are some common retirement needs that most people should account for. Planning for retirement as early as possible is crucial. It is very important

to know your retirement needs, for example, where would you like to retire? Is it at the village, in town or at the coast? At what age would you like to retire? Who will look after you when you retire? Will you have income in forms of annuity payments? The cost of living is increasing at a fast pace, so the older you get, the higher the costs of medical care and other necessities.

Similarly, building and maintaining an emergency fund is important before and during retirement. Unexpected expenses or financial setbacks can occur and having a cushion of savings will help to mitigate the impact and avoid dipping into long-term retirement funds. Financial advisors from reputable firms are there to assist in answering all these questions. They will take your current income vs expenses and calculate estimated costs of living and advise you on the financial products you can invest in such as retirement annuities, short term insurance, life cover and other investments.

3. Learn about your employer's pension plan

A pension or pension plan is a condition of employment that gives an employee regular payment towards retirement, usually every month. It also consists of an employer contribution towards retirement the employee. As an employee you need to know your monthly individual contribution rate and that of your employer. When the employee retires, this money is paid out to the employee.

4. Start investing in a Retirement Annuity

A retirement annuity is a personal retirement savings vehicle. It is independent from the pension fund which is done through your employer. Choosing the right annuity can be crucial in securing your retirement. It is important to research your options and seek professional advice before making a decision. Withdrawals are not allowed until you reach retirement age. If you cancel your retirement annuity, you will only be paid out the funds upon retirement.

5. The use of Additional Voluntary Contributions towards pension

In Namibia, most pension funds have mandatory contribution rates that are usually prescribed in the funds rules. However, most funds' rules also make provision for members to make Additional Voluntary Contributions (AVCs). These are extra

contributions made by members of a group pension scheme. The AVCs can be deducted from your monthly salary, for example, you could save an extra N\$300 towards your additional pension. If your pension has no provision for AVCs you can opt to save extra in the form of a retirement annuity.

6. Finalize all your capital projects between the ages of 25s to 50s

Housing takes out a big chunk of money from your income. If you do not settle your bond before retirement, it will take out a huge chunk from your pension. It is important to try to settle your mortgage, personal loans, and car loans before you reach the age of 60. If you desire a village house, start building it while you are in your prime working age so that you don't have to use your pension pay out on building a home, or buying farmstock or buying a car. Create a pre-retirement checklist for yourself and work towards it.

In summary, retirement planning is crucial to ensure financial security, maintain a desired lifestyle, and protect yourself from unforeseen circumstances. Starting early and seeking professional advice can greatly enhance the effectiveness of your retirement plan.

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