

FINANCIAL PLANNING

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- Dean De Sousa, Portfolio Manager at Equilibrium



THE PATH TO SUCCESSFUL RETIREMENT: STRATEGIES FOR FINANCIAL ADVISERS AND HOW A DFM CAN HELP

A client's journey to a successful retirement is marked by careful financial planning and strategic decision-making, often on the part of the financial adviser. However, this path is often fraught with challenges that can lead clients to deviate from their intended course. While the role advisers play in keeping clients on track cannot be understated, partnering with a Discretionary Fund Manager (DFM) can often lighten the unenviable task of ensuring financially successful retirements for clients. A financially successful retirement hinges on two pillars: maintaining a desired standard of living in retirement; and ensuring that your savings sustain you throughout your retirement years. Striking a balance between the two is paramount.

The multi-stage approach to retirement savings

A symbiotic relationship between the advice and investment strategies offered to clients is also needed. From an advice perspective, crafting a comprehensive financial plan is at the core of a successful retirement strategy. Regularly revisiting and adjusting the plan based on changing circumstances is essential to staying on track. To that end, it can be helpful to break down the stages of the retirement journey into a series of mini 'games', each with their own objectives and strategies needed to 'win'. From the accumulation 'game' to the preservation 'game' and finally the distribution 'game', victories at each step will maximise the likelihood of a financially successful retirement, while losses can be detrimental to a client's retirement.

And like a group stage of a sporting world cup, losses in the earlier stages make winning latter stages significantly more important, and also more difficult. To win the accumulation game, the objective for a client is relatively straightforward: To accumulate as much wealth as possible. This requires a reasonable and consistent savings rate coupled with an appropriate, tax-efficient vehicle, as set out in the financial plan. To win the preservation game, clients typically transition from high-risk to more conservative investments to avoid a potential market crash just before retirement.



Dean De Sousa, Portfolio Manager at Equilibrium



Financial plans tailored to their individual circumstances can help preserve accumulated wealth while minimising exposure to market volatility. For the few in the luxurious position of having dominated the prior games, the distribution phase is generally simple as clients can either afford a generous income with a suitable escalation through a life annuity, or they can draw the minimum of 2.5% from their living annuities and watch their accumulated wealth continue to grow. For the majority however, this phase requires a delicate balance. Drawing down too rapidly can deplete savings prematurely, while overly cautious withdrawals may limit the enjoyment of retirement.

Leveraging the power of a discretionary fund manager

To succeed at any of the games, a credible investment strategy is required to deliver on the expectations embedded in the advice strategy. This is where a DFM can be an invaluable ally for financial advisers. A DFM brings an additional layer of expertise, offering strategic insights that enhance the quality of advice and investment decisions.

Aspects where DFMs can play a crucial role are:

- **Tailored investment solutions:** A DFM can design investment portfolios tailored to an adviser's advice process.
- **Expertise and insight:** DFMs possess deep market knowledge and experience in navigating various market conditions. Their insights can guide advisers in making informed decisions and adapting strategies as needed.
- **Continuous monitoring and management:** DFMs continuously monitor market trends and portfolio performances, ensuring that clients' investments remain aligned with their retirement goals.
- **Fees:** DFMs can play a crucial role in bringing down the overall fee experience of clients.

Staying the course: overcoming challenges

The path to a financially successful retirement is complex, requiring a combination of careful planning, strategic investment decisions, and a resilient mindset. By partnering with a DFM that aligns to your advice process, you can ensure that your clients stay the course, safeguarding their financial well-being and securing a prosperous retirement future. For more information visit, eqinvest.co.za.

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