INTUITION

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We still need to Plan our Finances in Retirement

*For most of human history, retirement simply didn't exist. People worked for as long as they were physically able, and when they stopped, it was because they no longer could. Yet today, many of us spend more time planning **when** to retire than **how** to thrive once we get there. The reality is that retirement is not a destination marked by a date on the calendar - it is a season of life that can last thirty years or more. Understanding how spending, health and lifestyle evolve during those decades is one of the most important financial planning lessons of all.*

Robin Gibson

Retirement is relatively new and wasn't really a concept prior to the turn of the 20th Century (for those who struggle with dates, that would be around 1900). Essentially retirement as a practice only became mainstream around 75 years ago. Prior to that, people "dropped" at their jobs!

Consequently, for most in the modern workplace financial planning is about getting to that retirement date and waving the "9 to 5" goodbye. Alternatively, there is a large cohort who have their head buried deeply in the sand, not contemplating the inevitable march of time. The problem with the latter is obvious, yet while the former individuals are being intentional and realistic, there is still so much to learn regarding ageing from a financial perspective. The classic mistake we see is people thinking retirement is all about a fixed date. The thought of not being tied to a clock and under the pressure of some external force is so appealing that we become fixated on the date of our 'parole', not really considering what may follow.

It is not difficult to understand that we need to fund our income from a capital base instead of the regular payment of a salary or pension. What is much more difficult to know is the necessary amount. How much is enough? The whole equation is then complicated by the fact that we have no idea how long we might live and need that income. Retirement planning would be so easy if we could merely divide the number of months we have left into our available capital, and we would know exactly what we can spend! An additional complication is the impact of inflation.

Life expectancy has climbed substantially over the years. Ninety is the new eighty and multiple people are living to this age with a high degree of independence. This is facilitated by several factors. The first is the reduction of infant mortality. A much higher percentage of the population reaches adulthood. The second is quality of life. We have significantly better diets and basic living conditions; clean water and electricity make our lives less stressed. Then there are the medical advances, heart bypasses, antibiotics, insulin and everything else that treat the major life-threatening ailments. Finally, there is an increasing understanding of the investment in wellness, specifically that muscle strength and cardio fitness can have a significant impact on both quantity and quality of years.

SPEED READ

- **The financial demands of retirement change dramatically from the active early years through to later-life healthcare needs, this demands a dynamic approach to financial planning.**
- **Separating the assets that create the sustainable inflation-beating income from other invested assets is the key to long-term financial independence.**
- **Overspending, tying too much wealth up in your home, replacing cars too often, and dipping into investment capital can permanently reduce future income.**
- **Longevity, inflation, markets and personal circumstances change over time, making regular reviews essential to staying financially secure in your golden years.**

Taken together, it becomes plain that retirement is a season not a destination. Seasons have characteristics, so does retirement. The early years are characterised by an element of freedom from the work routine that everyone focuses on. It is a time when costs can easily ramp as there is time to do stuff – travel, extended holidays, meals out and increased leisure activities like golf, tennis, padel and even bowls. All this activity can come with a surprising increase in cost. As time goes by vitality may decrease and with it, expenditure. The allure of an overseas holiday (accompanied by a long flight) may wane, driving at night, or even owning two cars, can become unnecessary surpluses. While some costs may increase above inflation, others drop off the list entirely, moderating the cost base. However, as the latter years come into sight, costs can escalate as health events dominate the landscape. Frail care costs, alongside a separate home for the second spouse, can deliver a breathtaking rise in required income. The retirement road can be very windy in this respect.

Harvard House particularly advocates the concept of a WealthPool: a permanent pool of investment assets that generates inflation-beating income, aside from capital volatility, that allows investors to enjoy financial freedom indefinitely. Your WealthPool is, by definition, separate to your emergency fund, directed savings or other financial assets. It is entirely ringfenced to provide peace of mind and income security.

It is in this context that we see several mistakes constantly made by retirees that may be worth highlighting:

1. **The Entitled Spend**
   No doubt, most have worked hard to buy homes, educate children, build careers. Much of this has taken sacrifice and, at times, financial pain. However, retirement does not differ from normal life in that none of this journey can entitle you to something that you cannot afford, especially in the context of a potentially extended time horizon. While we don't think parents are obliged to leave a legacy for their children, we would suggest that having a meaningful estate is preferable to the anxiety of an under-resourced WealthPool.

2. **The Overcapitalised Home**
   Our home is usually our most valuable asset. South Africans, in particular, have a fixation on home ownership because of a history of high inflation that made property a valuable foundation block of wealth growth. Recent history with degradation of municipalities, changing of social behaviour and the like have led to long periods of stagnation in property prices and in some cases a loss of value against inflation. The hangover however, remains. As such we often see a disproportionate value between home value and a client's WealthPool. The sad reality is you cannot eat your enclosed veranda, or solar system.

3. **The New Car**
   It is true that reliable transport can be the difference between safety and danger, especially on South African roads. However, there is also no doubt that modern cars have engineering that can almost guarantee hundreds of thousands of kilometres if maintenance is performed timeously. Cars depreciate terribly. When you add inflation onto that it is the most destructive capital force in personal finances.

4. **The Failure to Save**
   In the working world it is a well-established idea that if you want to do or buy something special you need to make sacrifices from your normal expenditure routine and put money away to provide for that desire. Sadly, this concept seems to disappear in retirement. The temptation to dig into the WealthPool to pay for something is overwhelming and yet it delivers unintended consequences - future income destruction.

We believe that our golden years can be the most productive and rewarding. We do not believe, however, that this can be achieved without a clear understanding and plan associated with the financial aspects. What's more, while we love the concept of "plug and play" in many areas of our lives, a financial plan needs constant revision and tweaking, and most of all, intentional action to achieve the optimal outcome.

In retirement, a new model of your favourite vehicle may be a fabulous temptation despite it being a poor planning decision.

Our next seminar will delve into the complicated world of AI and articulate how we have positioned portfolios to benefit from this fast-moving technology."

Topic:	Positioning your portfolio for AI
Natal Midlands	
Date:	10th of September, 2026
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg	
Date:	8th of September, 2026
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town	
Date:	N/A
Venue:	J&J Belmont Square, Belmont Road, Rondebosch
Time:	7.30am
Venue:	Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town
Time:	5.30pm for 6pm

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CONTACT DETAILS:

For more information on the range of products and services offered by Harvard House Investment Management and its associated companies (including Harvard House, Chartered Accountants), or for any financial advice, please contact the Company at:

HARVARD HOUSE GROUP

3 Harvard Street, Howick, 3290, South Africa

P.O. Box 235, Howick, 3290, South Africa

+27 (0) 33 330 2164

+27 (0) 33 330 2617

@ admin@hhgroup.co.za

W www.hhgroup.co.za