Your Money Matters: Ep 4. Can saving for retirement be sexier than it sounds?

[00:00:00] Managing money and knowing what is good for your financial wellbeing at every stage of life is a skill. It’s a skill every person needs. Managing money well means having an adequate level of protection, more savings than debt, and knowing how the choices we make can either make us or break us. Of course, we’re all human. So, in Your Money Matters, a podcast brought to you by Discovery, I unpack practical aspects on banking, life insurance, investments and more in discussion with experts. Join me for these interesting conversations and hear how small things we do can take us to greater financial security and more of life’s rewards.

[00:00:43] Welcome back to Discovery’s podcast series, Your Money Matters. I’m Bruce Whitfield. Today’s episode is all about saving for retirement. If you’re 45 or 55, you may be in panic mode because you haven't started soon enough, if you’re 35, you may think you’ve still got plenty of time, and if you're 25, you can barely understand why you have to start saving now for something so very, very far away.

Our guests today: Craig Sher, the head of Research and Development at Discovery Invest, and Ann Wilson – better known as The Wealth Chef – she’s also done a TV series called Save Well Spend Better. Financial empowerment activist Ann Wilson, a lot of us don't really start nearly young, do we?

[00:01:30] **Ann:** Not at all. And I think the big challenge is just as you've mentioned it can be something that we can sort of see as for tomorrow and I think even the word "saving" can be misdirected, sort of it seems like it’s this boring thing, putting away, but I think if we really start going “Hey, how do I make this exciting” and realise that we can create assets, we can invest to actually give us freedom and I think so much of it is just about our mindset of just the story we have around working for money versus getting money to work for us and when we can shift that I think we can really then create a completely different financial outcome.

[00:02:06] **Bruce:** This is the point and I think, Craig Sher, far too often we are frightened of money, far too often we’re terrified of this notion of investing for the future. And so, as a result, we feel a bit thick and if we feel a bit thick, we feel intimidated to go and sit with somebody who may use highfalutin language or who we may feel is condescending towards us because we feel insecure about our own approach to investing and I think that is often a stumbling block for many people, Craig?

[00:02:34] **Craig:** Yes, Bruce, I mean absolutely. We know that the world of money, the world of financial planning, retirement, compound interest ... it really is a complex world out there, but I would say it's probably one of the most important things that you will do and especially when you're younger, making those right decisions up front are really some of the biggest decisions that you're able to make. One of the most important things is then going to a financial advisor finding out exactly how to do it right. You don't need to be an expert in everything to be able to get involved in it. And when we're sick, we go to a doctor for advice, when we need help with our finances then you go to a financial advisor and someone who can show us how it works and obviously not shy away from the from the complexity, but I guess embrace it because once you get into it and your money starts working for you, as Ann said it's almost you start seeing the many compounding, you start getting involved in that world and it actually can be very exciting.

[00:03:28] **Bruce:** Ann, here's the problem: if I go to my doctor and I say “Doctor, I have a sore throat,” then we expect the doctor to be the expert looking into it, when we go to a financial advisor somehow we kind of think that we're supposed to know stuff about investing in money and I think the lack of knowledge and the lack of grounding and the very weak base from which we come from is often a key determinant in whether we confront this issue of money earlier or later.

[00:03:35] **Ann:** Absolutely Bruce. You know, there have been some phenomenal stats, specifically around women, terrified of getting it wrong, getting this wrong that there's this pervasive side that somehow if I get involved in my own financial well-being, if I learn anything and if I get it wrong, then I'm going to be culpable for ending up living under that park bench and there's fear that getting it wrong, being seen to be stupid, should know something better, can then just be this paralysis. And so, I think what can happen is, too many people look to the financial industry, look to a financial advisor and abdicate themselves from their own financial accountability and own financial well-being and no financial advisor, no investment product can do that. It just fits into that point. So, there's a step before that to actually go, “Hang on do I even understand my relationship with money? And earning is one thing but what do I actually want? Do I actually understand that there's a point in time when I want choice? I might not be able to work. I don't want to work. I want to have choices. So, what is the recipe, what's the ingredients, these elements that I need to give me that choice?” And so, I think this fundamental step beforehand of just financial literacy, of understanding “Oh, what's an asset? What? Oh, that's the role of investment,” whereas our entire education system is “what are you going to be when you're big”. In other words, how you're going to exchange your life force to earn money. And so most people think money is the thing that is going to solve their financial problems, but it's not. It's learning how to invest and have these assets and where that sits and then understanding that, then we can go with the role of a financial advisor or these different investment products. So, I don't think the investment advisor, the financial advisor is the doctor because it's not a problem to be solved. It's wealth and creating assets can be a juicy, exciting integral part of our lives.

[00:05:43] **Bruce:** You talk about the relationship with money and people and, “Well yes, I've got a relationship with money. It's a fleeting relationship, it comes into my life and it leaves.” This idea of this relationship with money is quite an odd concept. How do you interpret it?

[00:05:59] **Ann:** Yeah, as you say, most people work so hard, it's imagining, they go out there get all dolled up, they want to try and find their ideal partner, they maybe go on the internet sites, find them. As soon as they've found the love of their life, they completely ignore them, and they hand them over to somebody else and that's what most people do with money. We work so hard to get it but then there's this huge dearth of what do I actually do with it? And the only thing most of us are told is how to get rid of it as fast as possible. It's like this hot potato, like let me get rid of it from my life, spend it and preferably let me also go and spend money that I don't have so that I can almost create this vortex to suck any money out of my life. And I think this is the fundamental big gap. There's a gap between it coming in and going out and that's being a great leader to money, and I think this relationship, shifting I work for money, as slavery to money, how do I earn more money to go, hang on, this is actually something I can learn. Money is just the value exchange, investments whether stock market, investment property, or low input businesses or you know peer-to-peer lending all these different kinds of investments we can be involved in. These are just different forms of play dough that I can convert my money into that can then start working for me and I think curiosity and going “there's a gap in between” is so vital and then how do I create that relationship that shifts and understands that money, investments are meant to serve us not the other way around.

[00:07:28]: **Bruce:** Craig in real terms though the vast majority of people don't have adequate savings and they would have discovered that in lockdowns with suddenly they couldn't work and were laid off and they certainly don't have nearly enough retirement savings and there are a multitude of research papers, which point this out. Those research papers in themselves don't solve the problem, but what they've got to warn us is that it is purely up to us as individuals to make provision for ourselves for a time when we will have no income and if we live long enough and we do stop working one day either because we want to, need to, have to, or are forced to that there is going to be some money to keep us going.

[00:08:14] **Craig:** Well Bruce, I mean I think that is something that we believe very, very strongly in. I think the entire retirement challenge is actually totally behavioural and that's something that we've found. You know, the statistics quoted over the last 10 or 20 years that 94% of South Africans can't afford retirement. I mean, we've all heard that before and we've narrowed it down to three reasons. The first is that they don't save for long enough, you don't start early enough, and you don't, keep saving all the way through. The second is that they don’t contribute enough, so you don't save a big enough percentage of your salary or your income in order to save enough and then the third issue is that when they reach retirement, they have this pot of money if they do have one that's built up, they don't withdraw it in a responsible way. And those three reasons, those three impacts, are really why people don't have enough money in retirement. And compounding this is the fact that people are living longer, as you said. You know life expectancy, I think back in 2004/2003 around there was 52 for a South African and 10 or 15 years later, it's moved to 57 and around the world, this issue of longevity is something that is getting bigger and bigger. The people entering the workforce today will live 12 years longer than the people that are retiring today. And you can just imagine what that does to the amount of money that you need to save for retirement and on top of that by getting older and people living longer they spend more time in retirement and they use a much bigger percentage of their income on things like medicine and health care. And so, the retirement gap is getting bigger all the time. And as you say, it is totally behavioural. It's the things that we need to change in order to fund that gap.

[00:09:55] **Bruce:** Ann Wilson, when we look at this retirement problem, this savings problem, this global crisis of people not putting enough away, the vast majority of people certainly that I talk to say, how on earth do you expect me in a high tax environment – like South Africa is for the vast majority of people who do work, they're paying huge taxes, the cost of living is going up significantly in South Africa and at a frightening rate. You want me to do that in an environment where the expectations are for me to live in a certain suburb in a certain kind of house, drive a certain kind of car, wear certain kinds of clothes, have a certain kind of cell phone, have particular shoes and you want me to do what? It's impossible!

[00:10:38] **Ann:** You know, you say that so beautifully and that just comes at the very nub of it. I think at the first core element so much of this path of, let's call it financial well-being or financial liberation, is first claiming back ourselves and going, “hang on, if I spend my entire life dancing like a puppet, responding to media of what I should be, what is being wealthy, what is being successful, then my life is never going to be mine. And so, this comes back to, this intrinsic side saying “I'm responsible for me. I make my choices and my choices are determining my destiny. And if I am fitting in and being worthy via that cell phone is more important than my financial well-being, that's on me.” And that's why I come back to you know, no financial advisor, no product can do that and that's this first radical step of going, you know, freedom has also got huge personal accountability, but when we can go with that and go, yes, all these things are expensive, but if we really truly value our lives and going, these models ,you're retiring at 65 – have been obsolete for 30 years, we just haven't caught up with them, from longevity everything else, there has to be a different way of being. And also, retirement for me doesn't have to be just at 65 if we also rephrase and say retirement is about freedom of choice that I now have these aspects of my financial well-being, my investments, my savings … so I can choose whether I work or not, how I work, how I live, and go “Ah that is possible”. And I think that this comes to the very first spark. Most people have just never been shown an example that actually that is a different path from just work hard, spend all your money, try and keep up with the latest cell phone and kids going to X school, and then hope somehow at the end of it, you'll run out before the money does. I mean that's devastating. There has to be a different model and we can change that and that does come with a behavioural side. So yes, it's saving, but it's also breaking out of this mindset that there's a singular income stream and I think that's what's also devastating with our education system and what Covid has shown. We cannot rely on this concept that you get a job, maybe a little bit of money goes into a corporate retirement, maybe you save a little bit on the side. We know that doesn't work. You know, two out of three people in the western world, mostly women, will have to rely on their family, their kids, charity of strangers, heaven forbid the government, just to survive financially at some point in their life. That's devastating. And so, this entire relationship model of how we work, how we earn, what we do with money has to shift, but it's an exciting challenge. It's going, “Ah yes, we can earn money directly from ourselves, but how do we learn how to get assets, investments, other things working for us not just for when we're 65, but in the interim to add to those money flows to pay for those different things way earlier. I think this is where it can become sexy and exciting and then understanding that these multiple streams are so important.

[00:13:39] **Bruce:** Let's get there in a moment Ann. “But you're asking me to invest for financial freedom in a future that I cannot contemplate. I'm 25, I'm 30, I'm even 35 and still in denial of the fact that I'm ageing. You're asking me to sacrifice freedom today for a future I cannot see for a financial freedom that I'm not even enjoying while I have an income. I'm sorry. I don't buy it.” I think there is a fair amount of that. That's why we have this really short-term approach in our thinking.

[00:14:15] **Ann:** This is part of also understanding that great money management or great money leadership is about now and the future because if we only make it about the future then it becomes about deprivation and oh when can I eventually do the things I want to do. And so, coming right back to how do we handle that money, that gap when it comes in? How do you allocate some of that to that future, some of that to the intermediate, you know some of the stuff that you're going to need to spend next year, three years' time … that's the difference between saving and investing? But how am I also making sure I get massive value from the money that is flowing out of my life? Because I think what happens, we can get so busy trying to earn money most people have never learned how to be wealthy spenders and a huge part of the money that flows out of their life doesn't bring them any joy, doesn't bring them any value. It just flows out. And so, there's another whole set of skills of how do we get more? From what's going out right now? And I think this is how we can get excited about it and go this is how we can enjoy that freedom. And so, it's an end because if it is just about sometime in the future then yeah, what's the point?

[00:15:16] **Bruce:** Thank you. I'm glad you agree on that particular point. Craig Sher, concurrence on that particular point? I think it's an important point to make that you're so busy sacrificing in the present that we start to resent this idea of the long term.

[00:15:28] **Craig:** Yes. I agree with that. It's actually is a very big behavioural thing that we study, it is called hyperbolic discounting. The fact that it's something that's going to happen a long time in the future, and I know we've been talking about how exciting and sexy putting away your money for retirement is, but I can tell you it's not. It's not an exciting thing to put away money when you could buy your new pair of shoes at the moment. And so, I do think, I mean just to go back to something we said earlier. Obviously, you shouldn't abdicate any responsibility to not look into your stuff and give it to a financial advisor, but I can't overestimate the role of understanding your money and having somebody to coach you through that and have that financial advisor just to teach you, just to show you what's going to happen and how these things work. I do think that savings products, investments, saving for retirement is something that is sold, it is not something bought. No one wakes up in the morning and says, you know today I'm going to go and take out an RA, I'm really, really excited about it. But when somebody shows you how that is done, that is an incredibly powerful thing and you just see that when this happens to people, almost the lights go on in their minds, you can see when it happens, and people start understanding money. And we do a lot of research on this. on what makes people take out investments, on giving people rewards now, you'll know the Vitality programme. We give a lot of rewards now for doing the right type of thing that will impact people later on and we do that in the investment world as well. We get upfront boosts, and we give a whole lot of rewards that people actually tangibly they get something in their pocket today for doing what is right for them in the future. And I think more of this type of thinking is what the industry needs, play on this behavioural bias that we have in hyperbolic discounting and the fact that we don't care much about the future, but we care more about what we're going to spend today and actually utilise that to get people to the right type of financial outcome later on.

[00:17:23] **Bruce:** I thought that this was going to be fighting talk, but I think you're actually in broad agreement Craig Sher with Ann Wilson, I mean Craig's saying it's not particularly sexy to save for the long term, but your entire argument is based on the fact that it is actually possibly one of the sexiest things a human being can do, from your perspective, [Ann: absolutely] putting away for the future and finding a mechanism, frankly, that works for you because I think that's critical too.

[00:17:51] **Ann:** Yeah, and I think so much coming back to this behaviour and this meaning and to reclaim ourselves and going "Ah, you know money is an element, it is an input and I can get to direct and create my life." I think there's an extraordinary empowerment that can come but we have to make a choice and I think that's where it can become sexy. That's where it can become liberating and for so many people that I work with when they can go, "Okay". And absolutely, you know work with a financial advisor, but don't abdicate that, understand that that's just one input in and that when we can get really clear on that big "why" and that's not just for you know at some time in the future because when we can go, "Ah, I'm actually directing my money in a way to really live my greatest life" as an input instead of just unconsciously letting it flow out, then that becomes sexy and understanding part of that is that peace of mind, that is that RA, that is going "do I understand? Am I using my tax-free investment allowance? Do I understand the benefit of that? I can get a better return and that's going to get me there faster" and it comes back to these other behavioural things of spending. "Do I understand consumer debt and the actual cost of that and if I eliminate that?" So, so much for me, the way it becomes sexy is when we actually start putting ourselves first and life first and then when we know we're making those choices from that place, I think that becomes really exciting. And part of that is also becoming savvy about the costs of those investments because whilst we can't really, future performance isn't something we can control, but as Craig said our contributions are vital. We can control those contributions. We can control consistency, you know that consistency of investment and knowing that in life generally, a mediocre strategy consistently applied is always going to outperform, you know, the lights-out strategy that's inconsistently done whether that's in your health or whatever. And so, this consistency of your money management, the saving, the investing the looking at your costs, you know annually. Go and look at your insurances, understand the role of insurances, get new quotes on that. It's a commodity, you know, most people just they get lazy around that stuff. I'm going "hang on, get that extra pair of shoes because of the saving you've done for that half-hour negotiation" and this I think does make it exciting.

[00:20:12] **Bruce:** Okay Craig, so it's all well and good and we draw up a plan and we listened to Ann's enthusiasm and we buy into this idea that yes, it's exciting. Yes, it's sexy. And then life happens and then the wheels come off. We get sick or somebody close to us gets sick or we get divorced, or somebody dies or Covid happens. And this is one of the brutal realities, of course, which immediately then challenges everything we believe, and we've learned to believe around investing and again that has a huge dent on our long-term capacity for investing.

[00:20:52] **Craig:** that is definitely true. And can I also just say that Covid, some of the things that we've seen in recent months and even in recent years, things that are probably once-in-a-lifetime type of impacts, but again, I think just coming back to a solid financial plan. It's not really just around what percentage of your salary you put away for later on, for savings, but it's holistically looking at everything. I'm not saying that everyone gets it right all the time and you can't shield yourself from everything but having the right type of insurance in place, having the right type of medical aid in place, you know, have the right amount of cash sort of waiting – you know liquidity, we call it – in your bank account so that when Covid happens, when things like this happen and you can't work that you do have somewhere that you can still afford your day-to-day needs. As I said, obviously, it doesn't work in every scenario. I mean they are big things that happen, and plans need to change, but if you are set up in in the correct way, coming back to having the right financial advice, the right plan upfront, it really does help to weather some of these storms. Now I'll say that in South Africa, we are particularly bad. We have a terrible, terrible savings culture where I think we are the worst out of all the BRICS countries and it's not because we are earning less than the other BRICS countries, in some cases it's because behaviourally we aren't a nation of savers. But with that it means that there is a way of fixing this. There's enough sort of leeway to make those right types of decisions and that can put you on the right path and hopefully help to weather some of these storms.

[00:22:23] **Bruce:** So, give me your top tips would you Craig. I mean, just two or three tips in terms of this idea of putting money away for, if not a rainy day, then for an old-age day. Whatever day you choose. Give me a sense of how you would help a novice approach this idea of taking a little bit of pain now thinking about a long-term and putting a bit of money away.

[00:22:47] **Craig:** Well, I'd say four things. The first is understand money. So, whether you do it through a financial advisor or whether you're able to do it yourself, I'd say understand money. You do have to understand how much you need to put away and how it will grow for you over time. And then there's three other rules that you need. The one is stay invested throughout the entire period. People who invest longer whether they start earlier or they just don't touch their money all the way through till their retirement date, that's rule number one, stay invested as long as possible. The second is keep saving on a regular basis and top up, so the more you invest the better. So, you've got investing longer and investing more on an ongoing basis. And the third is when you get to retirement just have a plan for how you're going to withdraw it over time, withdraw your money responsibly. You see this big pot of money that you've built up. Over time you have access to it when you reach retirement. You have to make that money last. You know, there's no more money coming into the system. You're the one that has to make that money last, and it becomes up to you in many cases. And so those are, I guess, the key features.

[00:23:54] **Bruce:** And from your perspective Ann Wilson? You keep talking about fun and we keep talking about putting it away and it's all fabulous and enthusiastic and high octane but just help me to begin?

[00:24:07] **Ann:** Yeah, so, absolutely, I completely agree with Craig, you know, I think when we can actually start understanding what is enough, I think one of the reasons why so many people to struggle to even begin is if you don't know where the destination is, you can't even start that journey. And so, understanding the basic aspects of money. What is that target? What is it in terms of actual lifestyle? Who am I and what do I want to be doing? And then what is the price tag of that? And then what is the saving base? What is that investment base that I need to pay for that lifestyle? And it can be a terrifying thing when many people look at it because it can seem huge, but then that gives clarity and then you can start putting that plan in place and it's very sobering. But for me, there's also power with that knowledge, whereas most people just flounder around in this never-knowing-what-is-enough. And then it is dropping in and I think really going, “hang on, money is meant to save me, money is an input, so what does that look like? Am I a good custodian to my money?” And I think for many people there's way more money available for them to do the things they want to do to invest to save for the short-term to invest for the long term and to actually have a better quality of life if they just slow down to actually say “what am I doing with my money now? Do I even know? Do I know what I'm spending that money on?” For most people there’s huge chunks of just unconscious spend that flows out. And this is the difference between frugality, and I can't versus how do I be a wealthy spender? And I think when we can get really clear on what is important to us, not what society or somebody else has been told and spend money on that and then be ruthless about stripping away the stuff that doesn't, including then going and pricing our investment products really well, understand that costs have a massive impact on your return and so just like you're going to go and do your shopping around for your tin of baked beans, do that with your investment products, do that with your insurances and know that every bit of cost that you save, the money gets working for you harder. And I think this is part of just being liberated and getting closer to that. And so, it's not just all high octane, there's this deep side and I think there's this deeper meaning, knowing that this isn't a nice to have, this is a must because when we come right back to the reality is nobody wants to be a having to rely on the government just to survive or the charity of strangers. And so, I think there's that sobriety that also has to come, that yeah, I need to do this, and I can make it interesting and exciting as something that I'm doing in service for me.

[00:26:36] **Bruce:** And it's about freedom and it's about choice and there is nothing more liberating at in any stage of your life then having choice and for many people that choice is debilitating because they're not adult enough to manage it, but imagine being 70 and having no choice? That is the most terrifying prospect of all, quite frankly.

[00:29:39] **Ann:** that is the reality for so many people and I think that for me is the devastation when we can go “Ah I have that choice right now and I can choose it to be an and.” It doesn't have to just be fear-based. It can come from an expansion and a self-accountability base, which is for me what is makes it so exciting.

[00:25:15] **Bruce** That's Ann Wilson, the Wealth Chef, and Craig Sher, who heads up Research and Development at Discovery Invest. Thank you for joining and helping us understand why we all need to save – enough and in time – for retirement. And it sometimes yes, it's sacrifice, sometimes it's sexy, sometimes it's not – but it's always important!

For more resources, visit the Discovery Magazine's Smart Money hub on discovery.co.za – and look out for our next episode where we get to the nitty gritty of planning for retirement with Discovery Invest and the Wonderful Jo-Anne Strauss.