Retirement Fund

Saving during tough times

There is no denying – times are tough. We feel it every time we fill up at the petrol station, visit the grocery store, and when the bills arrive each month. It feels like everything is getting more expensive and we have less money to save for an emergency fund or retirement. However, regardless of how tough times are, we know that saving up is more important than ever before.

Every little bit counts

No matter how small the amount is, every bit of saving is important. The key is just committing to starting. Yes, times are tough, so don't go for the impossible. Just start, even if you can only afford R50 or R100 per month. You can slowly and steadily build your nest egg. The commitment is the difficult part, but once you start it becomes easier, and just the thought that you are managing to save will give you a very positive and an empowering feeling.

Save unexpected income

Anything extra will be an unexpected gain – whether it is part of your annual bonus, a promotion, a salary increase or even a tax refund. Use only what you need and do not start spending more, unless it is to increase debt payments in order to pay off the debt sooner. This can be a great way to kickstart your savings. You can't miss what you didn't have, so why spend it? Rather save it!

Save for the future

It is important that you leave your savings alone, whether it is your emergency fund or your retirement savings, etc. for you to benefit from compound interest. This is when the interest you earn on your savings also earns interest! In order for compound interest to work its magic, you need to save over a long period of time.

New legislation is coming into effect on 1 September 2024 that allows limited early access to retirement savings. In terms of the new legislation, members will be allowed to withdraw a limited amount once per tax year, but it will be subject to PAYE tax. We are urging members not to make use of the early access unless absolutely necessary. Any retirement fund savings taken early will reduce the amount of the lump sum you can take at retirement and will have a negative impact on your income in retirement. It is important to remember that taking funds out of your retirement savings also means that you lose the future interest that amount would have generated by removing it from your retirement savings.

Speak to a financial advisor about the best tax-efficient ways to save and invest your money to reach its full potential. You need to start saving as soon as possible and save for as long as possible, for the best result over the long term.

CLICK HERE **for more information related to Two Pot System**

Cutting your day-to-day living expenses

Regularly review your financial situation to see where you can create new savings – for example, doing away with luxury subscriptions, reducing takeaway deliveries, or cancelling memberships you do not utilise. Revisit rates and fees that you pay for services and products like short-term insurance, banking transactions and loans.

If you manage to create savings, reallocate those funds towards your retirement fund by increasing your contribution rate, or making additional voluntary contributions. Alternatively, pay off your debts and/or increase your contribution to your emergency fund.

Include the whole family

Saving is easier when you don't have to do it on your own. Including your partner, and even your children, not only creates a healthy and an open conversation about money, but can also help decrease the stress of trying to live a life that is beyond your means. Get the whole family to join you when you budget and in your saving initiatives – for example, save towards shared goals, like saving up for a special activity. You can even turn it into some kind of competition, like who can save up the most towards their goal by the end of the month, with prizes or treats as rewards. It is the best way to teach the young ones how to save and let them build financial confidence and freedom from an early age. It also makes it so much easier when everyone in the family is committed to and shares the same goals.

Remember, a little extra can go a very long way over the long term

It's never too early to start - save a little more and put some extra money away for a rainy day.

Try to:

- save as much as you can, as often as you can, early in your career
- invest your savings according to a long-term plan, with the help of an accredited financial advisor
- make good decisions when you reach a crossroad in your life, like preserving your savings when changing jobs
- starting early to save means your investment benefits from compound interest

The TFG Retirement Fund has created an informative video regarding retirement fund contribution options and the impact of preserving your retirement savings through your working journey.

CLICK HERE **to access the video**