RETIREMENT HEALTH STRESS TEST

A New Approach To Retirement Planning

Carrick.

Introduction

Most retirement plans look good on paper — until life happens. Unfortunately, traditional retirement plans often fail to address these challenges head-on.

Real-life pressures that many South African retirees face include:

Inflation

Health Care Costs

Currency Risk

Longevity

Market Crashes

Tax Burdens

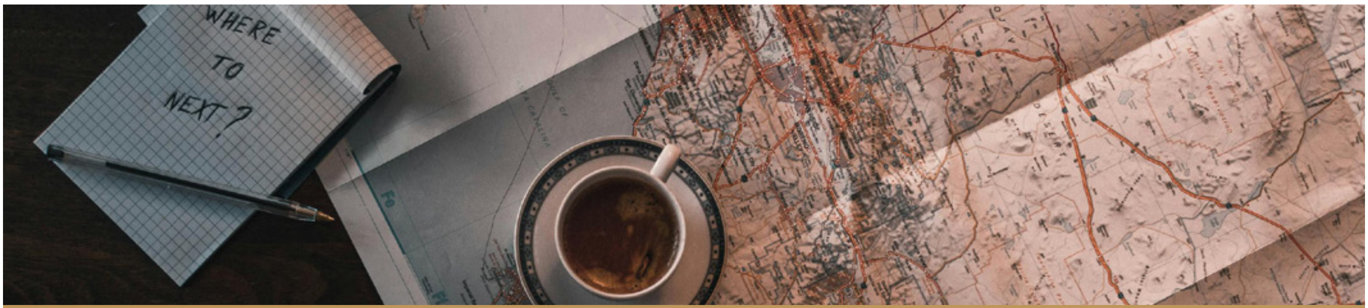
“It’s not about complexity or sales tactics. It’s about clarity, preparation, and confidence.”

A New Approach To Retirement Planning

This guide is for South Africans aged 50 to 60 who are planning their next chapter. Whether you’re getting ready to retire soon or are already retired, it will help you:

- Understand how to strengthen your financial position.
- Avoid the most common retirement planning mistakes.
- Explore your full range of local and offshore options.

Planning for retirement isn’t just about having enough — it’s about knowing that what you’ve built can go the distance, no matter what comes your way.



Chapter 1

What is the Retirement Health Stress Test?

Think of your retirement like a long road trip. It's not just about having enough fuel (your savings) — it's about making sure your vehicle (your financial plan) is strong enough to go the distance.

The Retirement Health Stress Test is a diagnostic tool designed to evaluate how well your retirement plan can withstand real-world financial pressures. It's not just about whether you have "enough," but whether your plan is robust, flexible, and protected against the most common — and dangerous — threats facing retirees today.

According to research by the World Bank and Stats SA, the average South African can now expect to live well into their 80s. Yet a large percentage of retirement plans only project income until age 75 or 80. The result? A growing number of retirees risk outliving their savings.

ONLY 6%

of South Africans are **financially secure** at retirement, according to the National Treasury.

What are the main threats?

Inflation

Averaged around 6% over the past 10 years - cost of living could double in the next decade.

Health Care Costs

Medical Aid contributions increase at a rate of 9% per year.

Currency Risk

The rand has lost over 50% of its value against the US dollar in the last 10 years.

Tax Burdens

A poorly structured plan can erode retirement income through inefficient drawdown strategies.

Longevity

Retirees live 25–35 years post-retirement. If your plan isn't designed for a 30-year retirement, you may face shortfalls in later years.

The Retirement Health Stress Test looks at these five pressure points and asks:

- How would your retirement plan perform if things don't go as expected?
- Would your money last?
- Would your lifestyle survive?

We believe this should be the starting point of every retirement conversation. Instead of selling products or chasing returns, we begin with a reality check — one that's designed to give you clarity, not confusion.

With the test, we model real-life scenarios — such as **inflation spikes, market crashes, unexpected expenses, or extended lifespans** — and show you exactly how your plan responds. From there, we help you build a smarter, stronger plan that's designed to go the distance.

> *"This isn't about fear — it's about confidence. And confidence starts with knowing where you stand."*

Chapter 2

The Do’s of a Healthy Retirement Plan

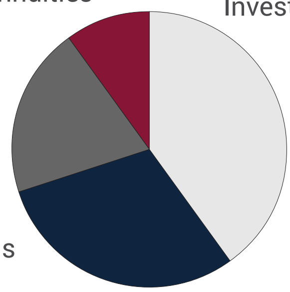
A solid retirement plan isn’t just about having enough money — it’s about making the right decisions to **protect** and **grow** what you’ve already built. The first step is to get a full view of your financial picture. That means:

Consolidate Assets

Pulling together all your policies, pensions, investments, and property **into one place**, so you know exactly what you’re working with.

Multiple Income Streams

Another important step is to **create more than one stream of income**. Relying on a single pension or product is risky. A **healthy plan might include:**



Hedge Inflation

Think about rising costs. Inflation is one of the biggest threats to a retiree’s income. If your plan doesn’t account for the **increasing price** of food, fuel, or healthcare, you could find yourself falling short down the line. Make sure your **income is designed to grow** — not just stand still.

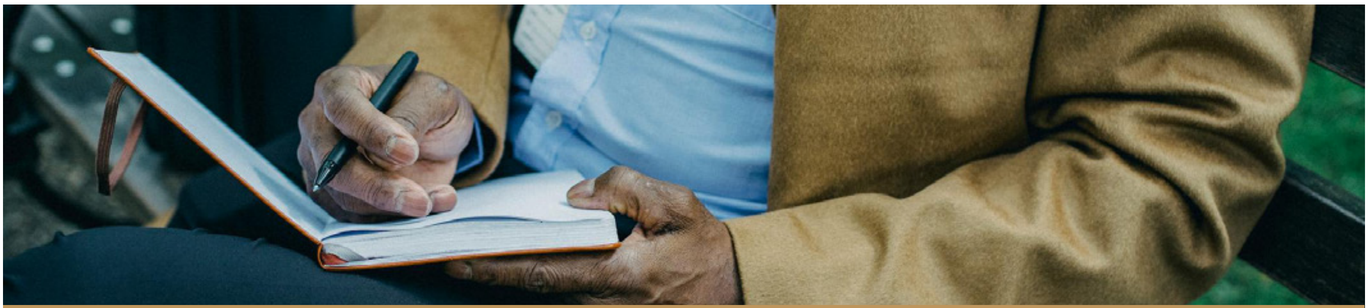
Offshore Investments

If you haven’t already started making use of your offshore investment allowances, now’s the time to consider it. Moving a portion of your money into **offshore assets** can help you hedge against currency risk and **diversify your exposure** beyond the South African market.

Estate Planning

And finally, **don’t overlook your estate**. It’s not just about writing a will — it’s about making sure your wealth goes where you want it to, as smoothly and efficiently as possible. This might **involve trusts, beneficiary updates, or offshore estate planning**.

Each of these steps strengthens your plan — and makes it more likely to pass the Retirement Health Stress Test with confidence.



Chapter 3

The Dont's of a Failing Retirement Plan

Just as there are smart steps to take when planning for retirement, there are also a few big mistakes that can cause serious problems down the road. One of the most common is waiting too long to start planning. If you're over 55 and haven't reviewed your retirement strategy, now's the time. The earlier you act, the more options you have — and the fewer compromises you'll need to make.

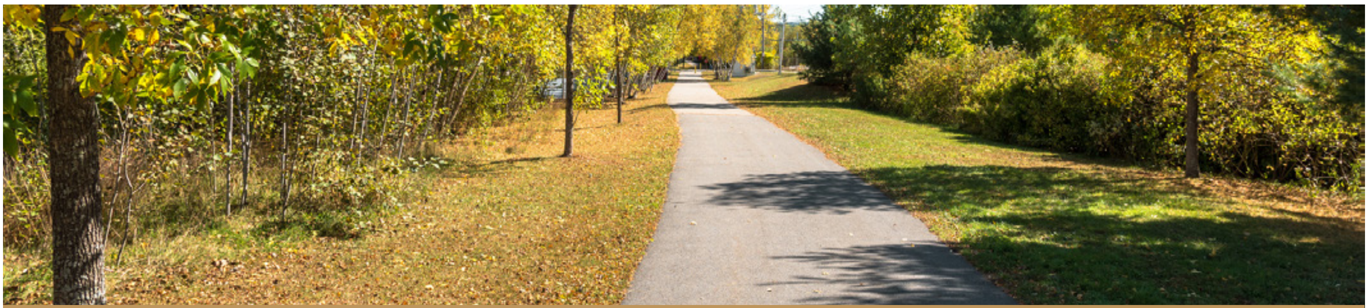
Common Mistakes To Avoid

- ✗ Withdrawing a large lump sum from your retirement savings without a proper plan. Doing so can push you into a higher tax bracket.
- ✗ Keep all your assets in rands. South Africa's economic and currency fluctuations can eat away at your wealth if you're not diversified.
- ✗ Many retirees also fall into the trap of spending too much in the early years of retirement.
- ✗ Avoid thinking one product can do it all. No single annuity, policy, or investment will meet every need.

Safer Alternatives

- ✓ Think strategically about how and when to draw income.
- ✓ Holding a portion of your portfolio offshore can provide valuable protection and access to global opportunities.
- ✓ A steady, balanced drawdown rate helps ensure your money lasts.
- ✓ A successful plan uses a combination of tools that work together — giving you flexibility, growth, and protection.

"Avoiding these mistakes makes the difference between looking good on paper vs lasting in reality."



Chapter 4

Understanding Your Retirement Options

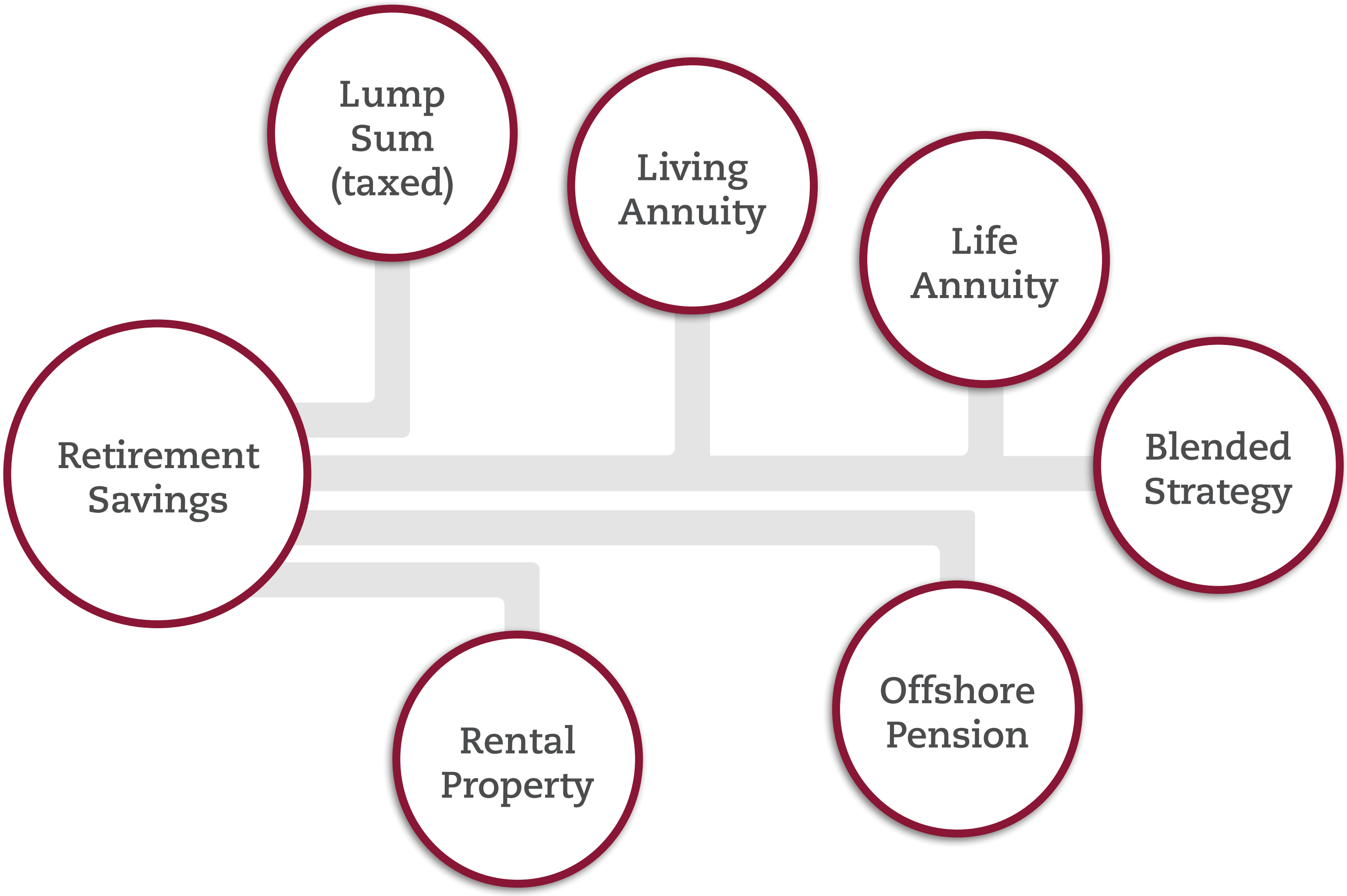
As you approach retirement, you'll face a critical moment — deciding how to use the money you've saved. It's not just about accessing your pension; it's about choosing the right path that gives you both security and flexibility for the years ahead.

In South Africa, you generally have two options when you retire from a **pension**: pension preservation, or retirement annuity fund: take up to one-third of the value as a cash lump sum (subject to tax) and use the rest to purchase an income product. Your two main income choices are a **living annuity** or a **life annuity**.

Living Annuity	Life Annuity
PRO's	**PRO's**
• You choose how your money is invested • You choose how much income you draw each year (between 2.5% and 17.5%) • You can change both over time • Allows you to leave the remaining capital to your heirs	• Provides a guaranteed income for life — no matter how long you live • The insurer carries the risk
CON's	**CON's**
• The risk is yours: if markets underperform or you withdraw too much, your money might not last	• There's less flexibility • The income typically dies with you unless you've added costly features like spouse benefits or inflation protection

There's also a growing trend of blending the two. Many retirees allocate part of their savings to a life annuity for **security,** and the rest to a living annuity for **growth and flexibility.**

Your Retirement Options continued:



Offshore Pension Structures

The **International Retirement Plan (IRP)** — a tax-efficient, flexible vehicle that allows you to hold your retirement savings in hard currency outside South Africa.

These plans offer:
- better global investment choices,
- protection from currency devaluation,
- potential estate planning advantages

They're especially attractive for those with long-term global lifestyle goals or heirs living abroad.

Rental Property

A well-located property can offer **consistent rental income** and **capital appreciation** over time. However, this route comes with several risks and responsibilities:
Vacancies, maintenance costs, rising interest rates, tenant issues, and unexpected repairs can significantly affect your cash flow.

Managing a property requires **time, effort, and resilience** — especially during economic downturns or shifts in the property market. If rental income is a key part of your retirement income, it must be **stress-tested** just like any other source.

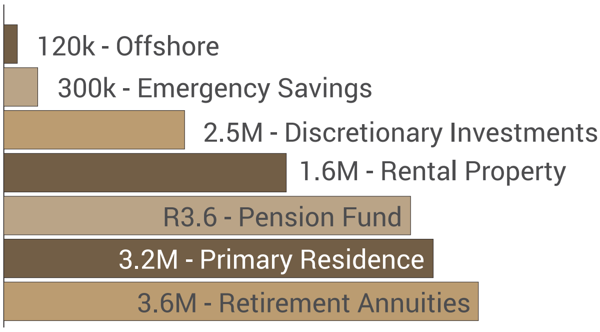
Choosing the right path requires more than a once-off decision. It's about aligning your income, lifestyle, risk tolerance, and legacy goals with the available options — and reviewing your strategy regularly. With the right structure in place, you can turn your retirement savings into a resilient and tax-efficient income stream that stands the test of time.

Chapter 5

Case Study – Putting It All Together

Let's meet John and Linda, a married couple living in Johannesburg. They're both 60 years old and plan to retire in the next two years.

Over the years, they've built a solid nest egg, diversified across retirement funds, discretionary investments, property, and some offshore exposure. Their balance sheet at retirement looks like this:



Importantly, they carry no other debts. John and Linda are concerned about several things — rising inflation, market volatility, and whether their retirement savings will truly last. They're also worried that the bulk of their assets are in rands, making them vulnerable to currency depreciation. While they've planned well, they want to be sure their strategy holds up under pressure.

Using the Retirement Health Stress Test, we evaluated their financial plan across five critical risk areas. First, we discovered that their current projections assumed inflation at 6%, when real inflation for retirees is closer to 9–10%. This underestimation could lead to serious erosion in their purchasing power over time. Second, their plan only accounted for income until age 85 — leaving them exposed to the risk of outliving their money.

Third, we identified that their portfolio was too heavily weighted in local equities, increasing the risk of volatility and sequence-of-returns risk early in retirement. Fourth, John intended to withdraw a full one-third lump sum from his retirement annuity, which would push him into a higher tax bracket unnecessarily. Lastly, only 10% of their assets were offshore — a clear vulnerability if the rand continues to weaken.

Risks Found	Adjustments Made
• Erosion in purchasing power • Outliving income • Volatility & sequence-of-returns • Pushed into higher tax bracket • Vulnerable to rand	• Annuity shifted into inflation linked assets. • Restructured Withdrawals • Improved currency diversification (IRP) • Re-evaluated Rental Property Strategy • Adjusted expected income

> *"Result: A stable, diversified, and tax-efficient retirement strategy."*

Chapter 6

Your Next Step

Retirement isn't a finish line — it's a new chapter. The key is entering that chapter with clarity, confidence, and a plan built to last. Whether you're a few years away or already retired, it's never too late to strengthen your position.

Many retirees are so focused on reaching retirement that they forget to plan for the journey that follows. The Retirement Health Stress Test is designed to change that — to shift your focus from simply "getting there" to "staying there" with dignity, security, and peace of mind.

This process is not about products, but about strategy. It's about asking the tough questions:

- Can your income rise with inflation?
- Will your savings last until 95 or longer?
- Are you protected against currency devaluation?
- Is your tax plan as efficient as it could be?
- What happens to your wealth when you're gone?

By stress-testing your retirement plan now, you give yourself the opportunity to make small adjustments today that can have a massive impact tomorrow. This proactive approach can mean the difference between outliving your money and having your money outlive you.

At Carrick Wealth, we walk this journey with you. We simplify complex decisions, highlight blind spots, and build tailored strategies that stand up to the pressures real life throws your way — from market volatility and inflation to healthcare costs and tax burdens.

If this guide resonated with you, don't wait. The earlier we begin the process, the more options we have to enhance your outcome.

Book A Consultation

Book a complimentary 45-minute Retirement Health Stress Test consultation with **Courtney Chase, Private Wealth Manager.** There's no cost, no catch — just a focused session designed to uncover risks and create a roadmap toward a retirement plan that truly works.

Click Here To Book

"Your future deserves more than hope. It deserves a plan. Let's help you retire with purpose."

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