

FINANCIAL INDEPENDENCE

Generation X and retirement

Will this be the generation to redefine retirement?

members of Generation X – those born between 1965 and 1979 – are hitting middle age and are slowly beginning to take over the leadership positions in business and society. What experiences moulded this generation and will continue to affect their attitude towards life, work and retirement?

GenXers grew up during a time of major social and technological change. The 80s and early 90s were a turbulent and sometimes violent time in South Africa during the struggle for freedom. This generation experienced changes in family composition with HIV/Aids, urbanisation and divorce altering traditional family relationships and support networks.

As a result, many see this generation as more autonomous and self-reliant than their parents. However, financial family obligations still weigh heavily on many South Africans, especially those who have managed to achieve greater financial success than previous generations.

This generation is also unlike their parents when it comes to retirement savings. For some families, it will be the first time that the elderly will not need to rely on the old-age state pension. For others, the type of private pension they can look forward to is very different to that of their parents. When GenXers entered the workforce, traditional defined benefit pension funds were making way for newer defined contribution retirement funds. This places South African GenXers in the unenviable position of being a litmus test for how well these new defined contribution funds can deliver on members' expectations.

While retirement has been off the radar for most GenXers, it is now becoming visible on the horizon and retirement reality will start to bite during the next decade. GenXers will need to face the fact that the responsibility and risk of funding for retirement rests squarely on their shoulders.

However, at a time when GenXers are entering their prime income-earning capacity, saving for retirement is often taking a backseat to managing high debt levels, financially supporting ageing parents and unemployed family members, paying for their children's education and high medical costs.

Financial independence means that GenXers no longer have to rely on an employer to pay their monthly salary, but can rely on their accumulated savings to pay them a monthly income for the rest of their lives.

Financial stress

Instead of being in control of their finances, this generation often spends more than they earn. The 2017 *Sanlam Benchmark Survey* found that financial stress peaks between ages 41 and 45, impacting on GenXers' ability to boost savings. Their biggest source of stress is short-term debt like car payments, credit card debt and personal loans. The survey also found that **less than half of GenXers are able to meet their debt obligations all of the time.**

However, the survey also found that financial stress decreases closer to retirement, perhaps indicating that having the children's education bills behind you buys some financial breathing space.

Redefining retirement

Despite all the negatives, could GenXers be the generation to redefine the concept of retirement and retirement age, rather working to achieve their financial independence?

Financial independence means that they no longer have to rely on an employer to pay their monthly salary, but can rely on their accumulated savings to pay them a monthly income for the rest of their lives.

A retirement date then becomes an outdated concept, giving way to a much more flexible and fluid understanding of phasing out of employment through contract or part-time work (after leaving full-time employment) rather than a sudden and complete break in employment.

As GenXers, many of us have a personal example of what retirement under-preparedness looks like in the form of a dependant parent(s). Behavioural finance tells us that the easier it is to recall an example of something, in this case financially unprepared retirees, the more likely we are to prioritise our own retirement saving.

That said, it is difficult for anyone to ignore pressing financial needs of close family to save now to ensure that we don't end up in the same position. This is especially true in SA, where parents traditionally cared for their children and expect reciprocation of this care when they are in their old age.

