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Talk the Talk

Retirement, unless at age 35, is seldom a pleasant thought. It is fraught with all sorts of emotional issues such as last chapters and working pride. However, it is for this reason that taking the high road, talking to your spouse, and planning well in advance is so important. You've got your dream retirement all figured out but does your fantasy match your spouse's?

With only 38% of couples planning together, as a 2013 US study from Hearts & Wallets found, it's no surprise that nearly two-thirds don't agree on when they'll each leave their jobs, and a third aren't in sync with where they'll live.

"Most couples avoid having these conversations because they know there's conflict," says psychologist Dorian Mintzer, co-author of *The Couple's Retirement Puzzle*.

But the sooner you air expectations, the better your odds are of having a retirement that will make you both happy.

The Ground Rules

Prioritize your wants. Suggest that you and your spouse independently make lists of what you want from your retirement before you chat. This ensures everything gets out in the open, says Jan Cullinane, co-author of *The New Retirement*.

Ditch the "all-me" attitude. Making your wants clear is necessary, but for the best result, avoid pitting your vision against your partner's. Listen without interrupting, repeat back responses, and avoid being critical.

When You are Face to Face...

1. Opening gambit: *"We haven't really ever discussed what we want to do when we retire. Can we set aside time to talk?"*

Why it works: You're easing in by focusing on what will make you happy. "Asking 'What are your goals for this stage of life, and what will fill your hours?' will help you figure out what retirement means to both of you," says Bart Astor, author of *The Roadmap for the Rest of Your Life*. This can also tee up a discussion of timing.

2. Explain concerns: *"You said that you'd like for us to retire together in 10 years. Because I'm younger, I worry that I'd end up having to quit at the peak of my career."*

Why it works: Repeating a partner's point of view shows you appreciate his or her view but also gives you a chance to subtly raise concerns and alternatives in a way that feels collaborative.

Age differences and life expectancy -- however tough to discuss -- must be brought to bear, since wives tend to be younger than their husbands and usually outlive them, Cullinane notes.

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3. Talk money: *"Let's go through our finances with our Financial Advisor and see if we can afford some of these ideas."*

Why it works: Once you understand the realities of your budget, you can better prioritize competing goals.

Sit down for a session with me, and I will help you run scenarios and (if need be) provide an opinion free of emotion.

4. Know the backstory: *"Can you tell me why it's important to you that we buy an apartment on the beach?"*

Why it works: Focusing on the "why" vs. the "what" pushes you toward compromises that reach the heart of both your desires, and are within the terms of your budget. This also makes it less likely either of you will see concessions as losses.

5. Go to middle ground: *"Since we both want to retire by 67 and live an hour from the grandkids, how about we work on a plan around that?"*

Why it works: Even if you can't agree on specifics, stressing your similarities can help you move forward on a general path that places your wants as a couple first. "But don't feel like the plan is set in stone" says Mintzer, "Revisit it as often as you would your portfolio."

How much is enough?

The reality in South Africa is that 16% of retired people are fully dependent on state pensions; 31% of people who reach retirement age have to keep on working to earn a living; 47% of people who reach retirement age depend on family members or friends to support them financially; and only 6 out of 100 South Africans can retire independently of others.

The average person requires roughly 65% to 75% of his/her last salary to live comfortably after retirement. If you still have outstanding debt and expect higher medical expenses, you might need to increase this figure. If you want to preserve your capital, it also influences the calculation. (source Fin24)

A rough rule of thumb is that you need 15 times your current annual salary to retire on (if you retire at 65), but it is of the utmost importance that you obtain advice from a qualified financial adviser who can take your personal circumstances into consideration.

The reason you need good advice when saving for retirement (or just saving in general) is that there is a multitude of retirement products available on the market. Some of these will fit your personal circumstances and preferences better than others.

By getting the right financial advice you can avoid paying too much tax, while ensuring that your funds are liquid. In other words, you can access your money when you need to without any penalty or restriction.

" Preparation for old age should begin not later than one's teens. A life which is empty of purpose until 65 will not suddenly become filled on retirement. "

Dwight L. Moody

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Debt through the Ages

In many ancient Mediterranean societies, if a debtor couldn't pay his debts, he was bound to become the creditor's slave. In Athens around 600 BC so many debtors had been bonded into slavery for this reason that the practice of debt bondage was banned.

Under the early Roman Republic, a person could pledge himself (or a family member) as collateral for a loan, in a type of contract called "nexum". If the debtor failed to pay, then he or the unfortunate family member was liable to become the creditor's slave. This practice was outlawed in 326 BC.

During Europe's Middle Ages, debtors, both men and women, were locked up together in "debtors prisons" until their families paid their debt. Conditions were harsh and many debt prisoners died of diseases or starvation. If a father was imprisoned for debt, the family business often suffered while the mother and children fell into poverty. One of London's most famous prisons was the Clink prison, which had a debtor's entrance in Stoney Street. This prison gave rise to the slang term for being incarcerated in prison, hence "in the clink". Its location also gave rise to the term "stoney broke" for being financially embarrassed.

Security business

In business, limited liability laws applicable to corporate entities usually protect business owners from personal liability for a company's debts. For this reason, before granting credit to a business entity, a creditor such as a bank or landlord routinely requires the individual business owners to sign as surety for the underlying obligation.

For example, a business owner is likely to be required to sign surety for the company's overdraft or equipment or vehicle finance, or when applying for credit facilities from a supplier or when renting premises.

Trusts

A similar situation usually applies to trusts. Trustees who run the trust are not necessarily personally liable for its debts. Thus the creditor of a trust will usually require one or more of the trustees to stand surety before advancing funds. When a family trust applies for a mortgage bond to finance the purchase of a property, for example, it is likely that the bank will require a number of the trustees to sign as surety for the trust's debt.

Potential lenders usually also request sureties in situations where the debtor cannot alone provide adequate security for the debt, or where the debtor lacks a regular income sufficient to cover the repayment terms. A spouse is often requested to stand surety for their "other half's" debts, for example on a home loan, or a parent will need to provide a surety for a loan made to a child.

Making sure: law of suretyship 101

A contract of suretyship is entered into when a person (called the "surety") agrees with the creditor of another person or entity (called the "principal debtor") to be liable for any part of the obligation (called the "principal debt") that the principal debtor does not fulfil. A distinguishing feature of the contract of suretyship is that it creates a separate but ancillary obligation: the surety's obligation, while independent from that of the debtor, only exists if there is a valid underlying principal debt. If the principal debt is extinguished (such as by payment in full by the principal debtor) then the surety's obligation is likewise extinguished.

A surety can undertake liability for the full principal debt (an "unlimited surety"), or may place a limit on his or her exposure. The surety could even commit to a "continuing suretyship" by agreeing to stand good for whatever amount is owed by the debtor from time to time, including indebtedness incurred after the suretyship is given. Generally, provided the legal requirements for a valid suretyship are met (for example it must be in writing and signed by the surety), the surety is bound to make good any failure by the debtor to pay the debt. And although having paid the debt, the surety can call on the principal debtor to reimburse him or her, this right is often useless owing to the principal debtor's inability to pay.

Signing on the dotted line: advice for the potential surety

The best advice to give a person asked to sign a suretyship may simply be …. don't!

The reality though is that often the creditor's and debtor's bargaining positions are unequal; the creditor's demand for a surety is usually a prerequisite to obtain credit. If you feel compelled to sign as a surety, the following guidelines might help:

- understand the terms of the suretyship con-

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tract, especially the creepy Latin stuff – get advice from a lawyer if necessary

- accurately describe (and restrict) the nature of the debt for which you intend standing surety – e.g. all indebtedness or just a home loan, overdraft, rental, future legal costs etc
- put a maximum limit on your liability if possible
- don't leave blank spaces in the contract – it might be impossible to prove later that the final document was not what you signed
- request the principal debtor to obtain co-sureties; if you later have to pay the full debt as surety, you can call on co-sureties to reimburse you pro rata
- understand that so long as the principal debt exists, the creditor may call on you to pay – even years after you signed the contract; ask for regular reports on the status of the debt
- ensure you get written proof from the creditor if they agree to release you from the suretyship – for example, if you sell your business and the new owner agrees to "procure your release from sureties" you have undertaken for the business, get proof from the creditor that this has been done
- seek legal advice before paying up as surety – you should ascertain your rights against the creditor, principal debtor and co-sureties
- protect your estate by requiring the principal debtor to put "contingent liability assurance" in place (see below).

The death of a surety: contingent liability assurance

A surety's death does not release his or her estate from the clutches of a suretyship contract. When a surety dies, the creditor must be persuaded to release the surety's estate from its potential future (called "contingent") obligations before the surety's estate can be properly wound-up and the deceased's surety's assets passed to his or her heirs.

In that situation, the creditor may demand that the principal debt be settled, or that an appropriate sum in the surety's estate be set aside to cover the payment of the debt in due course. This could have serious repercussions for the winding-up of the surety's estate, causing lengthy delays and leading to a cash shortage in the estate. Business owners in particular need to address this problem as they have often signed sureties for suppliers, banks and landlords.

The Solution

Life assurance can provide an affordable and simple solution to the problem. When a director of a company or trustee of a trust agrees to stand surety for underlying debts of the company or trust, it is recommended that the debtor company or trust takes out a life policy on the surety. The arrangement should be backed by a legal agreement in which the company or trust binds itself that the policy proceeds must be used to settle the principal debt on the surety's death. This will enable the surety's estate to be easily released from its obligations. This structure is commonly called a "contingent (or personal liability plan)".

What's in a Name?

Dow Jones - one (or two) of the most famous names in finance is "Dow Jones", as in the "Dow Jones Industrial Index", which is a measure of the overall share prices of thirty large US companies. Charles Dow was a journalist who originally specialised in writing historical articles. He became involved in financial reporting after he was invited to accompany wealthy businessmen on a trip to report on silver mining in Colorado. Edward Jones, a statistician skilled at analysing financial statements, met Dow when they worked at a newspaper together. In 1882 they started their own company, producing and selling a two-page business report in New York, which included their popular "Dow Jones stock average". They later went on to start the famous *Wall Street Journal* newspaper.