**Retirement Planning: A Marathon not a Sprint**

*Bid me run and I will strive with things impossible*. *(William Shakespeare, Julius Caesar)*

The Comrades Marathon is an important event on our sporting calendar. KZN is proud to host South Africa’s premier ultra distance race in which some 20,000 participants cover the grueling 90km route. All who complete the race demonstrate extraordinary levels of dedication, patience and commitment and they achieve something really special. That is why the analogy of long distance running is often used in the context of a retirement plan.

*Running is the greatest metaphor for life, because you get out of it what you put into it. (Oprah Winfrey)*

In order to reach our destination, we need a road map. In athletics parlance this is a training schedule. This has much in common with a financial plan.

The initial stage in designing a training schedule is to begin with the end in mind. Would I be happy just to finish before the cut-off time; could I achieve a silver medal or am I a champion athlete who has a realistic chance of winning the race? We are not all endowed with the same genetic makeup and each of us needs to cut their coat according to the available cloth. We also have different levels of tolerance for the commitment required and we may be prepared to settle for something that is acceptable rather than optimal.

Similarly, when devising an investment strategy, it is important to work with realistically attainable goals. When we engage with our clients, we follow an interactive financial modelling approach and we work through different assumptions in the planning stages until you are comfortable with the level of commitment required during the time available.

Whereas a retirement plan would be based on assumptions regarding cash flows; namely contributions and withdrawals; the inputs of a training schedule would be a series of activities, with the output being the result on the day of the race.

*Long distance running is particularly good training in perseverance. (Chairman Mao)*

There are no short cuts or quick fixes when it comes to building stamina. This is a process, not an event. Don’t set out too quickly. Build slowly to avoid injury. The fable of the tortoise and the hare reminds us that slow but sure wins the race. The analogy in the game of cricket is to get your runs on the board early rather than leave too much for the closing overs.

The other fable to remember is that of the ant and the grasshopper. While the ant was setting aside grain for the coming winter, the grasshopper was singing and dancing. How often we are tempted to spend windfall income that could rather be set aside in a contingency fund. Pacing yourself can also be likened to avoiding the allure of quick fixes, sure bets or trying to time the market.

Investors need to slow down on the downhills and dig deep on the uphills. We manage volatility through investment cycles by smoothing returns. The concept of averaging applies to both running and investment. We need to deal with difficult terrain, bad weather conditions and unforeseen injuries and not allow ourselves to be distracted along the way.

The old investment adage that diversification is the antidote to uncertainty means that we should hold a combination of asset classes in a portfolio as these react in different ways to changing market conditions. Diversification is also at the core of a long distance runner’s training regimen. We cover short distances quickly to increase our speed, we train hills to deal with uneven terrain, we run intervals to cope with changes of pace and the long slow distance runs increase our endurance. To achieve compound returns requires time. Both time on your legs and time in the market.

*If you are losing faith in human nature, go out and watch a marathon. (Katherine Switzer)*

Our needs do change and unforeseen circumstances do arise. It is therefore important to monitor our progress against the measurement benchmarks that we have set. Our investment reviews are the regular time trials that keep us on track. We make incremental adjustments to our funding just as we vary our training activities. At a strategic level, the actuary designing a pension fund will set an initial contribution rate based on certain assumptions. At a tactical level, this will be varied along the way in the light of the changing member demographics and the changing investment environment.

A pilot would refer to this as a flight plan. There may be several changes of course along the way, depending on prevailing weather conditions. Your training regimen will have taught you that when you hit the proverbial wall, you can trust your autopilot instinct and run through the pain as your body adapts.

For years, chess players have adopted different styles. These include technical, positional, attacking and passive. Then along came the young American genius Bobby Fischer who didn’t have a discernable style – he just played the best moves and rewrote the record books. In any sport, it really doesn’t matter what style you adopt if you are better than everyone else.

As with chess, running and retirement planning have both a strategic and tactical component. Listen to your body. Take time out when you are exhausted and increase your schedule if you are running comfortably. Your investment manager will similarly make tactical decisions when asset classes are overvalued or markets deviate from their long term trends.

And then there are the fads that come and go. For decades, carbo loading was all the rage, but now banting seems to be the new norm. Back in the day, we supplemented our salt intake, but then we were told that this is dangerous. We hydrated and maintained electrolyte levels until the detractors argued that the body has the capacity to self-regulate. For a time, heart rate monitors were all the rage, now less people use them. The design of running shoes is ever changing. New theories abound, but we don’t seem to be getting any faster.

In the investment world, we also have our fads. There are those who believe that passive or index funds capture market returns more dependably and at lower costs than active funds. Proponents of the latter would disagree and would argue in favour of their own approaches or styles, including growth, momentum and value investing.

*Crossing the start line may be an act of courage, but crossing the finish line is an act of faith. (John Bingham)*

Commitment to the process is what keeps us going. And that is where your financial adviser has much in common with your personal trainer or athletics coach. Very few of us have the requisite levels of self-motivation to complete the course alone.

Your PKF Wealth adviser has the wisdom and expertise to be your conscience and your guide as you run the course and overcome the obstacles along the way.

*You don’t stop running because you get old. You get old because you stop running. (Christopher McDougall: Born to Run)*