

FINANCIAL INSIGHTS BLOG

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Longevity and Retirement: Will You Be Able to Retire with Confidence in the Future?

When we think about retirement, we often imagine a life of leisure after decades of hard work. However, for many people, the reality is far from this ideal. With the rising cost of living, economic uncertainty, and shifting social dynamics, the question becomes: Will you be able to retire with confidence in the future?

We explore the concept of retirement insecurity, the flaws in the opinion that working longer is the best response to retirement planning, and the steps we can take to ease the retirement squeeze that many are experiencing.

What is Retirement Insecurity?

Retirement insecurity can be defined as an emotion, referring to the anxiety and uncertainty many people face when they consider their financial future after they stop working. Take Maria, a 57-year-old teacher at a private secondary school. She has worked hard for 30 years, contributing to her pension, and has been diligent in saving. But when she thinks about retiring in eight years, she worries. The cost of living keeps rising, and her retirement savings still seem insufficient. With no safety net to rely on, Maria may worry how she'll get by, particularly if unexpected medical costs arise.

The COVID-19 pandemic has only amplified these fears. High earners who once felt secure in their retirement plans now face the real possibility of not having enough. Take Peter, a 58-year-old architect, who saw his thriving construction business slow during the pandemic, depleting his savings. With retirement nearing, he questions whether his financial cushion will be enough.

The truth is, saving for retirement is more important than ever but it's becoming more difficult. The safety nets, such as National Insurance programs and employer-funded pensions, are shrinking or disappearing. Even those who have saved diligently may find themselves facing financial hardship in retirement.



The National Insurance Board of The Bahamas' (NIB) website states its mission as "to provide income-replacement in respect of sickness, invalidity, maternity, retirement, death, industrial injury/disease, and involuntary loss of income." But this doesn't guarantee a comfortable retirement, it is more about a contribution to your income stream, than enjoying life after work.

Working Longer Is a Faulty Premise

For years, we've been told that the solution to retirement insecurity is simply to work longer. But for many, this advice is more of a survival tactic than a true solution. Let's consider Vernice, a 66-year-old sales representative at a local department store, who had planned to retire at 65. However, the rising cost of living and health issues forced her to stay at work. She's now working overtime during the busy season and is barely getting by. While Vernice's situation might appear to be a "success story" of working past 65, it is far from ideal and could be stressful, leading to reduced health.

We could also argue that working longer doesn't necessarily boost wealth, it simply helps people survive. In the previous example, Vernice isn't building wealth for the future; many older workers end up in low-paying jobs with no benefits or contributions to their retirement.

What's more, is that the average retirement period could last anywhere from 12 to 25 years. Length and quality matter—it is not just about *surviving* retirement but also *enjoying* it. For many older workers like Moses, who works at a security firm as a night guard in his late 60s after a lifetime in the tourism sector, the concept of retiring comfortably becomes harder to grasp. His job offers no pension and provides few benefits.

It is important to note that pension benefits are not as generous as they once were. Governments are facing challenges in funding national plans without raising contribution rates, as well as in managing the investments within these plans to ensure long-term sustainability.

Additionally, many government and private institutions have moved from defined-benefit plans to defined contribution plans, placing greater pressure on individuals who lack sufficient savings to support themselves. Hybrid retirement plans—blending personal savings with government support—could be effective if made **mandatory**. However, the current policy remains stagnant or seldom discussed, and without careful management and implementation, it could backfire, presenting a political challenge.

Ease the Retirement Squeeze

So, what can be done to ease the retirement squeeze? For one, hybrid mandatory plans could provide a practical solution. These plans would combine individual savings with a government-sponsored system, ensuring that everyone has a safety net while still encouraging personal responsibility.

In 2008, Hillary Deveaux, Executive Director of the Securities Commissions of the Bahamas (SCB), penned an insightful paper on the economics of a national pension system. He pointed out that The Bahamas currently has a non-contributory pension scheme under the Public Service Pension Plan, which is governed by the Pensions Act. Additionally, there's a pension system under the National Insurance Board (NIB Act), and private pension funds are available, but without regulation. We know the situation has remained largely unchanged since then. The Director concluded that meaningful change would require both legislation and an increase in financial literacy across the country.

We also need to agree that working past 70 just to support oneself isn't an ideal solution. The current system often deepens inequality.

Take Mark, for example—a 62-year-old custodial worker who had to retire early due to health issues. He depended on National Insurance, but it wasn't enough to meet his basic needs. While the government's safety net could provide some support, many people still long for independence and the ability to support themselves.

Then, there are those who, despite having the means to save, are still just one health issue or family crisis away from being unable to provide as they planned. Inequality in the system can create a sharp divide. What might be needed is a focused effort to tackle this inequality through policy changes, so that everyone, no matter their financial situation, can retire with confidence.

In the end, it's clear that we need a new approach to retirement—one that combines realistic planning, support systems, and fairness. The dream of a peaceful and secure retirement shouldn't just be for the few, but for everyone who's worked hard throughout their lives.

By adopting hybrid mandatory plans, working toward equality in retirement benefits, and acknowledging the limits of "working longer" as a solution, we can help ensure that people like those in these stories don't have to face an insecure future. Instead, they can retire with the peace of mind they deserve.

As we move forward, it is crucial that we address these gaps to ensure the financial well-being of future generations. Let's keep this conversation going and advocate for the changes needed to create a stronger, more secure future for all.

CFAL is here to help.

If you need additional help, feel free to reach out to us for a Financial Planning Session. Our Certified Financial Planners are here to assist you with your budgeting, saving, and investing needs.

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Simple Wisdom for a Lasting Impact

While retirement and working longer aren't always negative when not in survival mode, it's important to plan before you find yourself there. Consider the following:

Prioritize Your Health – It might seem like a no-brainer, but good health is the foundation of maintaining your independence. Regular exercise, a balanced diet, and regular check-ups go a long way in ensuring you can continue living life on your terms.

Find a Purpose – Staying active and engaged is vital to your well-being. Contributing to your family, church, community, or volunteering can help prevent a sense of idleness. Whether it's starting a garden, organizing a travel or book club, or leading a Bible study group, find something to look forward to each week.

Embrace the Blessings of Aging – Growing older is a privilege, not a burden. Practice gratitude and take time to enjoy the many blessings that come with age, such as wisdom, perspective, and cherished memories.

Share Your Journey – Your experiences are valuable. Take the time to speak to younger generations about your life's lessons and encourage them to plan for their future, especially when it comes to saving for retirement.

Advocate for Change – It's important to encourage policymakers to make pensions mandatory. This kind of systemic change will help build a savings culture that will not only benefit individuals but also the broader future of The Bahamas.

Notes

[SP2008-3-Economic-Benefits-of-a-National-Pension-System.pdf](#)

[Work, Retire, Repeat: The Uncertainty of Retirement in the New Economy, Ghilarducci, Dionne Jr.](#)