First published July 2026

INVESTMENTS

THINKING IN CENTURIES: SOLUTIONS FOR A 100-YEAR LIFE

By PPS Investments

Over the past decade, advisers have re-evaluated longevity expectations as they seek to better prepare clients for retirement. At PPS, using internal data on graduate professionals, it has been found that the average member who retires at 65 has a remaining life expectancy of 28 years for men and 33 years for women.

When constructing portfolios for retirement, solving for the average life expectancy introduces significant tail risk, as an average implies that approximately half of members could outlive that estimate. To provide peace of mind and protect against the risk of capital depletion, retirement solutions should aim to deliver a sustainable income over a 40-year retirement horizon.

DIFFERENT STARTING POINTS, DIFFERENT PRIORITIES

The difference between a 30-year and 40-year retirement is not merely an additional decade of income; it materially increases the demands placed on the underlying portfolio. Consider a client targeting a 5% initial withdrawal rate. In a simplified environment that assumes linear returns and excludes sequence risk, a 30-year retirement requires a net return of inflation +3% a year to sustain the inflation-adjusted income. Extending the horizon to 40 years increases this requirement to inflation +4% net of fees.

When constructing solutions for retirement, the compounding, long-term drag of platform, DFM and adviser fees is often overlooked. To bridge that gap and deliver the required net return to the client, the portfolio may be forced to take on a higher level of risk.

INVESTMENT HORIZON	INITIAL DRAWDOWN	REQUIRED RETURN	FEES	AFTER FEES REQUIREMENT
30 Years	5.0%	CPI +3%	1.00%	CPI +4%
40 Years	5.0%	CPI +4%	1.00%	CPI +5%

The required return is net of asset manager fees.

ALIGNING DRAWDOWNS WITH LONGEVITY

The example above reflects a relatively controlled scenario at a 5% withdrawal rate. In practice, retirement outcomes are influenced by sequence of return risk and a range of other variables.

This challenge is amplified in the South African context, where industry data shows that the average drawdown rate for living annuitants is closer to 6.5%. At this level, the return requirement becomes significantly more demanding. To sustain a 6.5% drawdown over a 40-year horizon, the required real return after fees increases to approximately inflation +6%. After allowing for a 1.0% fee layer, the portfolio would need to deliver close to CPI +7% on a consistent basis.

Targeting CPI +7% over four decades implies a level of risk that could be inappropriate for a retiree seeking stability and capital preservation, highlighting the gap between sustainable outcomes and typical client behaviour.

It is therefore important that advisers proactively manage client expectations well before retirement. This includes clearly communicating what level of drawdowns is sustainable if clients want to maintain their lifestyle over the long-term.

CONCLUSION

As longevity extends, the role of the adviser remains central in guiding behaviour towards outcomes that can be sustained over time. At the same time, it calls for a deliberate investment approach that adapts to evolving client needs, where longer horizons, higher required returns and the need for capital protection are all considered.

Within this framework, our retirement solutions are shaped with a focus on longer horizons, disciplined drawdown strategies and portfolios designed to meet the higher return requirements without exposing clients to undue risk.