

## HOW MUCH IS JUST ENOUGH IN RETIREMENT FOR DEMENTIA SUFFERERS?

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Dementia has overtaken AIDS to become the second biggest killer after cancer, according to the World Health Organisation, and there is no cure in sight. A degenerative condition affecting the brain, dementia primarily affects the elderly, resulting in memory loss, impaired communication skills and an inability to make simple decisions. This increase in dementia highlights the need to make the right provisions in retirement.

South Africans are living longer, well into their 80s and beyond, with an increased risk of getting dementia aligned to the global trend. It is estimated that more than a third of South Africans will be over 60 by the end of the century. The incidence of dementia rises significantly as people grow older. Yet the disease is not yet fully recognised as a health problem by the South African Health Department – something that is being highlighted on 21 September, World Alzheimer’s Awareness Day.

“Dementia significantly impairs one’s ability to make decisions about one’s personal welfare, medical treatment and financial affairs. And yet 90% of South Africans in retirement are invested in living annuities, where they need to decide how to invest their money depending on how long they are likely to live. They will need to decide how much income their surviving spouse will need after they die, and how much to draw as income each year. These are complex financial decisions regardless of age or mental capacity,” says Deane Moore, CEO at Just.

Dementia also creeps up by stealth. A study led by Dr George Savva of East Anglia University in

the UK found that 20% of dementia patients waited six years or more before being diagnosed – plenty of time in which to make poor financial decisions without even realising that these decisions are being impaired by dementia.<sup>1</sup>

According to South Africa’s 2011 census data, there are 2.2 million people living with dementia. Sylvia Gruber, in an article in *The South African* titled “The difficult reality of living with dementia”, says dementia affects approximately 5% of people over the age of 65 and 20% over the age of 80. She goes on to say that 24/7 care is expensive and can cost up to R25k–R30k/month in-home and around R20k–R25k in retirement villages, before calculating basic living costs. Fees for nursing sisters and medication can easily add another R5k/month.

For a couple who have basic living expenses of R20k per month, R25k per month frail care costs and R5k per month medication, their monthly costs will equal R50k. If dementia sets in at the age of 75 for the husband (and assuming he has a spouse of 71), they will require R9m in order to fund this cost, increasing with inflation, for life. A single male age 75 will require R5,5m and a single female age 75 who is expected to live longer will require R7m to fund the same costs, increasing with inflation, for life. This is based on competitive with profit annuity rates with increases that target inflation.

“It is important that people who have invested in living annuities consider protecting themselves against the potential implications of dementia. Just has made its Lifetime Income product available within a living annuity to allow clients

<sup>1</sup> <https://www.iol.co.za/lifestyle/health/mind/Dementia-doctors-failing-to-diagnose-one-in-three-cases-10438341>

to secure the income they require to fund for dementia over their lifetime without having to fear that their assets will run out. They are fully medically underwritten which means that they could qualify for a higher lifetime income and retain full flexibility over their remaining assets in their living annuity,” says Moore.

Many challenges face South Africans diagnosed with the disease. Low levels of awareness lead to stigmatisation, abuse, isolation and neglect. People suffering from dementia are highly vulnerable to exploitation and abuse. While many developed countries such as Australia, Canada, Denmark and France have designated dementia policies, South Africa does not. It is not identified as a prescribed minimum benefit, and it is not recognised as a chronic disease by the country’s Department of Health. Medication is expensive, and proper long-term care plans are essential to ensure that sufferers are well looked after when they are most vulnerable.

So how can dementia be managed? By creating awareness of the disease, early diagnosis with a neurologist and a psychiatrist, and sufficient support, including financial support.

When decision-making ability is limited by diminished capacity, it is essential that the right financial and care provisions have been put in place before the onset of any illness.

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