

ALEXANDER FORBES PRESS RELEASE

BENEFITS BAROMETER 2014: IT'S ABOUT THE JOURNEY NOT JUST THE ENDGAME

By: Anne Cabot-Alletzhauer, Head: Research Institute, Product & Development, Alexander Forbes

“Retirement funds may well be one of the most effective means for stimulating savings in South Africa, but the harsh reality is that retirement saving is simply not top of mind for most individuals – or their employers”, says Edward Kieswetter, Alexander Forbes Group Chief Executive.

Launching the 2014 edition of *Benefits Barometer*, Kieswetter argues that, “If we are going to get individuals to engage in their retirement savings, we’re going to have to place as much emphasis on helping them with their entire financial journey as we are on securing an adequate income in retirement.”

“And if we are going to get employers to engage, we need to provide more than just a compelling economic case; we need to make it easy for them to make it a critical component of their employee wellness initiatives.”

Benefits Barometer is Alexander Forbes’s annual thought leadership report. Its primary focus is on savings and employee benefits for South Africans. When *Benefits Barometer* was first released in 2013, its conclusion was that South Africans were failing to achieve the necessary outcomes from their retirement savings because of the fragmented nature of the employee benefit system. The 2013 book argued that what was needed was a more effective discourse between the stakeholders – employers, policy-makers, employees (through their trustee and union representatives) and financial service companies – to understand how gaps could best be addressed in the system. This indeed has been a primary focus for National Treasury as well.

“But, there is an interesting debate here – and it’s a debate that is being held about retirement savings globally,” points out Anne Cabot-Alletzhauer, head of the Alexander Forbes Research Institute. On the one hand, regulatory interventions and effective defaults could be introduced that simply “sleepwalk” individuals to retirement. But as *Benefits Barometer 2014* highlights, to do so would clash with the urgent need to get individuals to engage with their broader financial well-being.

As Cabot-Alletzhauer argues, “Our research suggests that if South Africa is going to secure the triple demands of engagement, financial literacy, and effective protection mechanisms, we need to translate the current employee benefits model into something far more targeted to individual needs. If we can design cost-effective benefit structures that address the financial concerns of individuals both today, tomorrow and in the distant future when they retire, then perhaps we can begin a partnership with them that gradually

enhances their financial decision-making at a very individual level. In a country where the vast majority of the population are unlikely to interact with a financial adviser, developing this level of ‘dialogue’ is key.”

***Benefits Barometer 2014* identifies the following critical areas for debate if the industry is going to achieve that end:**

- Our approach to risk benefit design should be needs-based, adjusting over time in response to changes in individual’s lives, in society and in the greater economy.
- Targets for retirement funding need to be set with reference to what members actually need and be transferable should members move to new funds when they change jobs.
- Defaults will need to become “smarter” and more responsive to different member circumstances if we want members to not “opt-out”.
- Employers need to revisit their HR policies to close any gaps that might exist between the employer policies and employee benefit conditions of their retirement funds.
- Costs demand a complete rethink in the context of the value chain – while we may be paying too much for asset management, do we really understand what decisions add the most value to member outcomes?
- Costs and complexity need solutions – tools that can untangle the uncertainty.
- Communication and financial education initiatives will demand a complete rethink, given the very low success rate to date.
- Measuring success must have a new meaning. We need to assess whether our members are winning. And we need to assess whether our decisions as fiduciaries are adding or subtracting value from their lives.

The book explores a range of potential solutions for getting employee benefits to work more effectively in the wider context of individual South Africans’ lives. Cabot-Alletzhauer explains, “In some cases, we may discuss a new set of underlying principles; in others, a new tool that could simplify a particular problem; and in others still, we propose ideas that we think have incredible potential, but only if they exist outside the financial services industry altogether. Together, they represent ways in which we believe we can nudge the current system into providing much more efficient, effective and targeted outcomes.”

In *Benefits Barometer 2014*, the link between employee benefits and broader social protection is also explored. What this illuminates is that fixing employee benefits for individuals not only improves their well-being, but also makes a key contribution to the country’s development.

As Alexander Forbes Group Chief Executive Edward Kieswetter explains: “Good social protection is crucial for an economy. It helps prevent households from falling into poverty, reduces poverty’s duration and assists with redistribution. This is why the individual has to be at the heart of the matter.”

“The challenge though, is that improving outcomes for individuals requires both improvements within the employee benefit framework and beyond. Simply preparing an individual for retirement is not enough. We need to engage with their entire journey and help them to achieve financial health both today and in the future”, concludes Kieswetter.

NOTE TO EDITORS

About Alexander Forbes

Alexander Forbes is a diversified global financial services group specialising in short and long-term insurance, health, retirement, multi-manager and investment solutions. The group, which employs more than 3 000 staff, is headquartered in South Africa and has operations in Africa and the United Kingdom. It has an extensive partner network that ensures it provides an integrated and professional level of services to its global clients. For more information, please visit the Alexander Forbes website: www.alexanderforbes.co.za

For more information on *Benefits Barometer*, please visit benefitsbarometer.co.za.

Issued on behalf of Alexander Forbes by:

Corporate Image

For further information: Sheri Cohen, sheri@corporateimage.co.za, Mobile: 071 683 1888

