

Retirement - Why we need to radically change our framework

South Africa | 07 June 2019 | Topic

Authors and contributors



Alexander Forbes
Research Institute

WHY WE NEED TO RADICALLY CHANGE OUR RETIREMENT ADVICE FRAMEWORK

This is probably not going to change overnight. But it will happen at some point in the future. The question is, how could employers help their employees to better navigate this transitional phase?

The problem is, old conventions are hard to change. Most pension funds provide exiting employees with financial advisers who tend to guide the discussion to which annuity product you wish to purchase as you exit the fund. This is expected to address all your funding requirements during retirement. The exercise makes sense – after all, the money needs to go somewhere. But making this decision correctly means we need to carefully consider what it is that’s being funded.

A new framework for making financial decisions at retirement

The problem with this current model is that it doesn’t thoroughly allow for the true economics of what you might need to address during this second long phase of your adult life. Nor does the advice framework begin to address the extraordinarily complex set of decisions that lie ahead for those wading into waters of uncertainty. There is so much more that we now understand about this transitional period of one’s life that there is no question we need to reconsider both the savings model that funds this period as well as the advice framework that accompanies it.

Time for a serious revamp.

