Theme 4 How are members doing with their compulsory savings?

Namibia, like South Africa, doesn't have a social security system as such. Rather, it depends on a means-tested Old Person's Grant (Tier Zero) to provide what minimal safety net the fiscus can possibly afford for people who have no other savings when they enter retirement. The expectation by these two governments is that compulsory savings by those who have entered the formal workforce should provide a post-retirement underpin for the bulk of their working population.

But let's return to a graph that we used in Issue 1 of ***Benefits**^All **Barometer Africa*** to highlight how 'successful' this strategy has been. The graph on the monitor below provides a sort of x-ray into a representative Namibian pension fund.

Source: Alexander Forbes

Each dot on that retirement distribution graph denotes an individual member of that fund. It pinpoints a projection of each member's replacement ratio at the time of retirement, assuming they maintain their current savings plan. The number translates into what percentage of their final salary they are likely to get as their post-retirement income.

The fact that the dots on this screen are all red is not good news. It suggests that no member of this fund is likely to receive even 40% of their final salary as an ongoing post-retirement income.

This picture is fairly typical of Namibian (and South African) pension funds – and that should be concerning. These outcomes have little to do with inadequate investment returns or even costs. In truth, they highlight the reality that the structure of these two pension fund systems is failing to produce the intended results: an adequate form of post-retirement income replacement.

Quite simply, because government policy does not demand that employees preserve their fund credit when they move from one company to the next, more often than not, employees simply cash in their retirement savings every time they start with a new employer. This means they start their retirement savings from scratch again. It's no wonder there isn't enough in the kitty!

What this graph illustrates is critical: employees in Africa are less concerned about saving for retirement than they are about having a savings 'fall-back for the very real financial demands of everyday life. 'Retirement' in itself is a benefit Africans can ill afford.

After all, the expectation is that for most African families, the 'carer' ultimately becomes the 'cared-for'. That means that what is of more immediate need is a way for African families to achieve a modicum of financial mobility and stability for their whole family over the course of their economic lives.

How could we make employee benefits and compulsory saving more meaningful to members?

Convert compulsory saving into a guided financial planning tool for employees, focusing on the journey of employment and not just the end-game of retirement.