INSIGHT 3

Yes, South Africans do save but perhaps retirement isn't their top priority

Rob Rusconi, an independent actuary and researcher who has done work for the World Bank, the International Labour Organization, the Organisation for Economic Cooperation and Development, FinMark Trust and various governments or regulators in Southern Africa, pointed out in *Benefits Barometer 2018*, that financial products and services can play a critical role in ensuring social protection and social mobility. The problem is, the financial services industry may not have adequately capitalised on the opportunity to use their products to achieve those ends.

Take retirement savings as an example. When we use the Alexander Forbes LifeGauge tool to assess how each member in a typical retirement fund is likely to fare in retirement with their accumulated savings, it's fairly clear that most employees don't see compulsory savings in the context of solving for retirement. In the scatterplot below, each dot highlights the replacement ratio (percentage of their income they can replace on retirement). The fact that all the dots are red in what would be considered a typical South African retirement fund highlights the fact that most of these members will only achieve income replacement ratios of around 32%.

That suggests that we need to understand two things in far greater depth about how South Africans engage with both their savings and their retirement. Why are South Africans not particularly concerned about saving for retirement and what would employees perceive as more meaningful benefits from their employers?

HOW ARE THE MEMBERS COPING WITH THEIR COMPULSORY SAVINGS?

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.

Source: Alexander Forbes