

## INSIGHT 5

### Diversity and the lens of responsibility in Africa have meant that many concepts for financial planning do not translate well

Many assumptions that the financial services industry uses to determine adequate retirement savings are based on assumptions from the developed world of what constitutes a 'family', or rather a 'lens of responsibility'.

The impact of 'black tax' or the 'sandwich generation' means that we simply cannot assume that by the time an individual retires, they only have to be concerned about providing for themselves and their spouse, with the children presumed to now be educated, financially independent and living elsewhere. The irony here is that

economic pressures in many parts of the world suggest that this is not just a phenomenon for South African families.

In addition, these actuarial assumptions also tend to work best in countries with a high degree of homogeneity among its citizens. But the populations of Africa in general and South Africa specifically present a far higher degree of diversity than in more developed economies. This means that it is almost impossible to solve for an 'average' South African.

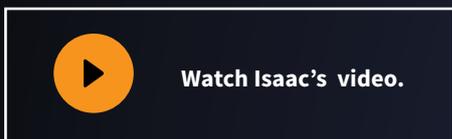
#### LENS OF RESPONSIBILITY



#### THERE IS NO SUCH THING AS 'AVERAGE' OR 'MEDIAN' IN AFRICA



But Isaac Ramputa, CEO of the Financial Sector Transformation Council and a Director of Batseta, offers insights into the reality of the lives of our retirement fund members.



*The life of an ordinary worker is complex and affected by different things. The question is: Does the design of employee benefits take that into consideration? The complex nature of our society, which is still unequal and mostly underprivileged, presents a challenge for coverage and design of employee benefits.*

*You have the majority of society who doesn't fit in the current model as it doesn't address their needs. Their needs are affordable housing, children's education, a stable job, financial inclusion, funeral policy for the extended family, health services and so on. I have not even begun to address the retirement savings and general savings that an individual needs to make.*

*South Africans actually do save – most of those savings are in stokvels, which may not be appropriately accounted for by the formal financial sector.*

*Perhaps we should be asking: What lessons are we learning about that kind of savings that we can bring into the savings regime for workers? Banks are hopelessly battling to bank this market.*

*The preoccupation with addressing compulsory savings and ignoring the daily reality of workers is not an answer. There's a need to relook at the savings issue differently. The approach is that of empowering workers with knowledge to make choices. This will help workers to see a bigger picture and make informed choices.*

*We can't continue to push products that do not address the needs of workers. There's a need for products that are understandable and which address the needs of workers. The one size fits all will not help the situation.*

*There's also a need for a solution that takes into account African challenges, of low levels of employment, of education, lack of housing, poor access to social services like healthcare, clean running water and education. Fragmentation and duplication of employee services also need attention.*

*I hope the industry has been following the Benefits Barometer and have taken to heart the recommendations. There's a need for a broader discussion on what model of employee benefits is suitable for South Africa. Policymakers and regulators need to come up with out-of-the-box solutions that will address the challenges that face us.*

**To find out what South Africans want from their compulsory savings.**

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