



## SHOULD RETIREMENT REFORM BE ABOUT THE DESTINATION? OR THE JOURNEY AND THE DESTINATION?

National Treasury has been channelling much of its reform focus on meeting retirement fund end goals. Preservation, mandatory enrolment, annuitisation, cost reduction and casting a wider net are all ideas to maximise the quality of that retirement moment<sup>2</sup>. What members need is more simplicity, more vanilla, less costs. The perfect model here would be if we could simply 'sleepwalk' an individual to retirement. The less there is for members to think about or worry about in terms of their retirement savings, the less likely they are to abandon it.

In principle, there is nothing wrong with the concept – as long as the most critical challenge that individuals face is saving for retirement. But is that the case for most South Africans?

We believe that if we want South African workers to take their retirement plans seriously – and it's clearly in the government's interest that a significant percentage of workers do not end up back on their grant books when an income is no longer forthcoming – then it's as important to help people to maintain a stable financial journey through life as it is to secure stability at the end. That means we have to tackle the problem on two distinct fronts:

1

We need to make the current structure of employee benefits as a whole far more efficiently targeted to meet each member's needs. To do this, we need cooperation between employers, the custodians of members' interests (trustees and unions) and financial services companies to ensure the system is properly integrated to give members the best outcomes.

2

We need to be just as keen to help members maximise their own financial decision making. That means we have to develop clever ways to make the most of educational techniques at different points in a member's life, with tools to help the majority of South Africans who will never see a financial planner, to manage their own financial security.

More importantly, if we merely 'sleepwalk' an individual to retirement, we lose out on a critical opportunity to get them to engage in their financial well-being and develop the financial literacy of South Africans in general.