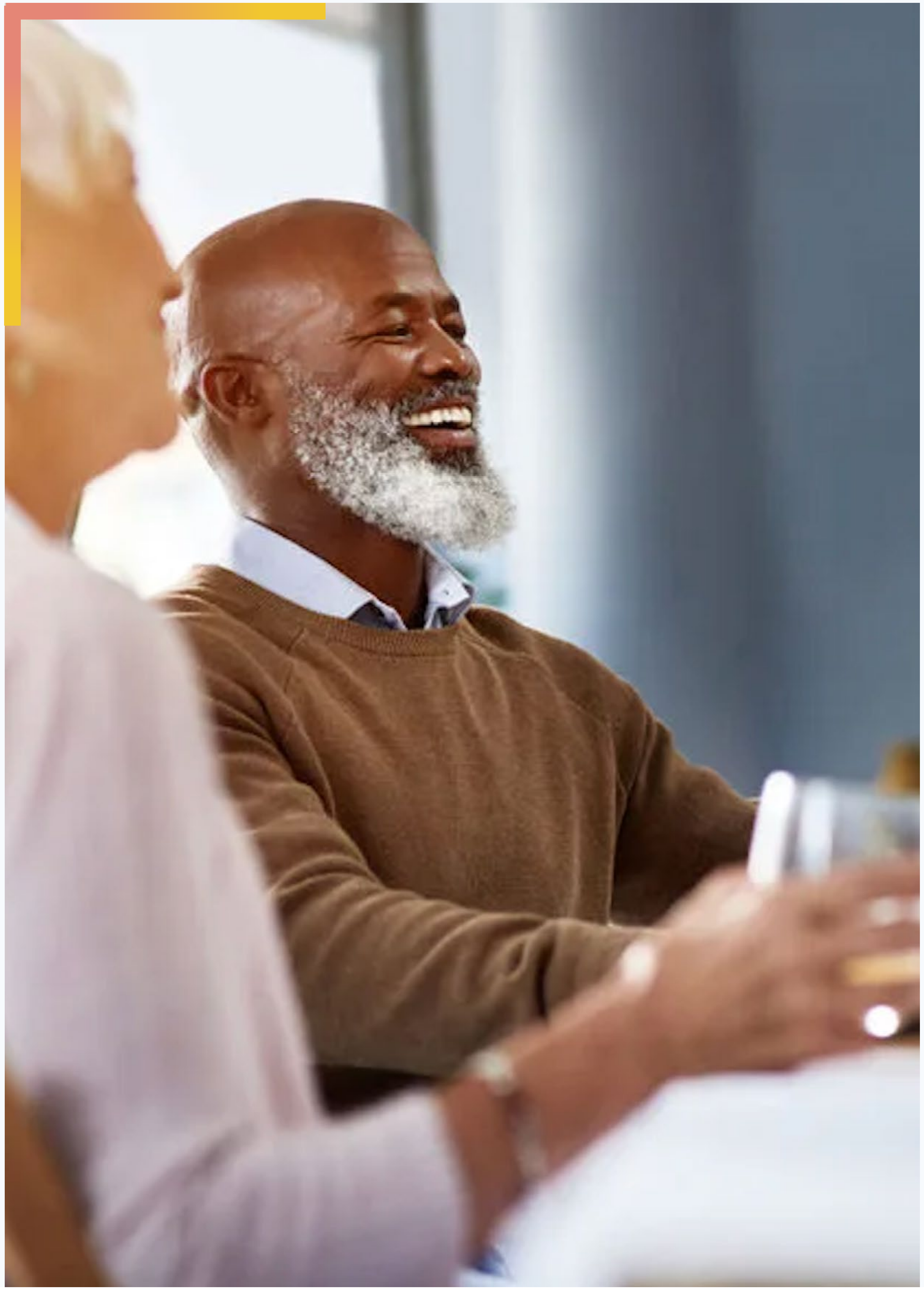
SOUTH AFRICAN

10X Your Future_

2023/2024

Retirement Reality Report



Introduction

This is the sixth edition of the 10X Retirement Reality Report, which has been published annually since 2018. Based on a comprehensive survey by Brand Atlas (see details below), it provides unique insights into the financial knowledge and behaviour of South African consumers, focusing on their retirement planning. The inaugural report made it clear that South Africa was sitting on a retirement time bomb, with the data aligning closely with a widely quoted National Treasury statistic that only 6% of the country's population was on track to retire comfortably.

The report identified some of the key reasons behind this low figure: many people had not formally planned for their retirement and, of those who had, few were monitoring their progress, unsure whether or not they were on track to be able to support themselves in old age. Subsequent reports have shown that the picture has not improved. External circumstances may be mainly to blame.

The Covid-19 pandemic directly affected untold livelihoods, but in its aftermath there has been little economic relief, and for many citizens life has only become harder. South Africans have endured elevated inflation, high interest rates, record unemployment and a failure on the part of the government to stimulate economic growth.

The woes of energy supplier Eskom have had a devastating effect on the economy. By the time of this survey, the second quarter of 2023, hardly a day had gone by without load shedding.

Consumer confidence, as measured by the FNB/BER Consumer Confidence Index, has been negative since the last quarter of 2019. When Covid-19 hit, it dropped to a record -33 points, recovered to about -10 points in 2021, but dropped again, hovering around -20 points in 2022 and the first half of 2023. Consumer spending rebounded to pre-Covid levels in 2022 and 2023, according to the South African Reserve Bank, while household savings went the other way.

After rising to 1.7% during the pandemic, as South Africans spent less and saved more, the household savings ratio entered negative territory in 2023, meaning that people were spending more than they were earning, funding the difference by taking on more debt or depleting existing savings.

This year's survey shows that there has been little fundamental change in South Africans' inclination or ability to plan for retirement since last year. Roughly two-thirds of adults are either not saving at all for this purpose or their retirement plan is vague.

The remaining third have a relatively solid grasp of what is necessary to fund their retirement years.

A bright spot in last year's survey was that a steady increase in people having no retirement plan whatsoever had reversed. In 2021, 50% of respondents indicated they were not providing for retirement at all.

This improved to 46% in 2022, and remained at that level in this year's survey. The respondents with a solid grasp of their retirement planning ("I have a pretty good idea of what I'm doing" and "I have a thought-through plan which I am executing") decreased from 33% to 29% between 2019 and 2021, but rose to 31% in 2022, remaining at 31% in 2023.

About half of respondents who had a retirement plan indicated that their plans were "probably" or "definitely" on track, with some variation across age groups. Sadly, 29% of people over 50 indicated that their plans were "definitely not" or "probably not" on track. At that age, it is extremely difficult to correct any deficit in savings.

Almost three quarters of respondents (72%) whose plans were not on track gave "I am not able to save enough" as a reason. This ties in with reasons given for not having a retirement plan in the first place: 70% of respondents without a plan agreed with the sentence: "I cannot afford to save, I have nothing left over at the end of the month". These comments underline the harsh economic realities for the majority of South African consumers.

Year after year, a large proportion of respondents have been partially or strongly of the view that they will need to continue earning a living after their formal retirement date: 77% in 2020, 74% in 2021, and 71% in 2022 and 2023. The six percentage-point drop since 2020 is another positive statistic in an otherwise generally gloomy survey.

As in past reports, this year's 10X Retirement Reality Report includes a chapter on the financial health of women. Over the years, women have consistently rated lower than men in most metrics concerning financial wellbeing and retirement planning.

Half (49%) of all female respondents to the survey indicated that they do not have a retirement plan, compared with 43% of men. More than double (11% versus 5%) the number of men than women said they were diligently following a well-conceived retirement plan.

This and past reports show that women are more cautious than men when it comes to saving and investing: more women than men are "savers" (30% of women versus 26% of men), while the reverse is true for "investors" (24% of men versus 14% of women). Although a prudent, cautious approach to investing is admirable, it may ultimately be to women's detriment, as only higher-risk investments, such as listed equities, can deliver inflation-beating growth over the long-term.

The chapter on retirement funds confirms what other industry surveys have repeatedly shown: that working people routinely cash in their retirement savings when changing jobs (56% Paint a better picture of how these poor decisions sabotages future retirement income). Financial knowledge about retirement funds is relatively high, with 36% of respondents having a good understanding and a further 39% having some knowledge.

However, this does not appear to extend to knowledge about fees – of the respondents who do have a retirement plan, only 37% could give a definitive answer on the costs, as an annual percentage, of their retirement investments.

Another 37% had no idea what the costs on their investments were; 13% believed that the fee depended on performance; while 13% believed they were not being charged at all.

The chapter on retirees shows that fewer people are retiring on their own terms. In 2021 this figure was 70%; this year it had dropped to 60%, one of the most significant statistics to come out of the survey.

Only just over a third (35%) of the retirees who had saved for retirement indicated that they were "fairly" or "very confident" that their savings would last. Makes one question the optimism of people saving for retirement who are confident they are on track - some may be sorely disappointed when the reality of retirement hits.

BRAND ATLAS

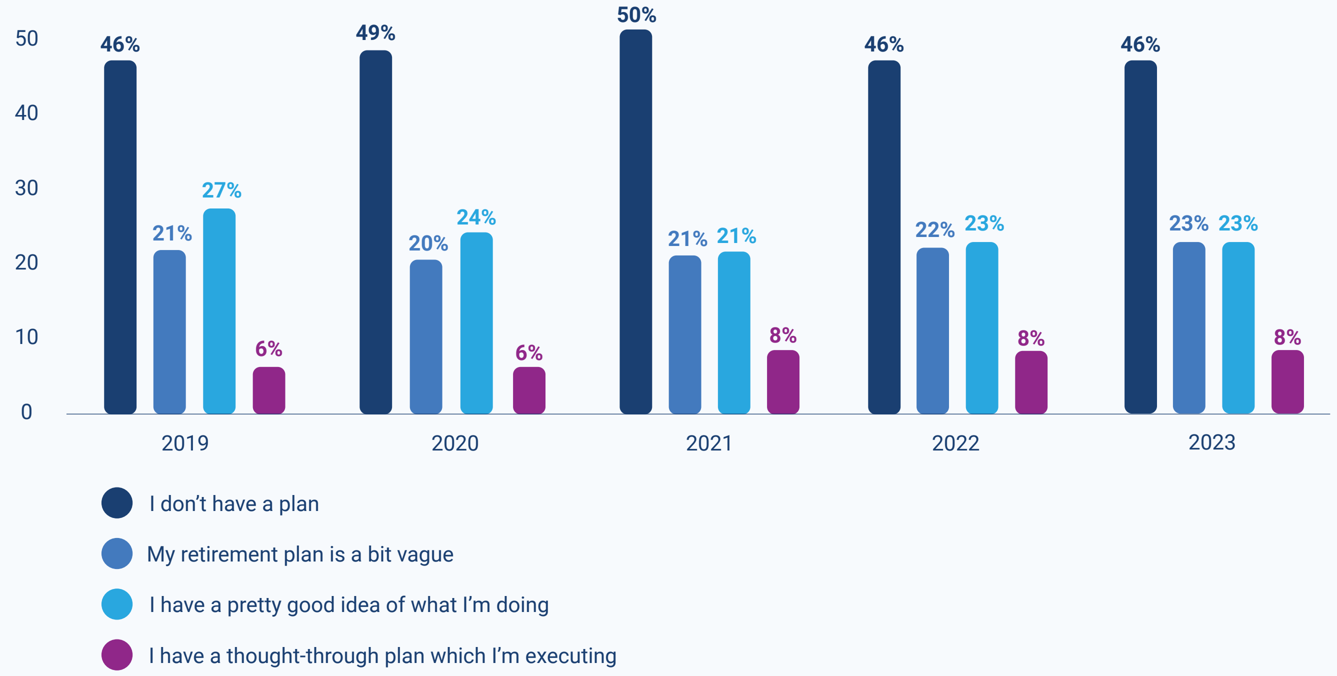
THIS REPORT IS BASED ON FINDINGS OF THE 2023 BRAND ATLAS SURVEY.

Brand Atlas tracks and measures the lifestyles of the universe of 15,4 million economically active South Africans (this year defined as those living in households with a monthly income of more than R6,000, aged 16+, with internet access) through online completion surveys. These households account for 30% of total households in South Africa, but contribute 80% of household income and expenditure. The data are weighted to reflect the profile of this universe, as defined by Unisa's Bureau of Marketing Research in their 2019 Household Income and Expenditure report. In the context of this report, the term "retirement plan" refers to a considered and documented savings and investment strategy that will enable savers to accumulate enough money by the time they retire to maintain their standard of living in retirement.

CHAPTER ONE

What is the plan?

How do you feel about your current retirement plan?



Base: whole sample

The last five years have seen little meaningful change in South Africans' inclination or ability to plan for retirement, according to the survey results from 2019 to 2023. Roughly two-thirds of adults are either not saving at all for this purpose or their retirement plan is vague. The remaining third have a relatively solid grasp of what is necessary to fund their retirement years. Within these two main groups, a steady deterioration from from 2018 to 2021 was followed by a slight improvement in 2022 and the situation has remained steady in 2023.

The first group ("I don't have a retirement plan" and "My retirement plan is a bit vague") swelled from 66% to 71% from 2019 to 2021, then shrunk to 68% in 2022, rising slightly to 69% in 2023.

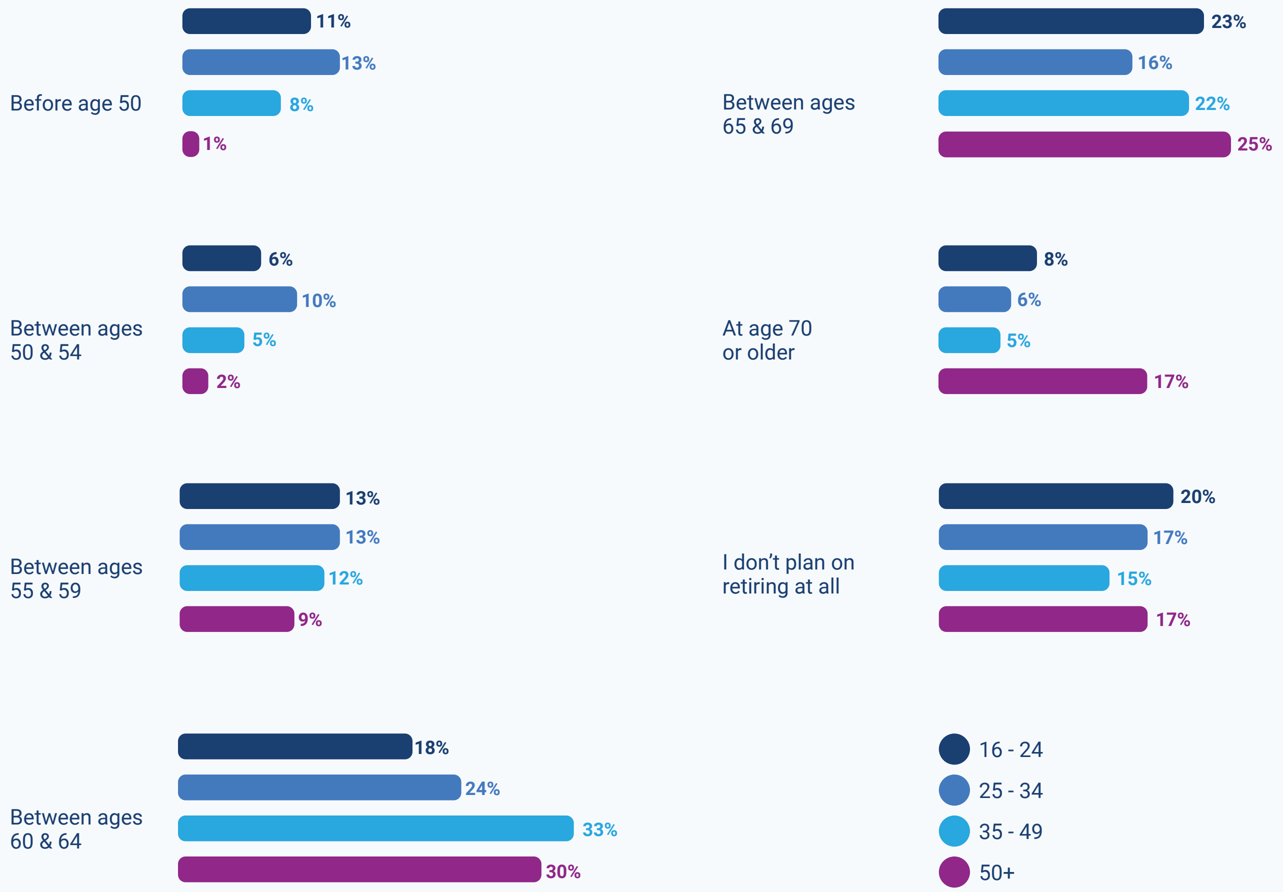
The second group ("I have a pretty good idea of what I'm doing" and "I have a thought-through plan which I am executing") decreased from 33% to 29% from 2019 to 2021, but then rose to 31% in 2022, remaining at that level in 2023.

It is probably no surprise that 2020 and 2021, the years of the Covid-19 pandemic, were the years in which retirement planning appears to have been neglected. The turnaround in 2022 may have indicated not only improved financial circumstances for many South Africans but also a greater awareness, wrought by the pandemic, of the need to save. However, the situation has plateaued, with no further improvement in 2023.

A large proportion of South Africans struggle to meet their basic living expenses, let alone put money aside for savings: 70% of respondents who indicated that they do not have a retirement plan gave the reason as "I cannot afford to save – I have nothing left over at the end of the month". (more on this in Chapter 6).

This is supported by data from Statistics SA, which showed that in 2019 half the adult population (49.2%) was living below the poverty line. StatsSA's most recent calculation (August 2022) of the upper-bound poverty line for individuals was an income of R1 417 a month. The March 2023 cost of a basic nutritional food basket for a family of four was R3 430 (Household Affordability Index, March 2023). This means that even in dual-breadwinner households, parents are not earning enough even to provide the nutrition their families require.

At what age do you **plan on retiring?**

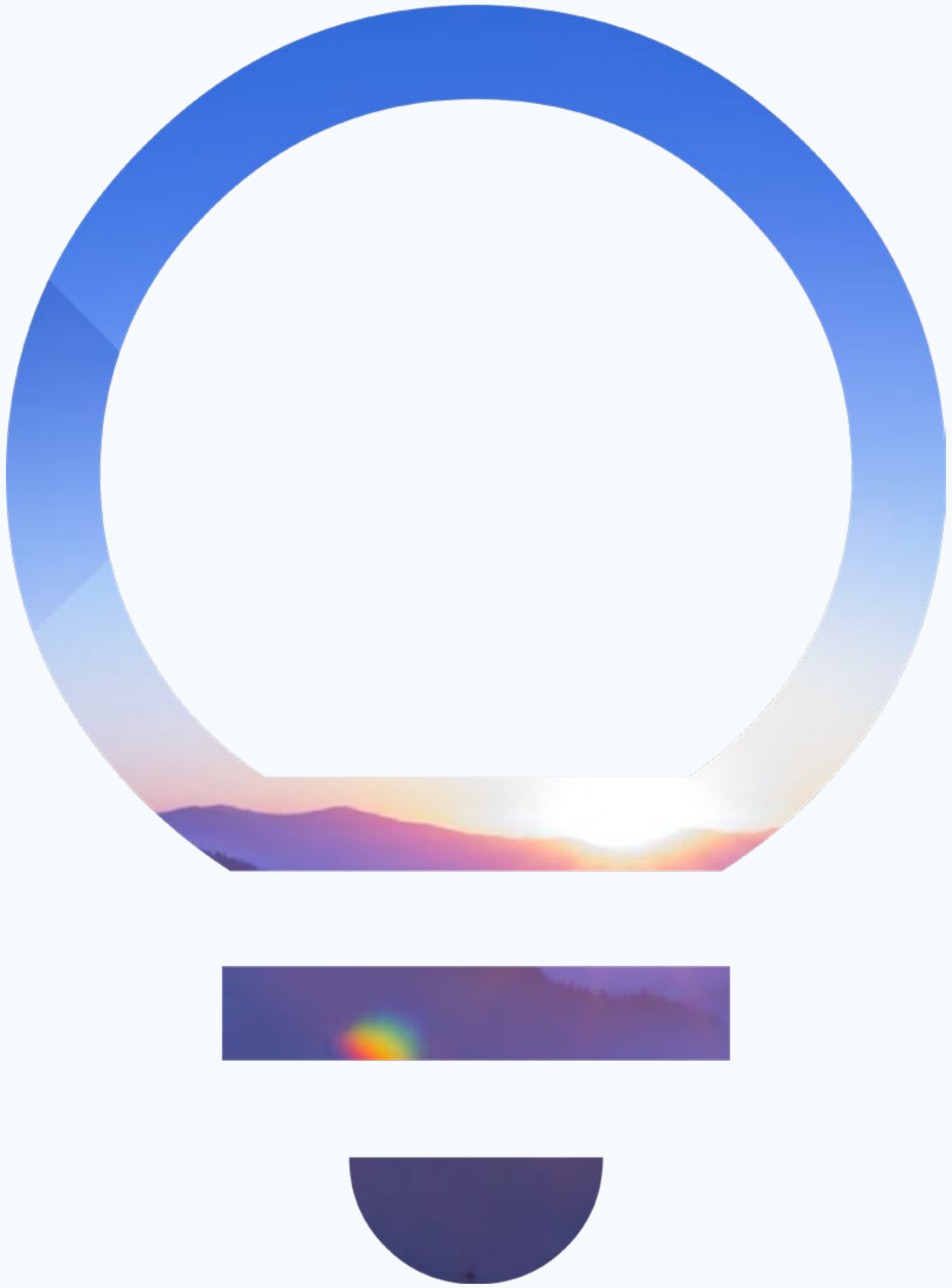


Base: Non-retirees

Younger people believe they will retire younger, whereas those aged 55 all agree they will need to retire later - big disconnect.

It may be natural for active, younger people to visualise themselves never stopping working (20% of people between 16 and 24 years old); 17% of respondents older than 50 years indicated they did not plan on retiring, pointing to a lack of planning and the necessity to continue working for a living.

Although the percentages are low, more respondents below 35 years of age than those of 35 years or older indicated they plan to retire before turning 60. This may be attributed to the idealism of youth and a lack of awareness among younger people on what it takes in the way of planning and savings to retire comfortably.



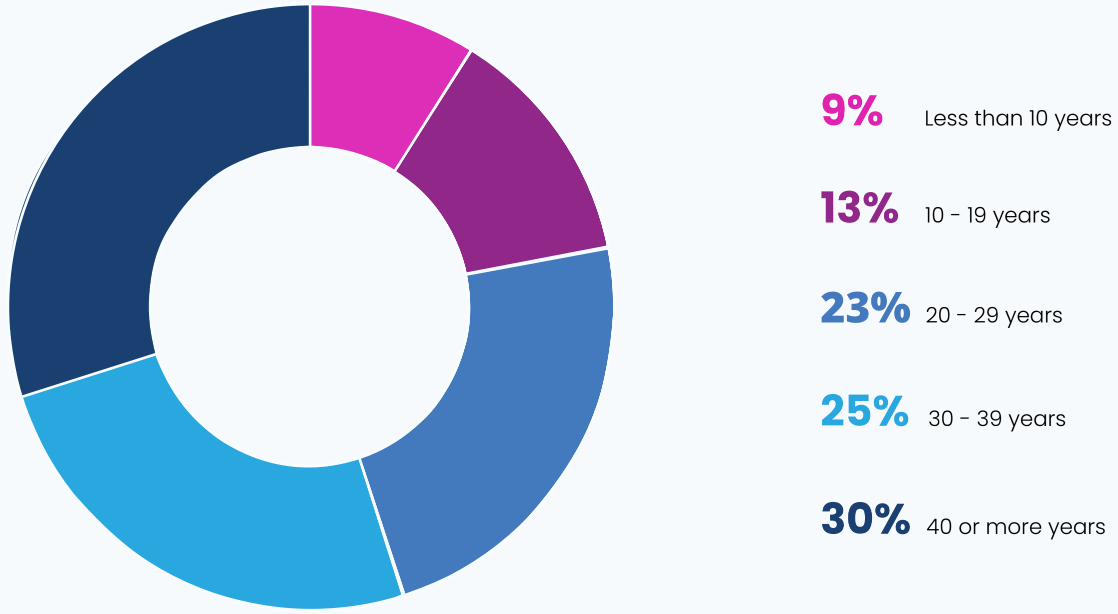
The problem

is that even the most active individuals eventually come to a stage in their lives when they are physically forced to give up working. What happens then?

55%

of respondents with a retirement plan have a relatively good idea of the time it takes to save.

How many years do you think you need **to plan for a comfortable retirement?**



Base: respondents who have a retirement plan

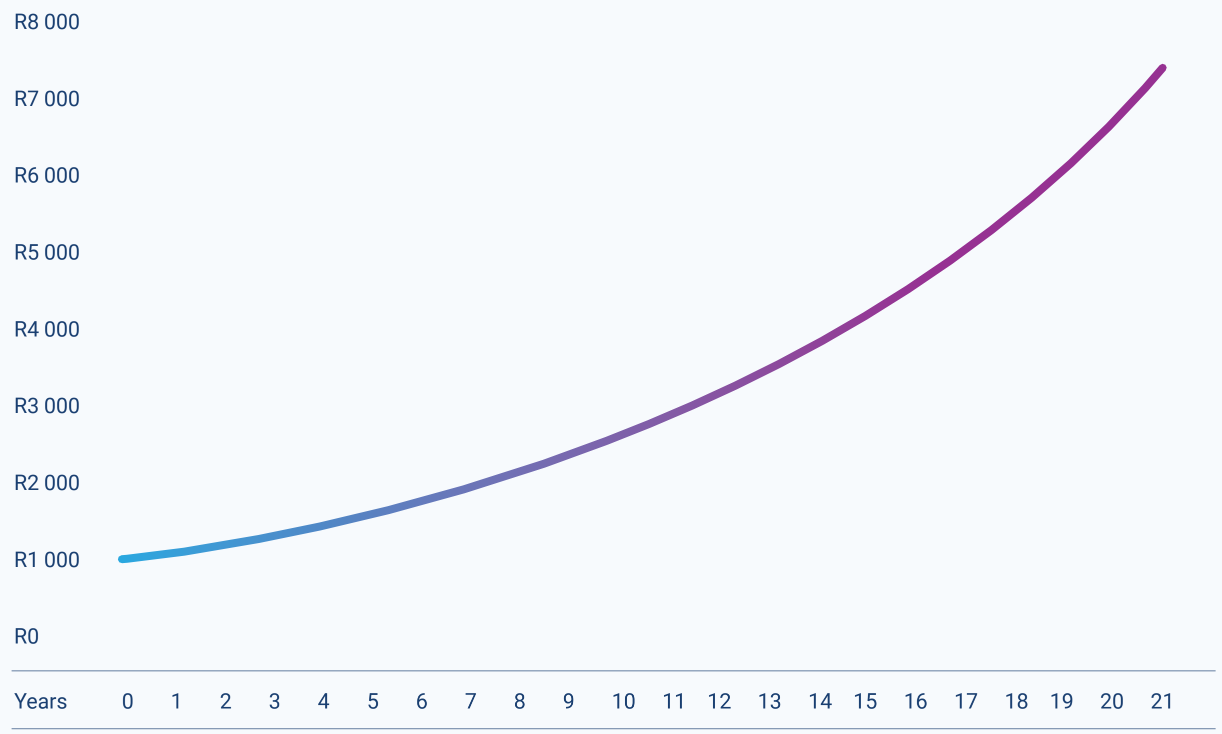
It takes a typical earner, saving 15% of income from the day they start work and preserving their savings when they change jobs, about 40 years to build a large enough nest egg on which to retire comfortably for 30 years. This assumes a real (after-inflation) return of 5% after costs.

The survey shows that 55% of respondents with a retirement plan have a relatively good idea of the time it takes to save. However, 22% are under the misapprehension that it takes less than 20 years.
Those thinking that it takes less than 20 years to save for retirement will be shocked by the contribution required to safely achieve a 75% replacement ratio with a 4% drawdown. The monthly contribution amount for someone with less than 20 years left to retirement is a whopping 55%* of their monthly salary.

***Assumptions:**

- Retirement age of 65
- Investment returns of inflation + 5% per annum
- 75% replacement ratio at retirement
- 4% drawdown at retirement

The magic of compounding



If you contribute regularly to retirement savings over your working life, you will find that in the last few years leading up to retirement the annual growth on your accumulated savings will exceed your annual contributions.

The Rule of 72

This is a quick, handy formula that can be used to estimate the number of years required to double your investment at a consistent compounded rate of return. Conversely, you can work out the return required to double your money in a given number of years.

To calculate the number of years it will take for an investment to double, divide 72 by the expected rate of return. For example, if the expected return is 6%, the investment will double in 12 (72 divided by 6) years.

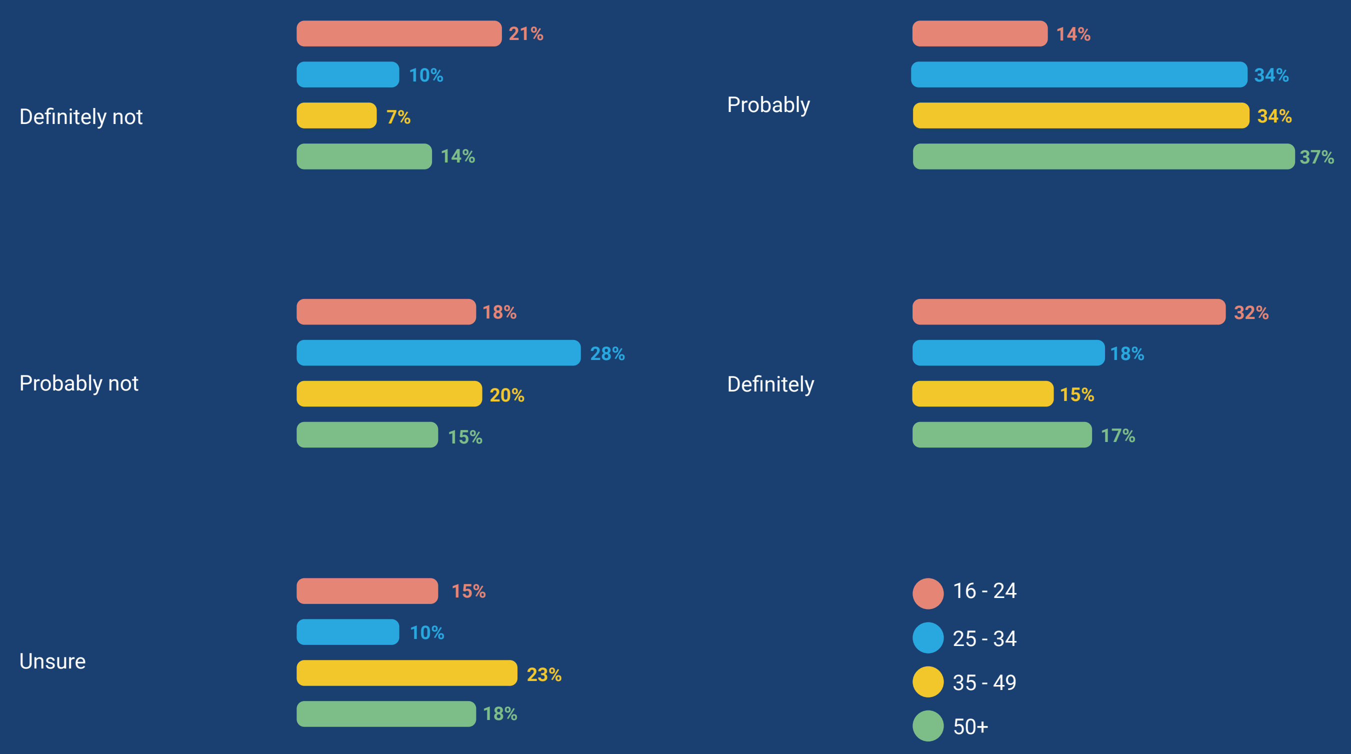
To calculate the return required to double your money in a specified period, divide 72 by the number of years. For example, if you want your money to double in 8 years, you will need a return of 9% (72 divided by 8).

Source: Investopedia

CHAPTER TWO

Are you on track?

Would you say your retirement financial plan is on track?

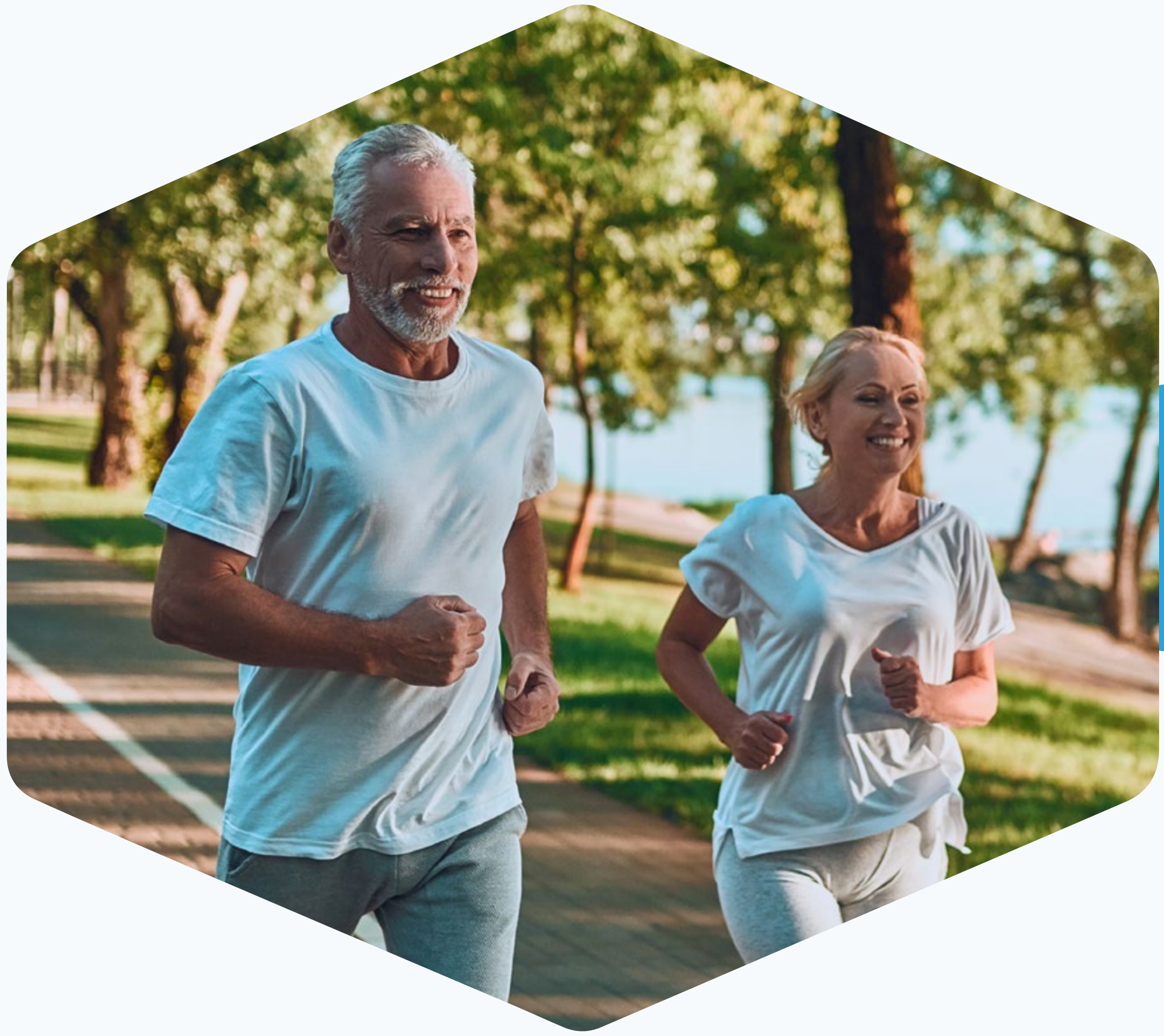


Base: Have a retirement plan

It's one thing to say you are saving for retirement, but another to regularly monitor your retirement plan over your working years, checking that you are on track and your investments are performing as expected.

This will ensure that, if you are falling short of your targets, you can immediately rectify matters by increasing your contributions or modifying your investment strategy.

Are you on track?



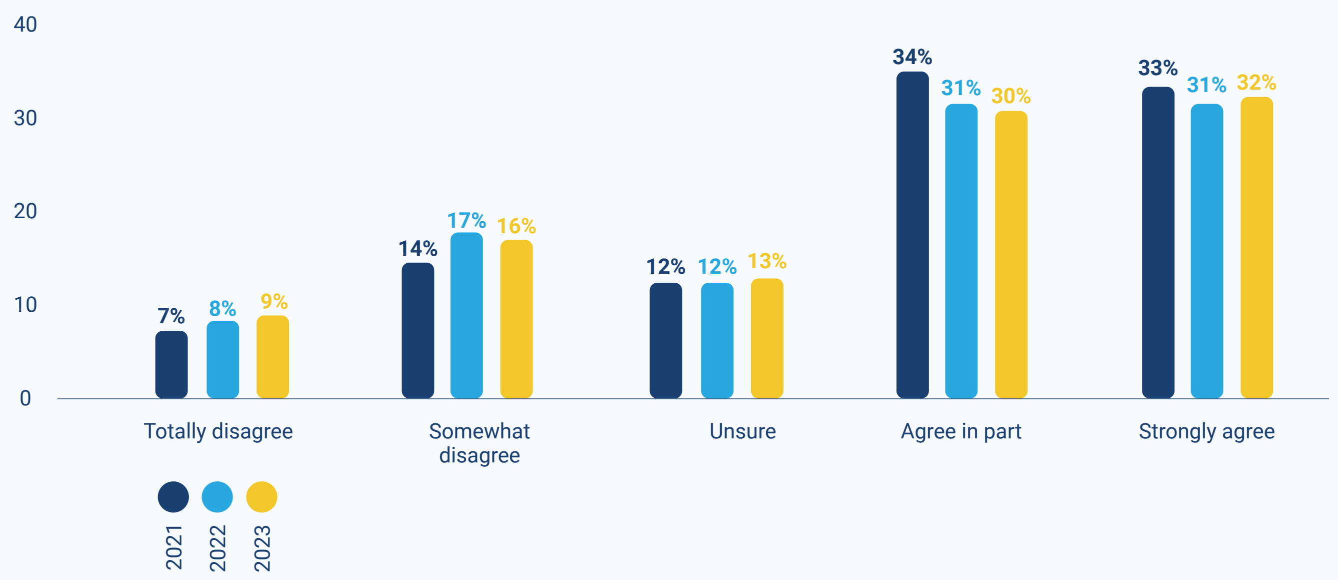
About half of respondents across age groups who had a retirement plan indicated that their retirement plans were “probably” or “definitely” on track, but the difference is marked between respondents under the age of 25 (32% indicated “definitely” and those older than 25 (between 15% and 18% indicated “definitely”), with more of them (between 34% and 37%) saying they were “probably” on track with their planning.

The differences in respondents’ confidence in their retirement plans at different ages may be explained by changing financial commitments on their journey through life. People in their late 20s and early 30s typically face the heavier financial demands that come with a young family and the bond on a new home. Once they reach their mid-30s and 40s they may be in a position to “catch up” with their savings.

The higher percentage (14%) of people in the 50+ age bracket saying their plans are “definitely not” on track may be explained by them coming to the realisation that their accumulated savings are probably not enough on which to retire comfortably.

Reasons given for retirement plans not being on track include: “I am not able to save enough” (72%), “I started too late” (36%), “My retirement investments are underperforming” (14%), “I miscalculated the contributions I needed to make” (14%), and “High fees have eaten into my retirement plan” (9%).

I worry about whether I will **have enough money to live on after I retire**



Base: Have a retirement plan

Compared with the 2021 survey, there has been a decrease in respondents who are concerned about having enough money to live on in retirement: those who agreed partially or strongly with the statement dropped from 67% to 62%, while those who disagreed partially or strongly rose from 21% to 25%.

Surprisingly, the survey shows that the age group showing the lowest confidence in whether their retirement savings would fund their retirement was the 16-24-year cohort: 63% partially or strongly agreed with the statement, and only 20% partially or totally disagreed.

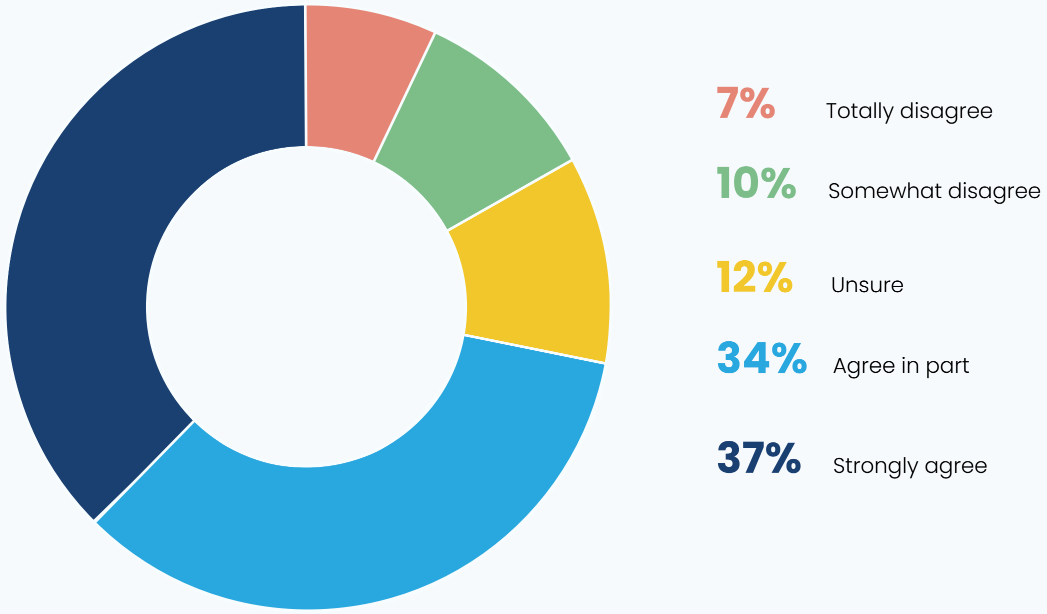
The results appear to contradict the results of the previous graph: why would over 60% of respondents be worried about having enough to live on in retirement when about 50% of them indicated their retirement plans were on track?

The answer may lie in the next graph – many people may be incorporating into their plans income from some form of post-retirement employment.

71%

of respondents were partially or strongly of the view that they would need to continue earning a living after their formal retirement date

I expect I will have to keep on earning after I retire

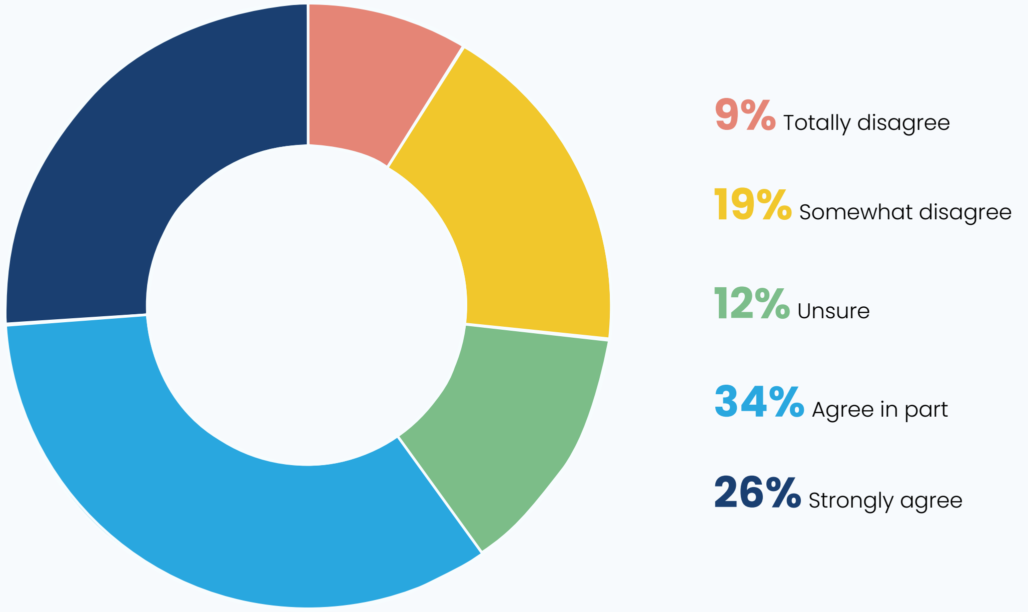


Base: have a retirement plan

Across age groups, 71% of respondents were partially or strongly of the view that they would need to continue earning a living after their formal retirement date. This ties in with responses to the question “At what age do you plan on retiring?” (Chapter 1) and the reasons given above for retirement plans not being on track: many younger people do not consider retirement age as a cut-off date for working.

However, the inconvenient truth is that a large proportion of South Africans cannot afford to stop working.

When I retire, I expect the same standard of living I enjoyed before retiring.



Base: have a retirement plan

A majority (60%) of respondents with a retirement plan partially or strongly agree that they expect the same standard of living in retirement. The question that arises when taking into account the previous graph is: would the expected standard of living be partially funded by earnings from post-retirement employment?

It may be a misperception

that, because certain expenses incurred by working people fall away, retirees can maintain their standard of living on a substantially lower income. As explained below, while some expenses may decrease, you can expect others to rise.

How much do you need in retirement?

Your replacement ratio (RR) is the percentage by which your post-retirement income matches your pre-retirement income, and it is generally accepted in the retirement industry that an RR of

70-75%

will enable you to maintain your standard of living.

You may be able to maintain your standard of **living on a lower income in retirement** than during your working years

You save on transport costs, as there is no more commuting to work.

Generally, parents are no longer supporting their children at this age.

You will have ceased contributing to an occupational retirement fund.

Many retail outlets offer discounts for pensioners.

Your mortgage bond is typically paid off.

Your income tax will be lower – from the age of 65 you receive higher tax rebates and are entitled to claim back more on medical expenses through tax credits. You also receive a higher exclusion on interest income.

You may spend less on clothes.

However

these savings may be offset by higher spending on medical care, entertainment and travel, at least in the early post-retirement years.

Your major expense burden in retirement is likely to be medical and healthcare costs

Your major expense burden in retirement is likely to be medical and healthcare costs, which can become prohibitive, even with comprehensive medical scheme cover. Medical scheme contributions typically increase by three to four percentage points above the CPI inflation rate annually, and long-term healthcare and frail-care expenses are generally not covered.

A 2016 US Department of Health and Human Services survey found average annual medical costs for over 65-year-olds were almost double those for people aged between 45 and 65. An earlier survey found that, if you live to age 85, almost a third of your lifetime medical expenditure will be incurred in the years following your 85th birthday.

This means that although a 75% RR may be a worthwhile goal to aim for while saving, it may nonetheless be inadequate for healthcare costs in those final years when you are most in need of care.

CHAPTER THREE

Are women catching up?

Women's financial challenges

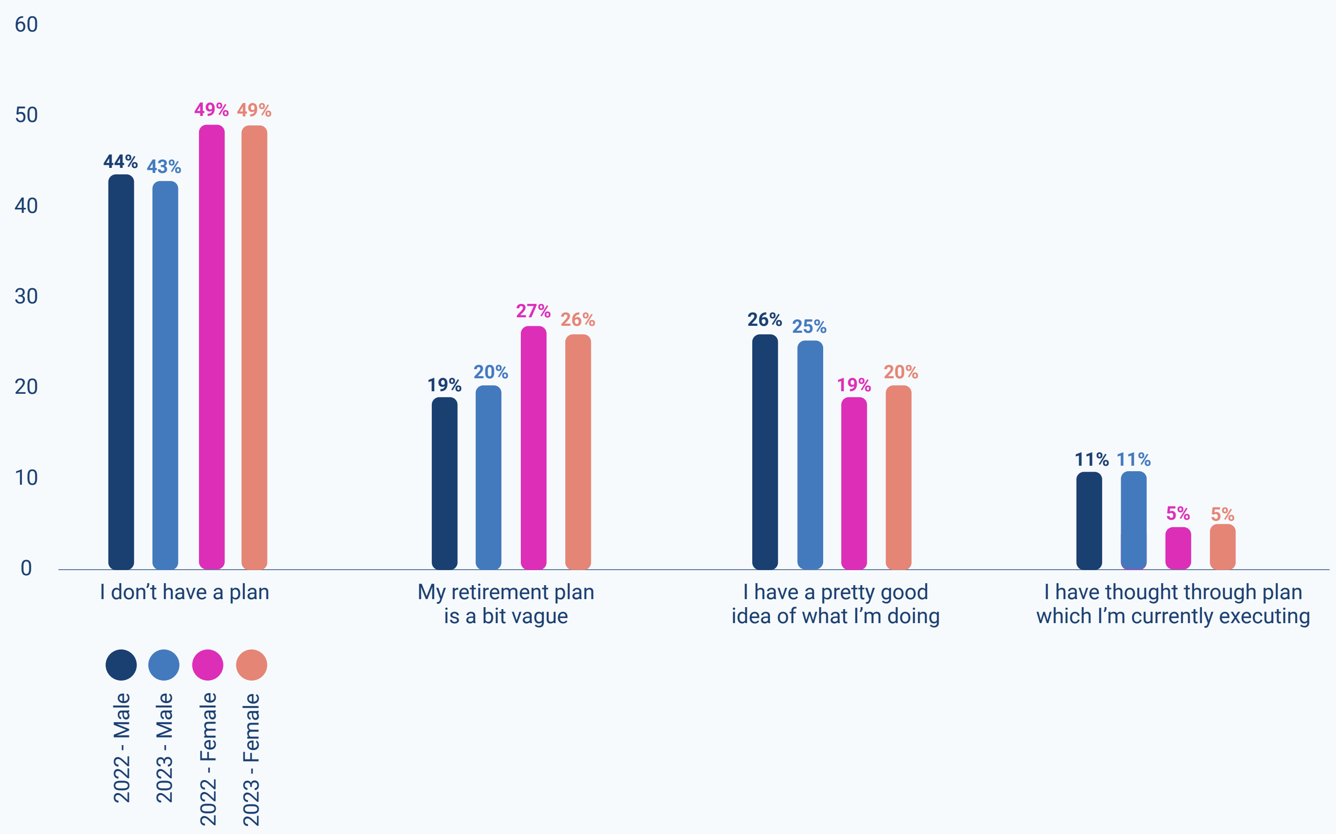
10X Investments' previous Retirement Reality Reports highlighted the financial disadvantages South African women face compared with men. The picture has not changed significantly: women remain worse off than men, according to most measures. Laws forbidding discrimination against women in the workplace may slowly be narrowing the career opportunity and pay gaps between the sexes, but there is still a long way to go.

When a woman's career is interrupted by pregnancy and the raising of children, this sets her back further financially, especially when it comes to her retirement. To top it all, women can expect to live five years longer, on average, than men.

49%

of all female respondents to the survey indicated that they do not have a retirement plan, compared with 43% of men

How do you feel about **your current retirement plan?**

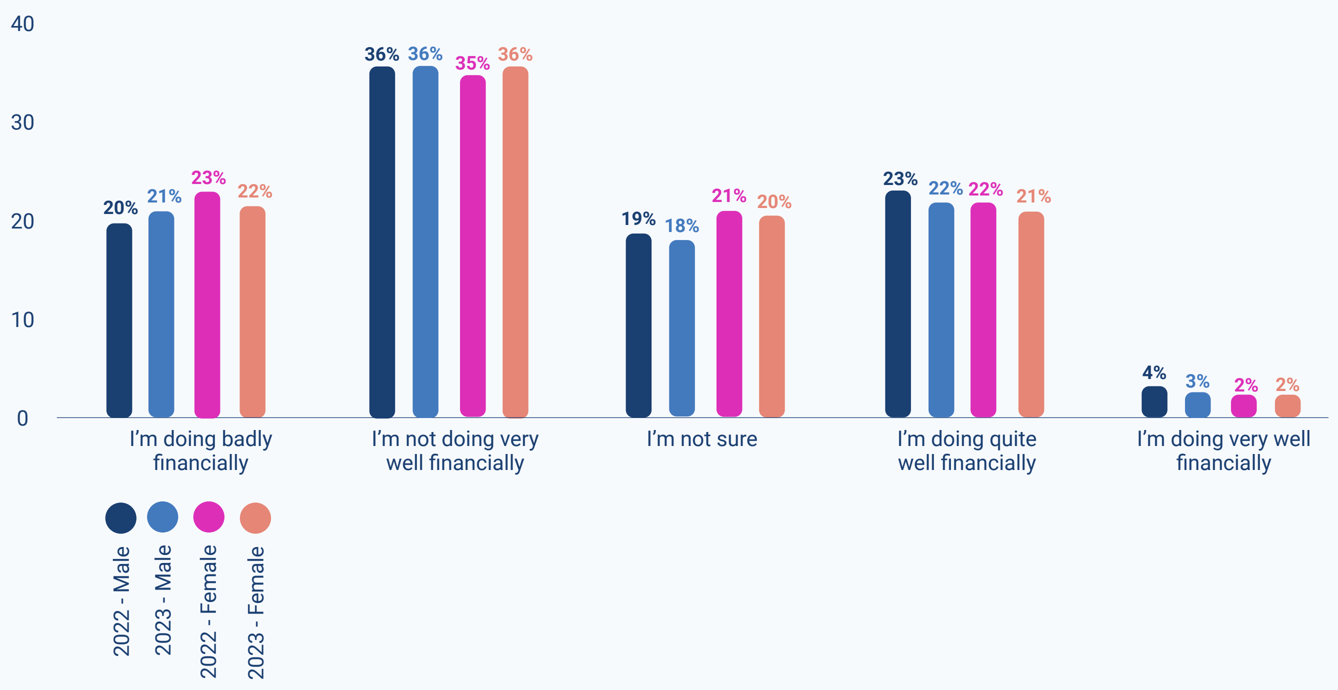


Base: entire sample

The statistics on women versus men's retirement planning have not changed meaningfully between 2022 and 2023. Half (49%) of all female respondents to the survey indicated that they do not have a retirement plan, compared with 43% of men.

Women also rate consistently higher in the "My retirement plan is a bit vague" category and consistently lower in the two categories "I have a pretty good idea of what I'm doing" and "I have a thought through plan which I am carefully executing". More than double (11% versus 5%) the number of men than women are diligently following a well-conceived retirement plan, according to the data.

How happy are you with your financial situation?



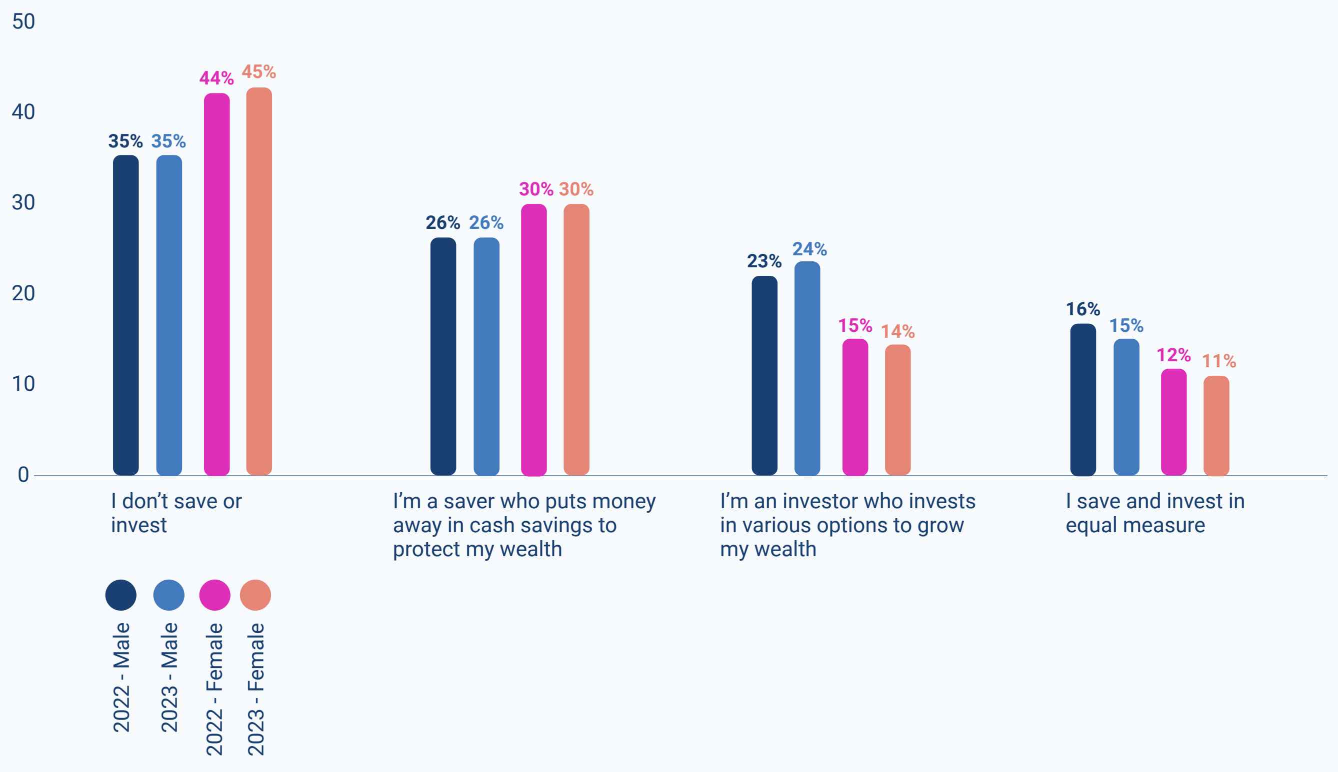
Base: entire sample

To the question "How happy are you with your financial situation?", the statistics are relatively equal for men and women. This may be because many men and women are in co-dependent relationships where both partners, while not necessarily contributing equally financially, share the burden of everyday living expenses.

It is noteworthy that well over half the population, as reflected in the survey (57% of men and 58% of women), admit to having financial difficulties ("doing badly" or "not doing very well"). There has been no significant change since 2022 (56% of men and 58% of women).

The difference between men and women in answering "I'm not sure" may reflect a tendency for married women, especially among older generations, to leave the household finances to their husbands.

Which of these investor types are you closest to?



Base: entire sample

The statistics on saving and investing are consistent between 2022 and 2023. They reflect fundamental differences between men and women in their approach to wealth preservation and creation. More women than men do not save or invest at all. Of those that do, women are more concerned with protecting their wealth than growing it: More women than men are "savers" (30% of women versus 26% of men), while the reverse is true for "investors" (24% of men versus 14% of women).

This cautious, prudent approach is admirable, but it fails to recognise the destructive power of inflation. Returns on savings instruments rarely match the inflation rate, let alone beat it. Only investments in growth assets, such as listed shares (equities), can deliver inflation-beating growth over the long-term.

It is important

to strike a balance between saving for short-term goals and investing for long-term goals. The respondents who indicated that they "save and invest in equal measure" recognise this distinction. Unfortunately, they made up only 15% of men and 11% of women, pointing to a deficiency in financial knowledge, more so among women.

South African **women** by numbers

Statistics SA's General Household Survey 2022 (GHS 2022), published in August 2023 and Marginalised Groups Indicator Report 2021 (MGIR 2021), published in February 2023, reveal to what extent South Africans depend on their women, and also the ongoing disparities between men and women.

South Africa has a high percentage (42.2%) of female-headed households. Urban households rate lower than rural ones on this metric (39.4% versus 48.5% respectively). The province with the highest percentage of female-headed households is the Eastern Cape (49.6%).

A large proportion of South Africa's children (44.1%) live with their mothers. A third (32.7%) live with both parents; 19.5% live with neither of their parents; and 3.7% live with their fathers.

There are 14.3 million employed people in South Africa, out of a total population of about 60 million. Of those, 6.2 million (43%) are women. Of these working women, 67% are in formal employment, 15% are in informal employment, 4% are employed on farms, and 14% are domestic workers.

Gender parity ratios in monthly income earnings are skewed towards men: for every 10 male workers earning above R11 500 a month, there are 6 women in the same income bracket.

Functional literacy rates among people aged 20 and older are slightly higher for men than women (90.4% versus 88.6%). The lowest literacy rates among women are in Mpumalanga (83.9%), North West Province (83.8%) and Limpopo Province (83.5%).

Among people aged 25 years and older, matriculation levels are slightly higher in men (33.6% of men versus 32.1% of women). The statistics of adults with a tertiary education slightly favour women (15.2% of men versus 15.5% of women).

Of the 5.2 million South Africans aged 60 and older, 3.8 million (73%) are recipients of social grants, with more women than men receiving grants (78.4% of older women versus 65.2% of older men).

Ways to empowerment

In her World Economic Forum blog “Four ways to address the gender finance gap and empower women”, Victoria Mallinckrodt of the WEF says women need to become “financial feminists” in order to improve their financial wellbeing and advance equality. She suggests four ways to empower yourself financially:

1. Become more fearless. By increasing your financial knowledge, you can become more confident in managing your finances and investing for the long term.

2. Surround yourself with female role models. Seek out successful women and financial educators who make you feel part of a bigger movement towards financial equality.

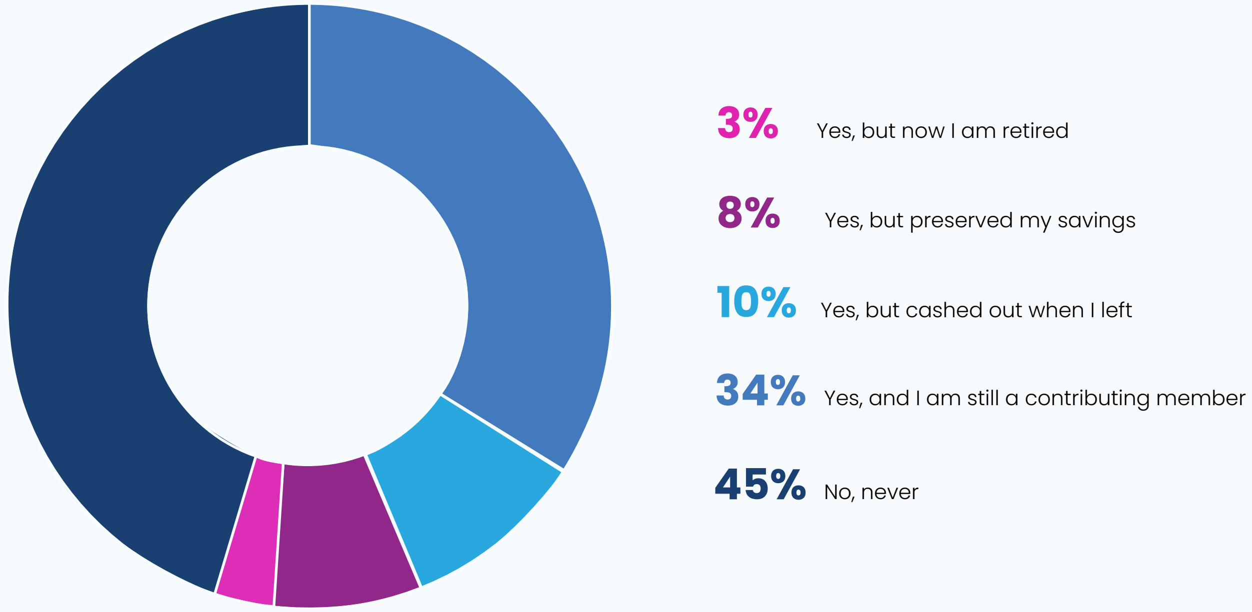
3. Lean on your employer. Many companies are proactively adopting financial wellness programmes or promoting financial wellbeing through women’s networks.

4. Connect with and advocate for all your sisters. “Women are a diverse group in their own right and we must interact with, listen to, consider and support women who are disproportionately impacted by financial inequalities,” Mallinckrodt says.

CHAPTER FOUR

Pension savings: **beware of cashing in**

Have you ever been part of a **corporate retirement savings scheme?**



Base: have a retirement plan

Many people in formal employment belong to an occupational retirement fund, and for a large proportion of them this is the only form of retirement savings they have. This system has the advantage that you are forced to save, because contributions are deducted from your salary automatically. Another advantage is that your contributions are tax deductible: you pay no tax on contributions of up to 27.5% of your annual remuneration.

The retirement industry and National Treasury have long been concerned about the high proportion of working people who cash in their retirement savings when they change jobs. This is reflected in the survey: 10% of respondents say they cashed in, whereas a lower number (8%) preserved their savings. To put it another way, 56% of respondents leaving a retirement fund did not preserve their savings. In the 2021 survey this percentage was 56%, and in 2022 it was 59%, suggesting that efforts by the retirement industry and the government to encourage employees to preserve their savings are not having the desired outcomes.

Understand the **effects that cashing in can have on your retirement outcome**

Age		James	Khanyi
Age 25	**James and Khanyi** both start contributing R1,000 a month to their retirement funds.	Savings: 0	Savings: 0
Age 35	**James and Khanyi** both change jobs. James cashes in. Khanyi preserves.	Savings: 0	Savings: R144,000
Age 65	**James and Khanyi** both retire with the following retirement savings balances.	Savings: R673,000	Savings: R1,140,000

James pays SARS a tax penalty of R21 420 on his withdrawal. This is equivalent to losing almost two years (21 months) of his monthly contributions to his retirement fund!

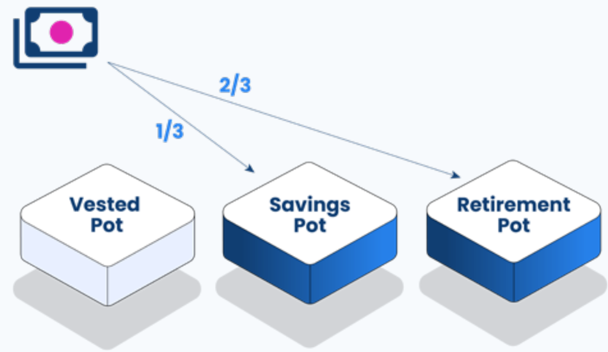
The R144,000 that James cashed in ended up costing him R467,000. That's because James cashed in ten years of savings and missed out on compound growth, which makes your money grow exponentially over time.

One consequence

of cashing in savings is that you are taxed heavily on the lump-sum withdrawal, to compensate SARS for the tax concessions on your contributions.

The most damaging consequence, however, is the reduction of your final sum – the amount you will need to live off in retirement. You might think that a withdrawal early in your career would not affect your final retirement pot to any great extent, and that you would easily be able to make up the difference later in life when you have higher disposable income. But this reasoning fails to take into account the power of compounding – it's not only the withdrawal amount that needs to be made up; it's the compound growth on that amount over what could be 20 or 30 years.

The **two-pot** retirement system



A new retirement savings system, proposed by the government in 2021 in response to people's need to access emergency savings during the Covid-19 pandemic. The regulation aims to delicately balance accessibility and preservation. Will help create better retirement outcomes

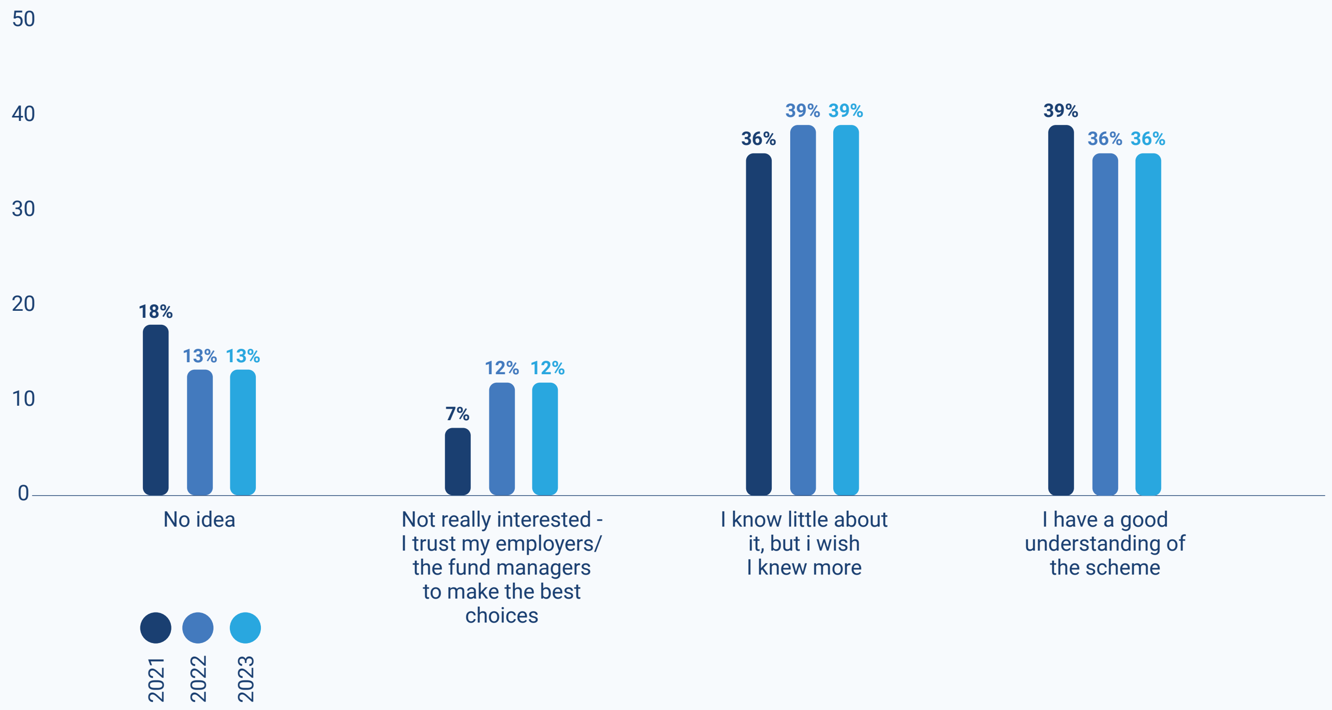
It divides a member's savings in a retirement fund into two main "pots" or "components". From its implementation date, two-thirds of contributions will flow into the **investment component**. This money is untouchable for your entire working life, unlike the present system, where you can withdraw all your savings when you change jobs. It is only accessible on retirement.

The remaining third of contributions will flow into the so-called **savings component**. Members may make a withdrawal from this pot once a year of not less than R2 000. The withdrawal will be taxed at the member's marginal tax rate.

Existing members will have a third pot, the **vested component**, which will house savings accumulated prior to the implementation date. The savings in this component will remain subject to the old rules.

The regulations allow for the savings component to be seeded with money from the vested component. This seed capital will be 10% of the vested component at 1 September 2024, to a maximum of R30 000.

What do you know about your **corporate retirement fund?**



Base: retirement fund members

Until fairly recently, there were few regulatory demands on occupational retirement funds or employers to educate employees on how funds worked, what they were invested in, and options available to them on joining or leaving the fund.

In 2017, National Treasury implemented the retirement fund default regulations, which require, among other things, that fund members be provided with options on underlying investments and that they receive retirement benefits counselling, either written or verbal, when they enter or leave a fund. Members must also be sent annual benefit statements which, among other things, give a projected replacement ratio based on current savings.

Consequently, members have, on the whole, become better informed about their retirement funds in the last few years. This is reflected in the survey, which shows that the percentage of respondents who at least know “a little” is a healthy 75%, while the percentage of respondents with “no idea” dropped from 18% to 13%, where it has levelled off.

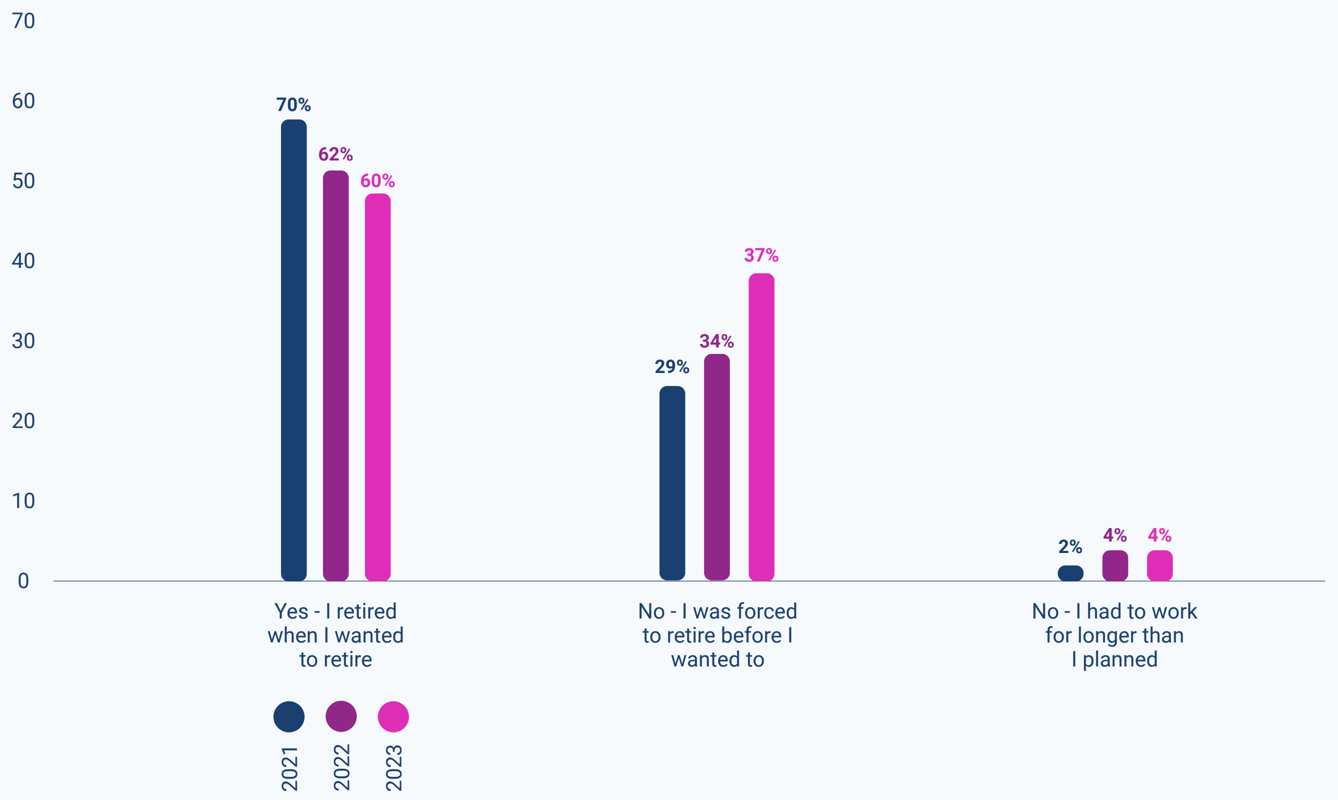
CHAPTER FIVE

Retirement: the point of no return

Coming to terms with retirement

The retirees in the survey comprised 3% of respondents, which may seem a small amount, but it represents about half a million people. Of these 62% were men and 38% women. This ratio of men to women differs from the national statistics (see "South Africa's ageing population", below), possibly because many South Africans over 60 years of age live in households existing on an income of less than R6 000 a month, the threshold for this survey.

Did you **retire on your own terms?**



Base: retirees

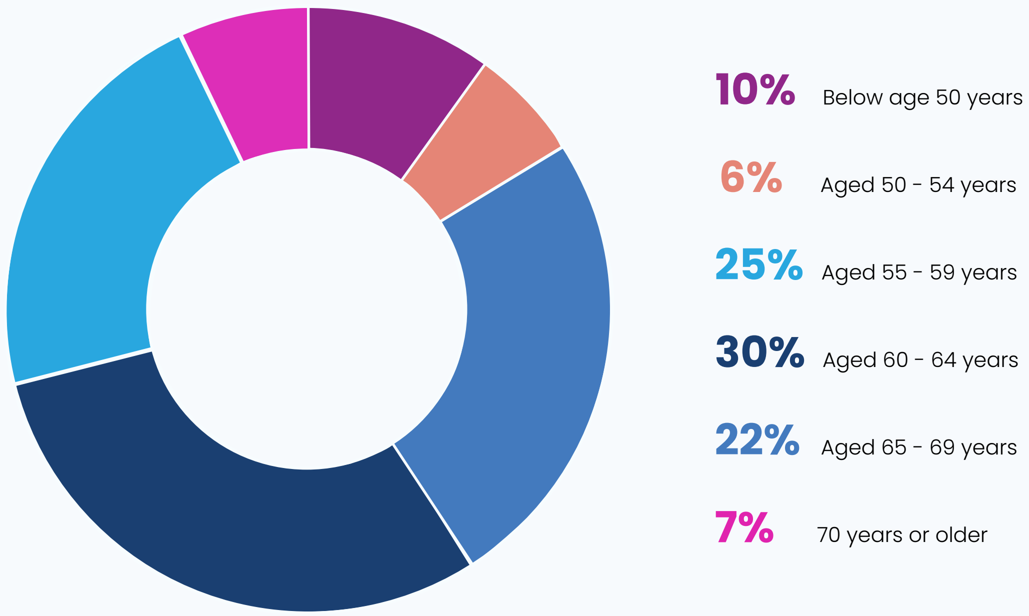
A passion for what they do may drive people to continue working when they can afford to stop, but ideally everyone should be able to retire on their own terms. Unfortunately, too many South Africans cannot retire when they want to – many are forced to retire early, while others are compelled to continue working into their old age for financial reasons.

The survey shows that the percentage of South Africans retiring on their own terms has dropped significantly over the past three years, from 70% to 60% of respondents, with the corresponding percentage of retirees forced to retire early rising from 29% to 37%. This trend reflects the challenging economic times we are living in, indicating a rise in employers compelling their older workers to take early-retirement packages.

60 & 65

The nationally accepted retirement age of between 60 and 65 remains the norm for most South Africans, as reflected in the survey.

At what age did you retire?

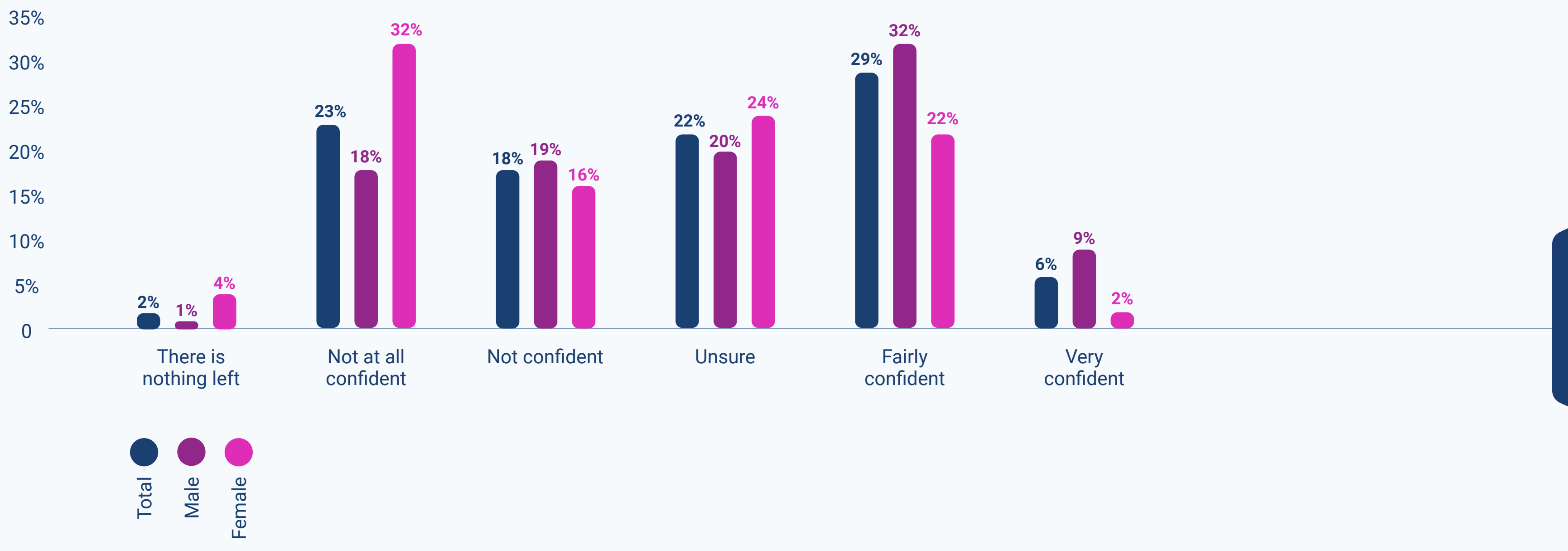


Base: retirees

The survey doesn't reveal why people retired at the age they did, but it is likely that many of the 41% of respondents who retired before turning 60 years old did so unwillingly.

The nationally accepted retirement age of between 60 and 65 remains the norm for most South Africans, as reflected in the survey. A relatively small percentage (7%) indicated that they retired at 70 years or older, a figure that is likely to increase in line with increasing longevity.

How confident are you that **your savings will last?**



Base: retirees who saved for retirement

Only just over a third (35%) of the retirees who had saved for retirement indicated that they were "fairly" or "very confident" that their savings would last, 22% were unsure, and 41% were "not confident" or "not at all confident".

A further 2% of people who had saved for retirement indicated that they had already run out of savings, meaning they were relying either on family or state support. Men were generally less unsure and more confident than women about the state of their finances.

South Africa's **ageing population**

In 2022 there were 5.6 million people aged 60 or older in South Africa, representing 9.2% of the total population. According to a report by Statistics SA, "Marginalised Groups Series VI: The Social Profile of Older Persons, 2017–2021", 61% of South Africa's elderly population is female.

The increase in the proportion of older people in a country's population, known as population ageing, is a recognised worldwide trend. The Ageing Index is calculated as the number of people aged 60 years or older per 100 individuals younger than 15 years. The higher the index, the older the population. South Africa's Ageing Index increased from 30 in 2017 to 33 in 2022.

The **Stats SA report** showed that:

The health conditions most common among older people were high blood pressure, diabetes, and asthma. In 2021, high blood pressure and asthma were more common among men than women, while diabetes was more common among women.

Less than a quarter (23.3% in 2021) of people of 60 or older were members of medical schemes or private health insurance.

More than half of older people (57.3% in 2021) live in households without any employed household members and are more likely to be found in non-urban than urban areas. For these households, social grants, which include old-age pensions, play an important role in sustaining the families.

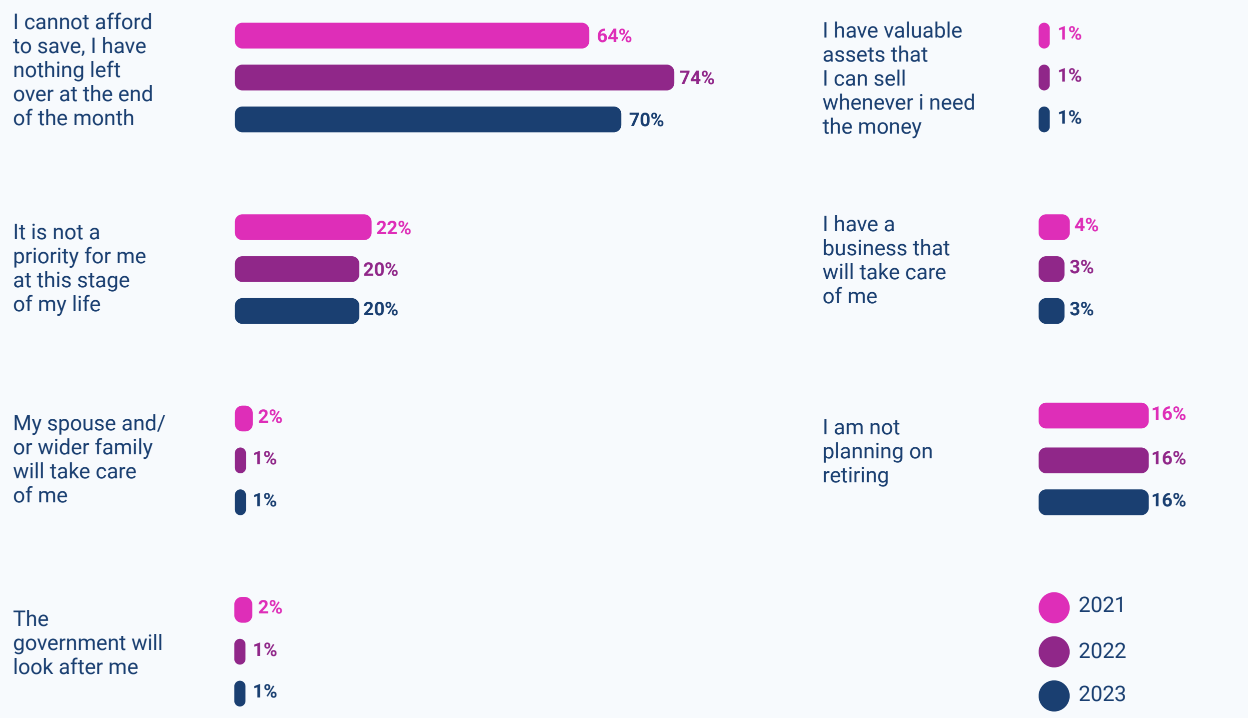
Almost three-quarters (73%) of South Africa's elderly are beneficiaries of a state old-age grant.

About 53% of people aged 60 or older live in extended households, where they are likely to receive some psycho-social and economic support.

CHAPTER SIX

Under-estimating retirement’s realities

Under-estimating **retirement’s realities**



Base: Do not have a retirement plan

For the survey question “Why do you not have a retirement plan?” respondents could choose more than one answer. The majority of them (70%) indicated that they could not afford to save. This number is slightly lower than that for 2022 (74%), but higher than the 2021 figure (64%), which shows that the average South African consumer continues to battle financially in today’s economic climate, even though the inflation pressures experienced in 2022 may have eased slightly.

The 20% of respondents who answered “It is not a priority for me at this stage of life” may be in the position to save if they wanted to, but choose to spend their income elsewhere.
This number dropped to 20% last year, from 21% in 2021, and has remained constant into 2023.

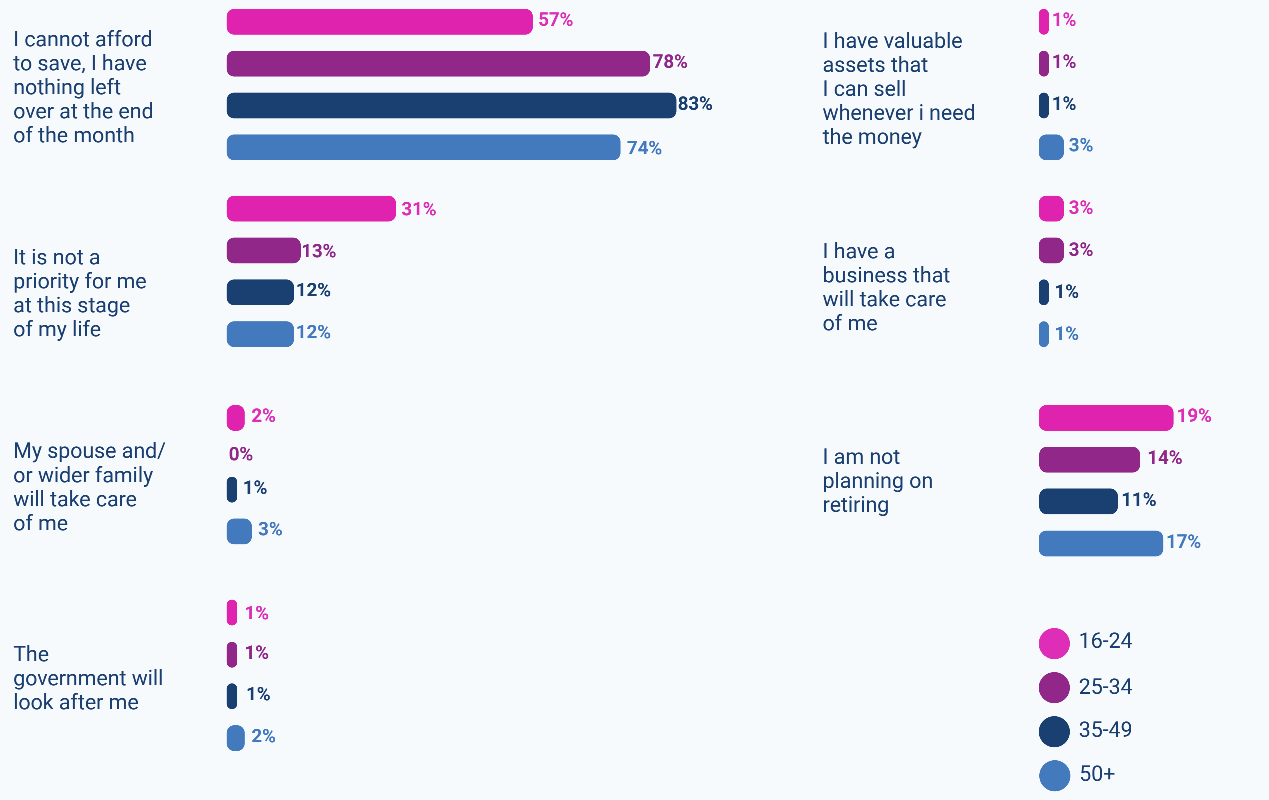
Only 1% of respondents (down from 2% in 2021) said they expected the government to support them in retirement and a similar percentage expected their families or spouses to look after them. However, the facts speak differently, as outlined in “South Africa’s ageing population” (page 63). This gap between expectations and the realities of retirement is a theme running through this and past surveys.

According to the annual report of the South African Social Security Agency, 3.9 million South Africans received an old age grant in its 2022/23 financial year, costing the government over R90 billion. This means an astonishing 70% of the 5.6 million people over the age of 60 (see page 63) depend on the state for a retirement income - a paltry R2 100 a month.The number of people receiving the grant has increased by 9.4% in the last five years.

84%

The age-group breakdown of answers to the question "Why do you not have a retirement plan" shows that a whopping 84% of respondents without a plan in the 35-49 age bracket cannot afford to save. It is the people in this age group who most need to be contributing to their retirement savings. Once you're older than 50, it is almost impossible to catch up.

Why do you **not have a retirement plan?**



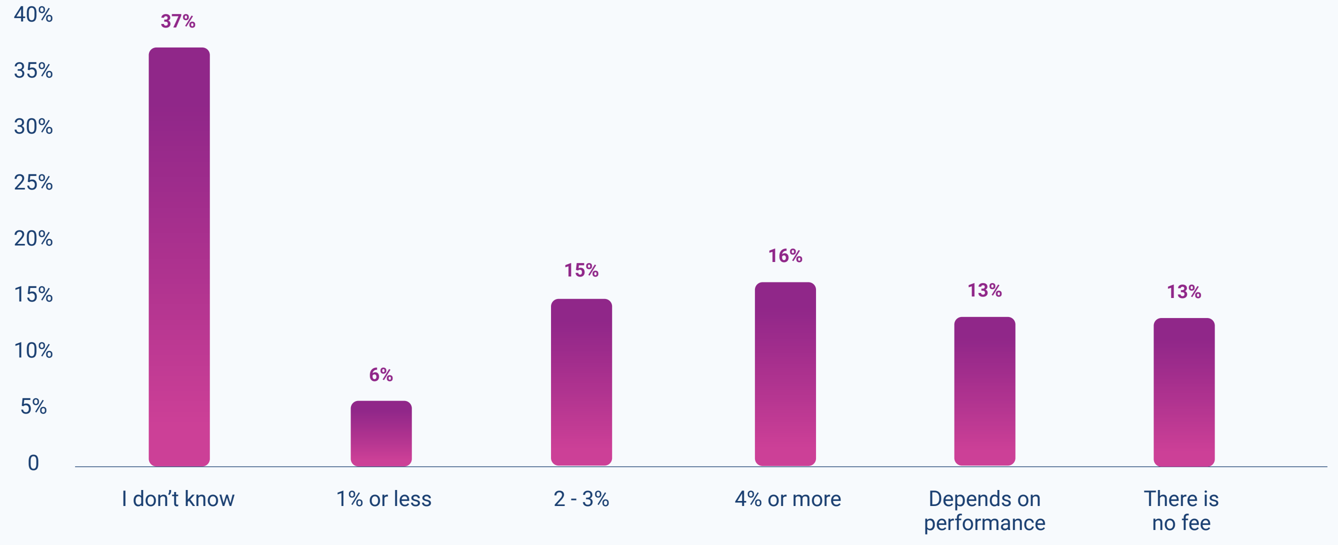
Base: Do not have a retirement plan

The percentage of respondents who indicated that saving was not a priority at their stage of life predictably falls with age: almost one-third (31%) of respondents below the age of 25 gave this as a reason they did not have a plan, while only 12% of those older than 35 did so. It is a truism of human nature: the further away something is, the less it occupies your mind.

As reflected elsewhere in this survey, a sizable percentage of respondents don't see themselves as giving up working. This varies among age groups: those under 25 and over 50 were more inclined to have this expectation (19% and 17% respectively) than those in the 25-34 and 35-49 brackets (14% and 11%).

As mentioned earlier, the reasoning probably differs: younger people may be unrealistic about how long they can sustain their careers, whereas people over 50 may be facing the harsh fact that they cannot afford to retire.

What fees do you pay on your **current retirement annuities**



Base: Have a retirement plan

Of the respondents who do have a retirement plan, only 37% could give a definitive answer on the costs, as an annual percentage of assets, of their retirement investments: 6% were paying less than 1% annually, 15% were paying 2-3%, and 16% were paying 4% or more.

A further 37% had no idea what the costs on their investments were; 13% believed that the fee depended on performance; while 13% believed they were not being charged at all.

The high percentage of people who don't know what they are being charged is concerning. In 2022 it was 38% of respondents with retirement plans, and in 2021 it was 41% of respondents. The reason may be that these consumers do not care too much and are not bothered to find out, but it is also likely that the fees on a product may be difficult to assess, especially when it comes to older-generation investment products.

Note

the law requires that all fees are disclosed by both the product provider and the financial adviser. Only when you know what you're paying annually in fees can you begin to make meaningful product comparisons.

A seemingly small difference in fees can make a huge difference to your final lump sum, all else being equal. 10X has calculated that R10 000 invested for 40 years earning a real (after-inflation) annual return of 6.5% will give you a lump sum at today's rand value of:

R370 000

if you're paying 3% a year in fees;

R550 000

on an investment with fees of 2% a year;

R830 000

on an investment with fees of 1% a year; and

R1 240 000

on an investment with fees of 0.5% a year – over three times the lump sum on an investment costing 3% a year.

In conclusion, the difference between what South Africans expect their retirement to look like and the realities faced by those in retirement and approaching it, cannot be underestimated. Knowledge and information are key to closing the expectation-reality gap – in their long-term interests South Africans need to be better informed on the importance of saving, the power of compound interest, the consequences of not saving, the additional disadvantages that women need to overcome, and the impact of costs.

Thank you_

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