

## GENDER INEQUALITY IN RETIREMENT – TILL DEATH DO US PART

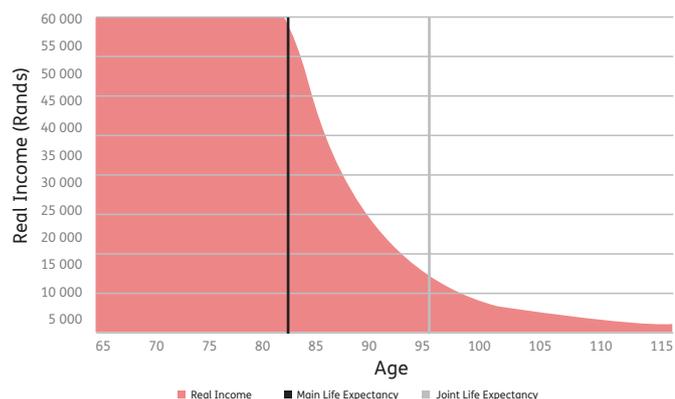
Financial vulnerability is one of the greatest challenges women face today. A woman's life expectancy is three to four years longer than a man's, and women typically marry men who are three to four years older than themselves. Not only can women expect to grow old alone, but most will also run out of retirement savings before they die.

Ninety percent of South Africans purchase living annuities to provide for their retirement, and fail to ask their advisers what guaranteed lifetime income options are available to them. National Treasury's concern that "most South African retirees who purchase living annuities [without a guaranteed lifetime income] face a substantial risk of outliving their assets" has been widely reported<sup>1</sup>.

However, there is a subtle nuance that has been missed, according to Just CEO, Deane Moore: "It is the last survivor, in most cases the widow, who will suffer the indignity of being unable to fund their basic living costs in their final six to eight years of life. This is one of the motivations behind Just's recent innovation of making lifetime income options available to all retirees regardless of their choice of retirement product."

To illustrate the risk to widows of failing to secure a lifetime income, Just has produced this graph which shows a couple who invest R1m in a living annuity at retirement when the male is 65 and the female 61. It shows their income in real terms

when they draw R55 000 per annum and increase this with inflation each year, assuming that they earn CPI + 3% each year after all charges.



This shows how the couple are able to maintain that real income level of R55 000 during the husband's life expectancy of 18 years. The surviving widow is expected to live a further eight years during which time she will see her real income fall to R15 000.

The following table shows the capital required by a woman to secure a guaranteed lifetime income of R35 000 per annum (65% of the combined income of the couple in the example), targeted to grow with inflation each year.

<sup>1</sup> 'Enabling a better income in retirement,' paper by SA National Treasury, 21/9/2012.

JustEnough capital to secure pre-tax lifetime income of R35 000 p.a.	
Age 65	R465 000
Age 75	R325 000
Age 85	R200 000

Source: Just

This shows that if a couple had used a portion of their assets at retirement to secure a guaranteed lifetime income, the widow would not be left with a declining income in her final years.

South Africa is not alone in facing these gender inequalities in retirement. Research done by Mercer Benefit Consultants shows that UK women receive 39.5% less income than men in retirement<sup>2</sup>.

Eve Read of Mercer cites a number of reasons for this which will resonate with South African women: lower lifetime earnings, temporary absence from the workplace for maternity reasons or to care for children or elderly parents, and an inherently lower risk appetite which leads them to invest more conservatively.

Moore reflects: “Women experience conscious and unconscious gender bias throughout life in workplace opportunities, pay, and role expectations in the home. Unfortunately, this continues in retirement where widows suffer ever decreasing living standards literally ‘until death do us part’”.

He notes that it is as important for women to be fully empowered participants in all financial planning discussions relating to retirement as it is to ensure they have appropriate antenuptial agreements in place when getting married.

<sup>2</sup><https://www.uk.mercer.com/newsroom/failure-to-narrow-substantial-gender-pension-gap-risks-long-term-problems.html>

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