

JUST.

RETHINK RETIREMENT

JUST RETIREMENT INSIGHTS

Understanding the South African
retirement market & their needs

Quantitative Research 2019
Summary of Results



A tracking study to understand the South African retirement market and their retirement needs:

Face-to-face interviews with target market respondents in Cape Town, Durban and Gauteng:

- Interviews were conducted by an independent data collection company, 1DCS (Data Collection Services)
- Fieldwork was conducted in August 2019
- 524 respondents

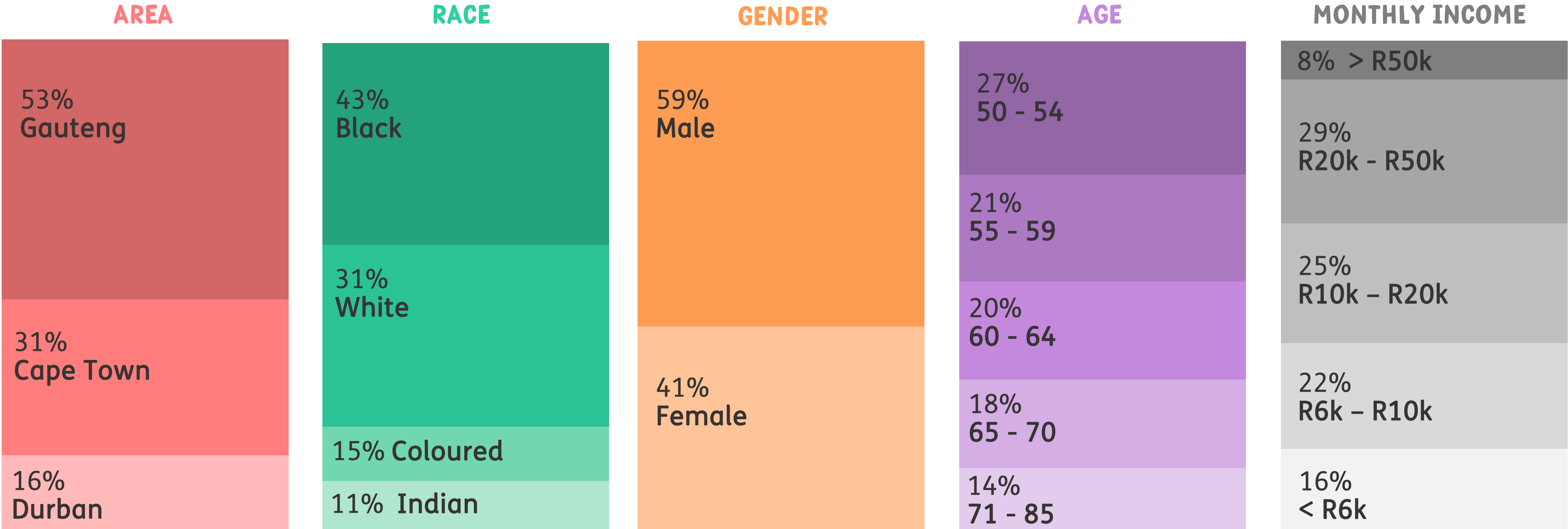
Target market respondents:

- Pre-retirees and retirees
- Between the ages of 50 and 85 years
- Target quotas specified for Area, Race, Gender, Age and Monthly Household Income

Frequency:

- The study was first conducted in 2015
 - We re-launched the study in 2018
-

SAMPLE DEMOGRAPHICS AND PROFILE

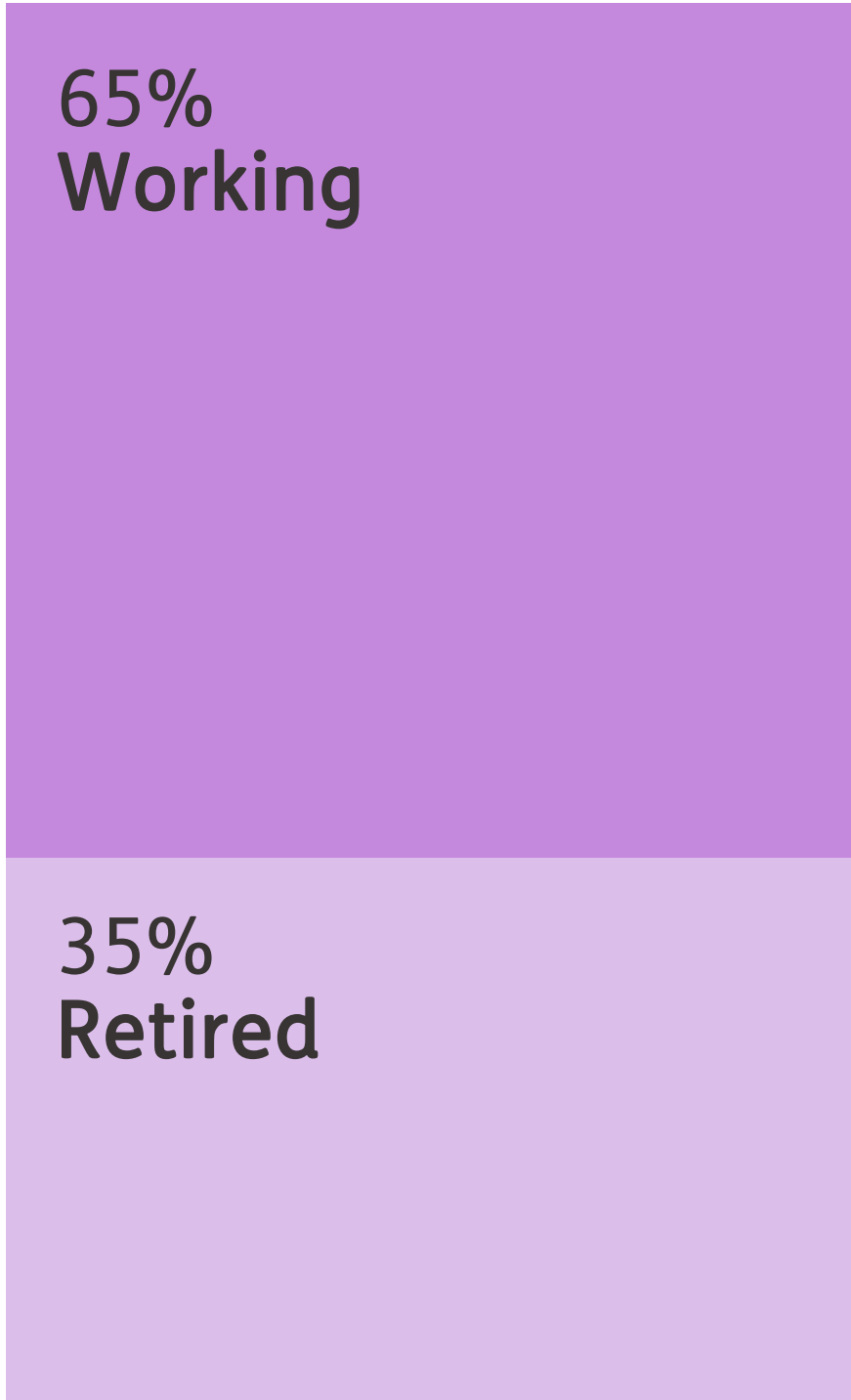


n = 524

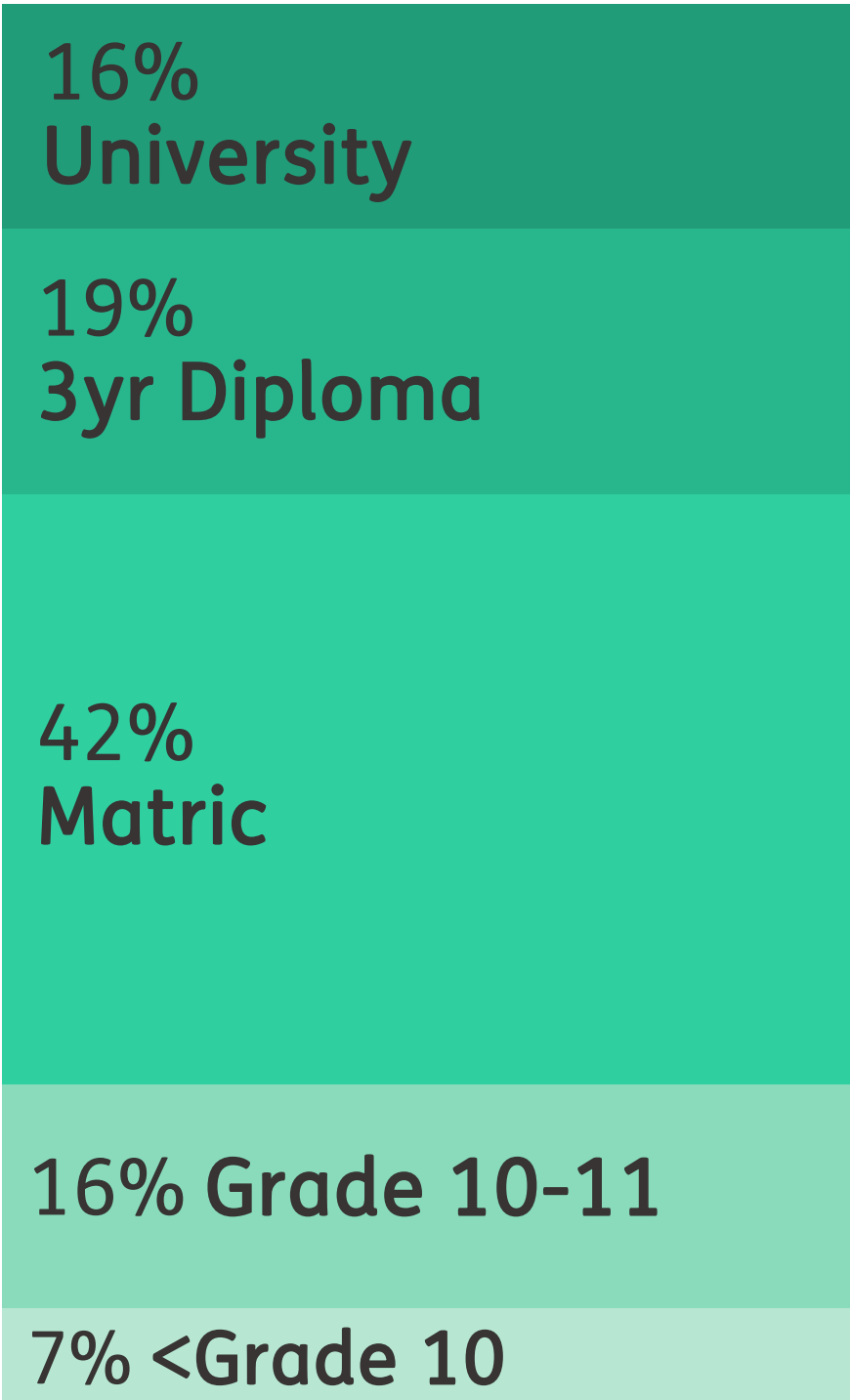
Respondents were selected in line with Just's current and potential retiree population. A random sampling technique was used to select respondents.

SAMPLE NATURAL FALLOUT IN TERMS OF OTHER DEMOGRAPHICS

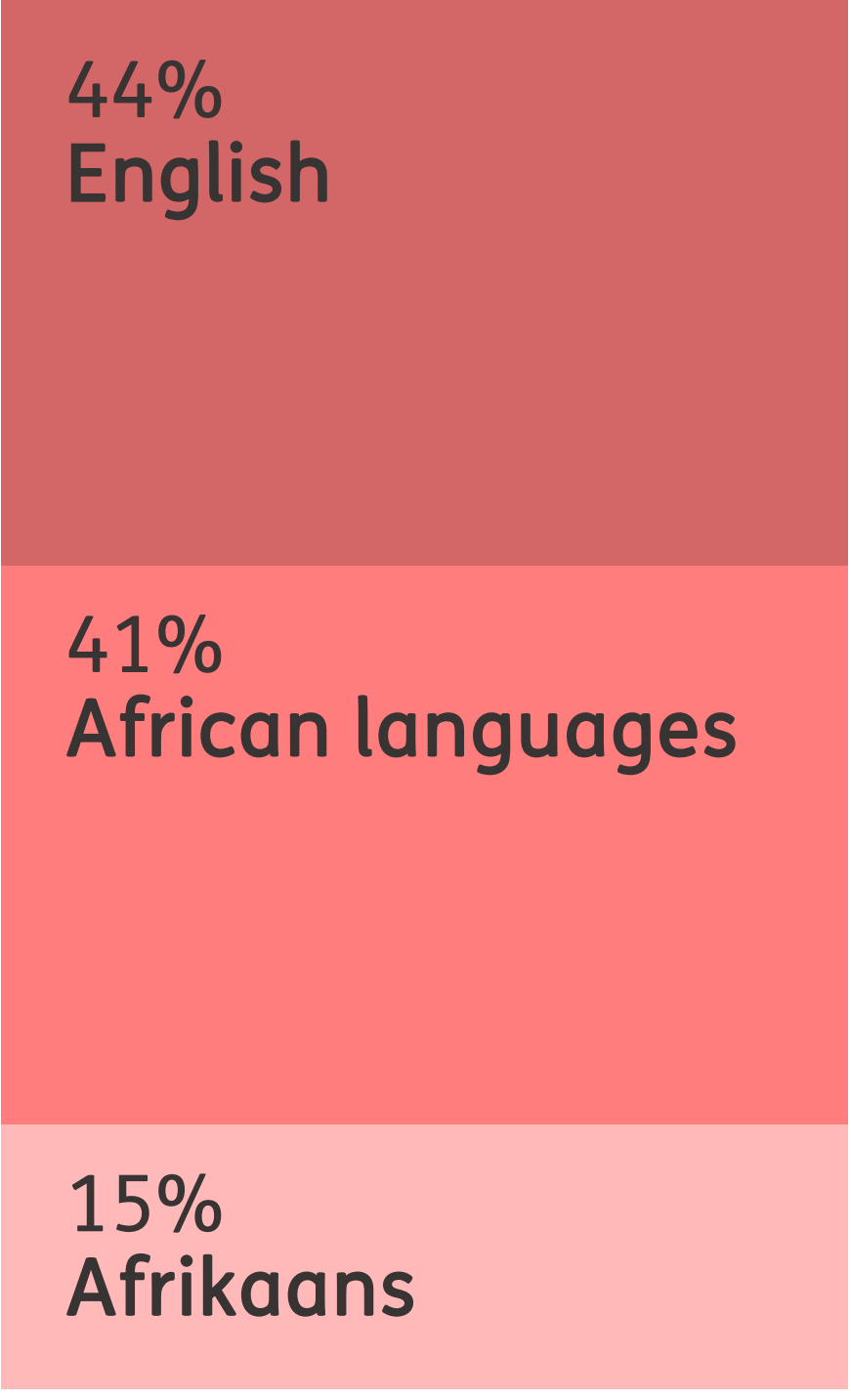
WORKING/RETIRED



EDUCATION



LANGUAGE



MARITAL STATUS



n = 524

Respondents were selected in line with Just's current and potential retiree population. A random sampling technique was used to select respondents.

MAIN INSIGHTS

01

**COVER
EXPENSES IN
RETIREMENT**

02

**EXPECTATION
VS
REALITY**

03

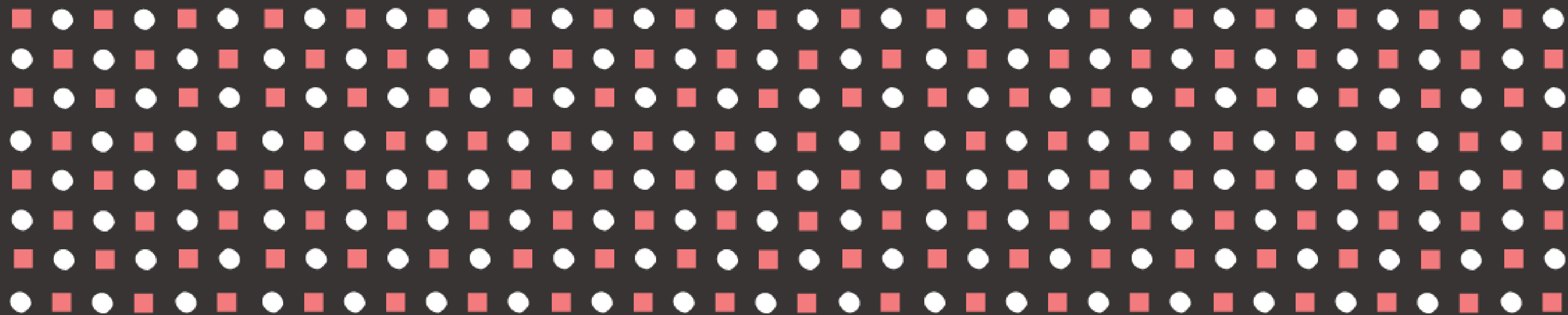
**RISK
APPETITE**

04

**LONGEVITY
&
HEALTH**

SECTION 1

COVER EXPENSES IN RETIREMENT



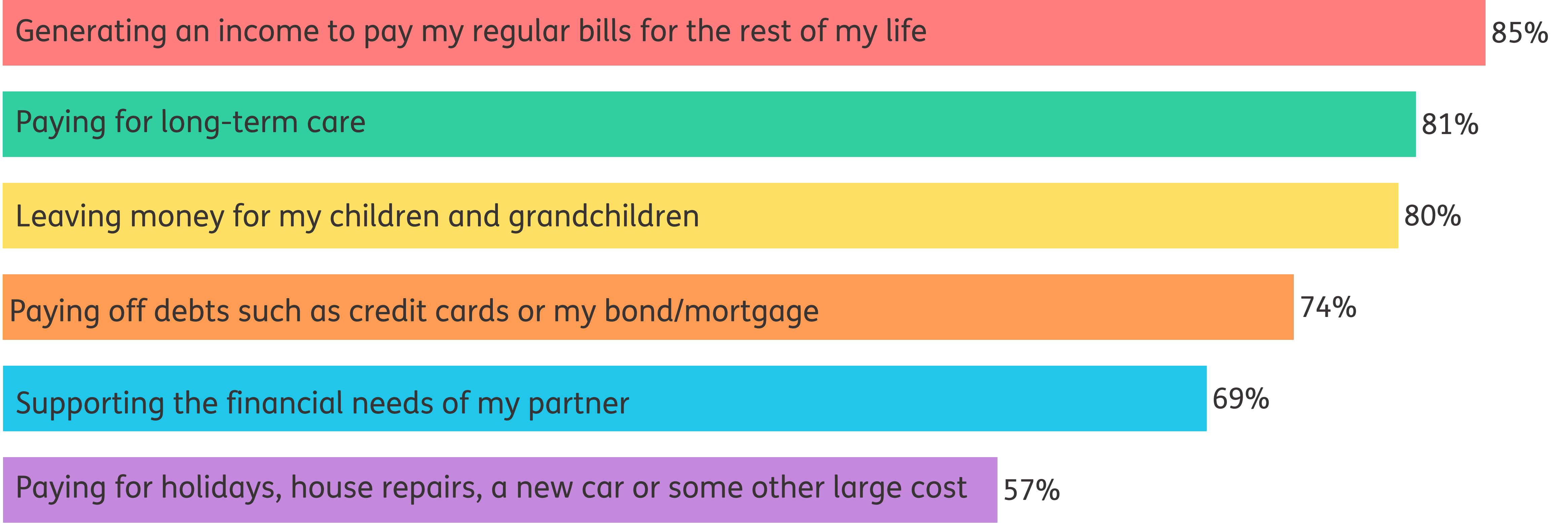
**INSIGHTS
& TRENDS**

Important to guarantee income in retirement to cover expenses

Increased desire to cover long-term care in later life

Despite this, majority of South Africans are not planning for retirement and not confident of achieving this

IMPORTANCE OF RETIREMENT FUND MONEY



Those expressing extremely and very important n = 524

Please rate the importance of each of the following in terms of how you will use the money you will get from your retirement savings when you retire (1 – Not important; 2 – Slightly important; 3 – Moderately important, 4 – Very important; 5 – Extremely Important)

STRONG PREFERENCE FOR INCOME SECURITY

2019

60% ↑

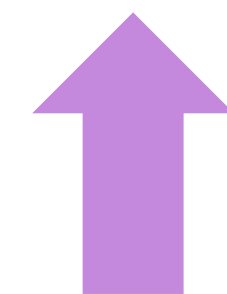
Strongly agree

21%

Somewhat agree

4,30

Mean Score



2018

58%

Strongly agree

21%

Somewhat agree

4,22

Mean Score

2019 n = 524

2018 n = 345

To what extent you agree or disagree with each of the following statements about financial planning: I prefer a secure, guaranteed monthly income in retirement over an income that might be more or less, depending on investment returns. Mean Score: Strongly agree = 5, Somewhat agree = 4, Neither agree nor disagree = 3, Somewhat disagree = 2 & Strongly disagree = 1



**INSIGHTS
& TRENDS**

But almost half have not calculated how much they need in retirement

44% who haven't done any retirement budgeting will only do so 'closer to the time'

Does this mean they don't plan on retiring?

53%

have not calculated how much they need per year in retirement

MORE PLANNING HAPPENING LATER IN LIFE*

< 60 years old: only 40% have a retirement budget

> 60 years old: 54% have a retirement budget

15% INTEND TO RELY ON FAMILY IN RETIREMENT*

hence they may not have a need to do a retirement budget

* % of those who have not calculated how much they need per year in retirement

n = 524

Thinking of your retirement, have you made any calculations in terms of how much you would need per year? (n = 524)

If 'No', what are the main reasons for not yet doing financial planning for your retirement? (n = 278)



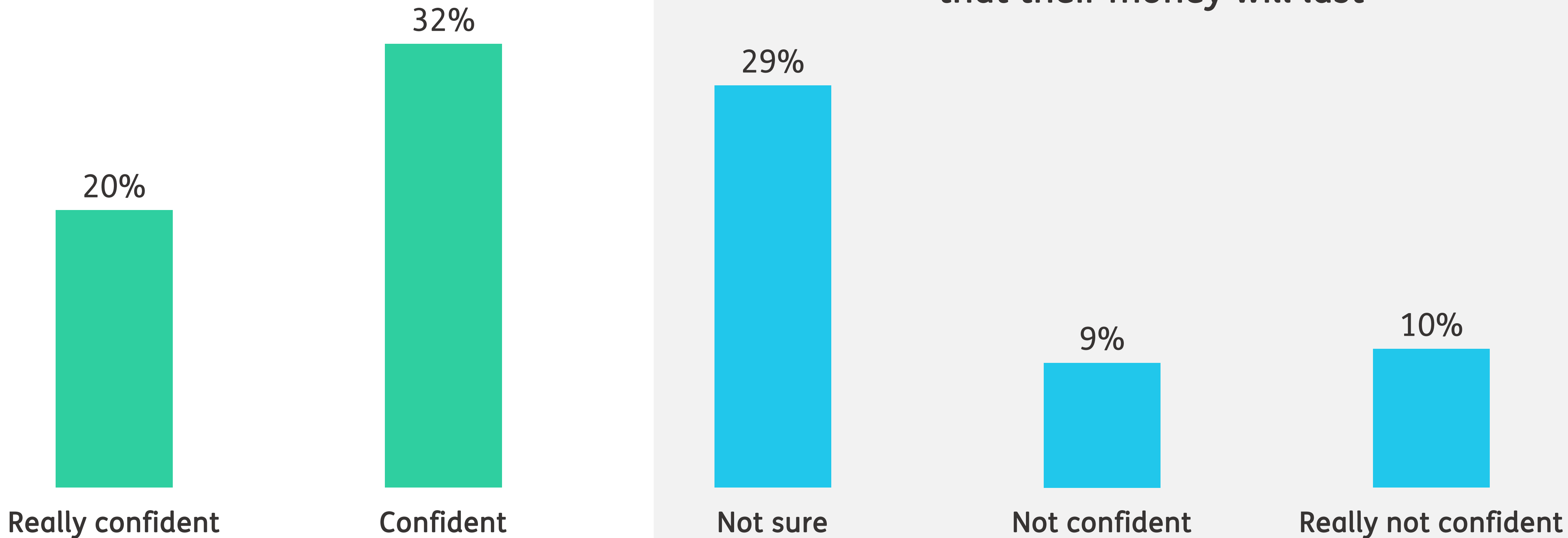
**INSIGHTS
& TRENDS**

**Many lack confidence that their
money will last**

High reliance on children and family to support
them when it runs out

Does this mean children become important decision makers in
retirement?

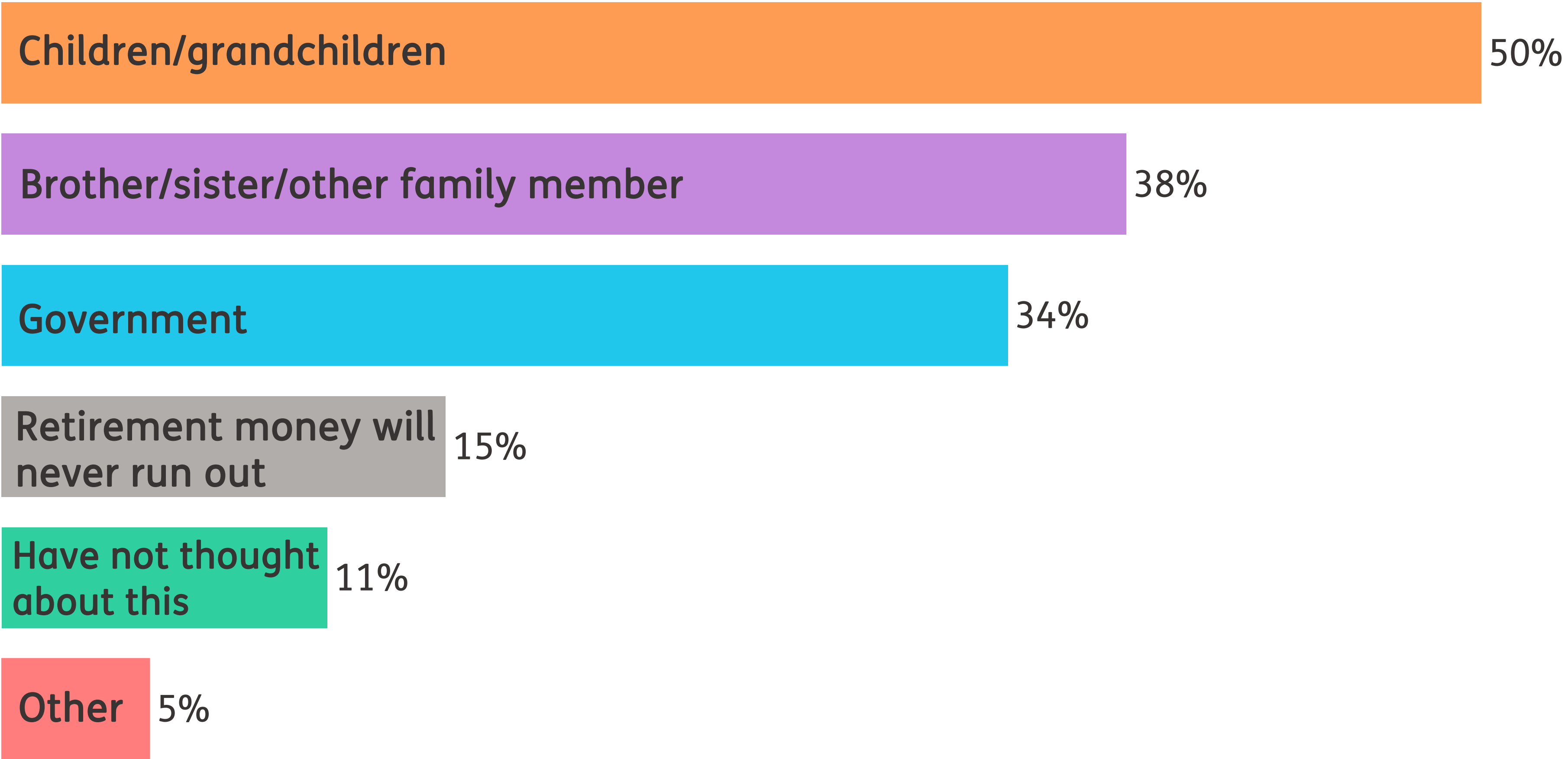
LEVEL OF CONFIDENCE THAT MONEY WILL COVER MONTHLY EXPENSES UNTIL AGE 100



n = 524

Please rate your level of confidence that your income (money) will cover your monthly expenses in retirement if you reach the age of 100, allowing for inflation?

WHO WILL YOU RELY ON IF YOU RUN OUT OF MONEY?



▶ Yet these also share the belief that it is important to leave money for children

Children should possibly be thinking about ensuring a sustainable income for their parents

Multiple response n = 524




If your retirement money is enough for now, but may run out in the future, who will you rely on to provide support?

**INSIGHTS
& TRENDS**

Retirement money should (at least) last as long as they do

Majority indicating this is still the most important
aspect of their retirement savings

IMPORTANCE OF RETIREMENT FUND MONEY

Statements	2019	2018	2015
My retirement income must continue for as long as I live	1	1	1
My retirement income must cover frail care and medical bills	 2	6	2
My retirement income must not be affected by what happens in investment markets	 3	5	n/a
My retirement income must keep up with inflation every year	4	3	3
I must have flexibility in deciding how much income to draw each year	5	4	n/a
My retirement income must continue to meet my family's needs after I pass away	 6	2	4
I am happy for my retirement income to be higher when investment markets are strong and lower when they are weak	7	7	5
	n = 524	n = 345	n = 367

I am going to read you various preferences with regards to your retirement income. Please tell me how important each of these are to you?
 (Mean scores where 5 is Extremely Important, 1 is Not at all Important)



**INSIGHTS
& TRENDS**

Leaving an income legacy not as important as a guaranteed income

Independent international research revealed that majority of people aged 50-plus want to enjoy life, not save their money to pass on to their kids¹

SECTION 2

EXPECTATION VS REALITY





**INSIGHTS
& TRENDS**

Eight out of ten say they set financial goals and work towards them

But there seems to be a gap between expectations and reality

Only 4 out of 10 use (or intend to use) the services of a professional adviser

MANY BELIEVE THEY ARE ASTUTE AT FINANCIAL PLANNING

2019

60% ↑

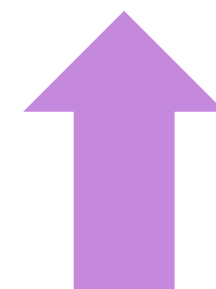
Strongly agree

23%

Somewhat agree

4,27

Mean Score



2018

40%

Strongly agree

27%

Somewhat agree

3,83

Mean Score

Respondents are less likely to be frivolous with their money

More thought and planning going into their finances

2019 n = 524

2018 n = 345

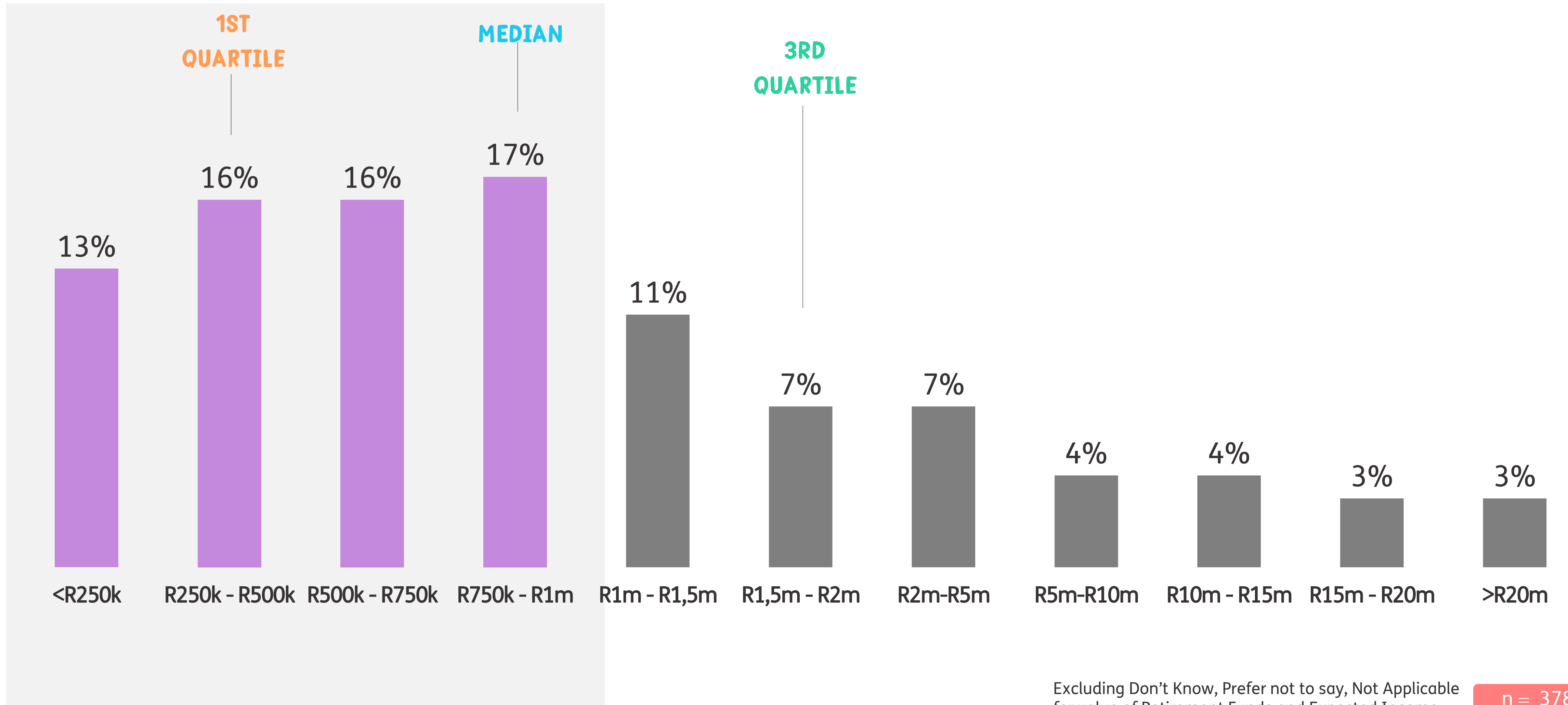
Please tell me to what extent you agree or disagree with the following statement about financial planning: I set financial goals and work towards that.

Mean Score: Strongly agree = 5, Somewhat agree = 4, Neither agree nor disagree = 3, Somewhat disagree = 2, Strongly disagree = 1

**INSIGHTS
& TRENDS**

**Low level of retirement savings
will not meet high expectations
of retirement income**

CURRENT RAND VALUE OF RETIREMENT FUND(S)



Current Rand value of all your retirement funds savings



**INSIGHTS
& TRENDS**

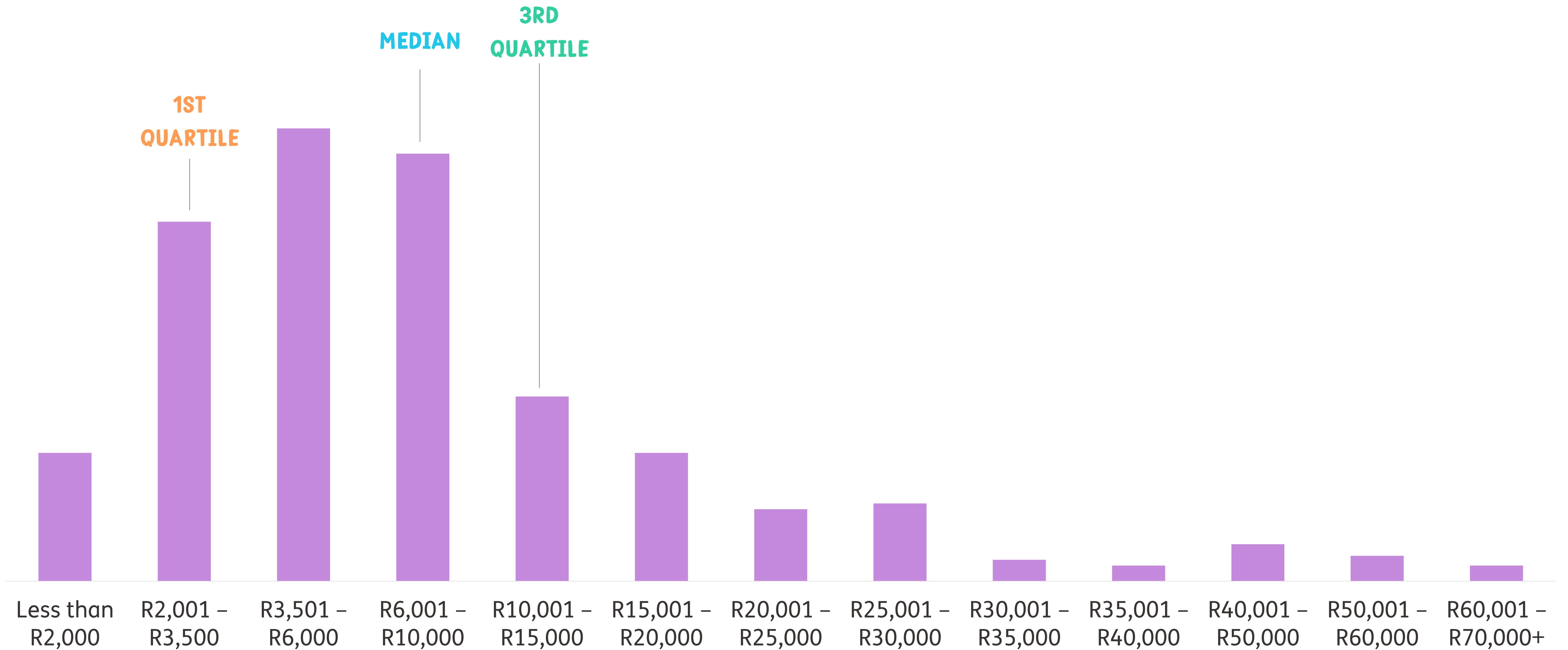
Industry 'rule of thumb' for a sustainable retirement¹ :

**R4,000 per month for every
R1 million of retirement savings**

**Median shows an expectation of
R8,000pm income in retirement**

Common misperceptions in general regarding how much retirement money is enough to last

EXPECTED INCOME IN RETIREMENT



Excluding Don't Know, Prefer not to say, Not Applicable for value of Retirement Funds and Expected Income

n = 378

What do you expect your income per month to be in retirement?



**INSIGHTS
& TRENDS**

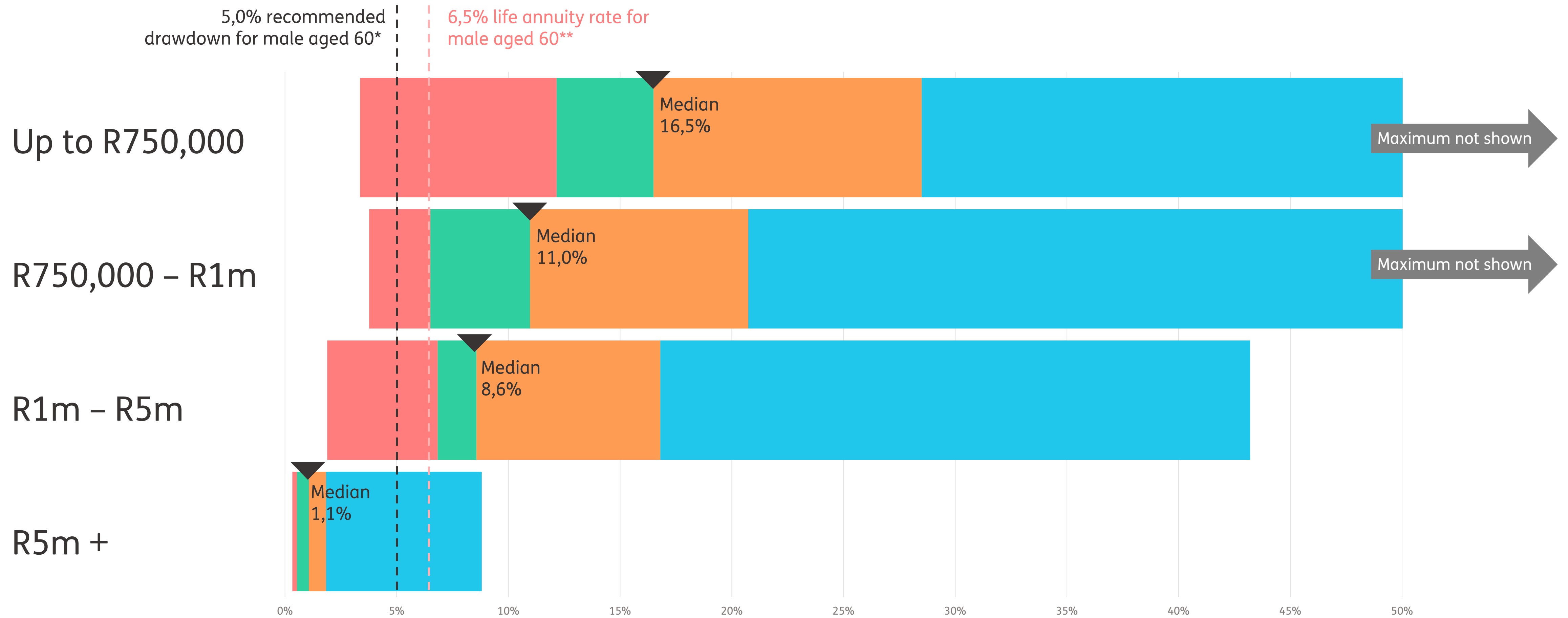
Most people expect a retirement income that is higher than a sustainable annuity rate

Higher than 'rule of thumb' 5% drawdown

ASISA says the latest average drawdown rate is 6.6%¹, which means the money has a high probability of running out

Often even higher than guaranteed life annuity rate

RANGE OF ANNUITY RATE EXPECTATIONS: AGE 60 – 64



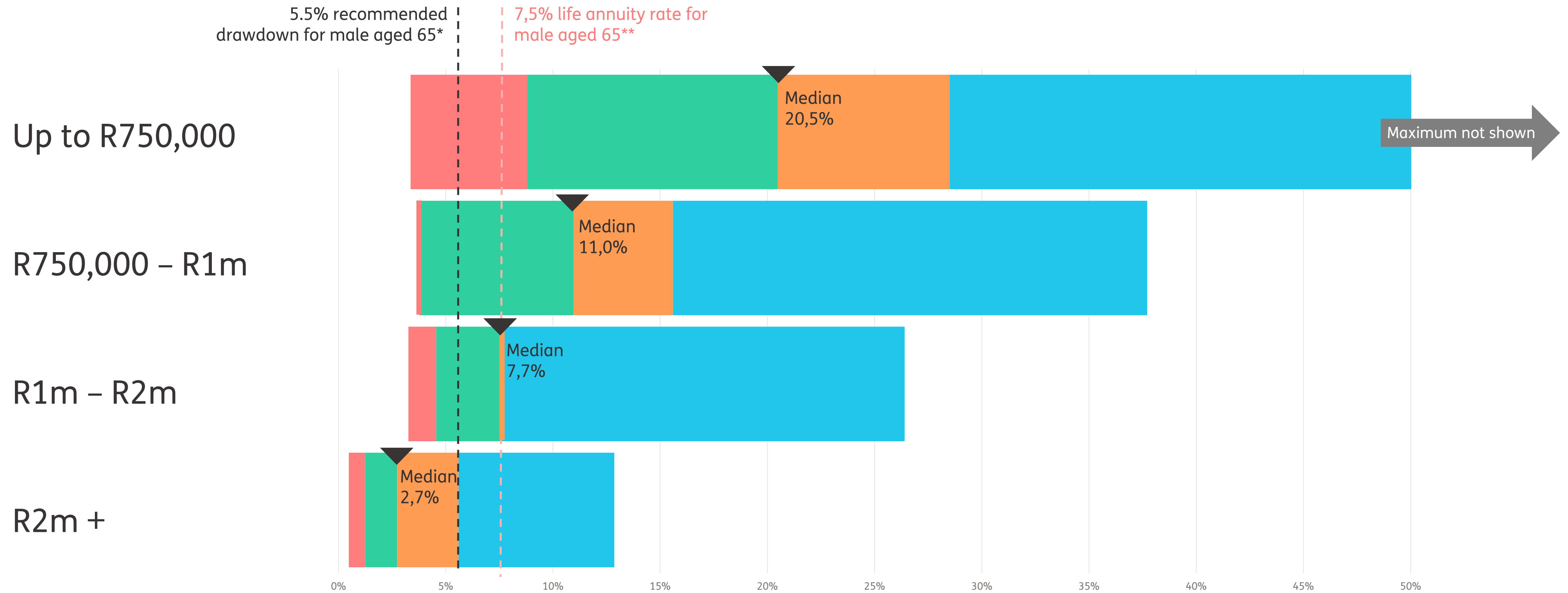
*4,5% recommended drawdown for female aged 60

**5,0% life annuity rate for female aged 60

Response for Value of Retirement Funds and Expected Income

n = 74

RANGE OF ANNUITY RATE EXPECTATIONS: AGE 65 - 70



*5.0% recommended drawdown for female aged 65

**6.0% recommended drawdown for female aged 65

	Sustainable income (FSCA and ASISA) ¹		Guaranteed life annuity ²	
	Male	Female	Male	Female
55	4,5%	4,0%	5,5%	4,5%
60	5,0%	4,5%	6,5%	5,0%
65	5,5%	5,0%	7,5%	6,0%
70	5,5%	5,0%	9,5%	7,5%
75	6,0%	5,5%	12,0%	9,5%
80	7,0%	6,0%	15,0%	12,5%
85	8,0%	7,0%	20,0%	16,5%

Source(s):

1. Draft Criteria for Living Annuities in a Default Annuity Strategy (FSCA, 2018) on sustainable drawdowns for Living Annuities (ASISA working group model)
 - a) at life expectancy, 90% probability of sustaining income, and
 - b) at age 95 (male), 100 (female), 50% probability of sustaining income

Assumptions: 11-12% p.a. equity, 8-9% p.a. fixed interest, 5-6% p.a. cash, 5-6% p.a. inflation, industry mortality tables

2. JuLI HiGro annuity rates: guaranteed income, increases in line with inflation when Balanced Portfolio delivers CPI + 4% p.a. after fees;



Gender: Male
Age: 61
Retirement assets: R3,5 million
Household income: R20k – R25k pm
Retirement outlook: Really confident
Expected income: R40k – R50k pm
Life expectancy: 68

Expected annuity rate = 15,4%

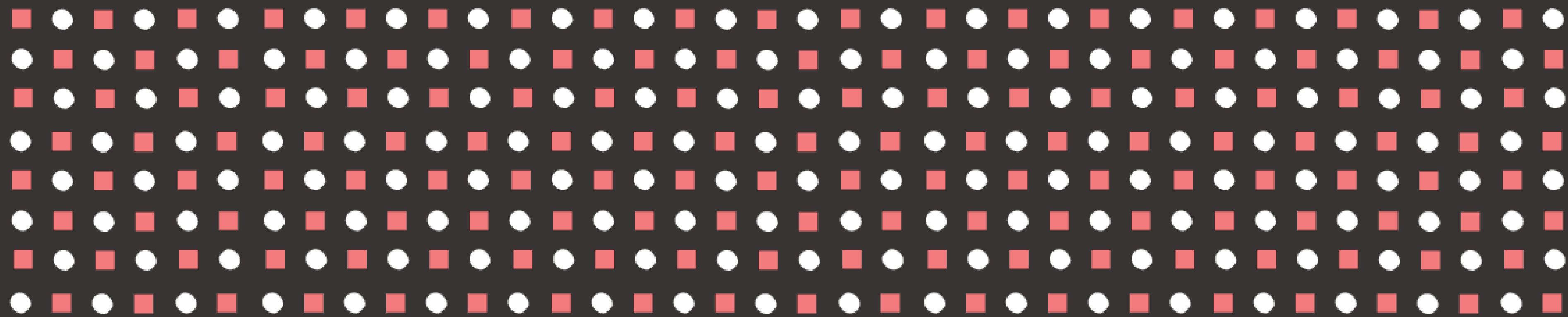


Gender: Female
Age: 63
Retirement assets: R1,25 million
Household income: R20k – R25k pm
Retirement outlook: Confident
Expected income: R15k – R20k pm
Life expectancy: 82

Expected annuity rate = 16,8%

SECTION 3

RISK APPETITE



RISKS IN RETIREMENT



LONGEVITY RISK

Outliving the
income from your
retirement savings



INVESTMENT RISK

Level of income
increases slower
than expenses
Consuming capital
when markets fall



INFLATION RISK

Income needs to
grow to meet
same expenses a
year later



BEHAVIOURAL RISK

Spending more
than your income
allows



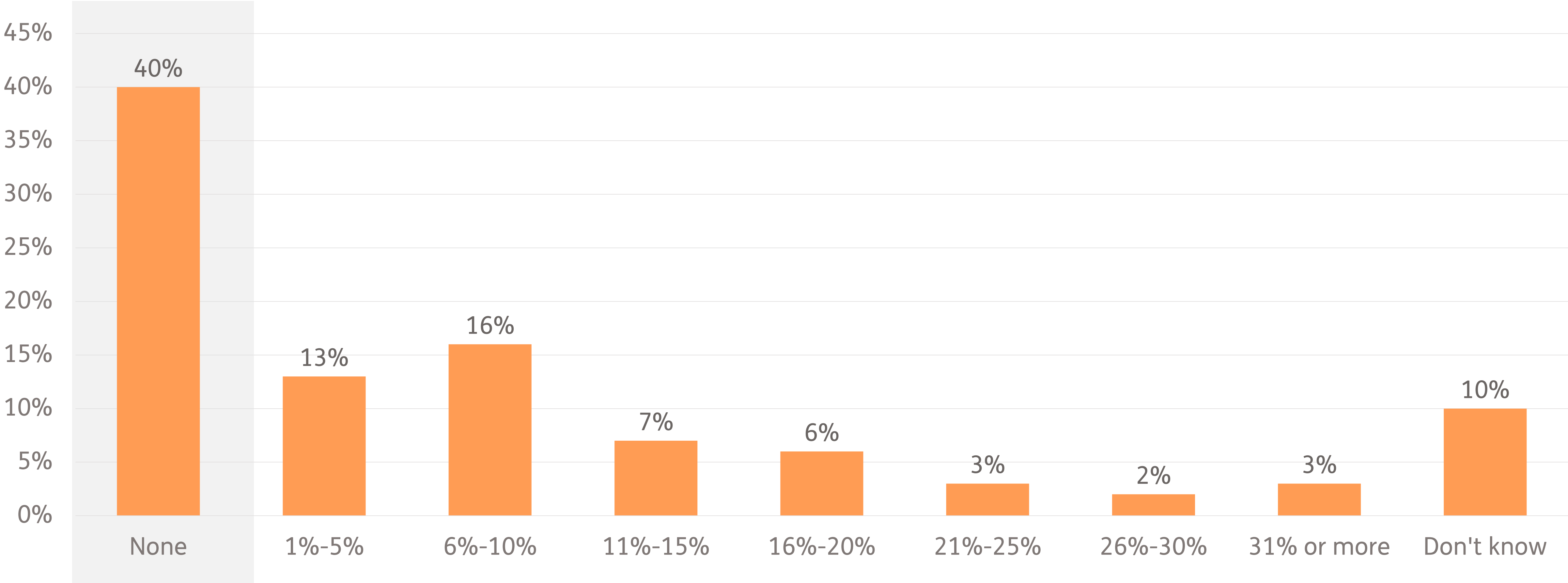
**INSIGHTS
& TRENDS**

Given the poor investment returns of the past five years

South Africans who are currently retiring are likely to find their assets worth about 15% less

than they would have been in normal investment conditions

TWO IN FIVE PEOPLE CANNOT AFFORD TO LOSE ANY OF THEIR RETIREMENT FUND MONEY BEFORE IT SERIOUSLY AFFECTS THEIR RETIREMENT PLANS



n = 524

If you have control over how your retirement fund money is invested, what percentage do you think you could afford to lose before it seriously impacts on your retirement plans?

26%

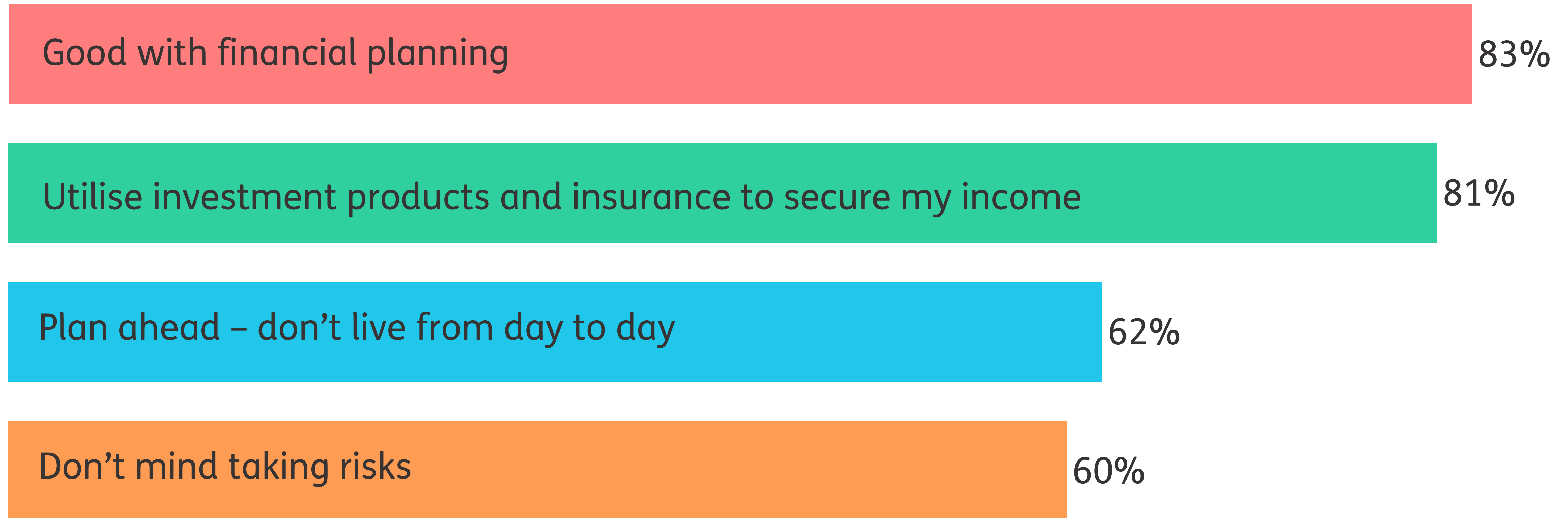
will seek professional advice

Higher-income earners, and those with higher levels of education are more likely to use a financial adviser

Also higher among those who see themselves as good with financial planning

n = 524

PERCEPTION AND PREFERENCE REGARDING FINANCIAL PLANNING

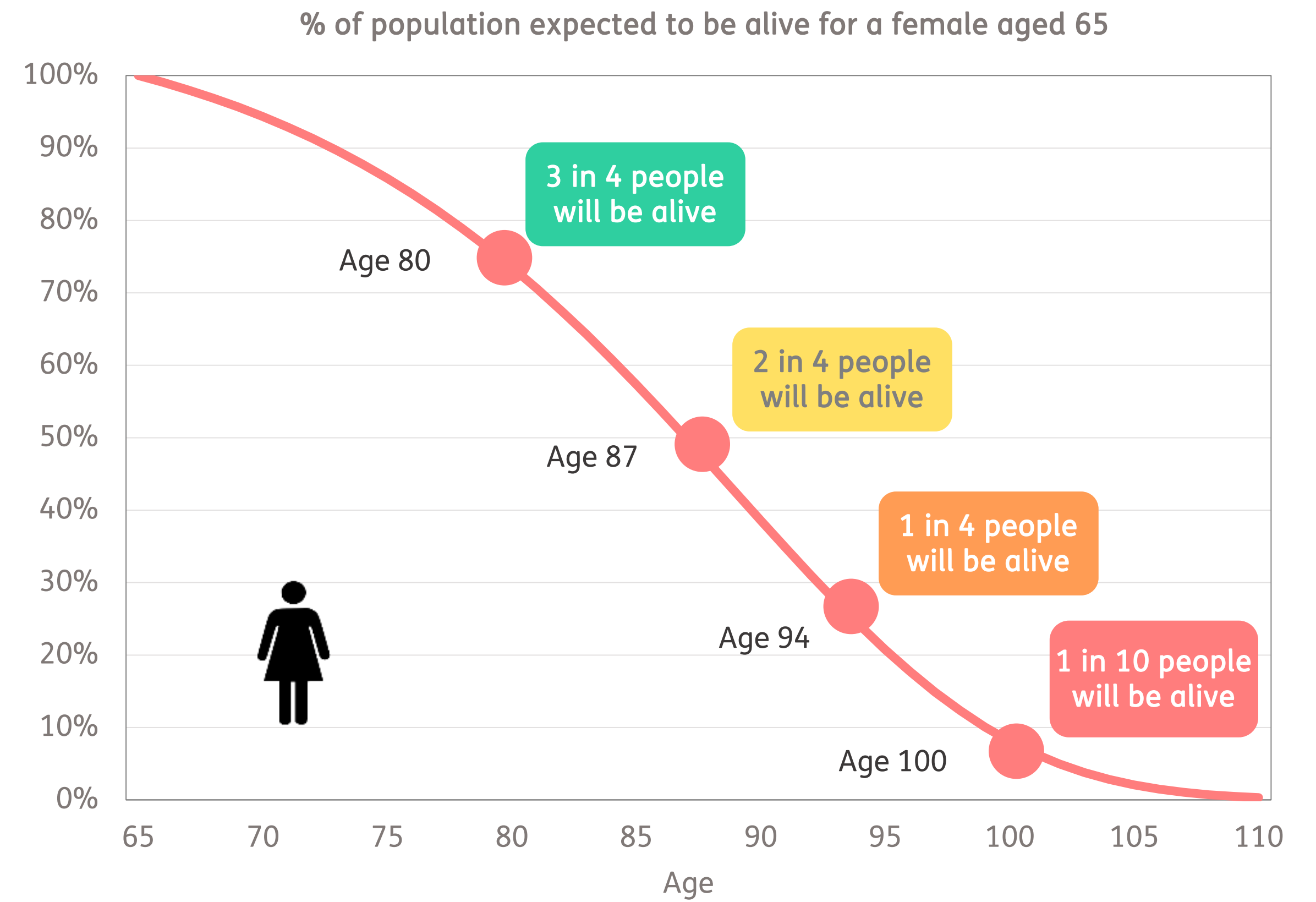
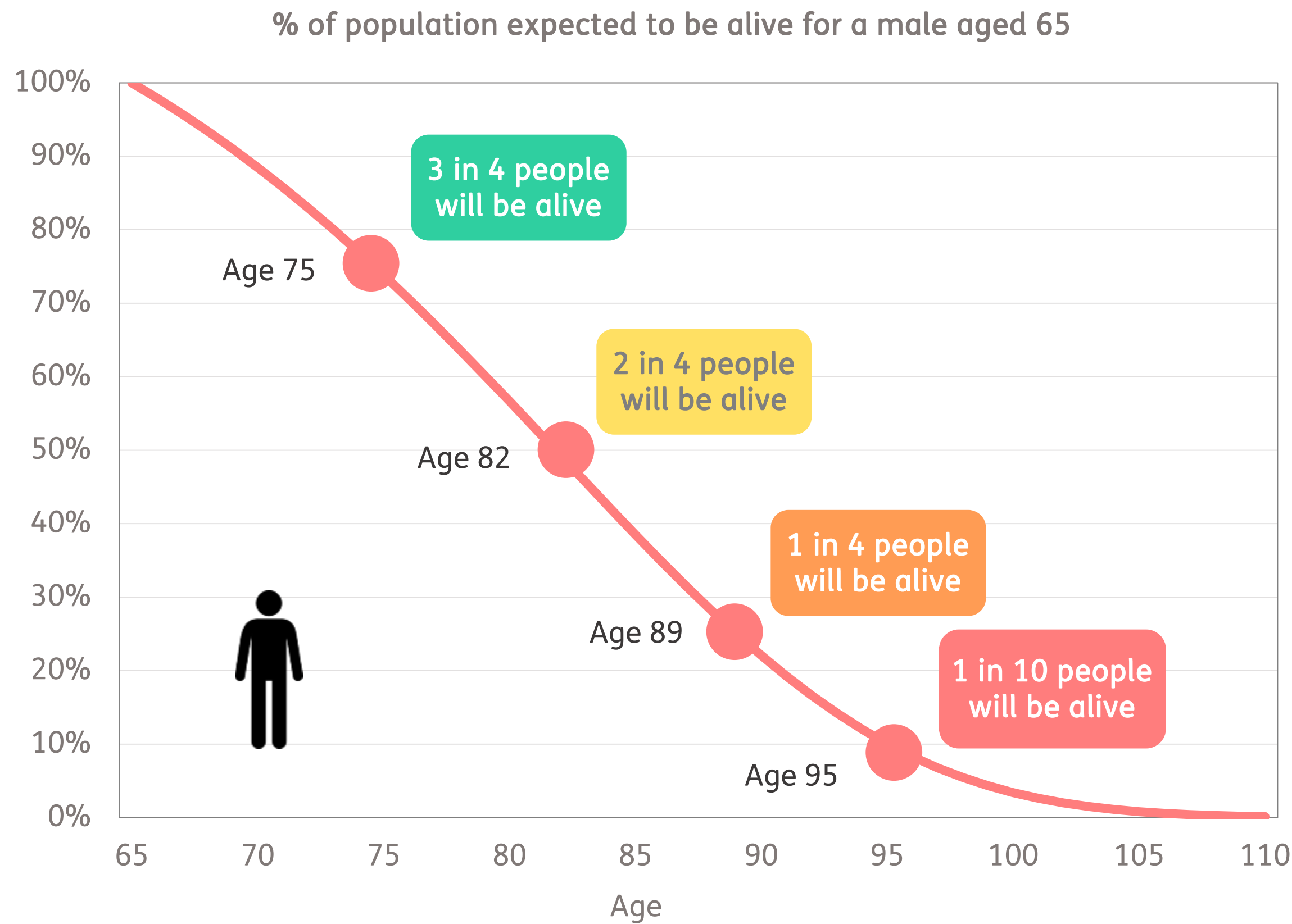


% of respondents who at least agree with the statement

n = 524

Please tell me to what extent you agree or disagree with each of the following statements about financial planning?
(Strongly agree = 5, Somewhat agree = 4, Neither agree nor disagree = 3, Somewhat disagree = 2 & Strongly disagree = 1)

APPROPRIATE RETIREMENT PLANNING HORIZON IS AT LEAST 30 YEARS



10% of males live to age 95 and 10% of females live to age 100



**INSIGHTS
& TRENDS**

Longevity risk is becoming more of a concern for retirees

Once people reach age 65, their expectation to live longer increases

Every year you live longer, you're likely to live longer...

**INSIGHTS
& TRENDS**

Younger females underestimate their longevity and older males overestimate it

Compared to actual life expectancy for age 65:

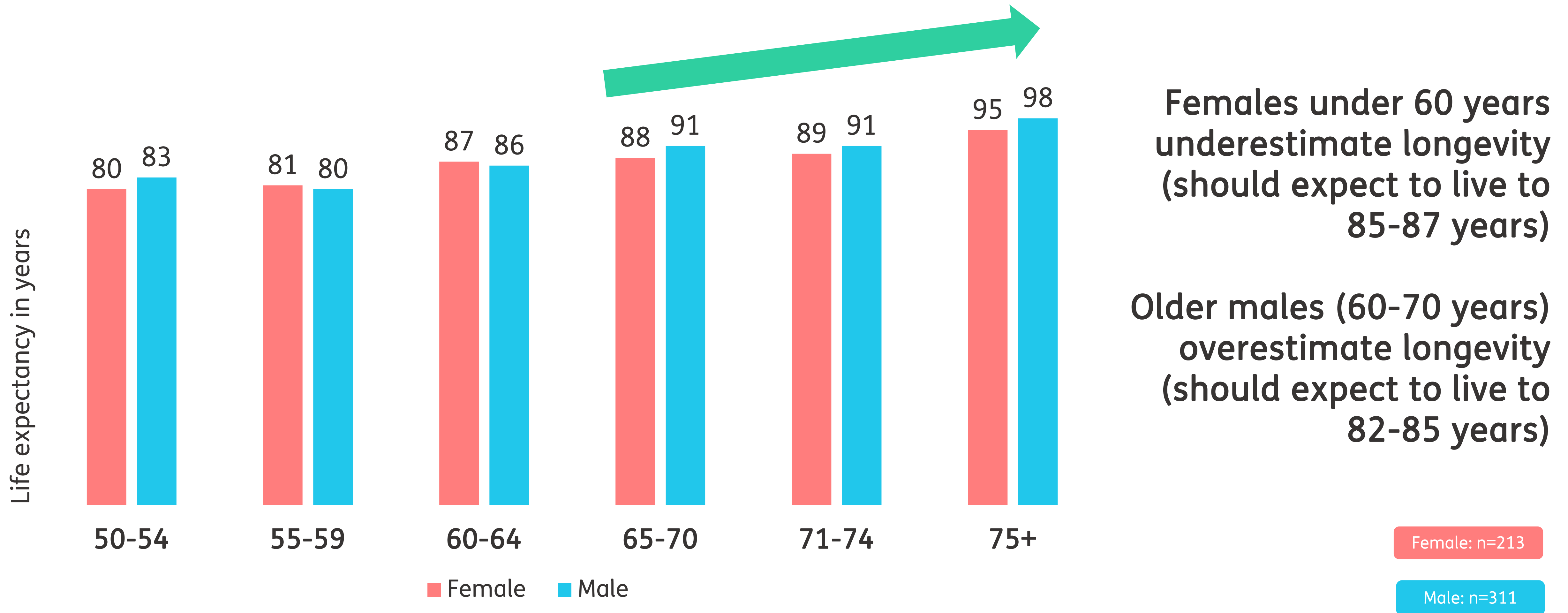


87 years old



82 years old

ACTUAL AGE VERSUS LIFE EXPECTANCY: FEMALES AND MALES





**INSIGHTS
& TRENDS**

Even those with health risks believe they will still live to a decent age

Many unaware that underwriting at retirement can secure a **higher** income to help sustain capital and cover expenses that could arise due to poor health

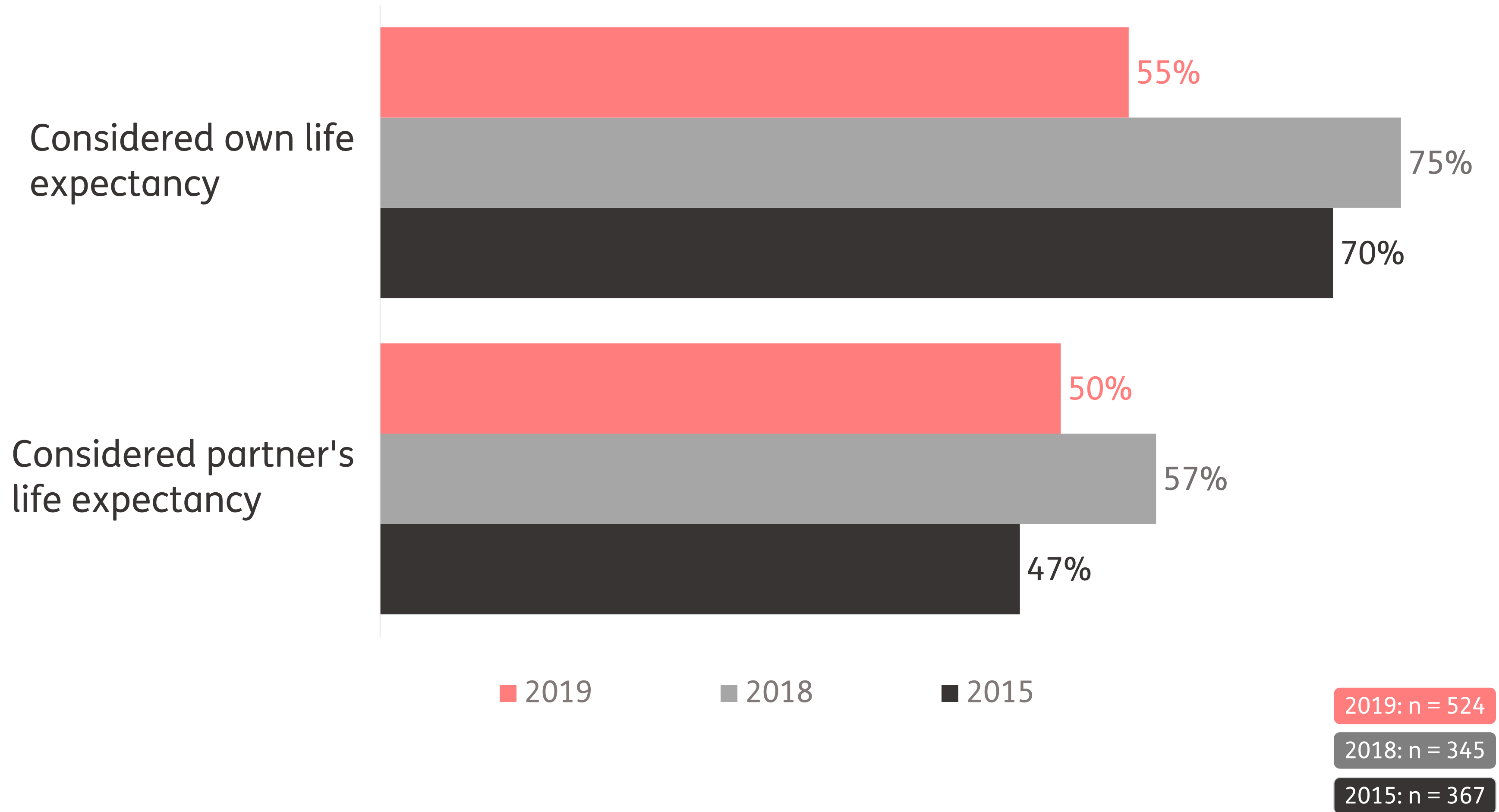


**INSIGHTS
& TRENDS**

Respondents <60 years old don't give much consideration to the impact of longevity

This could result in problems in later life, if you run out of capital and need to rely on others

Fewer respondents have considered how life expectancy will impact retirement funding for a joint or single life



% of those who have considered own and partner's life expectancy in deciding how to use retirement fund amount.
*Removed single lives from 'considered partner's life expectancy' to show more accurately if this was being deliberated.

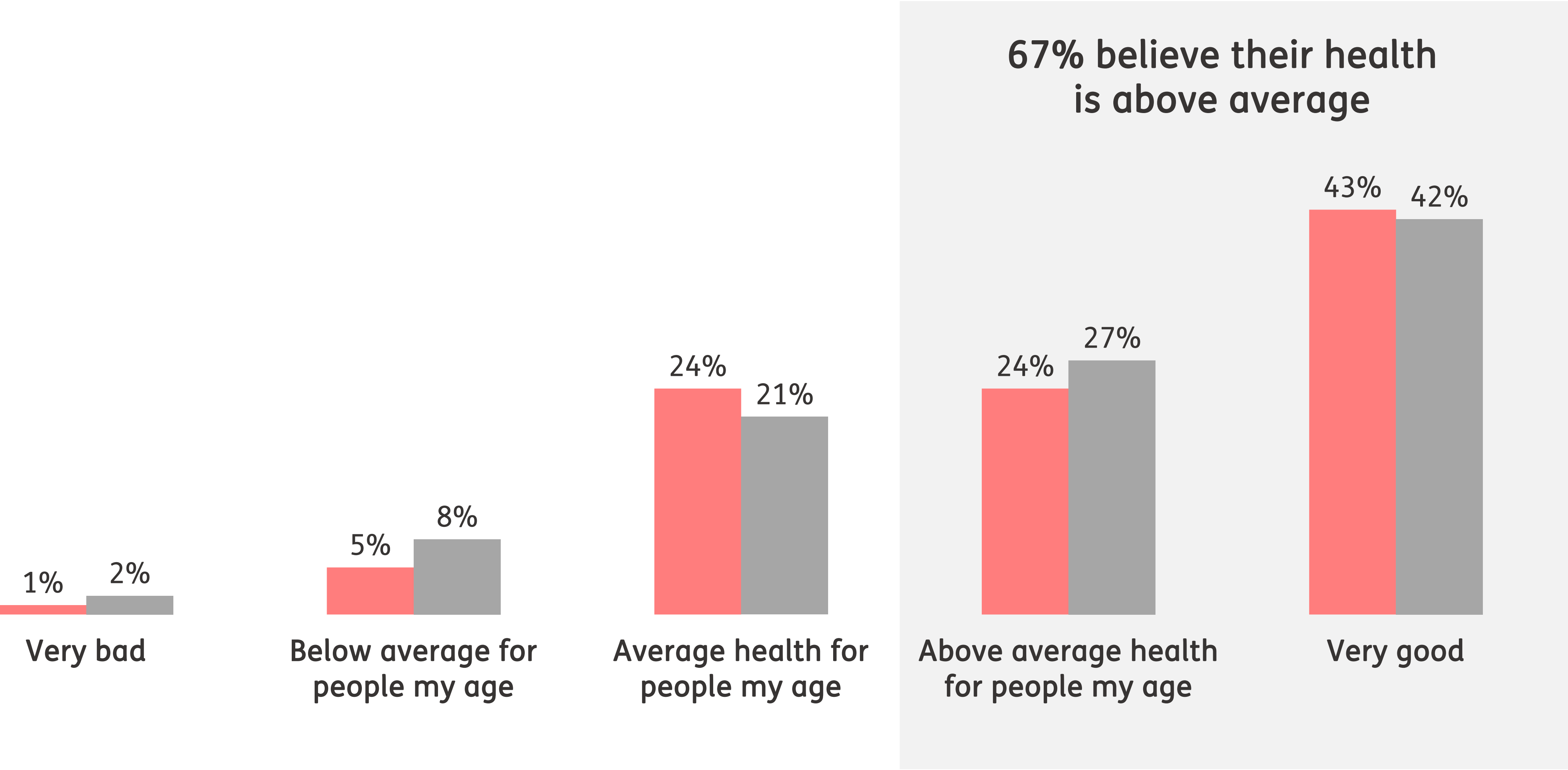


**INSIGHTS
& TRENDS**

Majority of people rate their health as **very good or above average for people their age**

Few people have thought about dementia or Alzheimer's or have started planning to protect their financial future from the impact of dementia or Alzheimer's

PERCEPTIONS OF HEALTH



2019 n=524

2018 n=345

How would you rate your health?

43%

Have not thought about dementia or Alzheimer's at all

30%

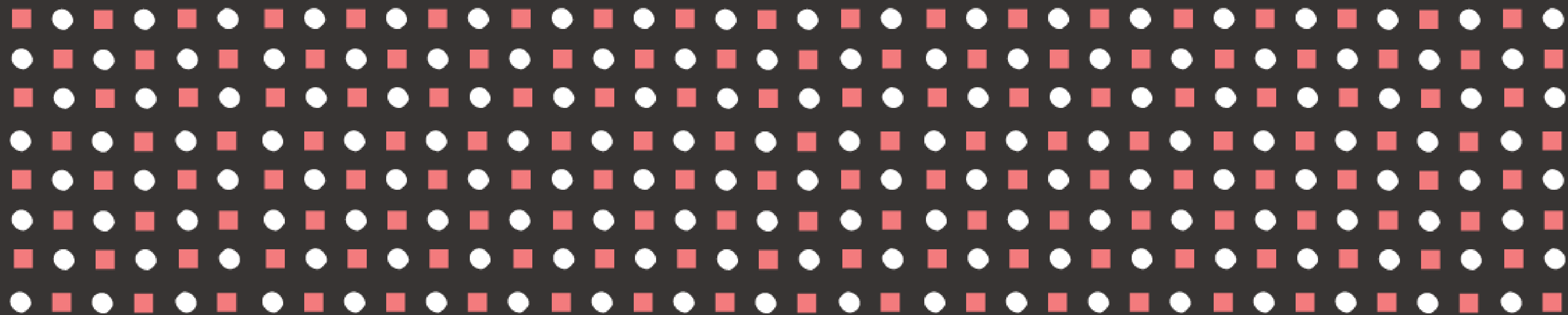
Have thought about it to some extent, but have not made any plans to protect their financial future

27%

Have thought about this extensively and made proper plans

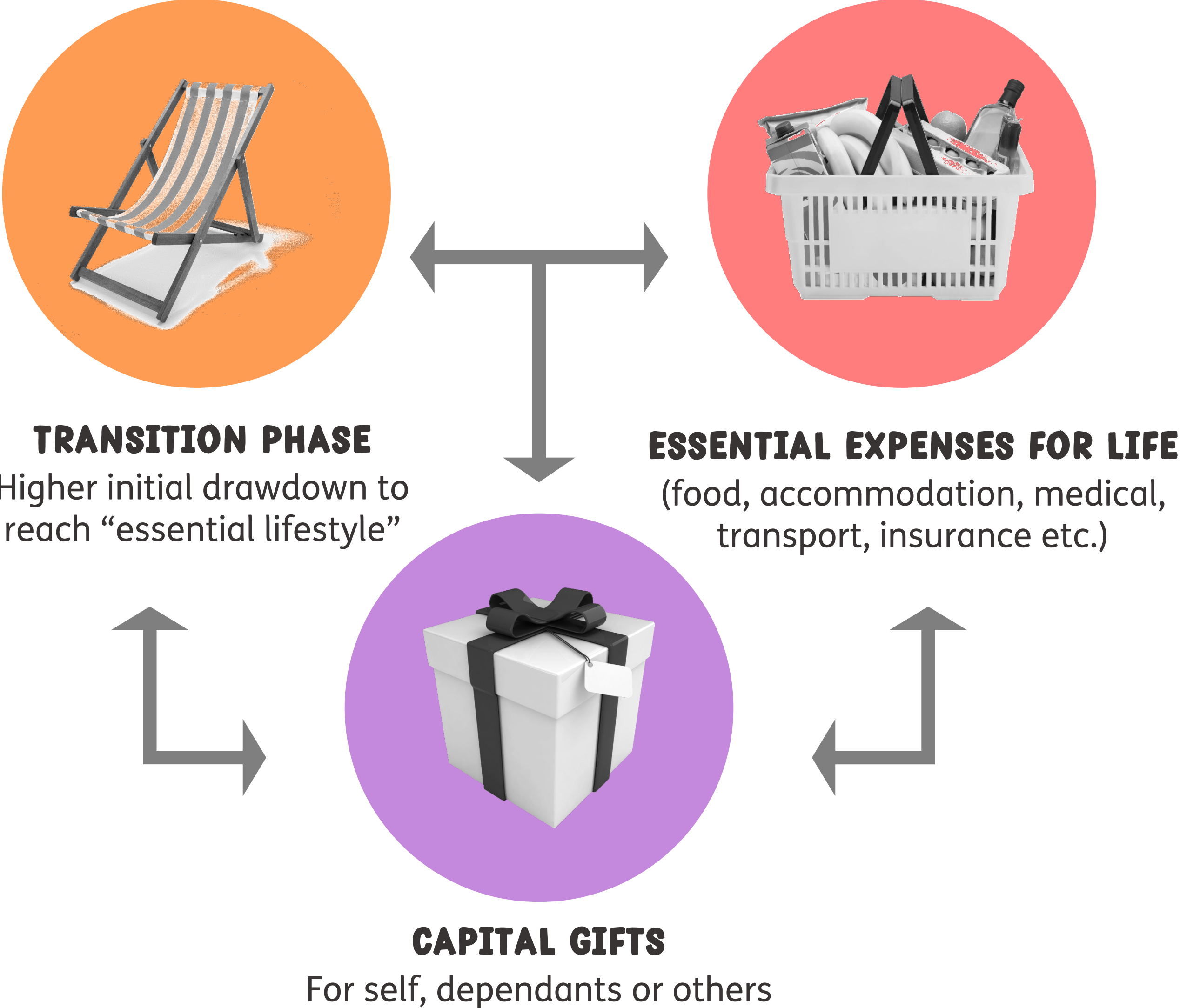
n=524

IN CLOSING



People are starting to realise that there are trade offs in retirement

Having an income that lasts and leaving a legacy are often opposing ideas



MY RETIREMENT MONEY MUST WORK FOR ME

INSIGHTS & TRENDS

- Should cover essential expenses and keep pace with inflation
- Should not be affected by what happens in the markets
- Flexibility to draw more/less or leave to loved ones
- Should last as long as I do

MISPERCEPTION: **“I HAVE ENOUGH TO SUSTAIN MYSELF (AND MY PARTNER) IF I LIVE LONGER THAN I THINK I WILL”**

REALITY: **LOW LEVEL OF RETIREMENT SAVINGS UNLIKELY TO MEET HIGH EXPECTATIONS OF RETIREMENT INCOME**

MISPERCEPTION: **“I AM CONFIDENT THAT I HAVE ENOUGH TO SUSTAIN ESSENTIAL EXPENSES IN RETIREMENT”**

REALITY: **THERE IS NO GUARANTEE TO ENSURE THIS, UNLESS YOU INSURE THIS**

MISPERCEPTION: **“I WANT TO LEAVE A LEGACY TO MY CHILDREN, BUT I CAN RELY ON THEM IF MY MONEY RUNS OUT”**

REALITY: **OVER THREE QUARTERS MAY NEED TO TURN TO THEIR CHILDREN, WHO IN TURN MAY BE REQUIRED TO FUND BOTH THEIR PARENTS AND THEIR OWN CHILDREN**

MISPERCEPTION: **“I AM WILLING TO TAKE RISKS TO REAP REWARDS”**

REALITY: **40% CAN'T AFFORD TO LOSE ANYTHING BEFORE IT IMPACTS THEIR RETIREMENT**

VISIT [JUSTSA.CO.ZA](https://www.justsa.co.za)

Just focuses on addressing the widespread, recognised problem of people outliving their assets in retirement.

We rethink retirement, offering an innovative range of income options that allow retirees to select an income structure that meets their needs.

