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LONGEVITY AND HEALTH ARE MAJOR OBSTACLES IN SOUTH AFRICA'S RETIREMENT CRISIS

Most South Africans rate their health as very good or above average but underestimate their life expectancy. Most have also not thought about dementia or Alzheimer's nor started planning to protect themselves from the impact of this disease in old age. This is according to Just Retirement Insights, independent research commissioned by Just in which South Africans between the ages of 55 and 85 years in the major metropolitan areas were interviewed.

"These research results are concerning, considering the prevalence of dementia and Alzheimer's," says Bjorn Ladewig, longevity actuary at Just. "Worldwide, around 50 million people have dementia, with nearly 60% living in low and middle income countries. Every year, there are nearly 10 million new cases. The World Health Organisation recognises dementia as a public health priority that is on the increase with no cure in sight. This degenerative condition affects the brain of primarily the elderly, resulting in memory loss, impaired communication skills and the inability to make simple decisions. The increase in dementia highlights the need to make the right provisions in retirement."

Although the Just survey shows that more South Africans are thinking about their life expectancy now when choosing how to apply their retirement savings than they did in 2015 (75% vs 70%), females were not aware that they could and most probably would outlive their male counterparts. When males and females were asked what age they thought they would live to, males said 83 on average and females said 79 on average. In reality the opposite is true. In retirement a woman's life expectancy is three to four years longer than a man's. The total life expectancy for a male at age 65 is 83 and for a female is 87.

"Unfortunately, living longer brings with it an increased risk of dementia. However, very few people plan for the effect that this disease would have on their ability to make sound financial decisions in retirement. Our survey showed that only 13% of people have thought about dementia or Alzheimer's and started planning to protect their financial future. 15% had thought about it to some extent. 72% have not thought about it at all, which is quite worrying," says Ladewig.

Early financial planning is part of the solution

It is prudent to plan early for the potential eventuality of the disease. Research by Alzheimer's Disease International shows that most people currently living with dementia have not been formally diagnosed. In high income countries, only 20% to 50% of dementia cases are recognised and treated in primary healthcare. This 'treatment gap' is much greater in low and middle income countries, with one study in India suggesting 90% remain undiagnosed. If these statistics are extrapolated to other countries worldwide, it suggests that approximately three quarters of people with dementia have not been diagnosed, and therefore do not have access to the treatment, care and organised support that getting a formal diagnosis can provide. This leaves plenty of time in which poor financial decisions could be made by people who are already impaired by dementia.

In South Africa, the problem of poor financial planning and receiving proper care is exacerbated by the fact that the South African Government does not yet recognise the disease in its health care plans or legislation. Low levels of awareness lead to stigmatisation, isolation and neglect. Furthermore, people suffering from dementia are highly vulnerable to exploitation and abuse. While many developed countries such as Australia,

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Canada, Denmark and France have designated dementia policies, South Africa does not. It is also not identified as a prescribed minimum benefit by the Medical Schemes Act, nor is it recognised as a chronic disease by the country's Department of Health. Medication is expensive and proper long-term care plans are essential to ensure that sufferers are well looked after, which puts further financial strain on those with dementia, or their families.

South African legislation is inadequate for dementia and Alzheimer's sufferers

South Africa does not recognise an enduring power of attorney that would still be effective when someone becomes mentally incapacitated and is no longer able to manage their own financial affairs due to, for example, dementia or Alzheimer's disease. Incapacity is a growing global and local problem and South Africa does not currently have legislation to adequately deal with it.

A power of attorney provides authority when you act for physically incapable relatives, but your actions on behalf of a relative who is mentally incapable may not be recognised unless you have been appointed curator by the high court, or administrator by the master of the high court, or are a trustee of your relative's special trust. Putting one of these requirements in place is expensive and cumbersome, which could see the elderly relative being left financially destitute until such time that the court appoints a curator or administrator. This process could take six months to two years or longer. Most people assume that adults can and will make their own decisions about their personal welfare, financial affairs and medical treatment. Should that ability be limited by diminished capacity, the right financial and care provisions need to have been put in place before the onset of illness.

Ladewig says it is therefore important not only to consider the financial implications but to ensure that the necessary structures are in place.

How can we lessen the burden on family and the state and ensure sufficient retirement funding to last a long lifespan when suffering from a disease like dementia or Alzheimer's?

Currently, most retirees purchase a living annuity, which requires them to decide how to invest their money depending on how long they are likely to live. They will need to decide how much income their surviving spouse will need after they die, and how much to draw as income each year. These are complex financial decisions regardless of age or mental capacity. "It is important therefore that people who have invested in living annuities consider protecting themselves against the potential implications of dementia. Just has made its Lifetime Income product available within a living annuity to allow clients to secure the income they require to fund for dementia over their lifetime without having to fear that their money will run out. This product is fully medically underwritten which means that they may qualify for a higher secure lifetime income, whilst retaining full flexibility over the remaining retirement savings in their living annuity.

"A combination of a guaranteed lifetime income to cover basic living expenses and essential care for life, and a living annuity to invest any additional retirement savings could be the best solution for many retirees," concludes Ladewig.

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