Press release
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JUST.

WOMEN: HOW TO TAKE CONTROL OF YOUR FINANCIAL DESTINY

Financial vulnerability is one of the greatest challenges women face today. Women experience various types of gender bias throughout their working life that result in them saving less for retirement than their male counterparts. And not only are women saving less – if they outlive their spouse or get divorced, they could face being left destitute in retirement and becoming a financial burden on their families or the state.

With Women's Day on the 9th of August, it seems appropriate that we look at the financial issues women face as they grow older and empower them to make informed choices about their future.

"Unfortunately, gender bias continues in retirement when women outlive their husbands with less in retirement savings to see them through for life," says Twané Wessels, Product Actuary at Just. "It is crucial that we as women empower ourselves and not plead ignorance."

Gender inequality in retirement

Recent independent research commissioned by Just, in which South Africans between the ages of 55 and 85 years in the major metropolitan areas were interviewed, confirmed that females were not aware that they would and could 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 post-retirement a woman's life expectancy is three to four years longer than a man's. The average life expectancy for a male at age 65 is 82 years of age and for a female it is 86 years of age.

The survey also indicated that 65% of females say that the main reasons for not planning financially in advance for retirement are that they will do it closer to retirement and that they are not sure how to do it.

"Alarm bells should ring because in addition to needing more money for living longer and leaving financial planning for retirement too late, in pre-retirement women have less time and income to accumulate sufficient savings," cautions Wessels.

This is due to temporary absence from the workplace for maternity leave or to care for children or elderly parents, and is also the result of sacrificed earning potential because certain jobs or roles with demanding time and travelling requirements are difficult to sustain alongside family responsibilities.

Take control of your own post-retirement destiny – a man is not a financial plan

"Women also typically marry husbands who are three to four years older than themselves. 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 if they don't prepare adequately. Don't assume your spouse is making the right provision for a sustainable lifetime income that will be sufficient for both of you," warns Wessels.

The concern is greater if basic living costs in retirement can't be covered because there is no guaranteed annuity in place to pay an income for life that won't ever decrease.

Currently in the industry, the popular choice for purchasing a retirement income is by means of a living annuity. A living annuity has the advantage of providing flexibility in how much you want to draw down each year. However, the retiree must manage all the risks and the sustainability of income is not guaranteed. This is complex and one must keep in mind that logical thinking can deteriorate with age.

In many cases then, instead of being able to leave something to their spouse when they die, retirees outlive their money and become a financial burden on their families or on the state.

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Ask the necessary and the uncomfortable questions

What happens to retirement savings if you get divorced or your spouse dies?

In divorce before retirement, if a person is a member of a retirement fund, the Divorce Act states that their spouse is entitled to a portion of the member's benefit. Normally the amount or percentage will be negotiated between the parties and set out in a divorce settlement agreement. If the member dies, the rules of the fund will determine what benefit a spouse will qualify for. The trustees of the fund will generally have discretion to decide who should receive the benefit according to financial dependency on the deceased, despite any nomination that the member may have made.

In divorce after retirement, the capital in an annuity may not be split. This is also the case for a living annuity according to a recent judgment by the Supreme Court of Appeal, because the capital belongs to the life assurance company, not the annuitant. Only with a settlement agreement which has been made a court order on divorce, will the ex-spouse have a legal right to access the income which the annuitant receives from their annuity.

On the death of an annuitant, a guaranteed annuity provides more security if you are the named spouse in a joint annuity where you will receive income payments following the death of your ex-spouse, despite a divorce.

In the case of a living annuity it is more complicated. The spouse would be a nominated beneficiary and should the parties get divorced the retiree can easily change their beneficiary to a new wife or another beneficiary to receive the remaining funds as a death benefit when they die. It is also important to note that upon death the benefit from a living annuity will be distributed to the beneficiary and will override the nomination in a will.

It is not too late – start saving today

"Let's be honest, most women like to spend money. We work hard and so we feel that we deserve to treat ourselves. Saving money is the very definition of delayed gratification. It is challenging, but it is worth it," says Wessels.

For example, women spend more than men on clothes and personal care. If instead of spending R400 per month at a nail bar from age 25, you save the money (let's conservatively assume in a Money Market Fund), it will amount to R1.3 million when you reach age 65. Based on current annuity rates this would purchase a lifetime income of R8200 per month that would aim to keep track with inflation.

"Now this would be a decent treat to your future self! Make the effort to empower yourself in retirement. The alternative – spending the last years of your life in a low cost old age home trying to make ends meet – is not a rosy outlook," concludes Wessels.

Notes

- Just commissioned an independent, quantitative face-to-face research survey amongst a representative sample of 345 respondents between the ages of 55 and 85 years in the major metropolitan areas of South Africa.
- Just assumed an annual return of 8% for a Money Market Fund.

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