10X INVESTMENTS

10X South African **Retirement Reality Report**

2020

Even before Covid-19 and the associated lockdown, many South Africans, including many thousands of pensioners, were in crisis. The global pandemic has magnified many vulnerabilities in our society. It is in this context that 10X Investments launches the third annual report on retirement readiness in South Africa.

The inaugural Retirement Reality Report, published in 2018, set out to interrogate the developing retirement crisis and its underlying causes based on the results of our Retirement Reality survey. The report sought to stimulate discussion around potential solutions and ways to implement them.

The inaugural report made it clear that South Africa was sitting on a retirement timebomb, with the data aligning very closely to a widely quoted National Treasury statement that only 6% of the country's population was on track to retire comfortably. The report also identified some of the key reasons why so many South Africans will face a bleak reality after their working lives come to an end. A frightening number of people have not formally planned how they will fund their retirement. Of those who have, few are monitoring their progress. Most don't know whether or not they are on track to meet their goal to be able to support themselves in retirement, never mind in any comfort.

The second annual report, 2019's Retirement Reality Report (RRR19), confirmed SA's looming retirement crisis and delved deeper into factors affecting people's retirement planning in SA.

Looking at the role of employers in South Africa's retirement crisis, RRR19 shone a light on the missed opportunity of actively engaging employees in the savings process to achieve better outcomes.

The upshot is that many South Africans pay little attention to their life's biggest investment. More than 60% of those who had been (or still were) members of an employer's retirement fund said they knew little or nothing about the fund, or were not interested.

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.

RRR19 found that nearly 4 out of 5 of those who said they did have a retirement savings plan accepted that they would need to keep earning some income after they had retired. Against the backdrop of South Africa's runaway unemployment, it is hard to imagine how this will be possible.

A key issue that cropped up time and again in the data underlying these first two reports was the perception that people felt they just could not afford to save for retirement. The other side of this argument is that people really cannot afford not to save for retirement.

Even before the pandemic, times were tough for many people. Still, treating retirement saving as discretionary spending, as a nice-to-have rather than a necessity, is extremely problematic. People's survival in their old age should be an essential consideration, not a low priority item.

The 3rd annual Retirement Reality Report (RRR20) is released into a country reeling from the effects of the Covid-19 pandemic, which appears to be in retreat, but is not yet beaten. Given the immediacy of this threat, and the economic fall-out that accompanied the containment measures, it is natural that the issue of retirement preparedness moved to the back-burner. But for many people, the economic crisis also exacerbated the retirement crisis, which makes the imperative of facing up to this issue even more pressing.

The pandemic has pushed many who were teetering on the brink of disaster over that edge. It has underlined how few people actually save for a rainy day, or have an emergency fund to cover three, or even six, months without income. When jobs were lost and incomes decimated, pensions savings were the only source of cash for many. Desperate times coupled with a lack of understanding about the effects of cashing out pension savings early made this pot an obvious point of call.

If there is to be a positive from our state of economic and financial disaster, perhaps it is the increased awareness of our vulnerability to life's unexpected broadsides. In giving a glimpse into the future, of what it feels like to be suddenly living off a low income and under the strain of great financial insecurity, it may finally convince people that they cannot afford to ignore retirement. The need to create resilience in our communities and build sustainability into our lifestyles is beyond urgent.

A new segment in this report, covered by Chapter 5: Retirement: A carefree life or a punch to the gut?, looks at data on retired people.

This report is designed to serve as both an analytical tool and a descriptive interpretation of the current local retirement landscape, particularly in the context of Covid-19. 10X Investments hopes this report will draw attention to the long-running retirement saving crisis and help to foster a better understanding of how existing vulnerabilities have been magnified by the global pandemic. It is hoped that the RRR20 will broaden the discussion on the steps needed to improve the situation that continues to be downplayed by some and ignored by the majority.

BRAND ATLAS

This report is based on findings of the 2020 Brand Atlas Survey. Brand Atlas tracks and measures the lifestyles of the universe of 15.1 million economically active South Africans (currently those living in households with a monthly income of more than R8,000) through online completion surveys. 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.

The Retirement Reality Report is being released a little later than normal this year because of the arrival of the coronavirus pandemic in the middle of data collection. The data in this report includes the early effects of Covid-19.

10X INVESTMENTS

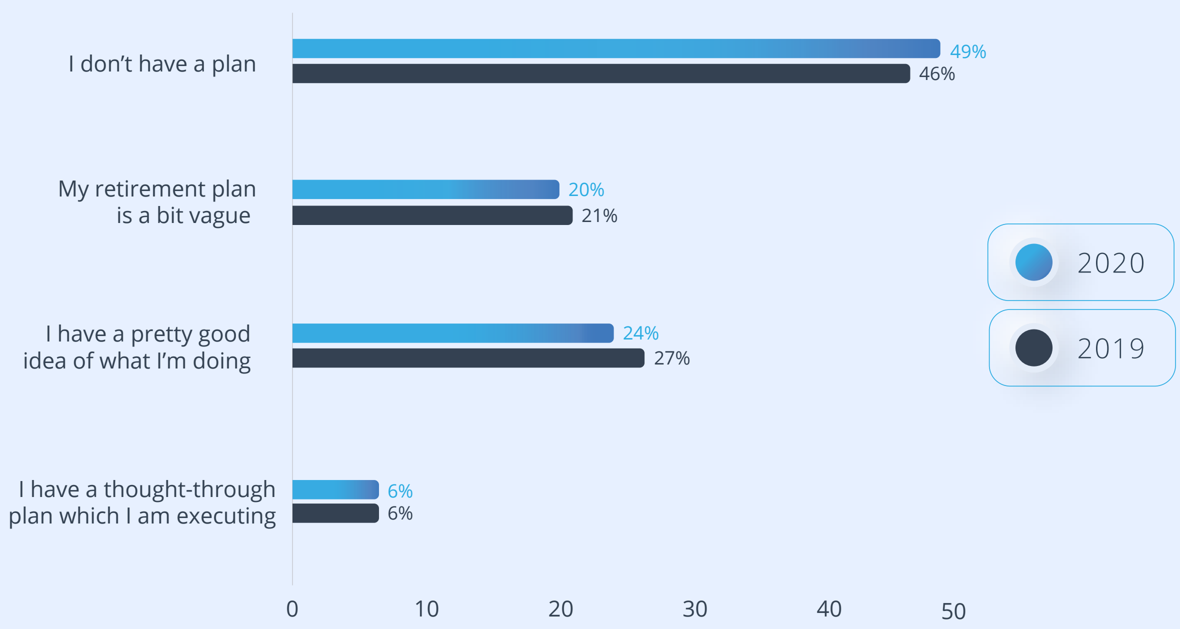
10X Investments – an authorised financial services provider, licenced retirement fund administrator and investment manager – provides a range of simple, effective, low-cost solutions to investors.

Fees are a valuable tool for predicting future investment performance. The fees on 10X's retirement annuity are less than half the industry average. 10X invests in a mix of shares, property, bonds and cash to maximise growth, and relies on index tracking to deliver the returns of the market as a whole. 10X automatically adjusts portfolios as savers get closer to retirement to reduce risk.

The disruptive asset manager manages in excess of R 13.5 billion in private and corporate retirement investment funds.

Chapter 1:
What's the plan?

How do you feel about your current retirement plan?



The problem of the majority of South Africans not being able to retire with dignity shows no signs of improvement: 49% of people surveyed say they don't have a retirement plan; last year it was 46%. The number of South Africans who feel good or pretty good about their retirement plan remains very low at 30% (2019: 33%).

The fact is that 69% (2019: 67%) of people surveyed said they had no retirement plan at all, or just a vague idea. This highlights the need for more education on this topic.

A mere 6% of South Africans surveyed said they were executing a retirement plan that they had properly thought through, the same as last year and aligned closely to with National Treasury's estimate that only 6% of South Africans were on track for a decent retirement.

According to information released by StatsSA in April 2019, 49.2% of South Africa's total adult population of 35.1 million live below the upper-bound poverty line. Without action to tackle the retirement savings crisis in South Africa this will only increase as our population pyramid matures, and we have more people above retirement age.

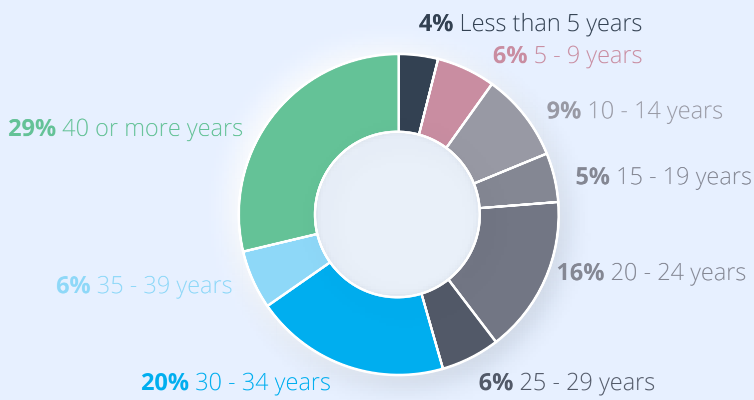
RRR18 identified a startling lack of preparation for retirement among South Africans, 2019 confirmed that.
The results of this year's survey suggest that the South African savings crisis is not getting any better.

Editor's note

After this point the universe of respondents is separated into two groups of roughly equal size:

- People who said they have some sort of a plan. Most of the report focuses on this group
- People who have no retirement plan at all. Chapter 6 gives more information on this universe of people

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



Percentages may not add up to 100 due to rounding

Industry guidelines on how long people need to save for retirement vary, but few would disagree that we should be saving for most, if not all, our working life. Unfortunately, this message is not getting through.

A large proportion of South Africans believe they can set themselves up for a decent retirement in a relatively short time. This is one reason why people frequently leave it so late, often too late, and almost always miss out on the exceptional benefit of compound growth*. Almost half of South Africans surveyed believe that a comfortable retirement can be achieved by saving for 30 years or less.

**Compound growth describes a kind of snowball effect whereby returns make up an increasingly larger share of your total savings as the investment term lengthens because you earn a return on your total contributions as well as on your previous returns.*

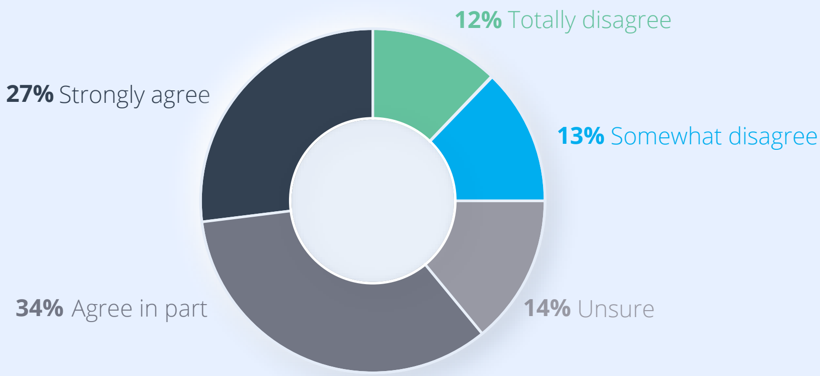
Compounding:
a near magical magnifying force

Read more

The 10X FORMULA for retirement savings success: **Save 15% of your gross earnings** for your whole **working life, invest those savings in a well-diversified high equity fund and** – crucially **– keep fees low.**

Chapter 2: **How is it looking? Are you on track?**

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



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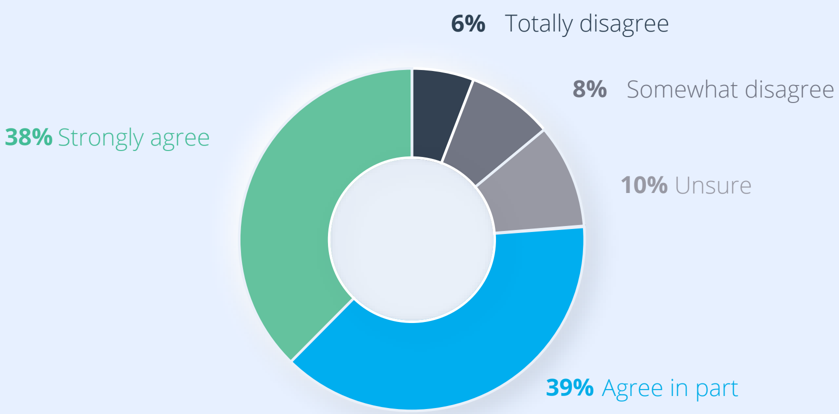
Of the respondents who said they had some sort of retirement plan, 75% were worried about whether they will have enough to live on after they retire, or feel unsure about this. This is up from 72% last year.

This statistic seems at odds with another in the same survey: 67% of respondents said they expected to be able to preserve their standard of living in retirement. This inconsistency talks to widespread confusion about what is required to preserve one's lifestyle in retirement.

High levels of concern were noted across all income brackets: 76% of those with total monthly household income (HHI) of less than R20k said they felt concerned or were unsure about having enough money in retirement, as did 76% of those with a HHI between R20k and R50k, and 72% of those whose HHI was upwards of R50k per month.

It is well-known that South Africa is a very unequal society in terms of wealth and income. According to the World Bank, South Africa has "one of the highest inequality rates in the world". In such an unequal society, it is noteworthy that concern about running out of money in retirement does not correlate directly with access to resources.

I expect that I will need to keep earning some money after I retire



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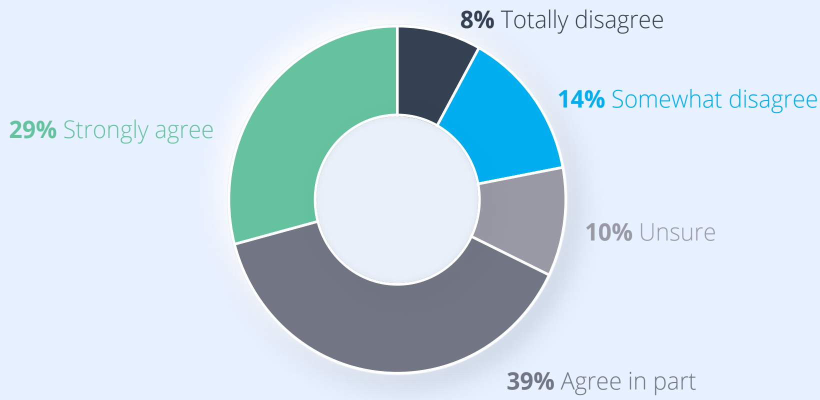
The vast majority of survey respondents (77%) believe they will have to generate some income after they retire. Just 6% of respondents believe they are on course for what is increasingly becoming an outdated notion of retirement, where retirees come out on their pension or savings. For everyone else, things look very uncertain.

Breaking this down into cohorts defined by total household income: 79% of those with HHI of less than R20k a month believe they will need to continue earning something in retirement, as do 76% of respondents with household income of R20k-R50K, and 74% of those with HHI above R50k. This underlines once more that achieving a financially secure retirement is less about how much we earn, and more about how much we engage in the process, inform ourselves, and save.

This data, remember, is for respondents who said they do have a retirement plan. This shows that having a plan is not enough. It also needs to be effective and realistic, and there needs to be follow-through.

A workable plan requires a specific goal and strategy to achieve it. This is easily determined with the help of tools that are readily available online, such as the **10X Investments retirement savings calculator**. This tool will calculate how much money you need to retire comfortably, and how much you need to save on a monthly basis, to get there.

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



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The sense of realism created by so many respondents acknowledging the likelihood they will need to continue earning an income in retirement is somewhat undermined by the fact that 68% of respondents said they expect to enjoy the same or similar standard of living when they retire.

The notion that 75% of respondents worry about having enough to live on after they retire and 77% expect to need some additional income, yet 68% anticipate they will be able to maintain their standard of living just doesn't add up. People do not seem to connect the dots between investing now and preserving their lifestyle in retirement.

There also seems to be little acceptance that retirement is an inevitability, rather than a choice. In an economy where the unemployment rate hovered around 30% even before the pandemic, there is pressure on older people to retire, even more so because of South Africa's bottom-heavy population pyramid.

In an ideal world we would all be happy to hand over the reins and step into retirement when the time came. In reality, many will have to work longer than they would like to, while others will be forced to stop working before they feel ready, psychologically or financially.

A new segment in this report, covered in Chapter 5, looks at data from retired people as to how their reality lines up with the expectations of those not yet retired. 59% of the respondents said they retired when they wanted to retire, 37% claim they were forced to retire before they wanted to, and 4% said they had to work for longer than planned.

REPLACEMENT RATIO

Our financial obligations are likely to be lower in retirement. The pandemic has given us a glimpse of all the obvious and collateral cost savings associated with a home-centred life. Apart from no longer having to commute to the office (providing savings on using public transport, or fuel and wear and tear costs of a vehicle), you will likely also spend less on your wardrobe and on outside-prepared meals.

Ideally, you will no longer be supporting your children and the mortgage is paid off. There are also savings in terms of a lower average tax rate and higher income tax rebates over the age of 65 and then again over the age of 75. Those who have been saving the recommended 15% of their gross salary each month into their retirement fund will also not have this expense.

Some expenses, such as healthcare and recreational costs, might increase but in general it is expected that your overall cost of living will decrease.

A reduction in financial obligations means that in retirement, we should be able to sustain our lifestyle with a gross monthly income that is lower than our gross final salary. The proportion of final salary required to maintain this lifestyle is referred to as the replacement ratio. Exactly what replacement ratio one requires will depend on our individual circumstances and expectations at retirement, but savers should aim for a minimum of 60%.

By framing the savings goal as an income replacement ratio, it is possible to estimate what savings we require at retirement, to fund that level of income. A retirement savings calculator can help savers work out whether we are on track to maintain our lifestyle in retirement based on our current savings, savings rate and investment strategy.

The first step is to understand where we stand. Then, we should work out what we need to do today, and for the remainder of our working life, to put ourselves in a position to maintain our lifestyle in retirement.

Chapter 3: **Women need more, have less – and reject the best chance they have of closing the gap**

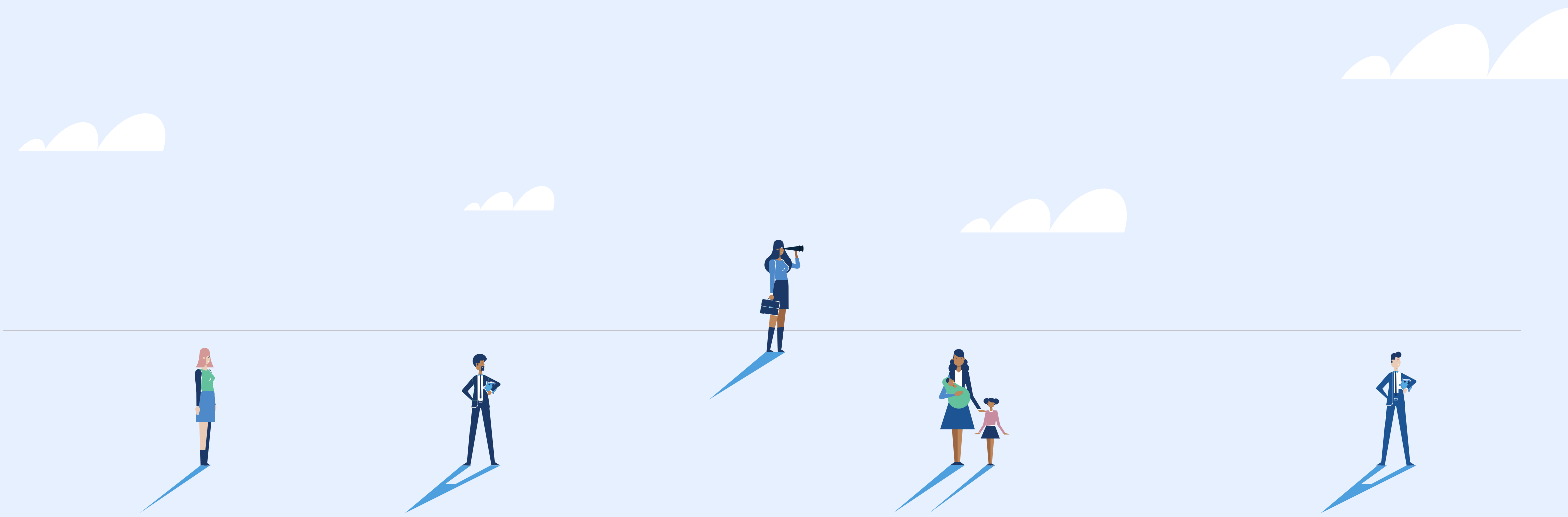
The Retirement Reality Report 2020 adds to a catalogue of worsening statistics for women in South Africa in 2020. Hardly a week passes without gender-based violence making the news, data released by StatsSA shows that women are falling further behind men in terms of earnings, and this report shows that the retirement readiness gap between the sexes persists and, by some measures, is getting wider.

The latest data from StatsSA shows South African women earn approximately 30% less than their male counterparts on average, a seven percentage point increase in the disparity between the sexes on last year's data. As we know, this inequality is magnified when women's careers are interrupted during pregnancy and the raising of children. It is also made worse by the fact that women at retirement age have a higher life expectancy than men, which means they require a relatively bigger retirement pot than their male counterparts. And, in the event of divorce, women will often have to cash in their share of their spouse's retirement fund to make ends meet thereafter.

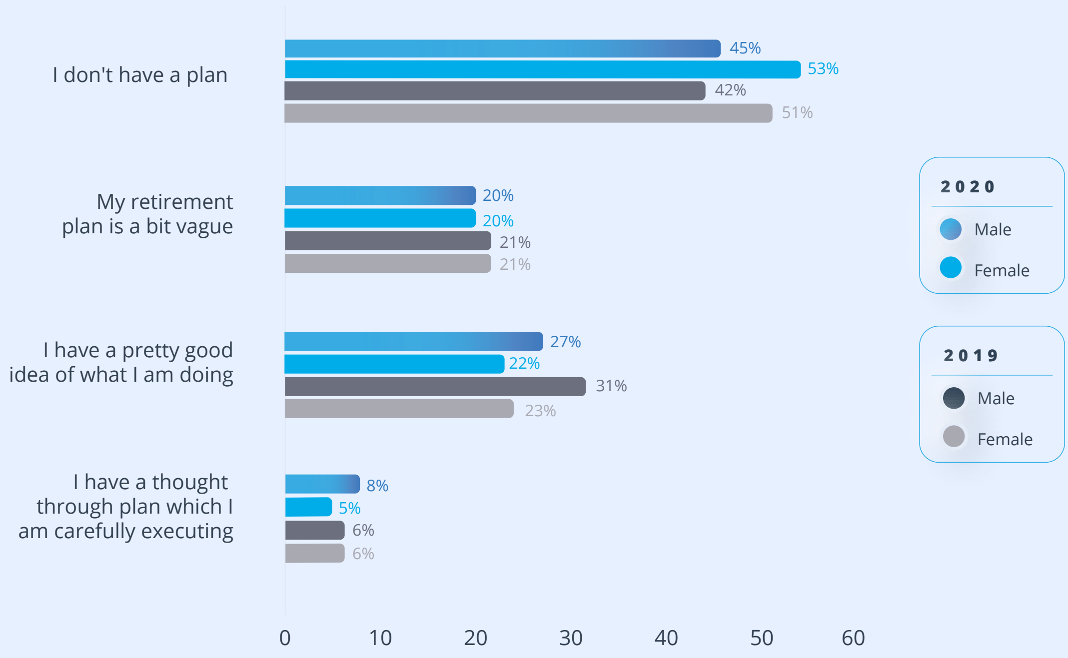
Our Retirement Reality survey found an increase in the proportion of women who say they don't have a retirement savings plan. In the latest data, 53% of women say they don't have a plan, up from 51% in last year's report.

Considering that women make up more than half (51.1%) of the population in South Africa and live longer on average, a problem that affects older women in South African society is a very big problem.

A development that is worrying is that among the very small cohort of people who seem to be on a clear and positive path to retirement savings success, things are looking better for men but worse for women. Last year a total of 6% of men and 6% of women said they were executing a carefully-thought through retirement savings plan. This year the number is up to 8% for men and down to 5% for women. While an improvement in any metric should be welcomed, it is a concern that these metrics are moving in different directions for men and women.

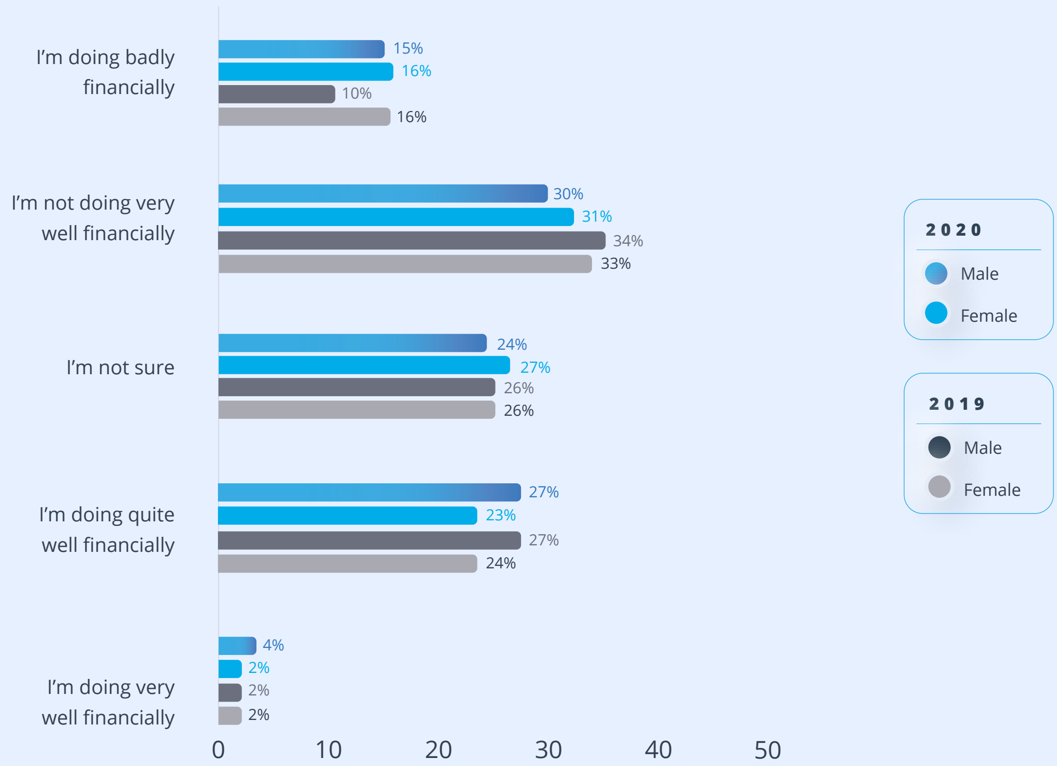


How do you feel about your current retirement plan?



The worsening financial picture for women is reflected more widely in the survey, not just in connection with retirement saving. Three-quarters of women surveyed reported that they were not doing well financially or were not sure how they were doing. Another change that does not bode well for women closing the gap with men is that double as many men described themselves as doing very well financially this year (4%), while the proportion of women was unchanged at 2%.

How happy are you with your financial predicament?



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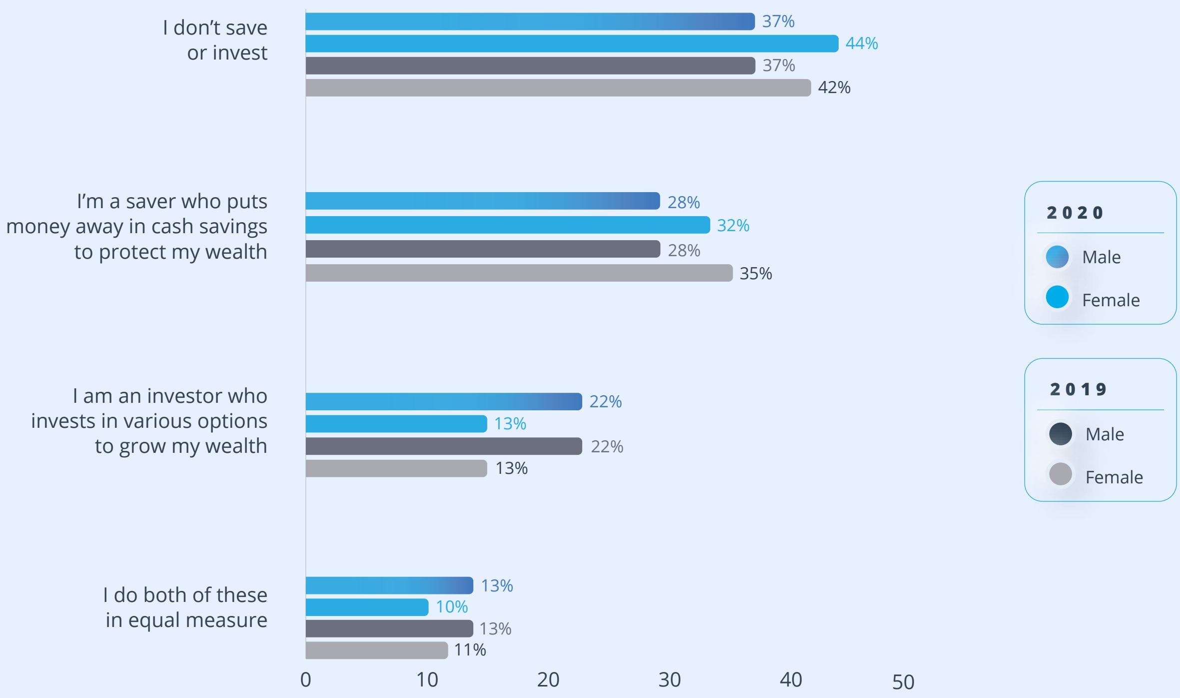
The data also shows that not only are many more South African women in a precarious financial situation than men, women are less likely to be taking the steps required to narrow the gap.

Women are more likely than men to be cash savers (32% of female respondents said they saved money, compared with 28% of male respondents) but significantly less likely to be investors. Investing in a well-diversified, high-equity portfolio and keeping fees low is the most effective way to grow money over the long term yet only 13% of women said they invested their money for growth, compared with 22% of men.

Which of these investor types are you closest to?



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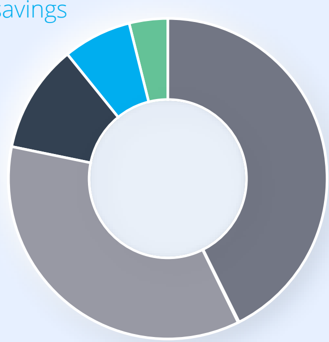
This is another area where the gap between men and women is growing wider. Last year 37% of men said they neither saved nor invested, compared with 42% of women. The proportion of men who say they are neither saving nor investing is steady at 37%, surprising perhaps considering the year we have all had. Things are looking worse for women, with the number who neither save nor invest up to 44%.

Unless women reverse the current downward trend and start investing with a long-term perspective, they have little chance of beating inflation and generating a decent income in retirement.

Chapter 4:
What about the role of employers?

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



Including information on the role of employers in SA's retirement crisis for the first time, last year's report, RRR19, painted a picture of fairly widespread corporate fund membership among survey respondents. This seemed to represent a missed opportunity when one looks at the poor level of understanding about retirement saving, including among those who at some point were members of a retirement fund.

More than half of those respondents who had a retirement savings plan said they were members of a corporate retirement savings fund or had at some point belonged to one. Being part of the formal retirement saving "system" should mean that these respondents had been exposed to some structured information and training about their fund, retirement saving in general, and options available when leaving employment.

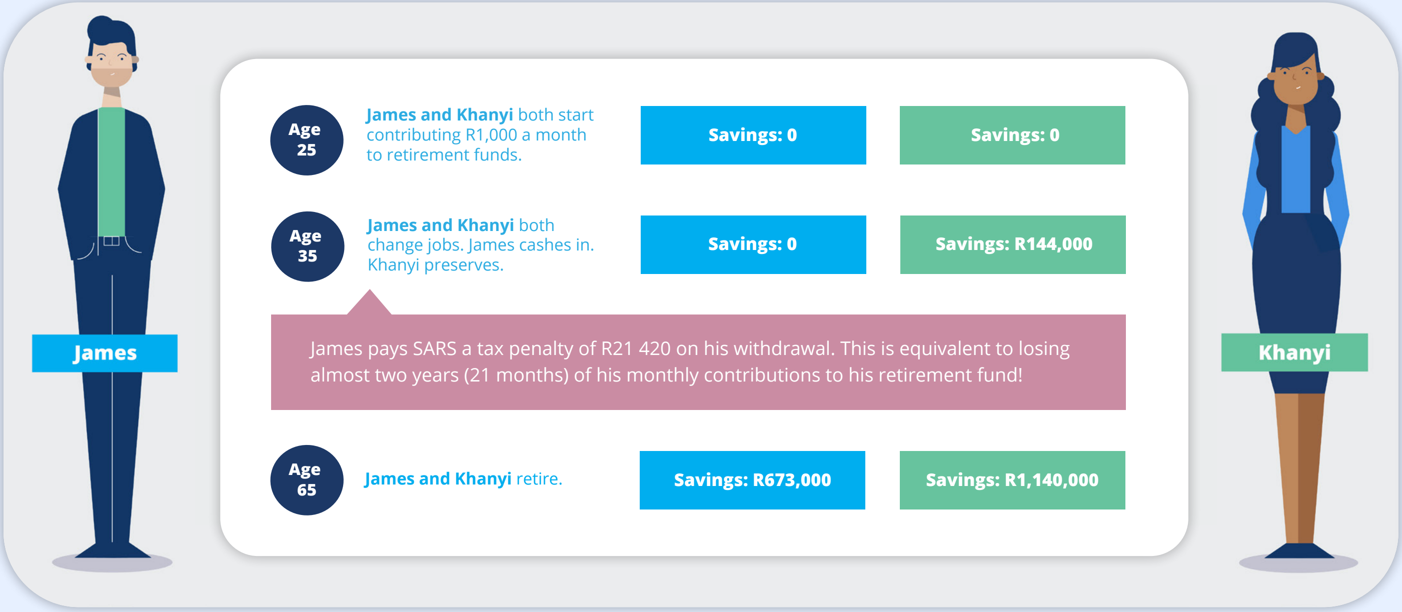
Yet, the proportion of people who said they had cashed out their savings when they had a chance to suggests otherwise. Last year, just more than half of those people who had left these corporate schemes (16% of respondents) had cashed out their savings. By this year, of the people who left their employer's corporate scheme (again, 16% of respondents), the percentage has grown to 62%. Unfortunately, this number continues to move in the wrong direction.

A much better choice would have been to take their savings to their new employer's fund or ringfenced them (and the associated tax benefits) in a preservation fund. People seem unaware of how much they really lose by cashing out their retirement savings along the way.

Understandably, given current economic hardships, many fund members who lost their jobs are more worried about surviving and providing for their families than about what they might have at retirement.

Covid-19 really highlighted how little cash reserves/emergency funds people had. When their income was suddenly reduced or wiped out altogether during lockdown their pension savings was their only source of cash. The lack of understanding about the effects of taking this money out early makes it seem an easy and obvious point of call.

When changing jobs, retirement savers have the option to preserve their savings, either within their current retirement fund or to transfer them tax-free to a new employer's fund or to a preservation fund or retirement annuity fund. However, many members opt to cash out their benefit, which is subject to tax. This severely dents the odds of them achieving their retirement goal as they lose out on compound growth on their savings.

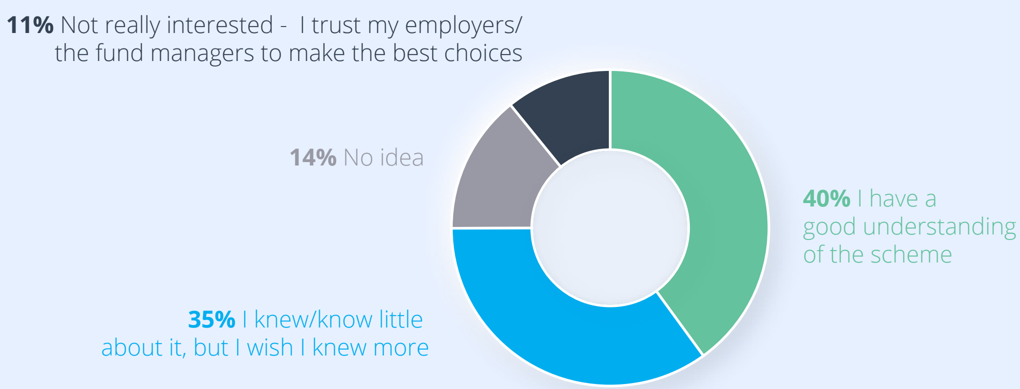


Many are also unaware that there is the option to take a portion as cash and preserve the remainder. Beyond that, they are allowed to make one more – full or partial – withdrawal before retirement age. Many people intend to use only a small amount of the cash, but take the whole 100%.

Statistics from the wider retirement savings industry suggest that the national average is, in fact, significantly higher than the 62% of respondents in this survey who claimed to have cashed out when exiting a fund.

Cashing out retirement savings when changing jobs is one of the classic retirement saving mistakes. Cashing out means starting again from the beginning and, far more damaging, losing out on the compound growth on those early savings, which, over periods of 20 or more years, usually makes up the larger portion of accumulated savings.

What is your level of knowledge about your corporate retirement savings scheme?



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Respondents who at some time belonged to a corporate retirement savings fund were asked about their level of knowledge about the scheme. Of the more than 60% who said they knew little or nothing about the fund, 11% said they weren't interested in knowing more, but 35% said they wished they knew more.

The fact that the majority of respondents know so little or were not interested in knowing anything about their fund shows a worrying lack of engagement with corporate retirement funds. This could be due to a lack of proper communication from the employer and/or fund to the members. It could relate to the complexity and lack of transparency in many corporate scheme offerings. It is quite likely some combination of the two as well as the fact that retirement saving is just not a priority for many people, especially for those who are younger. Joining a fund is just another form to fill out, or an agenda item of an induction session on a long list of boxes to tick when starting a new job.

This data highlights that most members of retirement funds are poorly informed and/or ill-equipped to understand their retirement funds. This effectively disempowers these members, who frequently distance themselves from aspects of their fund they do not understand and, in so doing, also abdicate any responsibility for the outcome. These two factors are mutually reinforcing: the more complex the fund seems, the less likely it is that the members will engage.

Presuming that their employer has done the due diligence for them, many people question why they should bother, as evidenced by the 11% who said they were not really interested because they trusted the employers and/or fund managers to make the best choices.

The bottom line is that it is every individual's responsibility to take care of their own retirement savings plan. This is increasingly important in the modern world, where the average career includes jobs at multiple employers.

There is less individual choice for members of a corporate fund than in a retirement annuity as the employer will make some of the big decisions in the interests of all members. It is important for members to make the most of the choices and opportunities they are given, which should ideally allow them to align their investment strategy with their own retirement savings goals based on their own retirement savings plan. To maximise the benefits of membership they will need to know the goals they are targeting, in terms of their desired income replacement ratio and what is required to achieve it.

Regulations that came into effect in March 2019 made it compulsory to provide counselling to members who are leaving a fund, in terms of the choices – and the effect of these choices – available to them (preserve with the existing employer, transfer to the new employer's fund, preserve savings in a preservation or RA fund, or cash out, in whole or in part).

In light of this, it is, perhaps, a little surprising that more employees are not engaging with the many and various simplified, low-cost options available in South Africa today.

10X Investments' free, downloadable **South African guide to corporate retirement funds** covers all that members need to know, to make the most of their corporate fund.

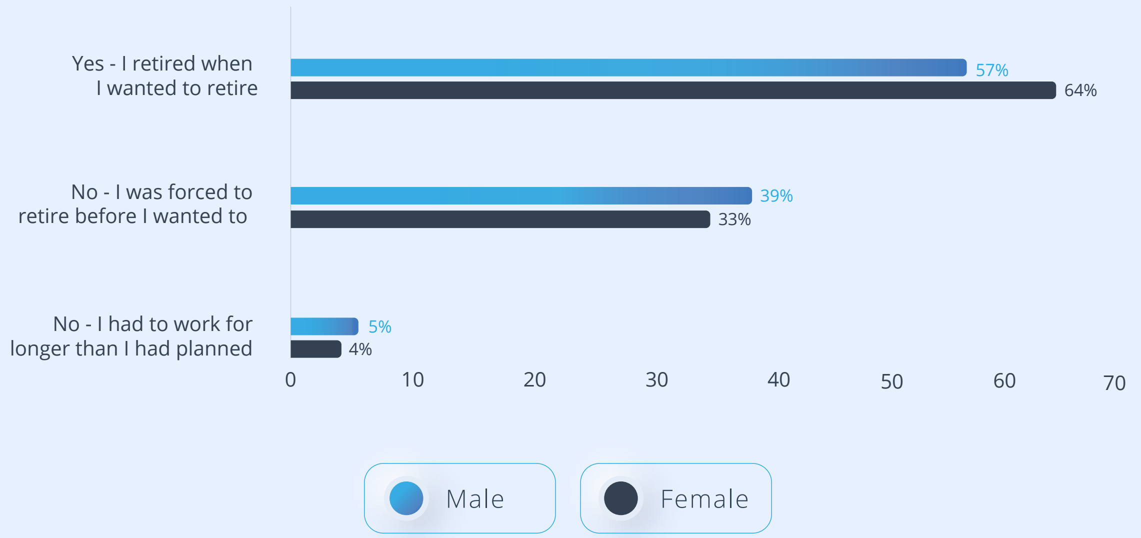
Download e-book

Chapter 5:
Retirement: A carefree life or a punch to the gut?

For most, retirement is a vague concept that looms in the distance, mostly ignored and rarely in focus, until suddenly it is upon them. A longed-for moment for many, the eagerly anticipated unshackling from fulltime employment and the prospect of more leisure time can quickly be overtaken by worry and a sense of futility, brought on by a lack of routine, of purpose and adequate income. In the end, much of the longed-for free time is spent fretting about unexpected bills and money management.

But it does not have to be that way, at least not the financial aspect. A properly thought-through retirement savings plan put in place early in a working life and revisited and adjusted annually would make retirement a very different experience for most.

Did you retire on your own terms?

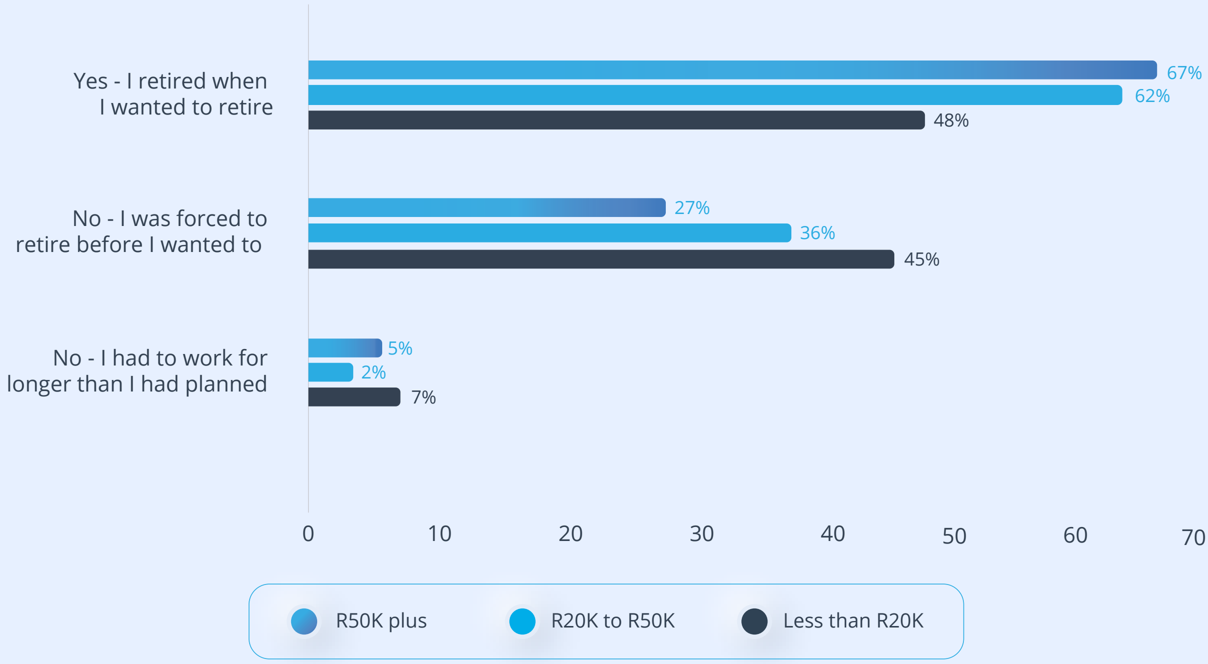


In an ideal world we would all be happy to hand over the reins and step into retirement when the time came. In reality, many of us will have to work longer than we would like, while others will be forced to stop working before they feel ready, psychologically or financially.

Of survey respondents who had retired, 59% said they retired when they wanted to retire, while 37% were forced to retire ahead of time. Just 4% said they had to work for longer than planned.

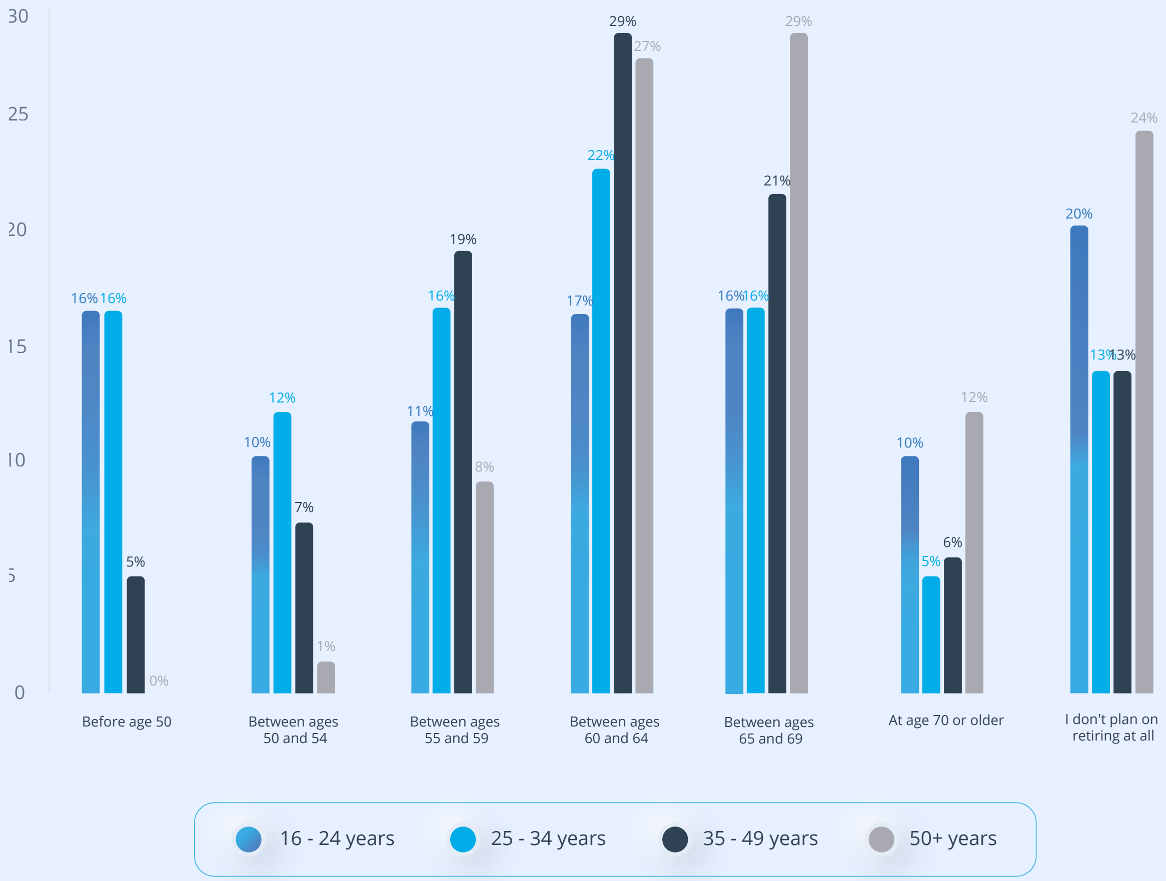
It is not clear how many of those people who were forced to retire early were surprised by the news.

Did you retire on your own terms?



One thing that these Retirement Reality Reports make more clear every year is that one of the biggest problems around retirement planning, or the lack of it, is unrealistic expectations. The following graph indicates when people expect to retire, according to their current age group. It suggests that retirement planning for most people is a nebulous, even fantastical thing, a problem for another time. A few people will strike it lucky and find their way to a decent retirement with little to no planning; most won't.

At what age do you plan on retiring?

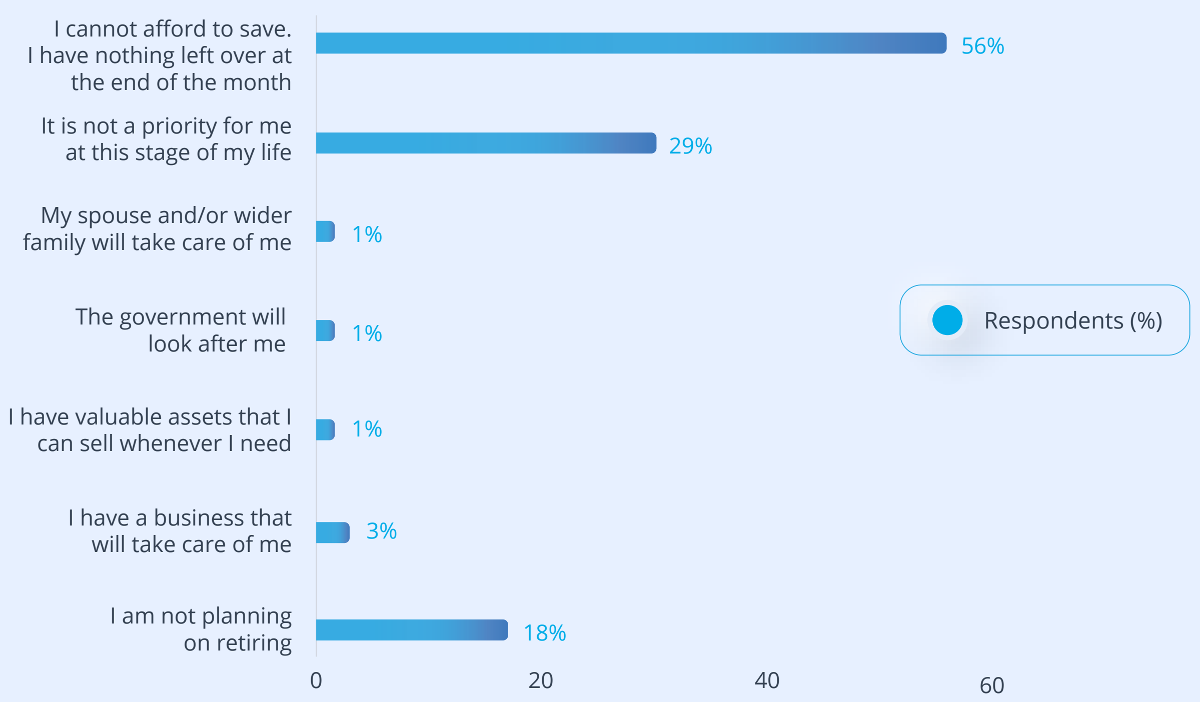


It is striking that whereas some 40% of respondents under 35 believe that retiring below age 60 is achievable, only 9% of over 50s believe they can retire before age 60. In the same vein, whereas among the younger cohort (between ages 25 and 49), on average, only 37% expect to work past the age of 64, among those 50 years and older, more than twice as many (69%!) have wised up to their retirement reality and plan to retire at age 65 or older. Both sets of expectations seem unrealistic in a country like ours.

It is also likely to ripple through other levels of society, where high levels of unemployment mean that each working person frequently supports many others. In fact, already 68% of survey respondents said they had others who were at least partially dependent on them.

Chapter 6:
The road to ruin ... not saving

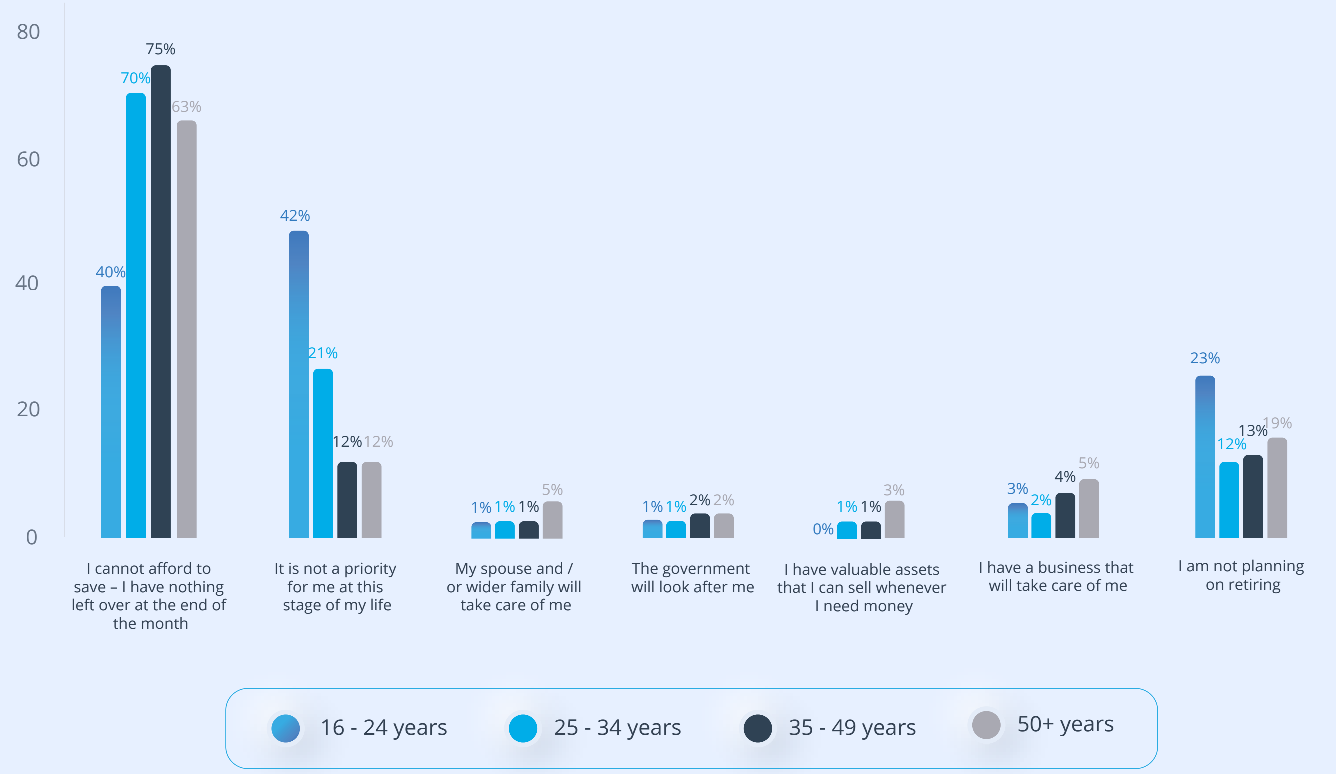
Why do you not have a retirement plan?



Disturbingly, 18% of respondents fail to save because they have no plans to retire. While this is a commendable sentiment, it is, of course, not entirely up to them. No one is, by force of will, immune to ageing, incapacity or redundancy. If it were otherwise, there would also be no need to take out medical insurance as no one plans to get sick. Saving for retirement is effectively that: insurance against outliving our working life.

For the majority though, the issue is not one of hubris, but of economic hardship: slightly up on last year (56% versus 55%), they feel they cannot afford to save for retirement. A reduction in the number of people saying retirement saving was just "not a priority" at this stage of their life – down from 36% in 2019 to 29% this year – is hopefully a sign there has been a positive shift in attitudes towards retirement saving.

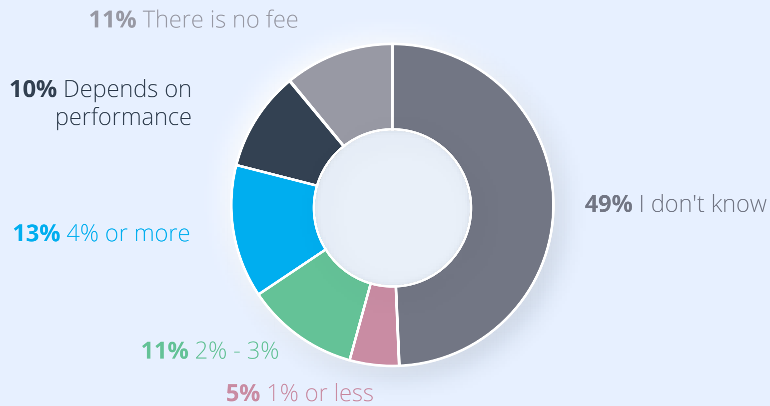
Why do you not have a retirement plan?



The data shows that many South Africans prioritise their current lifestyle, at great expense to their future selves. It is a terrible trade-off because what they might gain in the short-term (5-10% more take-home pay) is dwarfed by the prospect of a 50-90% decline in lifestyle post retirement. That, invariably, is what happens when people leave their saving too late, or don't save at all.

The road to ruin ... FEES

Fee paid in total for current retirement annuities



Percentages may not add up to 100 due to rounding

High fees are a contributing factor in South Africa's retirement crisis. Seemingly small regular charges against savings compound to leave a large hole in people's pensions. For example, in the context of a consistent 40-year savings regime, someone paying 3% in fees rather than, say, 1% pa, receives almost 50% less money at retirement.

A lack of clarity on the part of many financial service providers invariably results in investors being unaware of the long-term fee impact, or exactly how much they pay in fees. Year-on-year, the number of people who do not know how much they are paying remains more or less the same at 49% (last year: 50%).

Fortunately, the number of respondents who believe they are paying no fees whatsoever has decreased, from 16% in 2019 to 11% in 2020. This increased awareness around fees is heartening, yet the fact that even more than before say they are paying upwards of 2% in fees (24% of people, up from 21% last year) is a sign that investors still have some way to go in understanding the detrimental effect of compounding fees.

The average policy-based RAs sold by the large insurance companies in South Africa cost close to 3% pa, made up of around 0.75% for advice, 0.25% for administration, 1.5% for investment management and 0.4% for Vat. Even though there are low-cost alternatives on the market, charging less than 1% pa and delivering similar or even superior performance, it is a bit of a shock that the industry continues to sell the more expensive versions … and get away with it.

In conclusion: **if only youth knew, if only age could**

It is long-established that the great majority of South Africans face a bleak retirement, financially at least, and nothing in our latest survey suggests that this situation is changing. As was the case last year, only around 6% of respondents felt comfortable with their retirement prospects.

Some of this is down to economic hardship; it is simply impossible to save without a minimum level of income. More than half the respondents indicated severe financial stress, which would make retirement saving difficult, especially during the current economic crises.

Beyond that, it is not just an income issue, though, because people in the low, medium, or high-income brackets are equally worried about making retirement ends meet. Rather, it is a savings problem that is rooted in the widespread lack of retirement planning, which in turn manifests hubris and unrealistic expectations, financial ignorance and ill-discipline, and disengagement from the funding process.

As Winston Churchill once remarked, plans are worthless, but planning is essential. 49% of respondents admit they have no plan, only 6% believe they are "carefully executing a thought-through plan". And whereas more planning will not immediately solve our retirement crises, it should dispel the hubris and unrealistic expectations and alleviate some of the financial ignorance.

Around 40% of respondents believe their retirement can be funded within 25 years, seemingly oblivious to the importance of compounding returns. This helps explain why more than 60% of members of corporate pension schemes cash in their fund on leaving their employer. And why for so many South Africans saving for retirement is just "not a priority at this stage", as though they can make it up later.

Realistically, they cannot. A savings plan that delivers a 60% income replacement ratio after 40 years of saving would replace only 30% of final income after 25 years. These people would have to save twice as much, to make up the shortfall. It would require a massive, and improbable cut-back to their accustomed lifestyle.

Along similar lines, two out of five respondents under the age of 35 expect to retire before age 60, oblivious to the fact that retiring early not only cuts into their saving years, but also adds to the years those savings must last.

These are all illusions that some timeous retirement planning (or basic financial education) early on in their work life would quickly dispel. But apparently the preferred route is to have those illusions shattered by reality.

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