Challenges Trends Opportunities

Institutional Insights

Sanlam

Investments

welcome

retirement is…(dead?) ahead

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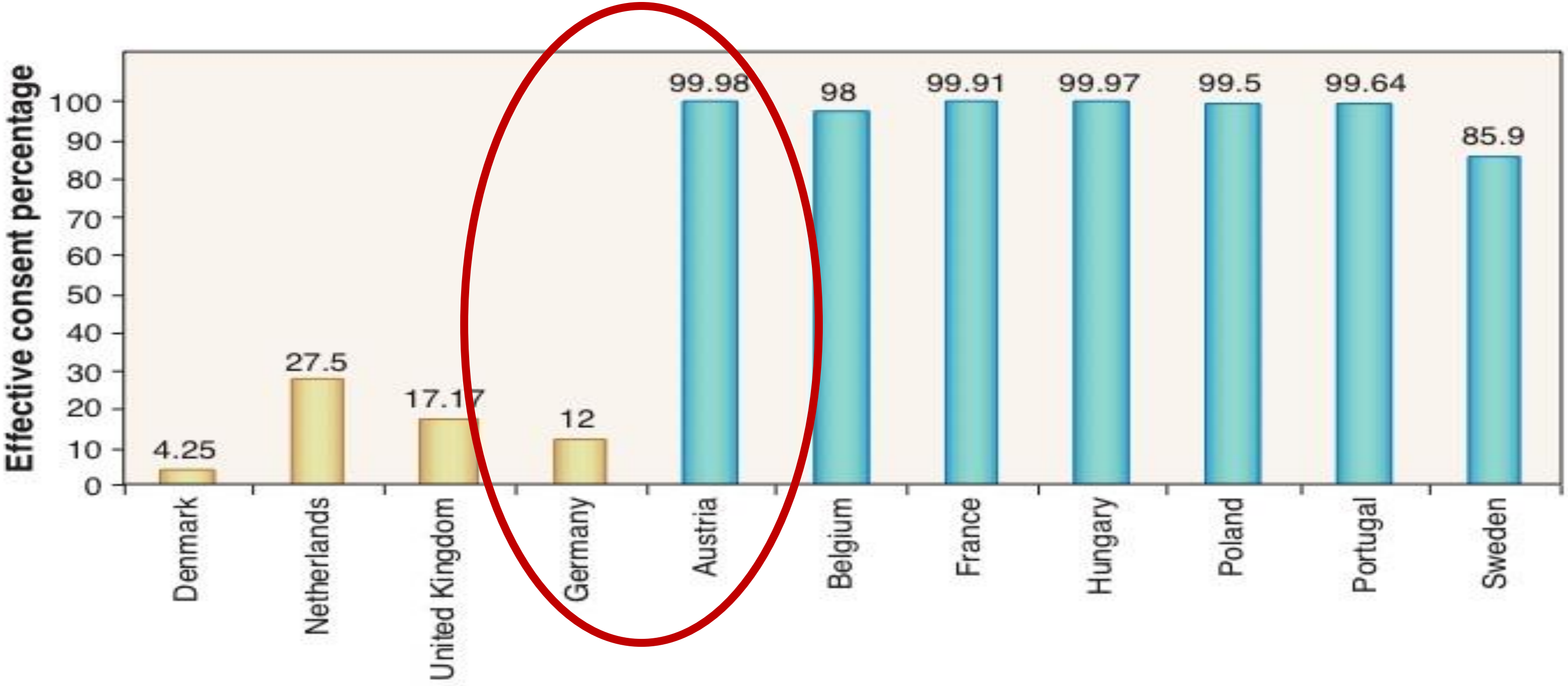
retirement is…(dead?) ahead

dead (?) only if…



Effective consent rates, by country. Explicit consent (opt-in, gold) and presumed consent (opt-out, blue).

who among us…

… Is
Homo Economicus?

… and not
Homer Economicus?

(U.S.) retirement overconfidence

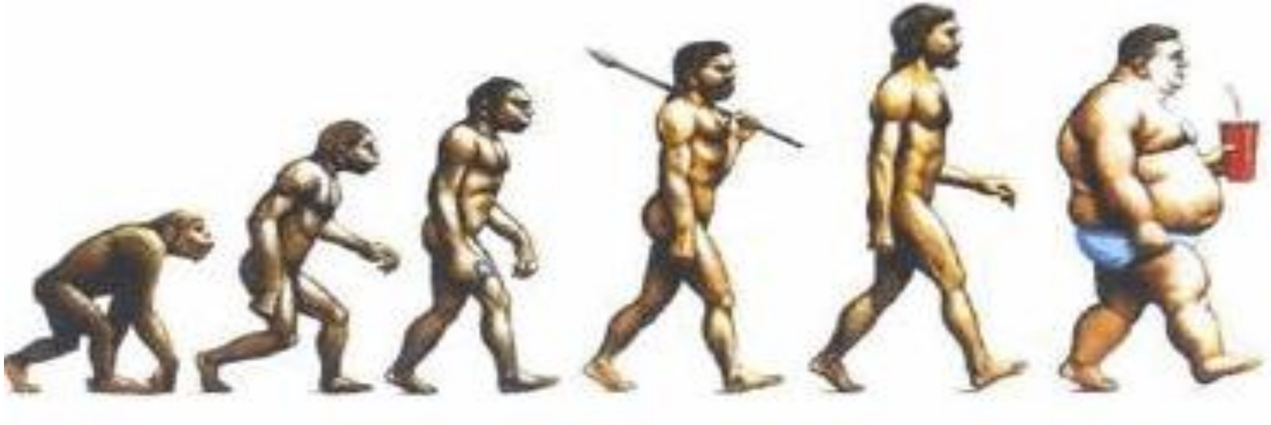
- Having enough for retirement, worker confidence is 55%
- Of those, 18% were very confident; however
  - 15% were not saving
  - 23% had < $50k saved
  - 39% had never estimated how much they will need
- Of the non-savers, 26% were confident
- 57% expect a (private) pension… yet only 31% have accrued benefits in an
- Employer pension plan

Design success…

Leverage Defaults

1. 0%, 3% or How much – to start vs. overtime?
2. Life Cycle or Active Balanced (LCvAB)
3. The BIG challenge: Accumulation versus Lifetime Income (DAvLI)

savings is NOT natural

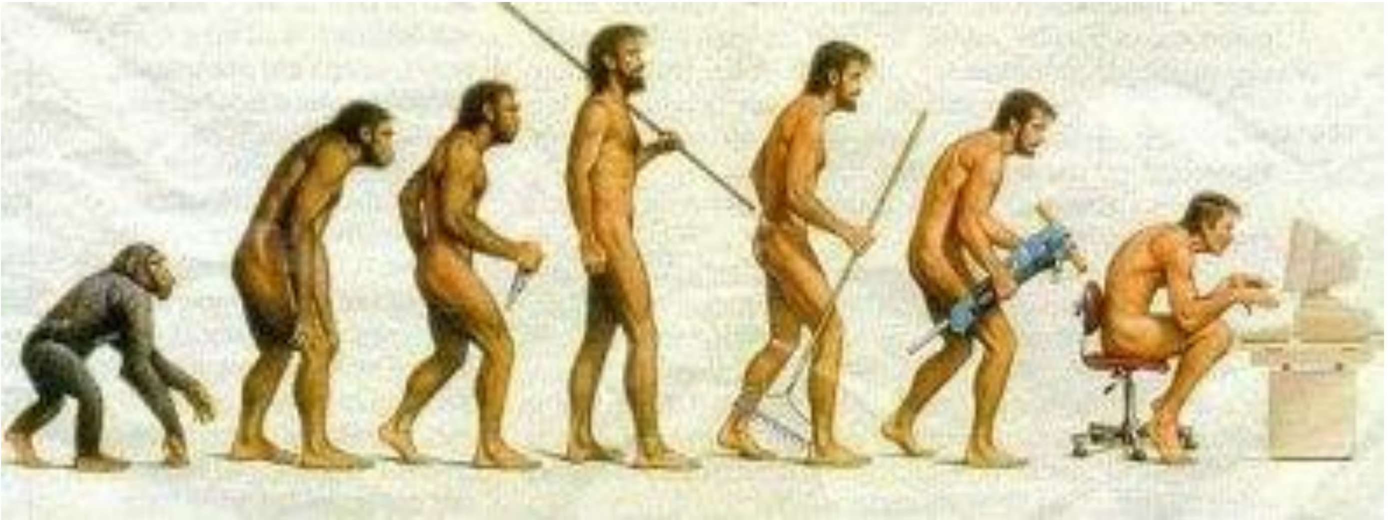


0%,
3%
or
?%

Participation & **Escalation** defaults overcome:

- Status Quo bias
- Hyperbolic discounting
- Self-Control bias

NOT everyone has the… time, desire or existing knowledge



LCvAB

Professional portfolio management avoids (?):

- Loss Aversion
- Recency bias / Regret bias
- Choice Overload

NORMATIVE!

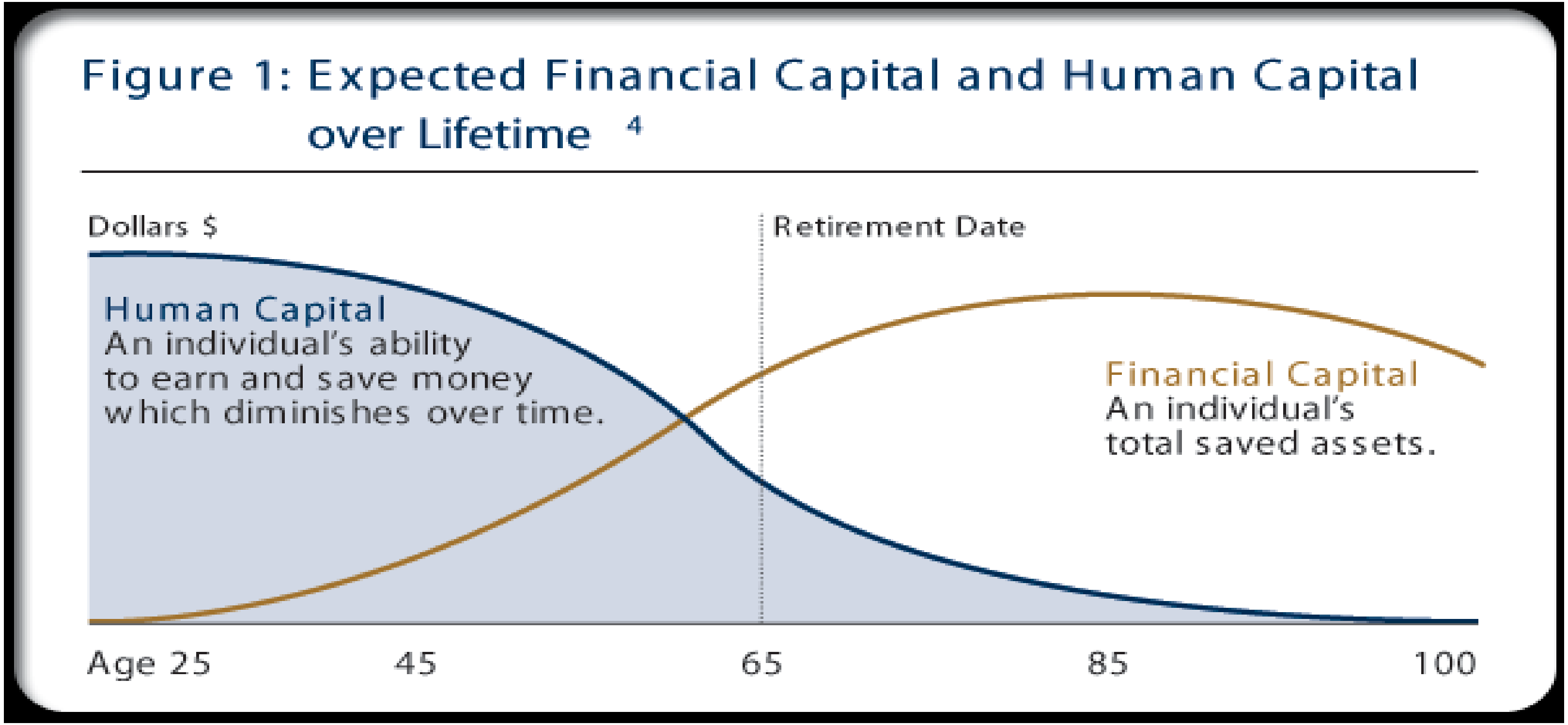


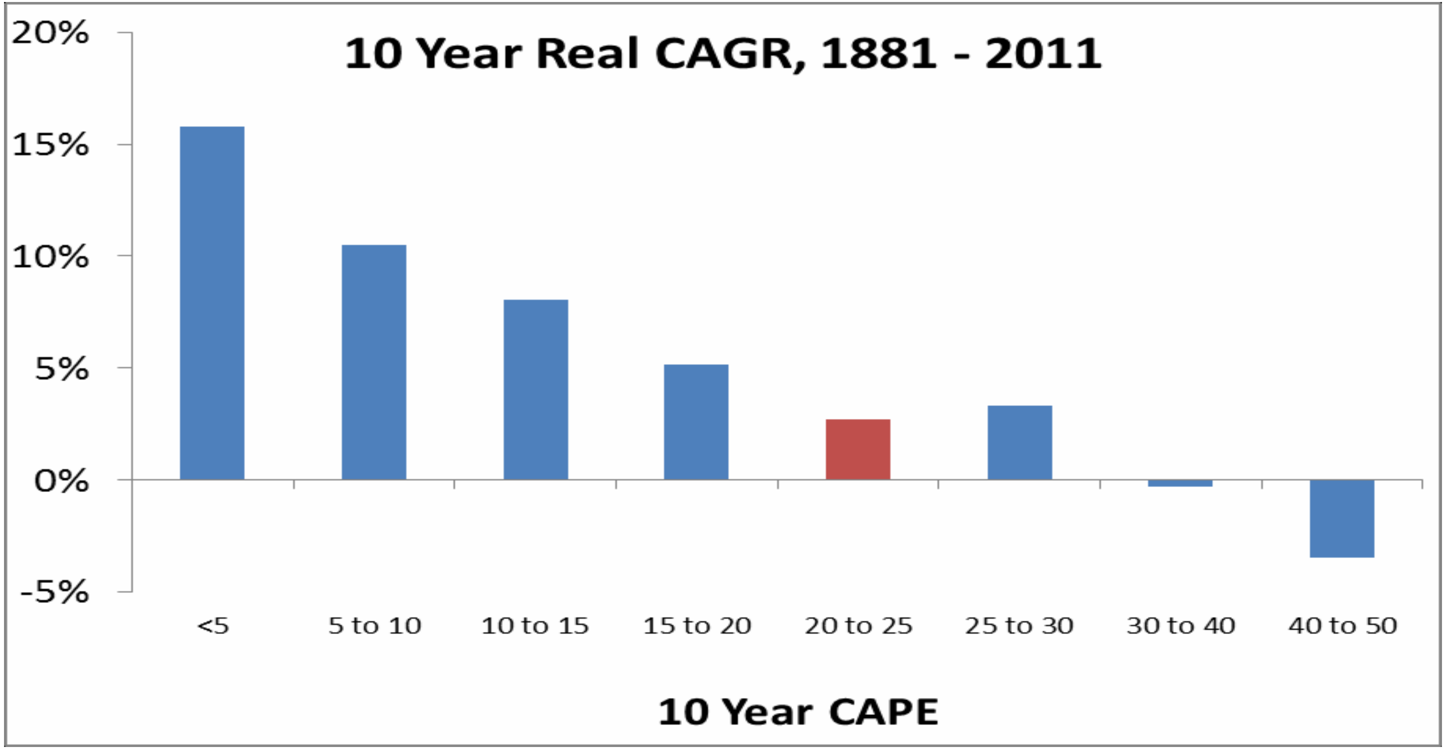
Figure 1: Expected Financial Capital and Human Capital over Lifetime [4]
Dollars $
Retirement Date
Human Capital
An individual's ability to earn and save money which diminishes over time.
Financial Capital
An individual's total saved assets.
Age 25
45
65
85
100

Positive please!

“Changing the asset allocation in a portfolio solely on the basis of the member’s age is complete nonsense… there is no correlation between the age of a pension plan member and how the market behaves.”

- Normative needs
  - Savings or a strong, sustainable safety net (SSSS)
  - Lucky birthdays

when & why (to buy or not to buy)



the big challenge… LI?

DAvLI

- Income ≠ accumulation
- Pooling risks offers 20%+
- But, but… ?
  - 50-year + contracts
  - SSSS issues
  - Portability problems
  - … It's personal!

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- and a partner and the chief strategist for Mauka Capital, LLC a global macro limited partnership. Formerly, he was the CIO in charge of manager due diligence and asset allocation for a multi-billion dollar advisory. His background includes extensive asset allocation research and portfolio development expertise along with a multi-faceted understanding of behavioral finance and retirement issues.
- Mr. Falk is also part of the CFA Institute's Approved Speaker List, was a contributing member in the Financial Management Association's (FMA) practitioner demand driven academic research initiative (PDDARI) group, the Vice Chair of the Plan Sponsor Council of America's Investment Committee and has taught for DePaul University in their Certified Financial Planner (CFP) Certificate Program as adjunct faculty as well as on behalf of the CFA Society of Chicago in their Claritas program. He is frequently published and quoted in the financial press. He graduated from the University of Illinois with a B.S in Finance. He holds the Chartered Financial Analyst (CFA) and Certified Retirement Counselor (CRC) designations.
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