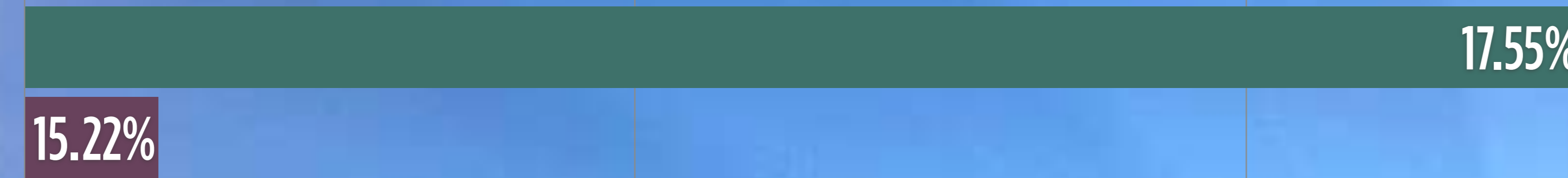


2015

standalone
umbrella



2016

standalone
umbrella



15.00%

16.00%

17.00%

18.00%



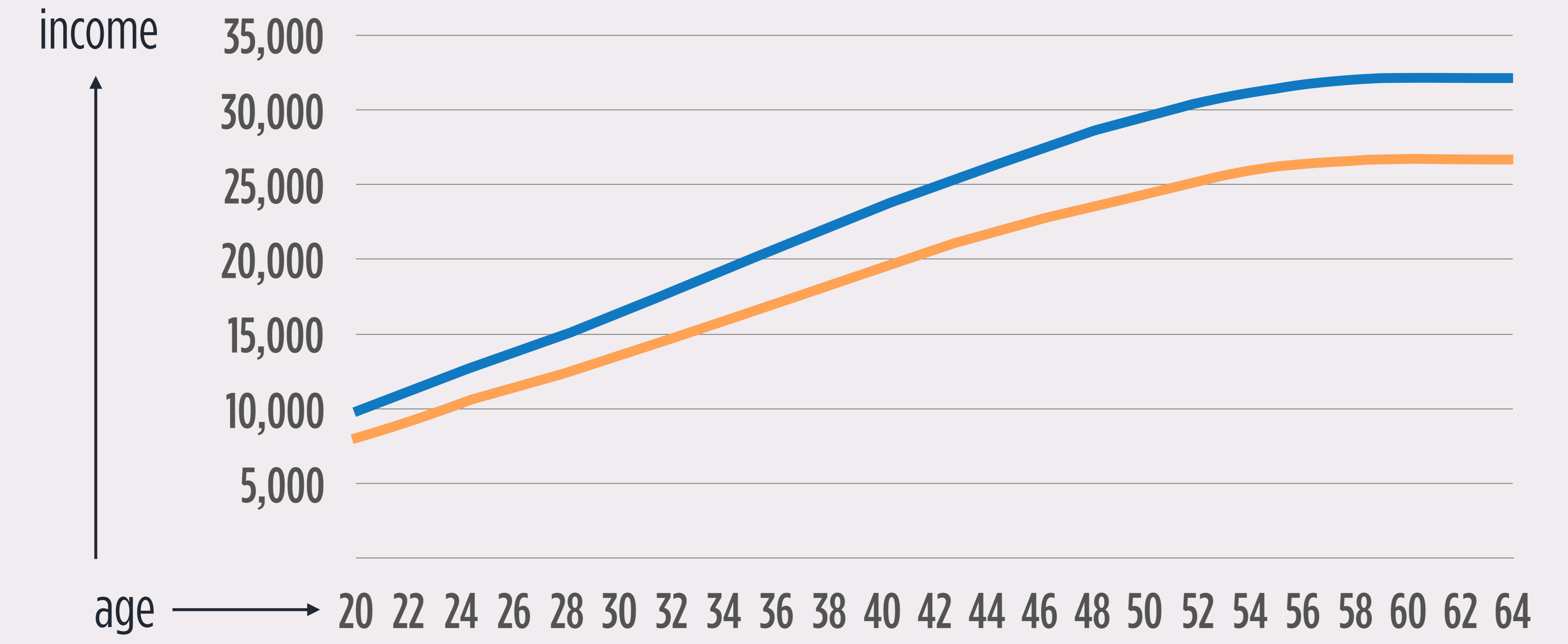
↑
contribution
rates

... smoothest spread of income



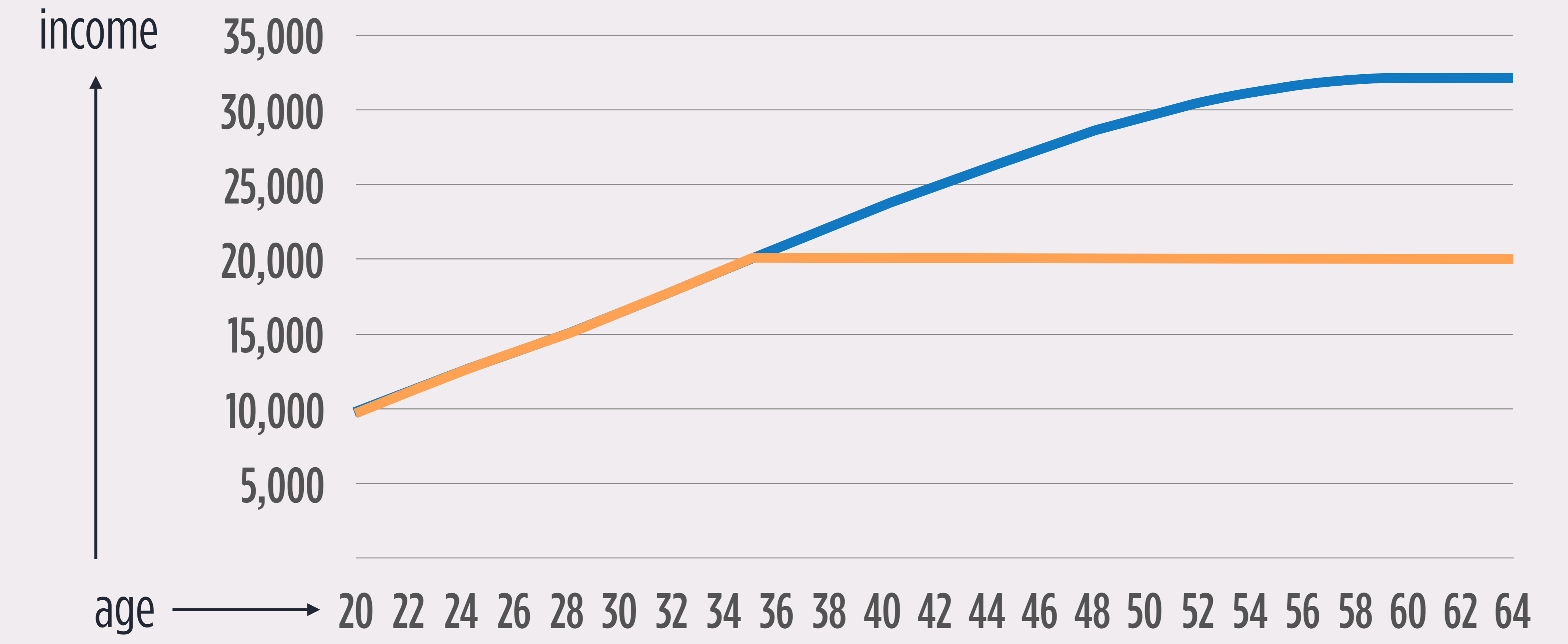
traditional savings profile

- salary
- salary less savings



traditional savings profile

- salary
- salary less savings



traditional savings profile

- salary
- salary less savings

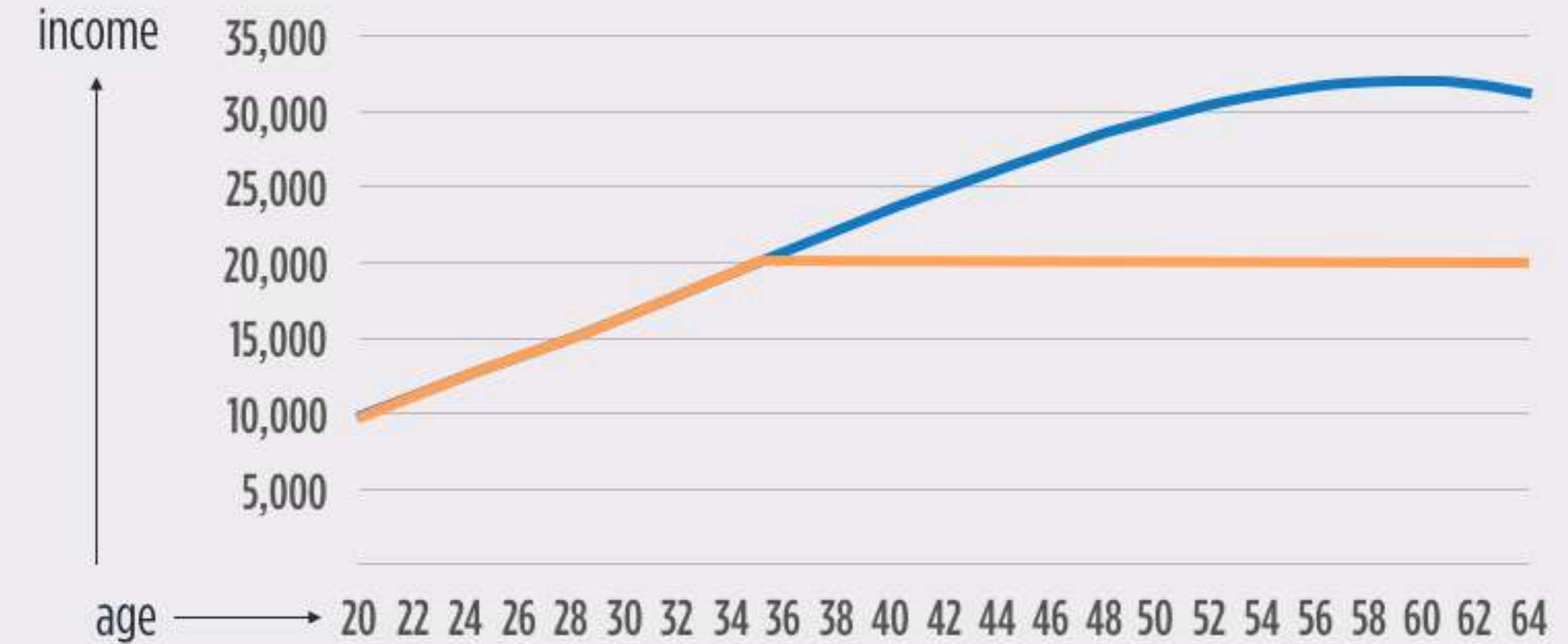
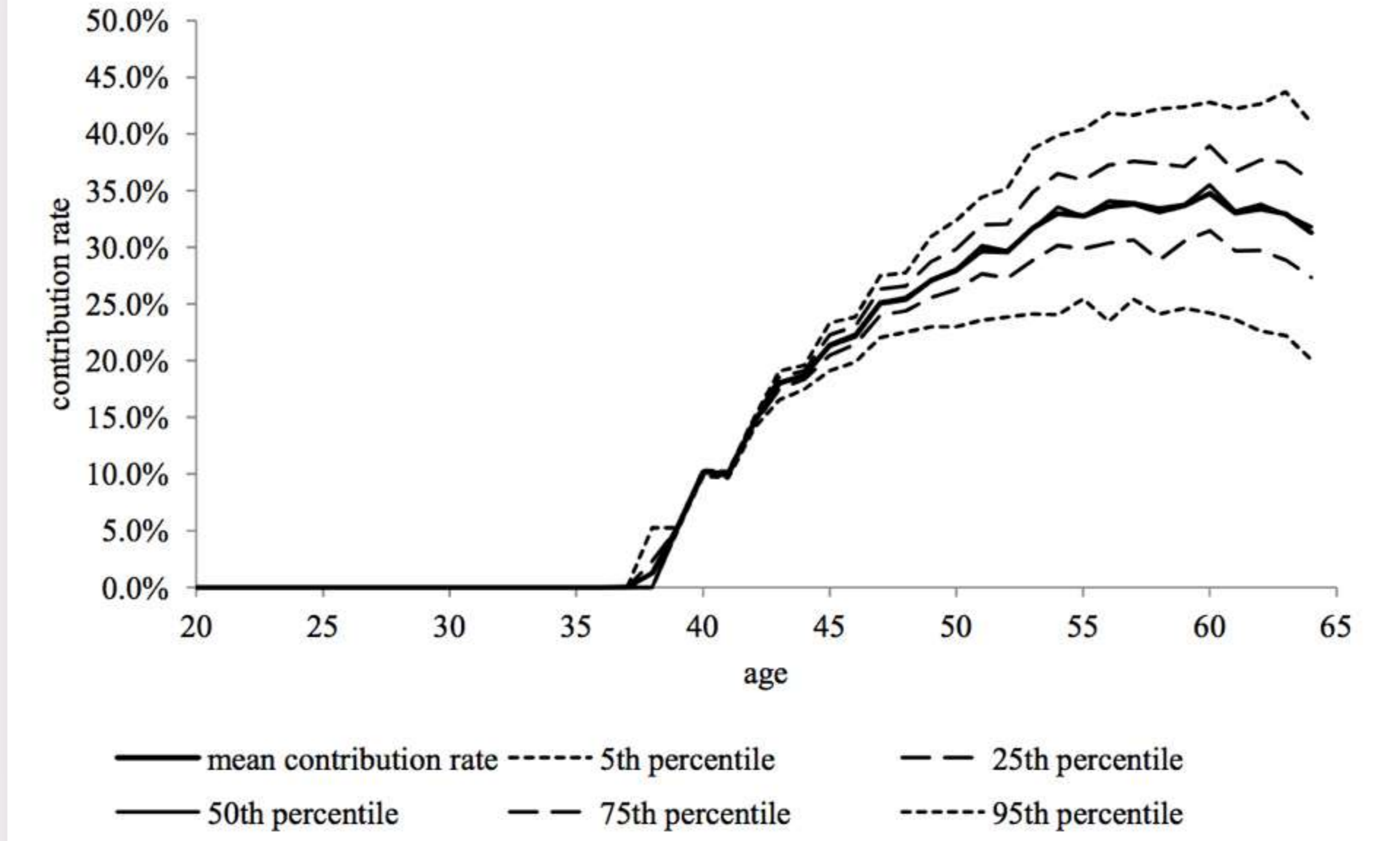


Figure 6 – Optimal contribution rate prior to retirement

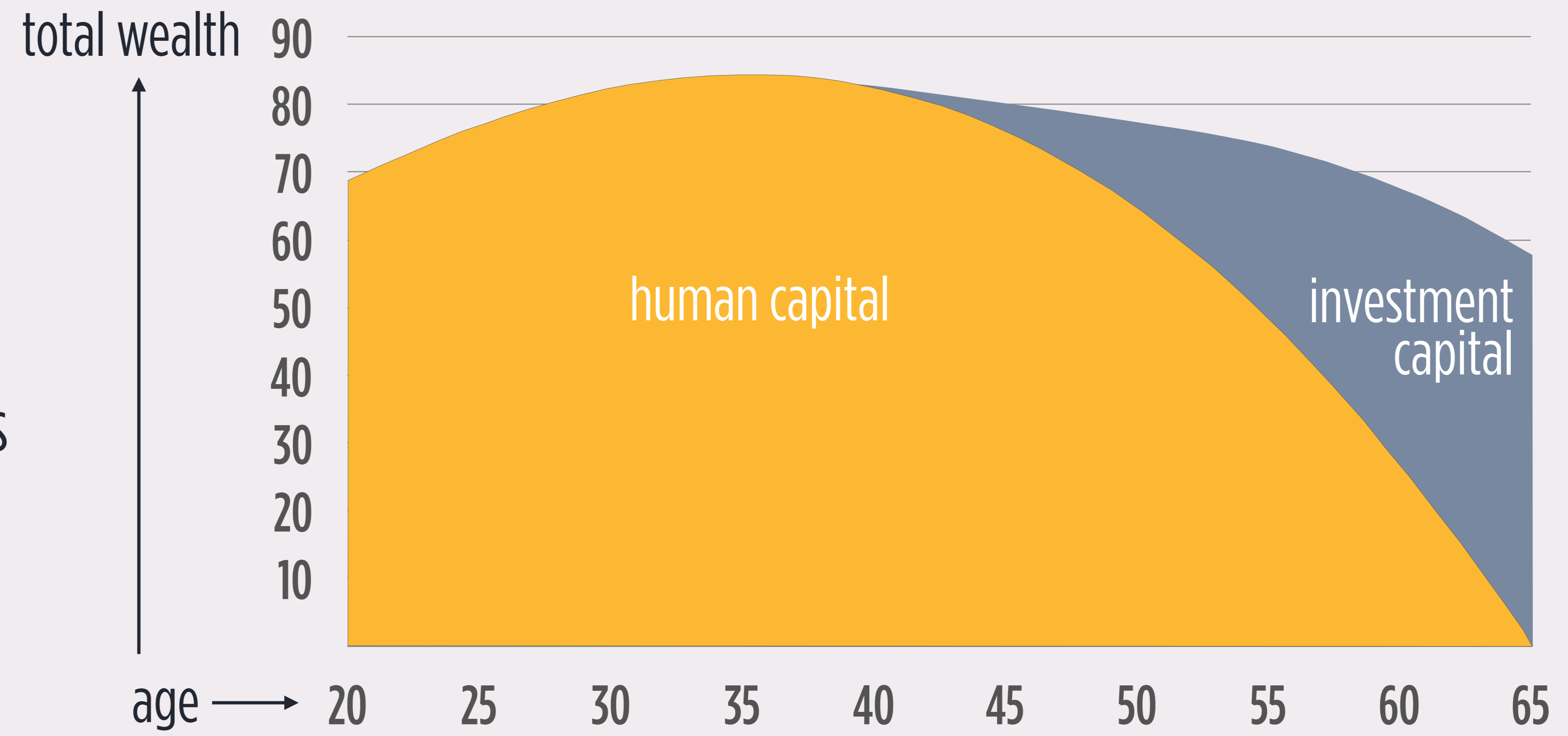


HUMAN CAPITAL

→ earn future salary

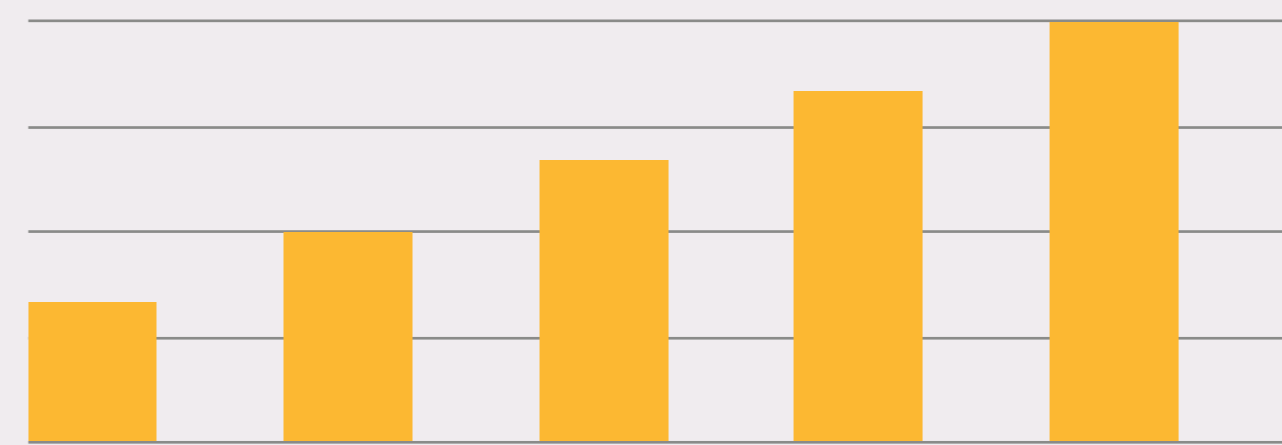
INVESTMENT CAPITAL

→ retirement savings



HUMAN CAPITAL

→ similar characteristics to an inflation-linked government bond

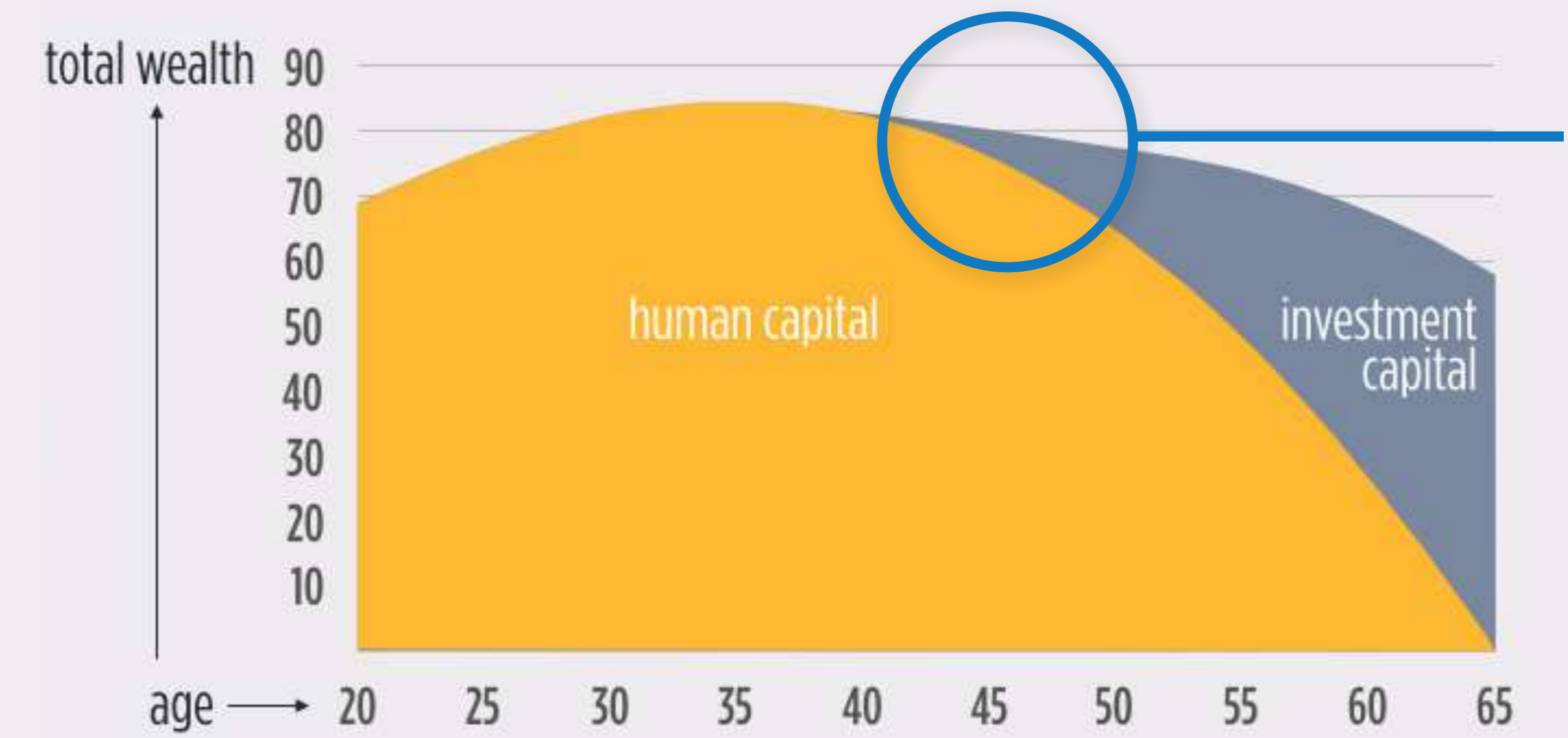


- predictable
- conservative
- 'safe'

INVESTMENT CAPITAL

→ retirement savings → to create 'balanced' portfolio

→ **100% in equities?**

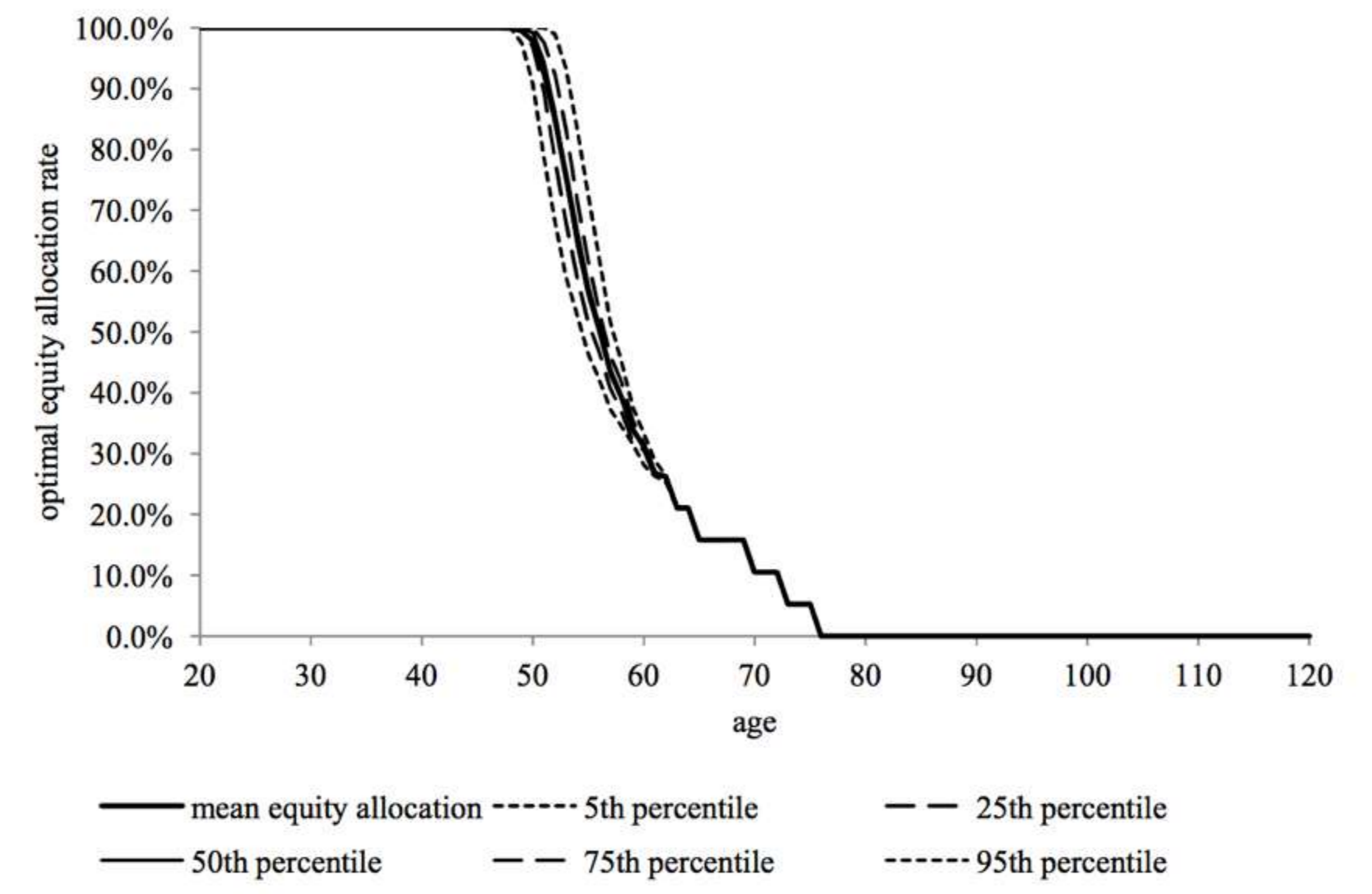


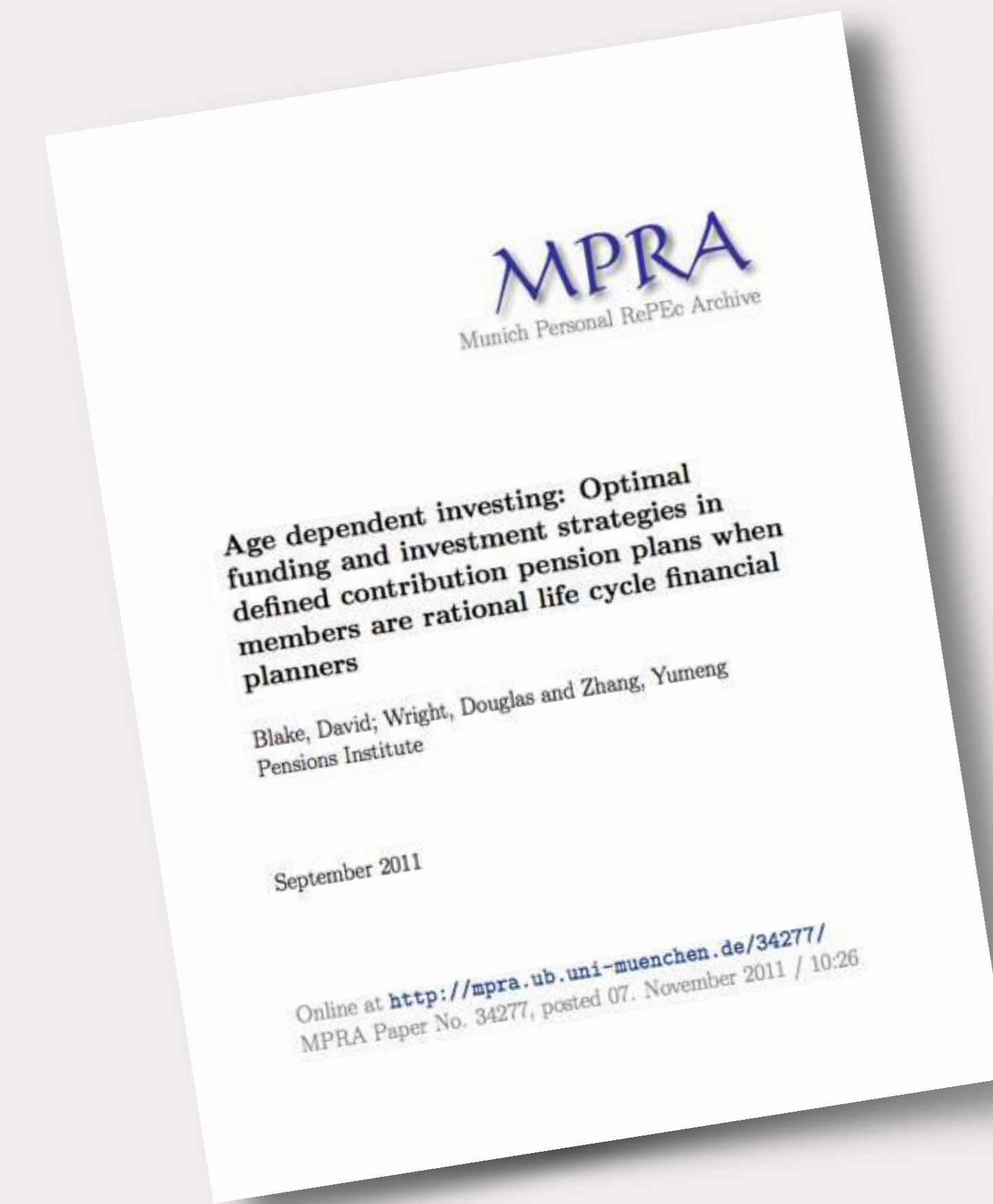
Human Capital starts shrinking in comparison to **Investment Capital**



start converting equities to bond assets (inflation-linked bonds)

Figure 5 – Optimal equity allocation





“ the secret to investing is addressing the right risk at the right time ”

EQUITIES →

addresses risk of insufficient return in the long term

INFLATION-LINKED BONDS →

protects the income that you can purchase after retirement

INFLATION-LINKED BONDS

convert

INSURED PENSION

report advocates converting **100%** into insured pension

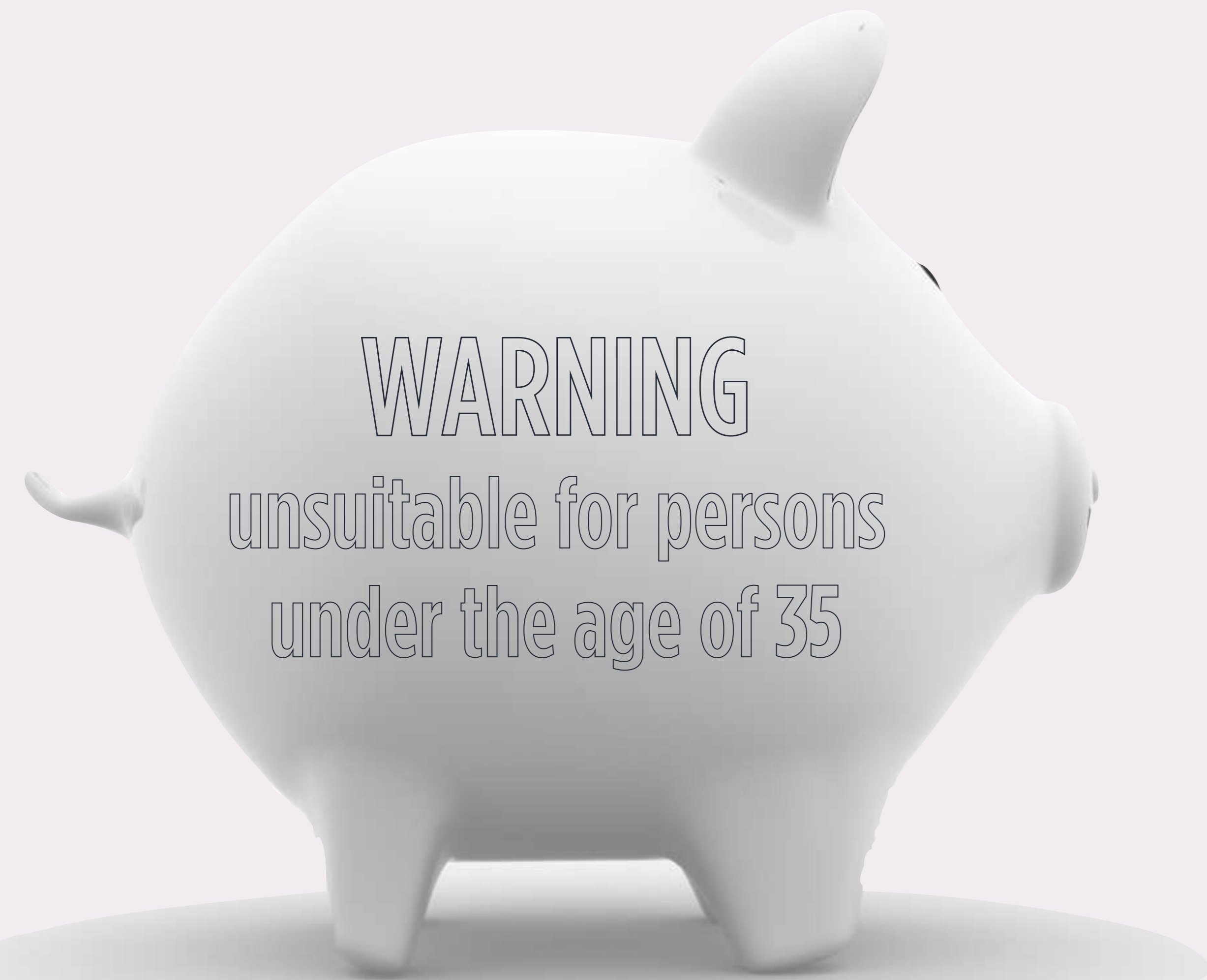
depending on risk profile, could retain **20% - 50%** in equities

EQUITY RISK PREMIUM

76

INSURED PENSION

outweighed by the cross-subsidisation benefit from being in an insured annuity



WARNING

unsuitable for persons
under the age of 35

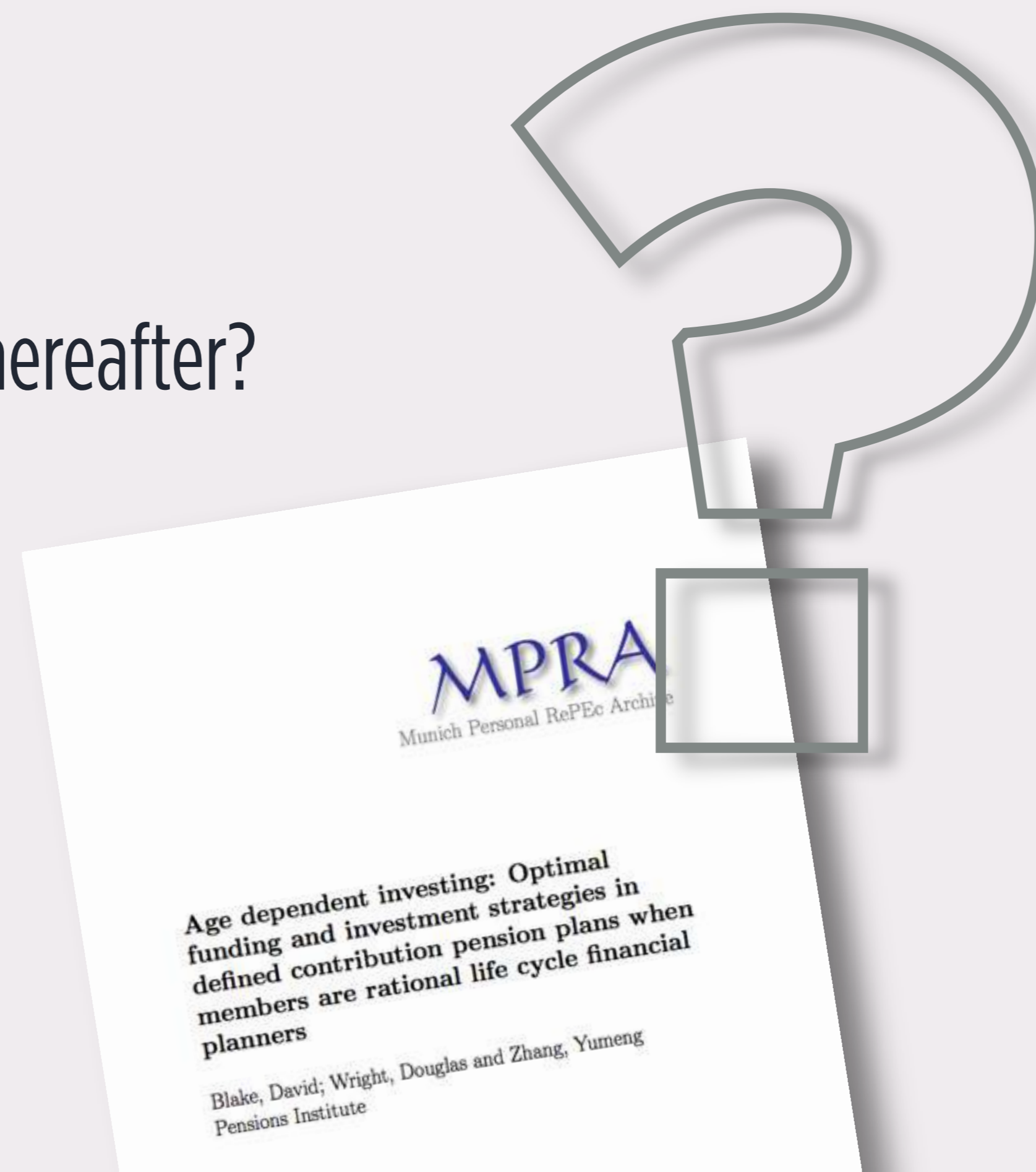
don't save until you are 35?

savings prior to 35, creates leeway thereafter?

tax deductibility only up to 27.5%

Rand value cap - R350 000

T-Day



regulation

28

- member education
- creating change

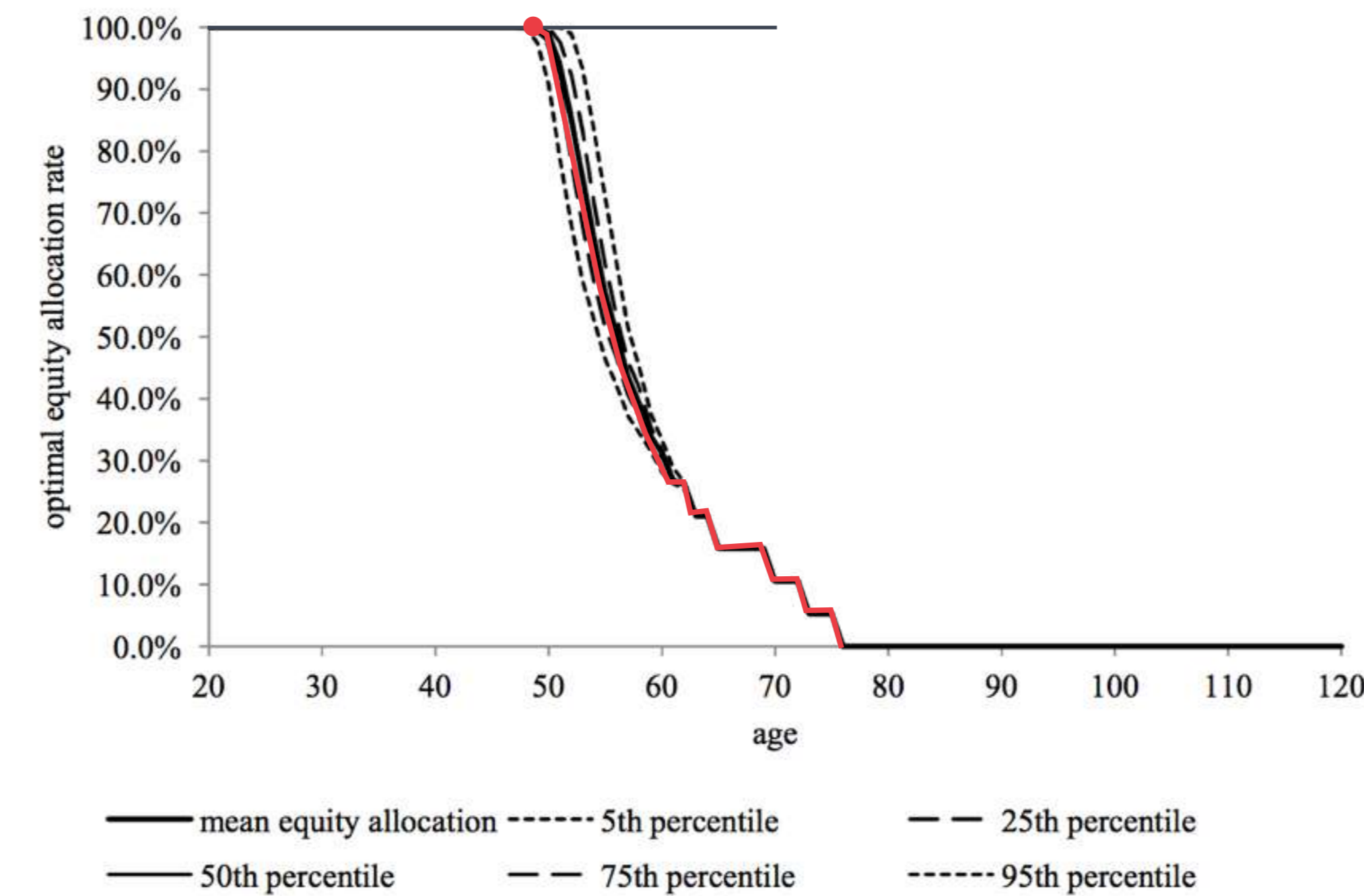
INSUFFICIENT FUNDS

live off less (cut your standard of living)

living annuity - deplete quickly
(dependent on your family / friends / state)

work longer - invest in equities longer
(aligned with phased retirement)

Figure 5 – Optimal equity allocation



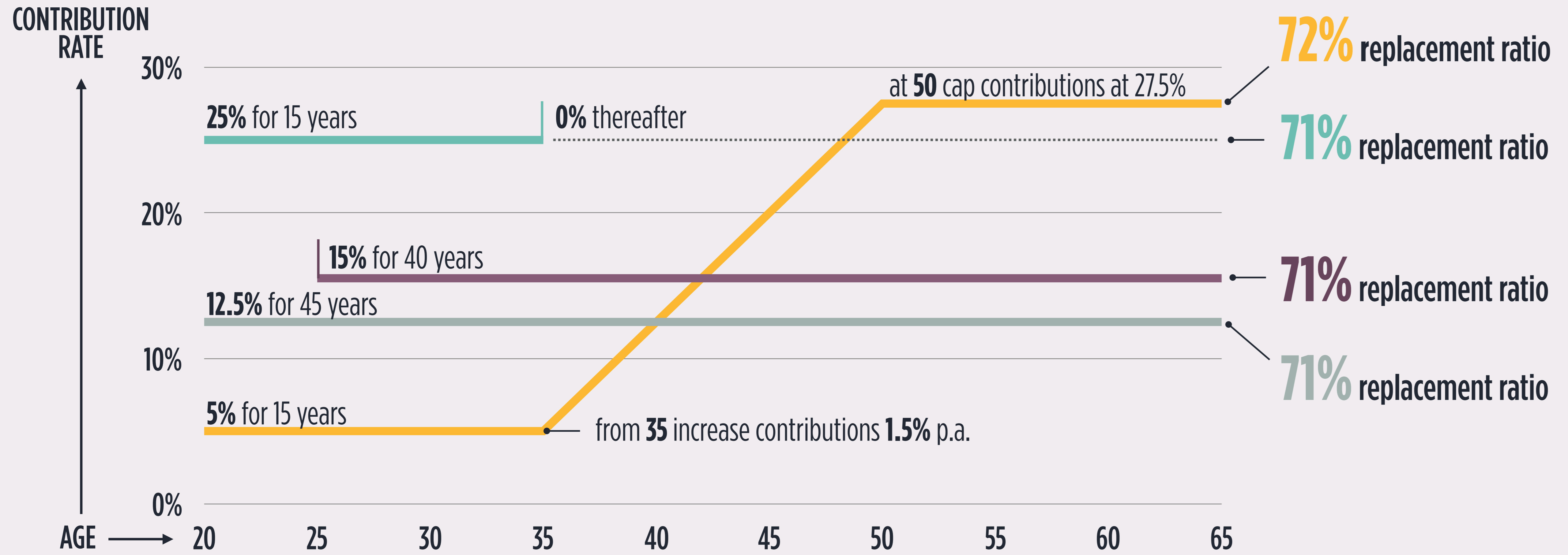


tailored strategy
per individual



complexity
- members
- administrators

PORTABILITY?

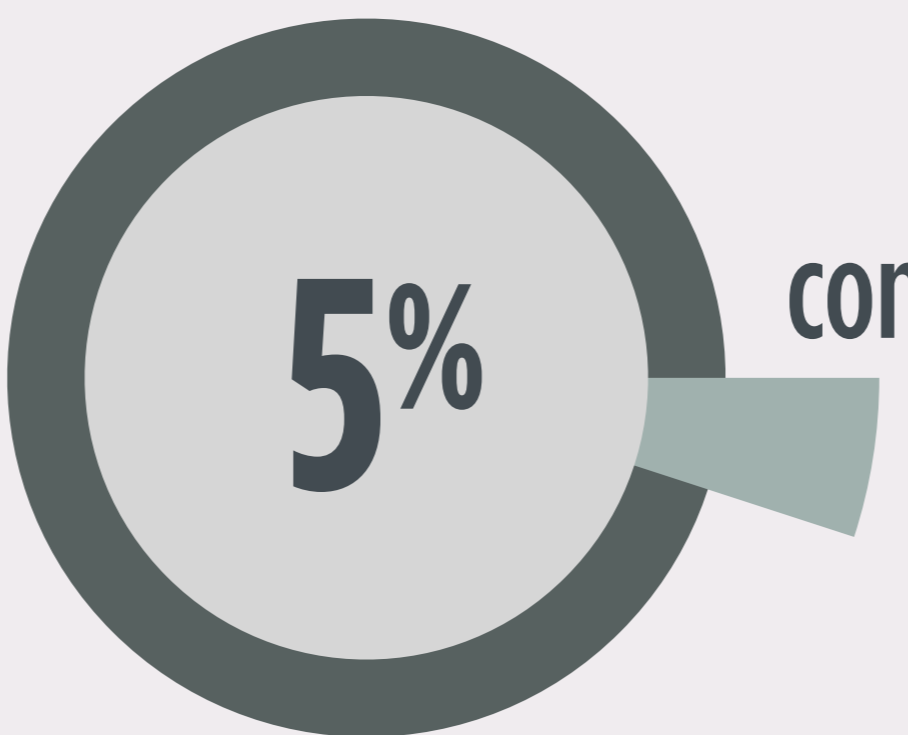
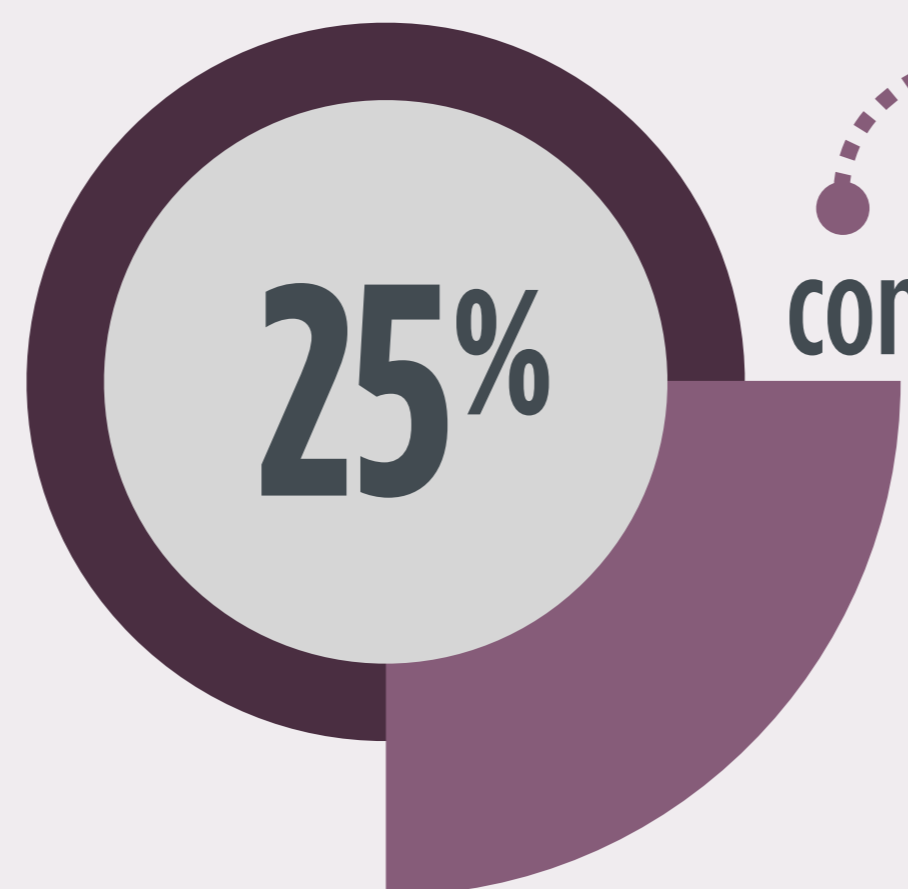


MEMBERS

DEFAULTS

RR target

both aged 25



more aggressive portfolio

contribution

contribution

inflation + 5%

return needed = inflation + 2.85%

return needed = inflation + 9.55%

121% NRR

75% NRR

15% NRR!

75% NRR

it's about the **journey** and the **outcome**

Lifestage strategies

timing of taking different risks

↑
highly appropriate

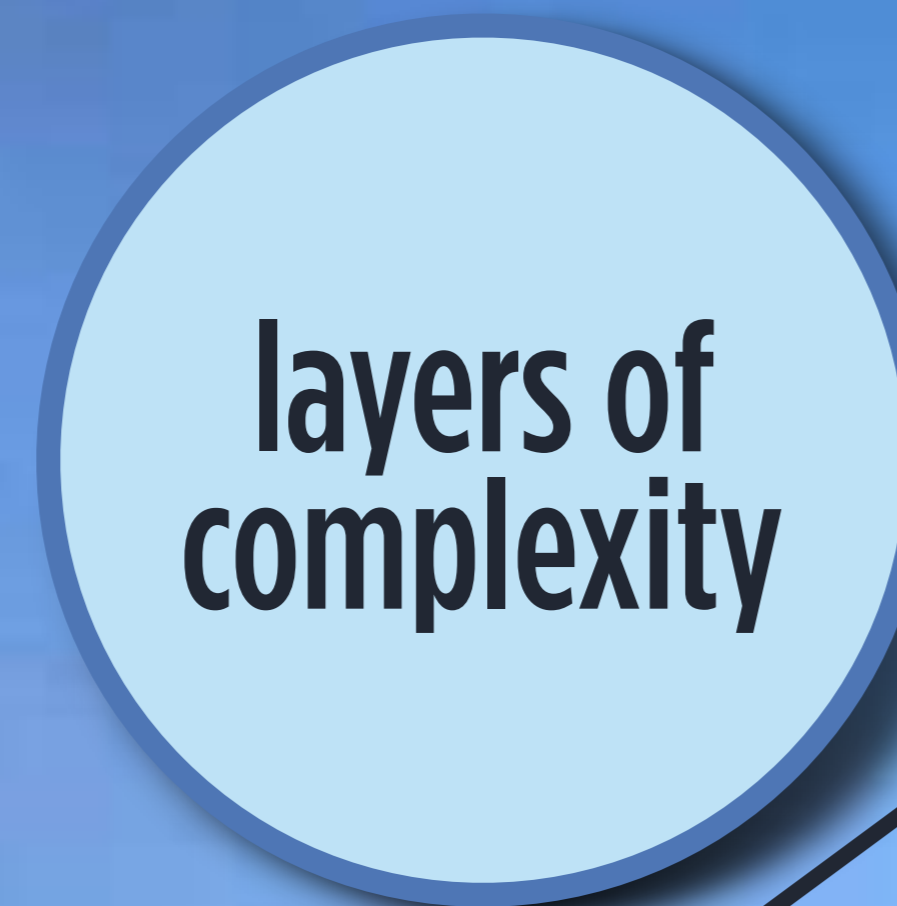
- not be exposed conservative strategy over the long-term
- ideally have access to “super-aggressive” portfolios in early years.
- Lifestage strategies should protect appropriately leading up to retirement
- investing in cash? - better ways to protect capital
 - with upside if the market returns are good
- investment in equities is for the long term
 - should not be used as source for consumption

even if REG 28 stays



↑
**important
building block**

← **could be used
in conjunction
with other
annuities**



↑
**defaults will
guide members**

- **contribution rates**
- **investment strategies**
- **annuity strategies**