

Appropriate defaults and member choice critical to successful retirement outcomes

Johannesburg: The Sanlam Benchmark Survey, released in Johannesburg today, has shown that while there has been progress in improving retirement outcomes, there is still much work to be done.

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"Saving for retirement as an explicit goal ranks as the sixth most pressing financial stressor among middle class South Africans. If we want to improve outcomes, we need to do so with the knowledge that it is not a 'top of mind' financial concern for most people," says Sanlam Employee Benefits CEO Dawie de Villiers. "An appropriate mix of default strategies combined with member choice within a framework of member empowerment tools is the best way to accomplish this."

The Sanlam Benchmark research, first conducted in 1981, provides an in-depth view into the dynamics of retirement funds in South Africa.

Noteworthy findings of the 2017 Sanlam Benchmark research include:

- Total contributions amount to approximately 18% of pensionable earnings on average;
- 40% of respondents allow members to select their own level of retirement funding contribution;
- Lifesage portfolios are the most popular default investment structure;
- 60% of respondents allow members to select their own investment portfolios from a defined list of options;
- 23% of respondents allow members to voluntarily increase their life insurance, and;
- A lack of preservation (i.e. staying invested in one's retirement fund when switching jobs) is the key inhibitor of better retirement outcomes.

This year's results emphasised the importance of the right set of defaults. "The recipe for success sounds simple – contribute enough, invest appropriately and purchase the right annuity. But very few people get this right on their own. In the absence of advice, this is where defaults can help many members achieve better outcomes by trusting in the system," says de Villiers.

He firmly believes that appropriate defaults will lead to better outcomes for more members but that some will need to have the capability to depart from the set default path. "The defaults are designed to suit the needs of the bulk of the members of a fund ... but not everyone. Such members with additional needs may then calibrate their options to suit a wider financial plan, typically with the help of a financial advisor", says de Villiers.

De Villiers believes evolving into a more customer-centric, well priced and efficient industry is within reach. "A number of factors are counting in our favour. Technology has transformed so many aspects of the financial services industry, and it has begun to happen in the retirement space too. For instance, the impact of the [Sanlam Retirement App](#) on bridging the gap between the fund and the member is immense. Technology can go a long way to speaking to the growing number of millennials in the workforce. We need to speak their language and offer them a way of tracking their retirement that works for them and that may influence more of them to preserve."

De Villiers is also a firm believer that greater trust is needed in the retirement funding industry stating that, "Stakeholders in the retirement funding industry are accountable for the financial well-being of millions of people. There are very good, very reputable providers who work daily to improve outcomes for fund members in incremental ways. We need to place our trust in such providers to consistently do the right thing in the right way. The assistance of independent and competent employee benefits consultants can help employers to identify which providers meet these standards."

For the full BENCHMARK Survey and analysis visit <https://www.sanlambenchmark.co.za/>