

# Cost transparency critical to making informed choices

Finance / Reward

The Association for Savings & Investment South Africa's (ASISA) decision to implement an industry-agreed standard method for comparing charges on individual investment savings products is to be welcomed. Introducing a similar model to occupational and umbrella retirement funds would be an excellent step for the industry.

This would allow members to make better, more informed decisions. It is common knowledge that South Africa is not a nation of savers, nor for that matter are its citizens particularly disciplined when it comes to overall retirement planning. The solution to improving this situation is introducing a similar cost model to the effective annual cost (EAC) which provides a fair measure for transparent disclosure in respect of charges relating to retirement funds.

As many people struggle to save even for the short-term, let alone put away money for their distant day of retirement. The retirement fund industry has a duty and a responsibility to ensure that South Africans have access to information and are informed and educated about costs and fees when it comes to both savings and retirement investment products.

We understand that the scenario is more complex in the retirement space, given the differences between the various offerings and the design features of group products, but the establishment of an dedicated expert working group to review and advise on the way forward when it comes to Retirement Fund Costs Disclosure is a step in the right direction. Hopefully the outcomes of these determinations will be applied within the retirement fund space at the earliest opportunity.

The 2016 Sanlam BENCHMARK Survey which conducted over 500 hours of research and more than 400 interviews with retirement fund members, pensioners, employer representatives and principal officers, served to highlight some of the challenges that stand between members and their desirable retirement outcomes.

According to this research, only 35% of pensioners believe they have saved enough for retirement. This disturbing statistic prompted us to identify six interventions that need to be addressed more vigorously so as to enable all South Africans to retire comfortably:

- Close the member communication gap
- Make members aware of what their retirement savings target is (and how to reach it)
- Highlight the power of preservation
- Customise solutions based on the life stage of each member – one size does not fit all
- Ensure employers rebroke funds
- Make use of technology to drive meaningful engagement with members

Of these interventions, the need to close the member communication gap was a significant outlier. The findings clearly showed that there was still a very broad lack of understanding and clarity amongst fund members when addressing the financial implications of their retirement planning decision-making.

Bridging the member communication gap calls for increased disclosure and transparency so that trustees, brokers and fund members are in a position to evaluate and compare costs and fund or product offerings on a like for like basis.

Such transparency will also promote an environment where members have greater accessibility, choice and flexibility when selecting preferred investment instruments that can offer practical, sustainable and secure retirement options. For the employer, it provides an informed perspective as to the fund options and benefits being offered to them to ensure that their employees' retirement funding journeys are well optimised.

On both sides of the retirement equation, there is room for debate, but more importantly the time for cohesive and constructive action to improve retirement outcomes must be tackled sooner rather than later.

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