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Retirement planning: It's not just about the cost, look at the value - CEO

Jun 16 2019 12:24 Carin Smith



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- Once the tip is given you shouldn't be able to claim it back
- You can't realistically expect to keep a R20 000 tip
- SA should include service charges in the bill – then there's no need for tips

Expert Weighs Risk To Investors' Portfolio

Vivek Rege, Founder & CEO, VR Wealth Advisors, suggests the best ways to build a retirement corpus. He advises not to make bets on specific sectors and smallcaps since these are affected during volatility situations. Rege also gives useful guidanc...



Although those planning their retirement should be aware of the costs of the various products available, it is important not to ignore the value aspect, says Viresh Maharaj, chief executive of Sanlam Corporate Sales and Marketing.

Speaking at the recent Sanlam Benchmark 2019 event at the Spier Estate, he said there appeared to be a megatrend in the retirement planning sector of a "fixation" on costs.

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"Employee benefits consultants want clients to realise that price is what you pay and value is what you get. Yes you have to be reasonable and competitive in the market, but a price fixation can detract from the important value aspect," he said.

The impact of healthcare on people's retirement planning is another megatrend mentioned by Maharaj.

He said many people even fall into debt to cover gaps between what their medical aids pay and what healthcare ends up costing them.

The sandwich generation



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... Maharaj, is where one generation ends up having to take care not only of their parents, but also of their grown-up children who have not become financially independent.

This means that healthcare then start to compete with a person's retirement funding in terms of contributions and withdrawals.

A survey done among employee benefit consultants indicated that about 40% said their clients regard healthcare as more important than their retirement funding, while 26% indicated they were unsure about which was more important.

About 88% of employee benefit consultants surveyed believe retirement benefits counselling for individual retirement fund members will help the eventual outcome.

'Transformative impact'

"We believe high-quality financial advice has a transformative impact on the average person's life," said Maharaj.

Another megatrend he mentioned – and in his view the biggest one in the industry over the past 20 years – has been the rapid consolidation of stand-alone retirement funds into mega-funds due to employers seemingly preferring the latter.

"We anticipate this trend will continue in future. Umbrellas are not better than standalone funds or vice versa. Our call is to make a decision on how best to create financial resilience for their members," said Maharaj.

"For some employers it might even mean switching between umbrella funds. Our research shows about a fifth of employers have never reviewed their umbrella fund, while about a third considered switching funds."

Lastly, regarding group risk, Maharaj said employee benefits consultants indicate three increasing requests from clients, namely needs for increased funeral cover, increased insurance rates and the introduction of severe illness benefits.

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