

Retirement savings not an option for many South Africans

The just released 10X Investments Retirement Reality Report 2021 (RRR) shows that South Africans are not prepared for retirement, with many not able to make ends meet, never mind set money aside for their future.



Source: ©szefei [123rf](#)

The RRR21, which was released during October, confirms that retirement preparedness among South Africans has continued on its established path of deterioration in the time of the pandemic.

“The report shows how the pandemic has exposed our society’s fault lines and magnified its vulnerabilities,” says Tobie van Heerden, 10X Investments CEO.

“It highlights the lack of a safety net for those around us who are just hanging by a thread.”

Battling financial distress

The report, which is based on findings of the 2021 Brand Atlas Survey, tracks the lifestyles of the universe of 15 million economically active South Africans (those living in households with a monthly income of more than R8,000).

“As in the past, around half of the respondents admit they have no savings plan at all, and not even one in 10 people are carefully executing a thought-through plan,” the report says.

“Even before the pandemic turned our lives and economy upside down, many South Africans were in financial distress, symptomatic of the huge challenges facing our country.

“Millions are unemployed but, even for many of those who are working, the money coming in does not cover their immediate needs, let alone their retirement funding requirements,” it continues.

Retirement savings a luxury

The report confirms that economic hardship is real and widespread, with workers across all age groups and demographics saying they are barely making ends meet and cannot afford to save at all.

Another issue highlighted among those who are not saving at all is that many people see retirement saving as “a luxury”.

The report also interrogates what it calls “the other half”: the 50% of survey respondents who say they have some sort of a retirement savings plan but, for the most part, know little-to-nothing about it, and don’t even seem to care.

RRR21 found that more than half of those respondents who had a retirement savings plan of some sort were current members of a corporate retirement savings fund or had at some point belonged to one.

“However 60% of those people said they knew little or nothing about their fund, which highlights the missed opportunity of actively engaging employees in the savings process,” van Heerden adds.

One green shoot of hope in RRR21 was that the number of people who said they just couldn’t be bothered to know more about their fund declined from 11% last year to 7%, with many saying they wished they knew more.

Retirement reform

A Treasury proposal on retirement reform promises to tackle at least some of the extreme issues highlighted in the RRR21.

Treasury’s idea is to give retirement savers access to a portion of their savings in times of distress on condition that they preserve the rest.

At least, this will mean that workers would no longer be tempted to quit their job just to access their retirement savings. This was not unheard of in times of great financial distress, as many people are living through now.

The topic of a universal compulsory state-sponsored pension system is one that keeps cropping up in the media, mostly presented as newsworthy in the context of fear that the government is trying to get their hands on people’s savings.

There are no concrete developments to discuss in this report.

But rather than upend the entire retirement system, quicker and more affordable wins can be achieved through compulsory saving and preservation within the existing system. Another way would be through financial education, even on just the basics.

“The dismal numbers throughout our RRR must surely represent a tipping point,” says van Heerden. “Regulation is needed urgently to bring millions of people back from the brink.”

The full 10X Investments Retirement Reality Report 2021 is available on [here](#)

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