Publication: Business Day (Late Final)
Date: 26 May 2017
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Sanlam's charismatic actuary has welcome retirement advice

Wentzel knows as much about annuities as anyone in the country, so ignore her at your peril

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As a pension fund trustee, I am frequently asked to help with retirement planning. Like most trustees, I am not accredited to give financial advice. We need to be careful to remember the distinction between opinions, which we can give freely, and advice in the technical sense.

So it is quite a boon to get hold of Karen Wentzel's recent paper on retirement savings. Wentzel heads the annuities business at Sanlam Employee Benefits. As soon as she was appointed, Wentzel was billed by the spin doctors as the "new Anet Ahern" – a reference to the first female CEO of a South African asset manager.

Ahern worked for Sanlam but has opted for a more relaxed life at PSG.

Wentzel knows as much about annuities as anyone in the country, so don't ignore her suggestions. I have just turned 55, the minimum age for early retirement – unless you are Brian Molefe – so it seems more scarily relevant to me than it did even last week.

Lifespans are increasing, and that is the crucial consideration. There is only a finite amount of money to take us through retirement. But Wentzel says you can make a difference if you adopt the right behaviours early on. She says those in the Generation Y cohort (which overlaps with the legendary Millennials) are big job hoppers and, even more than previous generations, cash in their savings.

The government doesn't help the preservation process as there is the infamously inefficient section 14 transfer regime. Moving between funds can take months but it is worth it because time is on your side.

I have seen many illustrations that show people who contribute for 10 years and then stop are often better off than those who start contributing after 10 years and contribute for the next 20 to 25 years.

Wentzel also suggests members consult their funds about the default annuity option. She warns that members often fall prey to unscrupulous advisers or make the wrong investment decision when it comes to picking an annuity.

The Treasury's draft default regulations make all retirement funds, including umbrella funds, set up a trustee-endorsed default annuity. It will not be compulsory but it should be suitable for at least the majority of members – given that in most activities 80% opt for the default and only 20% want to make their own choice.

Wentzel opens up a large topic with her suggestion that pre- and post-retirement savings should be aligned. A cottage industry is emerging around goal-based investing, whether it is liability-driven investing specialist Colourfield or the much larger Momentum Investments, a multimanager with a few satellite units.

She says the asset-liability matching process ensures that investments are chosen to be more in line with a specific goal and investment time frame. There needs to be a focus on both assets and liabilities.

Wentzel recommends that people aged 20, who need only worry about being up to date with the latest fashions, set aside 15% of every rand. If they keep up this habit, they will be in good financial shape.

But if you are a 40-year-old member of Generation X with an expanding waistline and no provision for retirement you have to save 25% of your earnings. If you are 50 and still haven't started, you have to put aside 45% of your earnings.

Long journey: It is important for consumers to familiarise themselves with issues around planning for retirement. /Reuters

I suspect Wentzel is being a little kind. Even a 50-year-old trying to catch up by saving such a hefty amount won't have enough. Not even if it is housed in a soberly managed Sanlam Employee Benefits product.

Wentzel reminds us not to neglect the paperwork and to update our policies, will and personal documentation. Your first retirement cheque could take a while to arrive if details on spousal death or divorce are not provided to your insurer, as well as up-to-date banking details and address and telephone numbers.

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The other issue that should not be neglected is to provide for post-retirement medical aid expenses. Few of us still have the promise of a post-retirement medical aid subsidy.

It would be unusual not to see an increase in healthcare and medical aid expenses after retirement. Wentzel recommends saving for medical aid expenses and allowing for a 10% to 15% increase in contributions per year.

I was intrigued by Wentzel's specific recommendations to each generation.

For Millennials in the workforce, she says start planning today, urging them to preserve their funds when they resign. And she recommends a back-to-basics approach: keep a budget, manage debt and ideally boost retirement savings.

She recommends, perhaps a little idealistically, that Millennials shut down their PlayStations for a few minutes and find a financial adviser.

Wentzel can speak with conviction to Generation X because it is her generation.

She suggests that Xers review the life events that keep people occupied from age 31 to 45 such as marriage, children and divorce.

Baby boomers like me are advised to consider the sources of income during retirement. Few of us either can or want to give up work altogether – not just to make money but to keep the mind active.

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