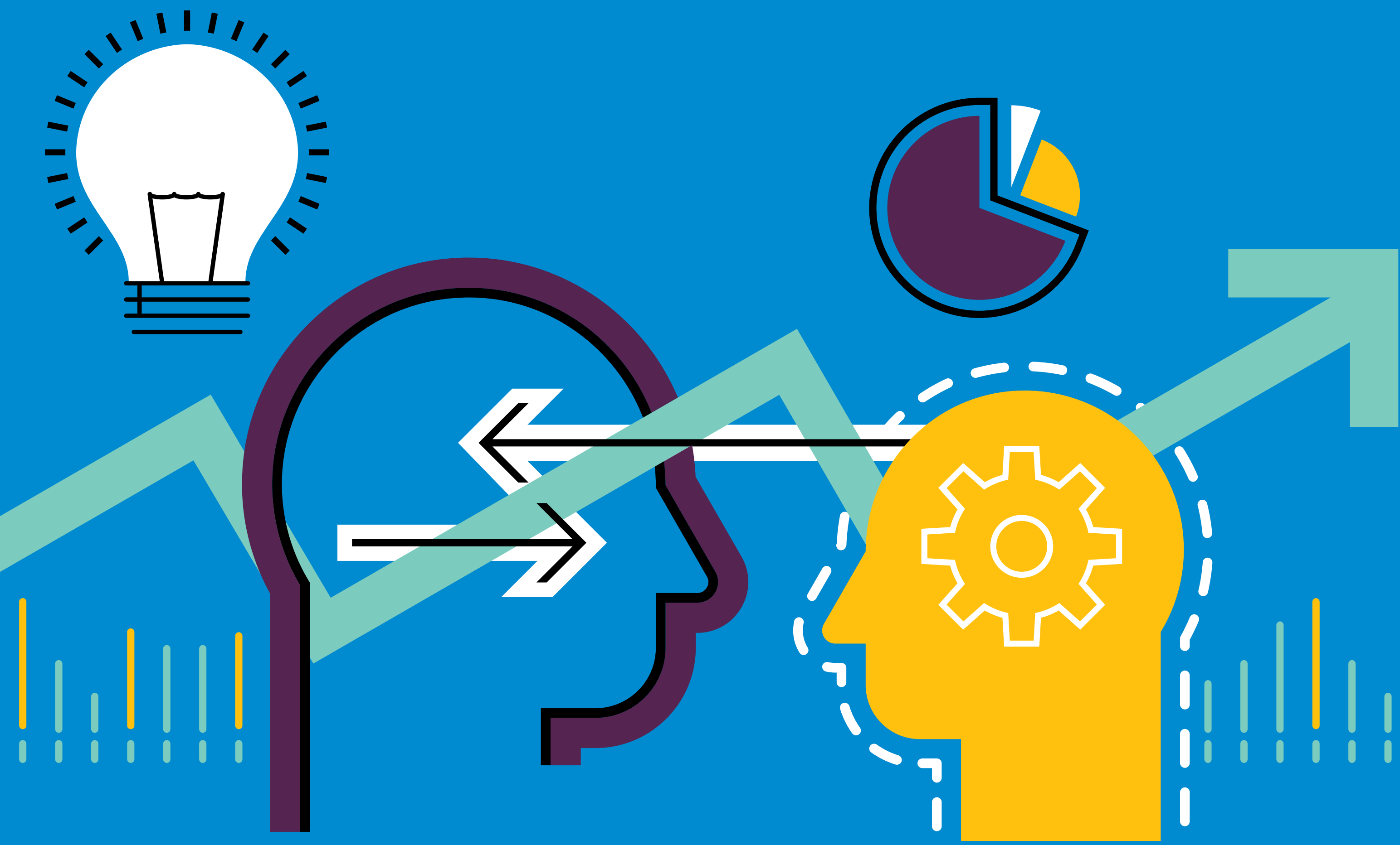
BENCHMARK SURVEY **2017**

hindsight / foresight



Online member survey

Sanlam Wealthsmiths™

Insurance | Financial Planning | Retirement | Investments | Wealth

contents:

foreword

Reflections: Looking back to make looking ahead even clearer

My team and I have been debating the concept of the "evolution of employee benefits" for the past five years. I spent some time contemplating how far we have come since 2013. This is a necessary step to gaining an understanding of how the landscape is morphing. It provides critical insights into what we need to focus on to achieve our desired future state.

by

Dawie de Villiers
Chief Executive Officer:
Sanlam Employee Benefits

Despite the macro-economic challenges which South Africa faces, we have seen a marginal increase in the employed population from 14.7 million (2013) to 15.5 million (2016) adults. According to Statistics SA, the unemployment rate based on the official number has increased from 25.3% (2013) to 26.6% (2016).

These official statistics are not comforting at all. Our member studies indicate that the two primary dependencies for financial wellness is the level of education and employment status (access to financial resources).

As an industry we need to consider the longer-term economic consequences when not all employed people have access to medical aid provision or are contributing to retirement funds. The number of employed people who have access to medical aid decreased from 31.7% (2013) to 29.8% (2016) and those contributing to a retirement fund decreased from 48.5% (2013) to 46.5% (2016).

In the past, employers may have considered the impact of the financial strain on their employees' productivity. Another consequence is the effect it has on the career trajectories of those individuals. A key finding of our member studies is that financial constraints may act as a trigger for employees to search alternative employment. This is done either to access retirement benefits or to move for more competitive or a wider range of employee benefits.

5-year trends from an intermediary's perspective

Despite all the industry efforts regarding member education, the overall level of understanding around retirement benefits remains very low. Over the years we've also seen an interesting shift in demand for various types of products. Due to economic reasons it would appear that the industry is focussing on group risk benefits (funeral cover, dread disease cover and income replacement). This is a positive trend as many members are largely under-insured. Regulatory changes are driving cost pressures which in turn are forcing the industry to reduce complexity and increase the transparency of costs. The conversion from stand-alone retirement funds to commercial umbrella funds continues unabatedly.

There also appears to be a misalignment between the employer's value proposition and the range of benefits offered.

Everything that matters to employees is entrenched in an employers' value proposition

We have consistently intimated that financial wellness as a nation and on an individual level requires a shift in thinking and behaviour. Merely being employed and/or earning an income (at any level) does not necessarily equate to positive financial outcomes. The key differentiators are behaviour and attitude towards money.

Employee value propositions are broadly defined as the full spectrum of benefits which an organisation delivers to its employees in return for the employees' time and skillset. It includes the total rewards package such as remuneration, retirement and risk benefits, flexible work arrangements and wellness programmes.

We tested the concept of an employee value proposition and whether it was aligned to the full suite of benefits offered. It was pleasing to see that 47% of stand-alone funds and 35% of participating employers in commercial umbrella funds indicated that their value propositions took a holistic view of their employees.

As a result, a wide range of financial and healthcare benefits including wellness, healthcare clinics, child care, financial assistance for children's education and financial planning are included in the total rewards offered. But only half of employed individuals enjoy these rewards for as long they are economically active.

Money conversations as a potential stimulus to bring about the change in attitude

Volumes have been written about millennials, the generation born between 1982 and 2004. Approximately one quarter (23%) of our member studies sample constitutes this generation.

We tested their attitudes on a number of issues relating to work, career and income trajectories as well as their financial wellness. What stood out for me was the candour with which young professionals speak about their career aspirations and the ability to quantify their potential future earnings.

Young professionals are indeed self-directed and want to take charge of their futures. There was little evidence to support a defined benefit mind-set. When asked about future career opportunities three key themes became apparent:

- Innovation
- Ownership and accountability
- Upskilling

Their optimism about career opportunities centres around advancements in technology across all sectors. Self-directed individuals take responsibility for personal growth and development and believe that upskilling is pivotal to their career advancement and security. However, their optimism is tempered by an overwhelming uncertainty based on a wide spectrum of macro-economic challenges.

Increasingly, open architecture with a focus on holistic benefits for members will probably be the solution for this generation. They are gearing themselves up for multiple income streams from different sources. Those with less of an entrepreneurial spirit will look to corporates to provide a wide range of benefits.

For this generation the goal is not so much about money as it is about living life on their terms. It is about having options in their careers and all other aspects of their lives.

Looking back it is apparent how much has changed in five years.

As you turn the pages of this report, you will hopefully be inspired to consider our take on what the future may hold for this industry.

I wish to extend my gratitude and heartfelt appreciation to everyone who made this research possible.

Dawie de Villiers
CEO Sanlam Employee Benefits

Design and composition of the research

The design of this year's member research was largely exploratory and to some extent causal in nature. This research was undertaken to explore and identify the deeper underlying issues around employee financial wellness.

by

Viresh Maharaj

Chief Executive Officer:
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by

Wagieda Suliman

Business Intelligence:
Sanlam Employee Benefits

The design of this year's member research was largely exploratory and to some extent causal in nature. This research was undertaken to explore and identify the deeper underlying issues around employee financial wellness.

The research comprised three components:

- A pilot study of qualitative interviews with professionals
- Focus group discussions with Sanlam Employee Benefits staff
- Online quantitative studies with employed professionals

For the purpose of this study we have defined professionals as anyone who has acquired a set of skills and are earning an income based on that vocation. This definition is not limited to individuals with a minimum 3-year Diploma or Degree but considers any professional certification that provides the skills for a task for which income is derived, for example, a desktop engineer with a relevant IT certification.

The qualitative studies were used to develop propositions and hypotheses for the quantitative research. It also assisted in the iterative process of the discussion guide and questionnaire design.

Target population and how it was identified

A convenience sampling method was applied for both qualitative components. Young professionals who fitted the profile of the target population were approached as part of the pilot study. Initial findings of the pilot study were the trigger to exploring some of the concepts through focus group discussions with internal staff members.

The target population has been broadly defined as permanently employed or self-employed professionals who meet the demographic requirements as set out in the sampling composition below.

Sampling composition and size

The sampling frame has been defined as all permanent employees who might be members of their employer sponsored retirement funds as well as self-employed individuals who are members of a retirement annuity fund. The research has shown that currently not all employers provide employees with a full suite of benefits. Respondents for each of the three studies also had to meet a set of demographic criteria which matched the profile of employed South African professionals. We consulted the South African Institute of Race Relations 2017 Survey as a guide to set sampling parameters. Detailed tables of the demographic profile of respondents are provided in the data tables in Section 1 of this report.

Data collection methods and why

The qualitative fieldwork was conducted between October and November last year. The pilot study consisted of ten face-to-face interviews. Each discussion lasted just over one hour. The findings of the pilot study were tested in four focus group discussions with Sanlam Employee Benefits staff. In total, 23 staff members participated in the two-hour group discussions.

The online member study was conducted during March this year. The questionnaire was designed based on the analysis of the qualitative research as well as learnings from international studies which explored similar concepts.

For the online study we partnered with Bateleur Brand Management to access their extensive retail customer database to achieve a random sample of at least 1000 respondents. This database was secured with specific quota controls to ensure that the sample was statistically and demographically representative of employed professionals and the retirement fund membership universe. A successful email campaign to 20 000 potential respondents yielded a 7% response rate (1317 responses).

The online study was powered by Qualtrics, the global leading research and experience management solution. It's a powerful survey tool that allowed us to design, distribute and analyse the responses online.

Analysis and data handling techniques

All responses were delivered directly to the Qualtrics online research portal. Data clean-up and top level analyses were run within the research tool. Raw data was exported as CSV files for extensive quantitative analysis by the actuary.

One of the challenges with online surveys is the accuracy and completeness of responses. The validity of responses via online panels is increasingly coming into question. For this reason we decided not to make use of online research panels in order to improve the integrity of our data. We tested 25% of the responses, which seemed intrinsically improbable and discarded them from the analysis of those specific questions. Incomplete and inaccurate responses were not included in the Employee Wellness Index, which is explained in detail later in this report.

Limitations of the research and the data presented: Data tables and graphs

The tables and graphs in this report are based on 1 317 responses. In some instances the sample responses were ≠ 1 317.

Where

- the number of responses was less 1 317, the question was not applicable to all or some respondents opted not to answer that question.
- the number of responses was greater than 1 317, the question allowed for multiple responses.

Should you require any further details or assistance in using the contents of this report, please feel free to contact any of the BENCHMARK team members, whose details are listed at the end of this report.

How financially well are you?

by
Wagieda Suliman
Business Intelligence:
Sanlam Employee Benefits

We have been passionate about the idea of developing a robust employee wellness benchmark and have persevered to create an impact that can be used for the greater good. When individuals are financially well, there is strong evidence to suggest that their employers benefit from a more engaged workforce. On a macro level, we can prosper collectively as a nation as economic freedom and financial inclusion are necessities for a sustainable future. With this in mind, we have expanded the breadth and depth of our research, focusing on individual consumers of financial services, to better understand the complex interplay of the respective drivers of financial wellness.

The 2017 Sanlam BENCHMARK research process began in 2016 by consulting with stakeholders of the retirement funding industry to get a broad view of the issues driving member retirement outcomes. Stakeholders included employers, funds, consultants, media as well as leading experts within Sanlam.

This report focuses on those studies conducted amongst individual consumers. The three components of this year's member studies included:

- ten qualitative interviews with professionals which formed the pilot study;
- four focus group discussions with employees to test the views uncovered in the pilot study;
- An online study of professionals to quantify the issues uncovered in the first two components.

We secured 1 317 online responses over a two-week period.

The pilot study

During September 2016, it became apparent to us that the industry might have been focusing solely on one aspect of the fund member, to the exclusion of others. Retirement is a much more complex system than can be addressed in isolation of a systems view. What was required was a more holistic approach to contextualize a complex set of influences and possible outcomes, and importantly, taking into account the financial wellness of members.

To date, industry has concentrated primarily on retirement provisions including the associated behaviours, which have led to members taking their retirement withdrawal benefits in cash. Over the years, the industry has considered these behaviours to be a function of member apathy and/or disconnectedness regarding their retirement and other savings.

The industry has painted a sombre picture to scare members into caring which, according to behavioral studies, tends to frustrate members with behaviours largely unchanged. Even after initiating numerous education drives, repeated messages on preservation have simply not hit home and members have remained mostly resistant to industry calls.

A fresh approach

For this study, we therefore decided on a fresh approach. It involved having open, candid conversations with professionals with the aim of uncovering the actual behaviours and drivers associated with financial matters. We focused on the professional, to gain an understanding of their individual career trajectories, potential future earnings and identify the unique triggers for changing jobs.

Respondents were recruited from a list of professionals across four economic sectors with an even spread of age, qualification, income level and experience. The pilot study was skewed towards individuals with university degrees and post-degree qualifications. This was balanced out with focus group discussions skewed towards individuals with matric and post matric certificates and diplomas.

We used the purchase of a house as a proxy to define the sample criteria. The minimum annual income criteria was set at just under R300 000.

	Monthly Salary	Annual Salary	Qualifying Board
Purchasing a home as proxy for the study	R 25,000	R 300,000	R 752,000
	R 30,000	R 360,000	R 901,000
	R 35,000	R 420,000	R 1,051,704
Based on the rates and costs as at November 2016	Based on gross monthly income of R 35,000	Transfer duty: R 9,051 Transfer costs: R 19,971 Bond costs: R 19,971 Innitiation fee: R 5,985 **Total:** **R 54,978.12**	Qualifying homeloan: R 1,051,704

The pilot study conversations were insightful and assisted us with developing the following hypotheses, which we tested in the focus discussions and via the online member study:

Hypothesis 1: Current income and potential earnings have a direct impact on individual career trajectories and choice of employer.

Hypothesis 2: Qualifications and earnings potential drive behaviours and attitudes towards corporate South Africa.

Hypothesis 3: The ability to acquire an asset such as purchasing a home is a strong driver of career decisions and affects the choice of a prospective employer.

Hypothesis 4: Retirement planning is not a priority for young professionals in the first ten years of their working career.

It is interesting to note that the fourth hypothesis was ultimately disproved at the end of the focus group discussions. What emerged from the research was not so much a level of apathy or disengagement, but rather a lack of knowledge of what was required and where the gaps were. Our research highlighted that even the individuals themselves who worked within the financial services industry were challenged of the products and services. Furthermore, there was no evidence to support that young professionals had a 'defined benefit' mindset. To the contrary, it can be said that the opposite holds true. The self-directed individuals of today take full responsibility for all aspects of their lives. They set their individual career, education, family and retirement goals for themselves.

Education was found to be a strong driver, with 75% indicating an intention to obtain further qualifications. Despite the macro-economic challenges and volatility across most industrial sectors, respondents were very positive about their future career prospects within their respective industries. The need for consumer financial education was due to an inherent lack of understanding of customer needs, and these customer insights were perceived to be valuable and a positive future boost to the industry. Most professionals shared the view that all sectors of the economy were rapidly evolving as a result of the impact of technology and e-commerce.

Generation XYZ and money matters

Annual income levels were spread across a broad range from less than R200 000 to R700 000. Those professionals on the lower income scales seem to have opted to leave corporate life for a brief period of time to focus on special projects which resonated more closely with their values. One thing that stood out was that the younger professionals (GEN-Y) spoke more candidly about income levels and future earnings expectations. At least 75% did not see their current remuneration as equitable or fair when considered in relation to their outputs and qualifications. They provided a wide range of reasons for the mismatch based on carefully considered career decisions:

- Managing more than one function within the organisation and having taken on additional responsibilities to gain experience.
- Carrying a double Master's degree but working as a contract employee simply to break into asset management.
- Undertaking a complete change in career path from proving advice to full-time lecturing, resulting in a sharp decline in income.
- Stepping out of corporate for two years to pursue special projects at a fraction of the cost for qualifications and skillset.

In spite of their circumstances, when probed about their expected earnings growth potential over the next five years, they confidently specified the R1 million plus income bracket as within reach. Yet in reality, there was no well-founded rationale to support this expected earnings level from a corporate. However, what did emerge was a significant move towards multiple income streams from a number of different sources.

There is a quote that goes, 'when you are passionate about what you do, you never have to work a day in your life'. Professionals across the spectrum were passionate about the work they did and how they generated an income.

Sources of inspiration and motivation

At least half of the respondents indicated that their sources of inspiration along their career journeys could be narrowed down to two sources:

- People (mentors at work, parents, role models, experts on the subject matter and leaders in the field)
- Subject matter (passion for mathematics, investments, economics and information technology)

Financial contingencies towards retirement

We explored specific financial matters within this sample study and probed them as to how well prepared they were for retirement. Four out of ten respondents claimed to have already reached or exceeded the R1 million mark in their retirement provisions. The remainder were either way off course due to previous withdrawal benefits having been cashed in, or simply as a function of where they were on their career trajectories.

Regardless of income or level of education, financial matters were considered largely emotive.

Coping mechanisms in retirement

This sample would rely heavily on one of two contingencies, where one third would opt to work beyond retirement age, and two thirds were quite confident that the investment decisions they made now would yield the returns which could be drawn upon if their retirement capital yielded a material shortfall.

The findings of the pilot study were used to design the discussion guide for the focus groups and questionnaire for the online study.

The Sanlam Wellness Benchmark

by

Barend le Grange

Actuary: Reporting
Sanlam Personal Finance

Why have we created an index?

Sanlam is committed to creating better financial outcomes for retirement fund members. Our aim is to use this index as a benchmark by which employers can quantify and understand the drivers of the financial wellness of their employees.

The ultimate purpose of the benchmark is to improve the financial wellness of employees and their ability to be financially ready for retirement. This is possible by working with advisors and employers to understand the specific employee's needs and improving the employer's value proposition through calculating and analysing the employer's Sanlam Financial Wellness Benchmark Score.

We believe that creating a benchmark, which takes into account the factors pertinent to an employee's financial wellness, will go a long way to assist employees in achieving better financial outcomes, not just now but into the future. One of the keys to unlocking better financial outcomes is to look holistically at an employee's financial wellness.

Employee financial needs are constantly changing as they journey through various life stages. By using the Sanlam Financial Wellness Benchmark, it would allow employers to identify areas where they could make the biggest difference to their employee's financial wellness. They could measure the progress in their efforts to address these areas and track how employee's financial needs might change over time.

What matters to employees should be entrenched in an employer's value proposition

An employee value proposition is intended to define the full spectrum of monetary and non-monetary benefits, which an organisation delivers to its employees in return for the employees' time and skillset. It includes the total rewards package such as remuneration, retirement and risk benefits, flexible work arrangements and wellness programmes.

The Sanlam Financial Wellness Benchmark may provide the following benefits for the respective stakeholders:

For the employer:

- A credible measure of employee financial wellness.
- A means to identify sources of financial stress.
- Enables employers to differentiate their employee value proposition by creating meaningful engagement through appropriate financial wellness initiatives.
- A means to evaluate the impact of such initiatives over time.
- Derive long-term value through increased employee productivity and reduced absenteeism.

The Employee:

- Retain its industry thought leadership position.
- Enhance current offering to employers (corporate clients).
- Extend fund member relationship with Sanlam though digital communication platforms.

How exactly does a financial wellness benchmark benefit employers?

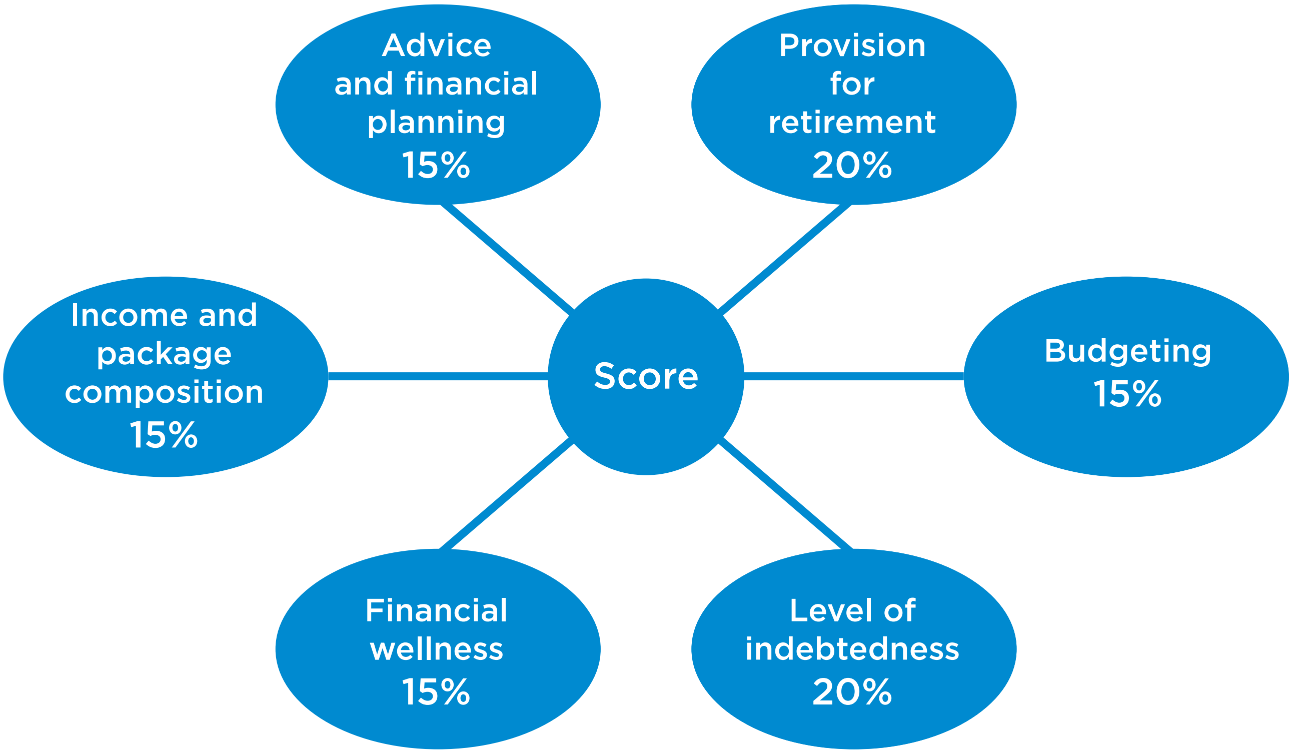
The index aims to assist employers in empowering their employees on a path to financial wellness. In addition, employers will be able to identify focus areas in order to assist employees in securing a better future with the aid of goal setting and relevant financial tools. Employers will improve their position to provide customised programmes that aligns to the financial needs and concerns expressed by their employee base.

Findings of our qualitative and quantitative studies suggest that self-directed individuals with career and financial goals are more likely to be predisposed to making better decisions that could lead to positive retirement outcomes.

How does the Sanlam Financial Wellness Benchmark actually work?

Any employer can calculate their specific Sanlam Financial Wellness Score and compare it to the industry benchmark.

This Sanlam Financial Wellness Score is supported by 6 sub-categories as set out in the graphic below:



Each sub-category is assigned a weighting (a value considered to be of relative importance in generating a financial wellness score). The following criteria or requirements has been set for the index:

- The index is a simple numeric value, which is understandable for all members.
- The numeric value is based on a score ranging from 0% to 100%.
- The index comprises of and tests a limited number of specific factors i.e. no ambiguity or complexity.
- The attributes with the higher weightings are the most important factors in determining the financial wellness score.

The index is designed to provide credible results whilst being practically feasible to apply.

Generation X and retirement

"Will this be the generation to redefine retirement?"

by

Danie van Zyl

Head: Guaranteed Investments
Sanlam Employee Benefits

Generation X – the generation, referring to people born between 1965 – 1979, is hitting middle age with members of this generation slowly beginning to take over the leadership positions in business and society. This generation, sandwiched between those approaching retirement (in the US referred to as Baby Boomers) and Millennials, is often called the "the neglected middle child". This is due to much less media attention being paid to this generation, with the media rather focussing on the issues facing retirees and how the workplace need to adapt for Millennials. This despite the fact that Generation X, or GenXers, is unique in many ways.

The term Generation X was popularised by Douglas Coupland, whose novel, "Generational X: Tales for an Accelerated Future" was published in 1991. GenXers grew up during a time of major technological change. The personal computer became common and video games were popular for middle-class GenXers during their formative years. There was also social change, with the 80's and early 90's being a turbulent and sometimes violent time in South Africa during the struggle for freedom. Both divorce and households with two income earners became socially acceptable. GenXers were often on their own with television becoming a handy babysitter. As a result, unlike their parents, many see this generation as more autonomous and self-reliant.

Building up to retirement this generation is also unlike their parents. When these GenXers entered the workforce traditional Defined Benefit Pension Funds were making way for newer Defined Contribution Retirement Funds. This places South African GenXers in the unenviable position of being a litmus test for how well these new Defined Contribution Funds can deliver on members' expectations.

While retirement has been off the radar for most GenXers, it is now becoming visible on the horizon and retirement reality will begin to bite during the next decade. GenXers will need to face the fact that the responsibility and risk of funding for retirement rests squarely on their shoulders.

However, at a time when GenXers are entering their prime income earning capacity, saving for retirement is often taking a backseat to managing high debt levels, financially supporting aging parents, paying for their children's education and high medical costs.

Financial Stress

Instead of being in control of their finances, this generation often spends more than they earn. The 2017 Sanlam Benchmark Survey found that financial stress peaks between ages 41 and 45, impacting on GenXers ability to boost savings. Their biggest source of stress is short term debt like car payments, credit card debt and personal loans. The survey also found that less than half GenXers are able to meet their debt obligations all of the time.

However, the 2017 Sanlam Benchmark Survey also found that financial stress decreases closer to retirement, perhaps indicating that having the children's education bills behind you buys some financial breathing space.

Redefining retirement

Despite all the negatives, could GenXers be the generation to retire the concept of retirement and retirement age, rather working to achieve their financial independence?

The financial independence to say that they no longer have to rely on an employer to pay their monthly salary, but can rely on their accumulated savings to pay them a monthly income for the rest of their lives? A retirement date then becomes an outdated concept, giving way to a much more flexible and fluid understanding of phasing out of employment through contract or part time work after leaving full-time employment rather than a sudden and complete break in employment.

Impossible or unlikely? Fortunately GenXers have just enough time on their side to plan for their financial independence. However, there is no room for error, unlike a twenty year old who can bounce back from a financial disaster, GenXers do not have the luxury of starting over again – it is time to get serious and taking the right steps now.

Here are some strategies to get GenXers back on track for financial independence.

1. Beware lifestyle creep and save more

   As GenXers hit middle age, chances are that they have a higher earning capacity than ever before and have built up some assets (property etc.). The temptation is to loosen the grip on spending and have some fun – buy that fancy car you've always wanted, bigger house – you've earned it! Lifestyle expenses tends to increase year-after-year, at the cost of reducing debt or saving. Budgeting and tracking expenses isn't fun, but there are no short-cuts around this one.
2. Focus on short-term debt

   Financial distress affects productivity, personal and family life. If unpaid credit card debt is keeping you up at night, check if your employer offers an employee financial wellness programme and take advantage of it. Repeat, live interactions with a financial counsellor can help GenXers tackle their debt.
3. Whittle down mortgage debt

   Mortgage payments are often one of the biggest expenses, after sorting out your short-term debt, boosting your monthly repayments (or using your bonus) to a flexible home loan can help you become debt free. The faster you pay of your home loan – the less interest you'll incur over time.
4. Estimate how much you need to save for financial independence

   Use an on-line calculator provided by your retirement fund or independent firm to estimate how much capital you'll need to replace 75% to 80% of your income in retirement. Roughly speaking, one should aim to have saved around 5 times your current salary at age 45. A calculator would help you fine-tune how much you need to aim for. Don't forget about healthcare costs in retirement.
5. Catch-up on your saving for financial independence

   Ramp up your savings when you have reduced your debt levels. Most retirement funds will allow you to contribute more monthly, all in a tax efficient and convenient manner.

   Resist the temptation to access your retirement fund money when you change jobs, you are unlikely to make up the shortfall in your nest egg later and may never achieve financial independence.
6. Sort out the paperwork

   By now GenXers should have a valid will and have made guardianship provisions for any minor children. If not – do it now! Also consider whether your will is still appropriate.

Generation X may be the "neglected middle child", but there is still enough time for this generation to take the necessary steps to determine their own future.

Retirement savings - options beyond pension/provident/RA

For the current group of Generation Z (millennials) who don't have any idea of what a Defined Benefit regime is, who don't know anything about net replacement ratios (NRRs) and who are moving on to a new mind-set of flexibility and choice, the question is: in which product should they consider saving for retirement. Is the traditional pension and provident fund arrangement still appropriate? Is there a better way to save and how much should it be?

by
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Sanlam Employee Benefits

Our behaviour these days are influenced by rewards, defined by your platinum reward status and biased towards shopper points and cash backs. We are constantly measuring our wealth and health. The number of steps we take per day, our average heart rate per session, our smart shopper points, rewards, e-bucks, share portfolios... name it and we measure it. But how often do we look at or know whether we are on track for arguably one of the most important events of our lives, that event known as "Retirement"? And more importantly – do we know what to measure or even how to get there?

Confirmed in the Sanlam BENCHMARK Survey 2017, the two most important questions and burning issues in the financial planning process are:

- Exactly how much should I retire with? What is the final amount?
- How much must I save (monthly/annually) to retire comfortably?

Let's start by reminding ourselves what a NRR is. NRR is a Net Replacement Ratio and it is the percentage of a member's pre-retirement income that is paid out by a pension plan upon retirement, divided by his pre-retirement salary. It is a common measurement that can be used to determine the effectiveness of your pension plan. But is this measure effective if 40% of funds in the Sanlam BENCHMARK Survey 2017 believe that NRR is not a suitable measure for determining whether a member is on track for retirement?

The main reasons being that members do not understand the measure and the fact that there are too many variables and assumptions used in the calculation of the ratio.

So what should your number be to measure your retirement goals?

An easy number/measure for members to understand the exact amount that should be saved, it to express your retirement savings as a multiple of your current salary at different points in your life:

The question is: What multiple of current salary should a member save, assuming a retirement age of 65 years, with the following assumptions:

- A member saves 15% per year of annual salary (including the annual bonus/13th cheque)
- Investment returns of 10% per year
- Salary increases of 6.5% per year
- In the event of a married couple, both members contribute towards retirement savings.

Based on the assumptions above and a goal that a member should have a multiple of 15 times his/her final salary saved at retirement, the following table sets out some goalposts along the road to retirement:

Years worked	Multiple of current salary saved
5	1.2
10	2.3
15	3.7
20	5.3
25	7.2
30	9.4
35	12.0
40	15.0

And remember that 15 is more than just a number. Currently for each R1million that a 65 year old member saves, a male will receive a monthly pension of around R 6 000 per month and a female (because of the longer life expectancy) will receive around R 5 400 per month, growing with inflation every year. So to invest in an inflation-linked annuity at the age of 65, a member would need to have saved 15 times their final salary by age 65 to afford to buy an annuity that will replace their salary.

What if you haven't started saving at age 25?

For those members who have not yet started saving by the age of 25, saving only 15% per year will unfortunately not lead to a multiple of 15 times final salary at retirement. The late starters will need to save much more every month. The following table sets out the percentage of salary needed to be saved if you are starting saving for the first time at later ages:

Start saving at age	Percentage of salary needed to save
25	15%
35	24%
45	43%
50	60%

And the next big questions: In what products should you save for retirement?

Members of Generation X and Generation Z (millennials) may consider saving not only in a traditional pension and provident fund or retirement annuities, but also supplement their retirement savings with the following financial instruments:

- tax-free investments
- unit trusts
- online share account or a
- government retail bonds

which will give them more flexibility in terms of investment choice and accessibility to their investment.

Advantages and disadvantages of alternative products:

Tax Free Investments were introduced in March 2015 as an incentive to encourage household savings.

- ✓ No income tax, dividends tax or capital gains tax on the returns from these investments.
- ✓ A range of investments are available including investments in fixed deposits, unit trusts (collective investment schemes), retail savings bonds, linked investment products and exchange traded funds (ETFs) that are classified as collective investment schemes.
- × You can only contribute a maximum of R33 000 per tax year (annual limit).
- × There is a life time limit of R500 000 per person.
- × If a person exceeds the limits, there is a penalty of 40% of the excess amount.

Unit trusts are portfolios of assets for example equities, bonds, cash and listed property, in which investors can buy units. This investment vehicle allows investors to spread their risk, whilst getting the benefits of professional fund management.

- ✓ Unit trusts are flexible investments with a wide variety of option to invest in.
- ✓ It helps with diversification of investments and allows 100% investment in equities
- ✓ Unit trusts can be set up as a regular savings programme
- ✓ Your resources are pooled with other investors, allowing you to make investments impossible as an individual investor.
- ✓ You get the benefits of greater economies of scale, such as reduced transaction costs.
- × There are costs over and above those you'd pay if you were investing directly.
- × No tax incentive on unit trusts

An **online share account** is an investment platform for trading (buying/selling) financial securities or currencies with the use of a brokerage's internet-based trading platform.

- ✓ Easy access to trading shares in real-time
- ✓ It is easy to open and manage an account without geographical limitations.
- × Online trading is risky if the investor doesn't have adequate knowledge of financial markets
- × No tax incentive on unit trusts

Government retail bonds are a low cost way to buy bonds with one of the advantages being that the investment can be as low as R1000, with the investment term being 2,3 or 5 years. Inflation-linked government retail bonds are also available for investors who are worried about inflation.

- ✓ Government retail bonds are a low-risk investment option as you are lending money to the government, with the chances of the South African government defaulting on this loan being low.
- ✓ Retail bonds are easy to buy on the government retail bond's website, the Post Office, branches of Pick n Pay or over the phone.
- ✓ The return on government retail bonds if known in advance and the investor will exactly know what income to expect over the term
- × No tax incentive on retail bonds except if it is part of a tax free savings account

Tax incentives

All contributions to pension, retirement annuity and provident funds can be deducted from the individual's taxable income. The deduction is capped at a rate of 27.5% of the greater of remuneration and taxable income, to a maximum amount of R350 000 per year. Both contributions made by an employer and the employee are deemed as contributions made by the employee and thus part of the deductions.

Despite the benefits of investing in a tax-free savings account, your pension, retirement annuity and provident funds are providing better tax savings, because contributions to these fund are tax-deductible to a maximum of R350 000 per year.

With both a tax-free savings account and a retirement fund, your savings grow free of dividends tax, income tax on interest or CGT, but your retirement fund has the advantage of also having tax free contributions.

If you don't have a goal, there is nothing to aim for. Make sure that you know your "final number" is and make the best effort to stick to the plan to achieve it.

Section 1
Demographics

Q1.1 Which category broadly defines your role?

	2017
Base: All Respondents	1317

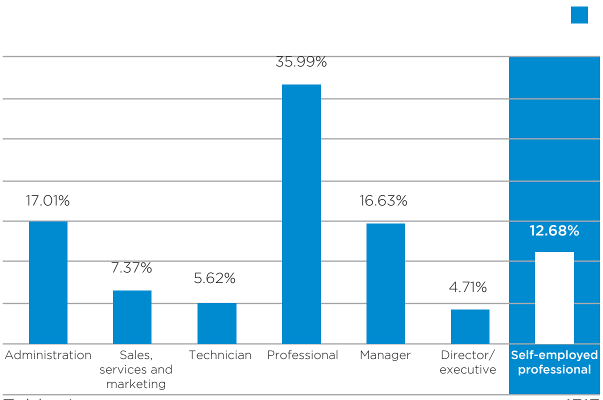
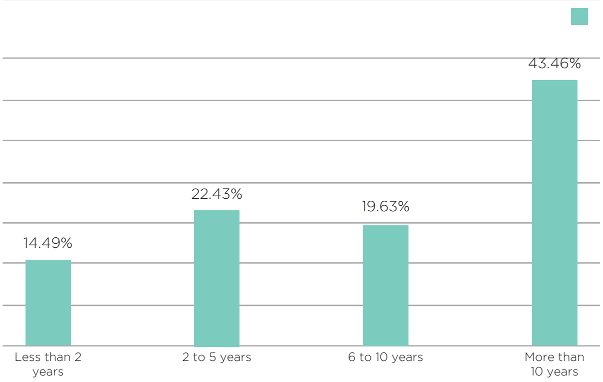


Table size	1317
	100%

Q1.2 How long have you been with your current employer or self employed?

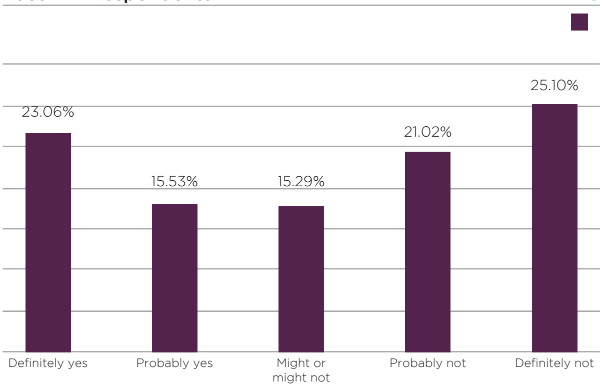
	2017
Base: All Respondents	1284



Mean	6.7 years
Table size	1284
	100%

Q1.3 Are you considering making a career change in the next 5 years by either changing company or your career path?

	2017
Base: All Respondents	1275

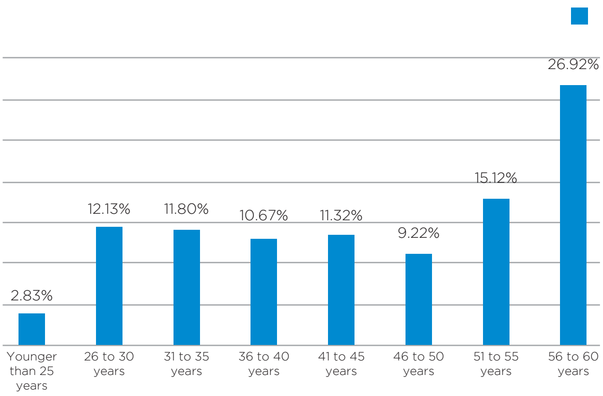


Summary

Any yes	38.67%
Table size	1275
	100%

Q1.4 How old are you?

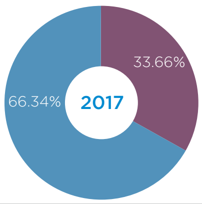
	2017
Base: All Respondents	1237



Mean	44.9 years
Table size	1237
	100%

Q1.5 What is your marital status?

	2017
Base: All Respondents	1239

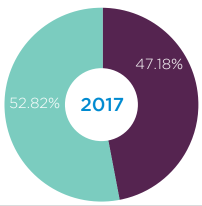


Married/ living together   Single

Table size	1239 100%

Q1.6 What is your gender?

	2017
Base: All Respondents	1242



Male   Female

Table size	1242 100%

Q1.7 What is your ethnicity?

	2017
Base: All Respondents	1234

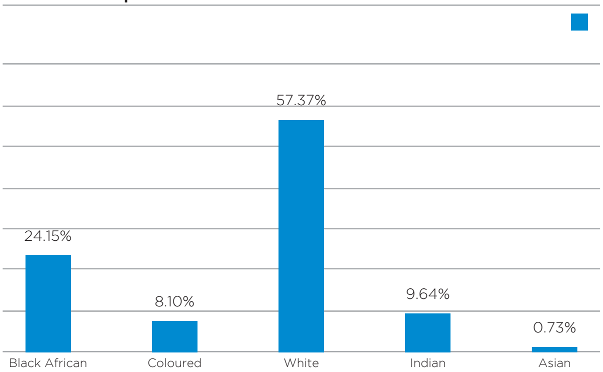
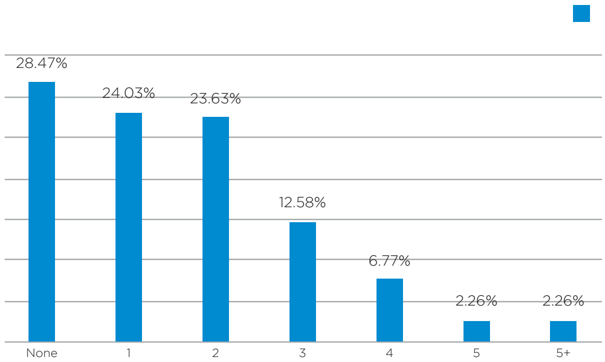


Table size	1234 100%

Q1.8 How many financial dependants do you have i.e. the number of people dependent on your income?

	2017
Base: All Respondents	1240



Mean	1.59
Table size	1240 100%

Q1.9 What is your current highest qualification?

	2017
Base: All Respondents	1240

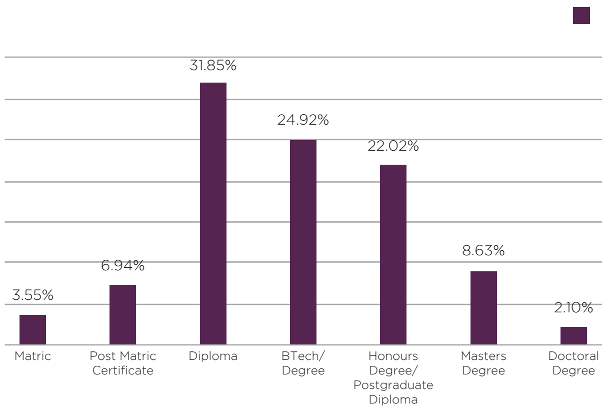


Table size	1240 100%

Q1.10 Do you have any interests or hobbies and what are they?

	2017
	Count
Sport	416
Reading	214
Travel	56
None	48
Cooking	36
Music	35
Camping, Nature and Outdoors	34
Photography	34
Gardening	32
Movies	20

Section 2
Income and package composition

Q2.1 Which package best describes your current annual personal income?

	2017
Base: All Respondents	1214

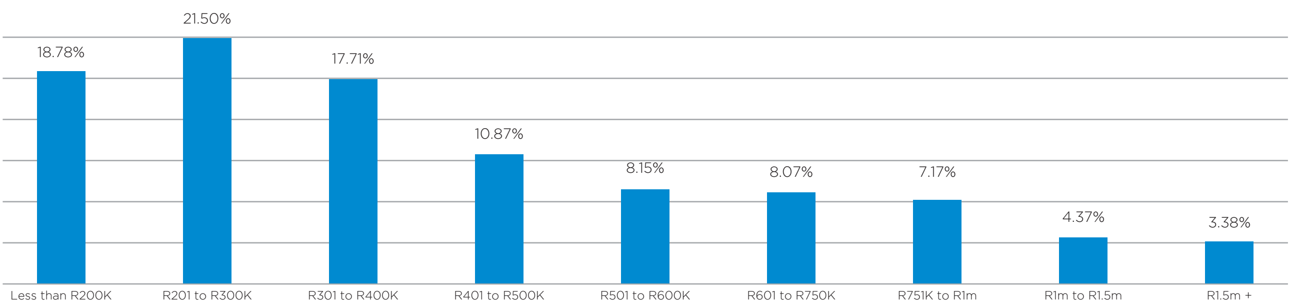


Table size	1214 100%

Q2.2 Does your employer provide or do you as a self-employed individual have any of the following benefits and how well do you understand each?

2017

	Above Average	Average	Below Average	Not provided	Total Have Product	Total Responses
Medical Aid	442	321	25	157	788	**945**
Pension/ Provident/ Retirement Fund	388	369	59	138	816	**954**
Risk (death/ disability/ funeral/ trauma)	284	298	75	175	657	**832**
Financial Advice via the fund	128	229	117	241	474	**715**
Wellness programmes	196	238	83	233	517	**750**
Short-term insurance	179	177	41	342	397	**739**
Rewards programmes, like Vitality	144	179	57	347	380	**727**
Hospital cover	182	152	32	338	366	**704**
Gap cover	137	120	61	412	318	**730**

Q2.3 How is your pensionable income defined? (Pensionable income is that portion of your income, whether you are employed/ self-employed on which you retirement and group risk benefits (death, disability and ill health or trauma cover) are based.)

	2017
Base: All Respondents	1183

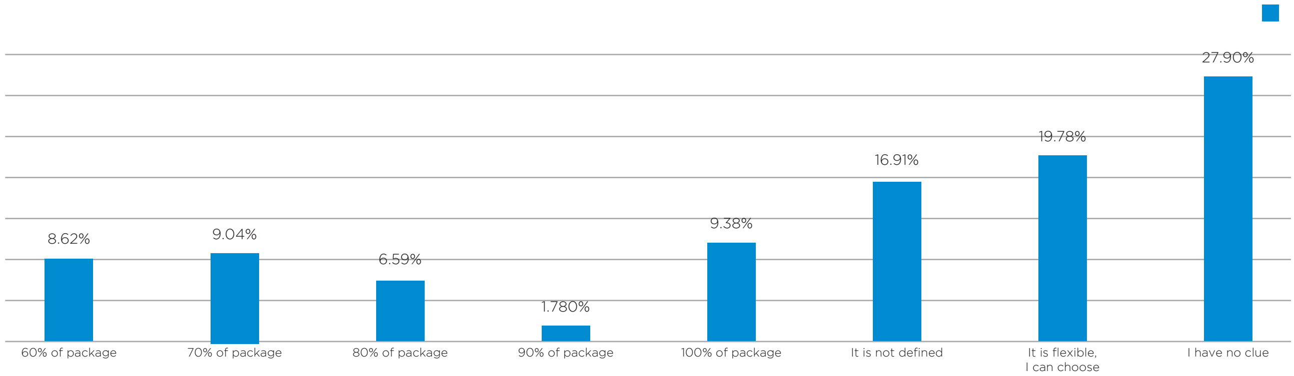


Table size	1183
	100%

Q2.4 Do you receive an annual bonus either a 13th cheque or performance related?

	2017
Base: All Respondents	1178

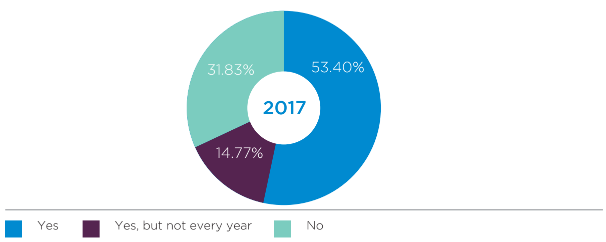


Table size	1178
	100%

Q2.5 Is your bonus pensionable? (This means that you can elect to save all or a portion of your bonus in the retirement fund.)

	2017
Base: All Respondents	803

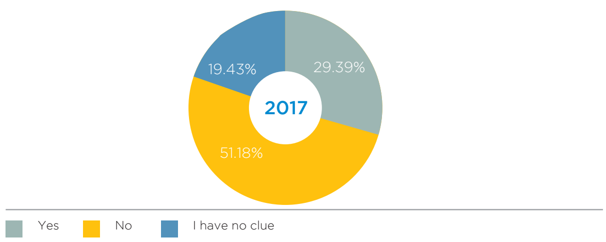


Table size	803
	100%

Q2.6 Which package best describes the annual income you are most likely to/ or would like to receive about 5 years before you retire or stop working?

	2017
Base: All Respondents	1166

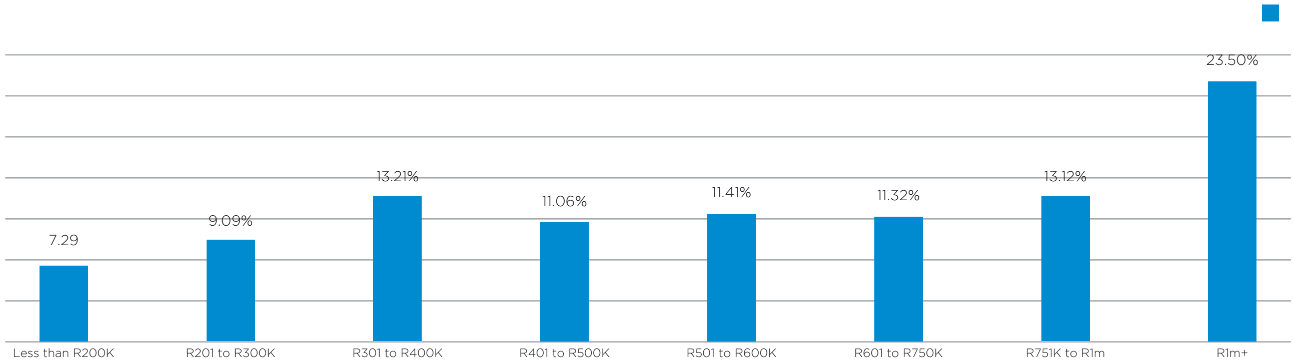


Table size	1166
	100%

Section 3
Financial wellness

Q3.1 Most companies offer wellness programmes for their employees. Wellness programmes typically look at health and trauma related issues. Should your employer provide you with such a programme would you be interested?

	2017
Base: All Respondents	1159

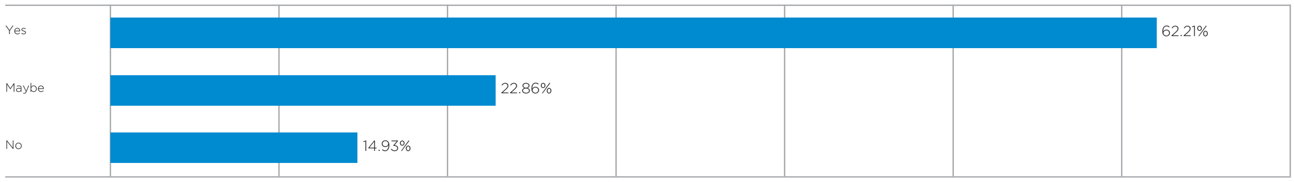


Table size	1159 100%

Q3.2 Should your employer provide you with an option of holistic financial solutions which of the following would you be interested in? (You may select more than one option)

	2017
Base: All Respondents	819
Access to financial planning/ advisors and benefit counsellors	51.65%
Medical counselors (Psychologists, Nutritionists etc)	43.20%
Financial and investment monitoring (a financial mentor/ buddy)	42.99%
Money management and budgeting tools	42.16%
Education services (sourcing bursaries and funding for children)	40.00%
Legal services	38.25%
Holistic financial wellness programmes	35.05%
Career planning and mentorship programmes	33.40%
Financial literacy programmes	20.52%
Trauma counselling	15.36%
Debt counsellors	11.24%
Table Size	970 100%

Q3.3 Do you ever experience financial stress?

	2017
Base: All Respondents	1143

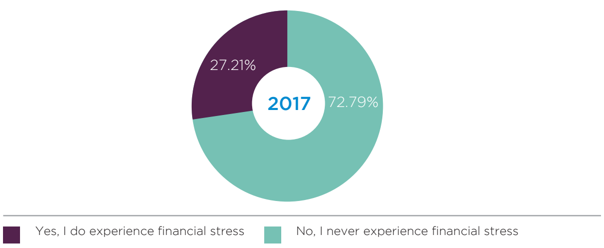


Table size	1143 100%

Q3.4 Where do you experience the most Financial Stress?

	2017
Base: All Respondents	823

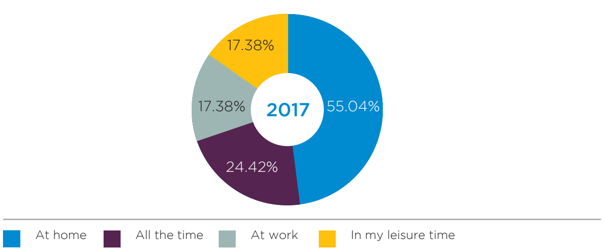


Table size	823 100%

Q3.5 To what extent does your financial stress have an impact on your life or performance?

	2017
Base: All Respondents	778

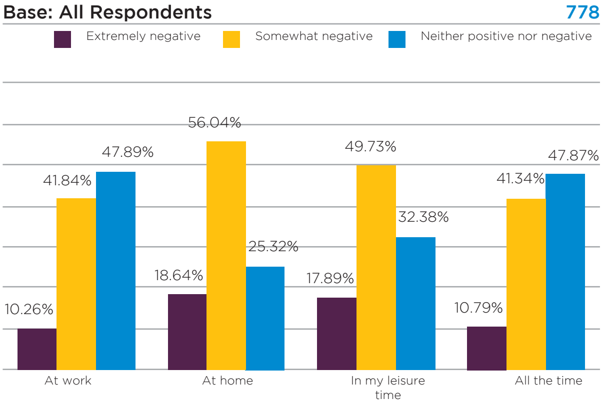


Table size	2934 100%

Q3.6 What are your sources of Financial Stress? (Please select your TOP 5)

	2017
Base: All Respondents	819
Short term debt obligations (car payments, credit cards, personal loans)	54.70%
Not being able to save for the future	42.37%
Not having enough for unanticipated emergencies	41.39%
Extended family financial obligations and/or ad hoc requests for financial support	32.97%
Paying for school and/or university fees	30.77%
Not on track to be able to retire	28.94%
Not being able to meet monthly expenses	27.11%
Long term debt obligations (home loans)	23.57%
Financially vulnerable if I become disabled	15.63%
Paying medical expenses	13.43%
Paying for medical aid	13.19%
Own spending habits	13.06%
Leaving my family financially vulnerable if and when I die	12.70%
The volatility of the Rand	11.84%
The volatility of the petrol price	11.36%
Financially vulnerable if I lose assets due to crime and/or natural events	9.28%
Partners spending habits	6.72%
The volatility of the stock market	5.74%
Keeping up appearances	2.93%
Table Size	819 100%

Q3.7 How do you cope with Financial Stress? You may select more than one option.

	2017
Base: All Respondents	816
Strict budgeting and household financial discipline	58.21%
Physical exercise (Gym, run, swim, cycle etc.)	32.35%
Obtain information by reading	28.43%
Prefer not to think about these issues	20.22%
Speak to others	15.20%
I use the services of a financial planner/adviser	15.07%
Extend credit and/or loans to cover existing debt obligations	11.52%
I am not coping	11.52%
Purchased financial services to cover risks	5.88%
Medication	3.80%
Table Size	816 100%

Section 4
Level of indebtedness

Q4.1 How often are you able to meet all of your debt obligations?

	2017
Base: All Respondents	1044

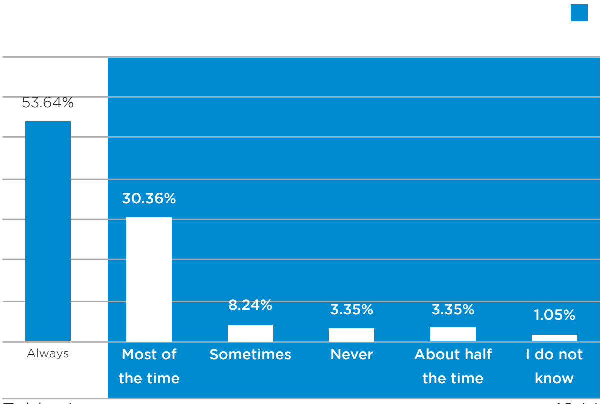


Table size	1044 100%

Q4.2 If you have ever been unable to meet your debt obligations, how have you managed this?

	2017
Base: All Respondents	996
I have never been unable to pay my debts	42.07%
Reduced expenditure	35.04%
Borrowed from friends and/or family	18.17%
Obtained an additional loan to make ends meet	11.55%
Sold assets	9.34%
Cashed in retirement funding	5.12%
Used the services of a debt counsellor	2.61%
Table size	996 100%

Section 5
Budgeting

Q5.1 Do you personally have any control or influence over the household budget?

	2017
Base: All Respondents	1043

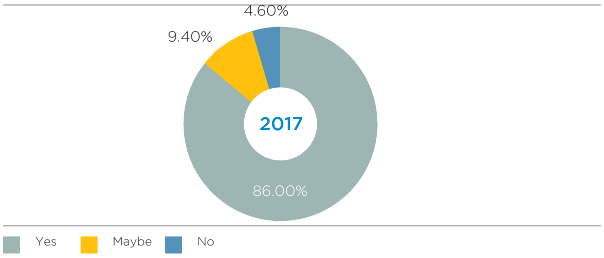


Table size	1043 100%

Q5.2 Do you make use of a budget to manage your household spend?

	2017
Base: All Respondents	1043

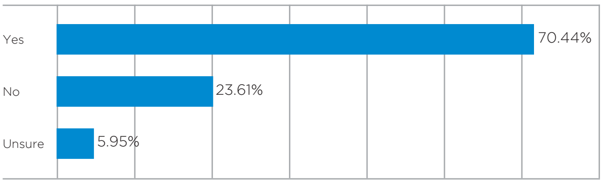


Table size	1043 100%

Q5.3 If you do not make use of a household budget to manage your spend, why not?

	2017
Base: All Respondents	613
I use my banking statement to manage my monthly spend	56.61%
Have just not budgeted in the past	18.11%
Budgets are too much work to maintain	12.72%
Was not aware of household budgeting as a means to manage spend	6.36%
I do not know how to budget	6.20%
Table size	613 100%

Q5.4 How often does your monthly expense amount exceed your monthly income?

	2017
Base: All Respondents	1035

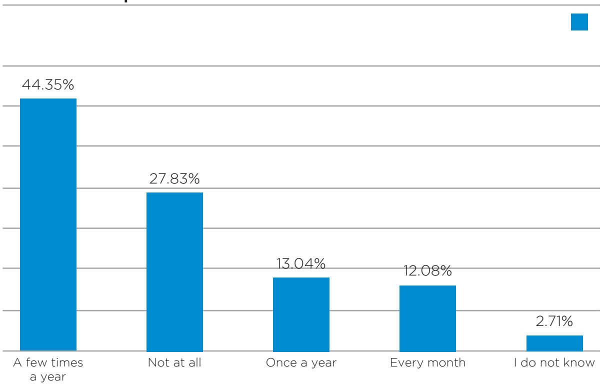


Table size	1035 100%

Section 6
Provision for retirement

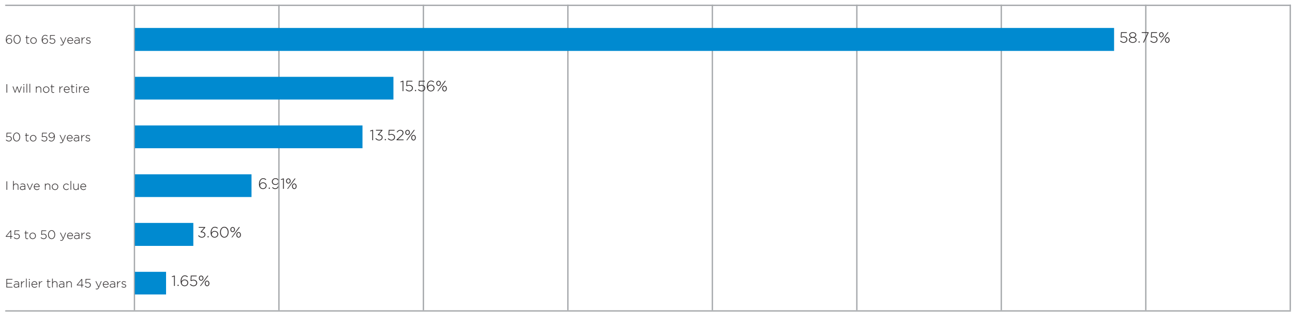
Q6.1 Have you set any of the following goals for yourself and how far off course or on par are you with these goals? You may select more than one option and rank each on the scale where 1 = far off course, 3 = neither on par or off par and 5 = on par

2017

	Average response rating	Count
Career	3.57	940
Family or life planning	3.26	891
Financial	3	958
Retirement	2.9	966
No, I don't really plan or set goals		343

Q6.2 At what age do you think you are most likely to retire from active employment or income generation?

	2017
Base: All Respondents	1028



Mean	60.49 years
Table size	1028 100%

Q6.3 If you had to estimate, how much do you think you have CURRENTLY saved or accumulated towards your retirement goals?

	2017
Base: All Respondents	1017

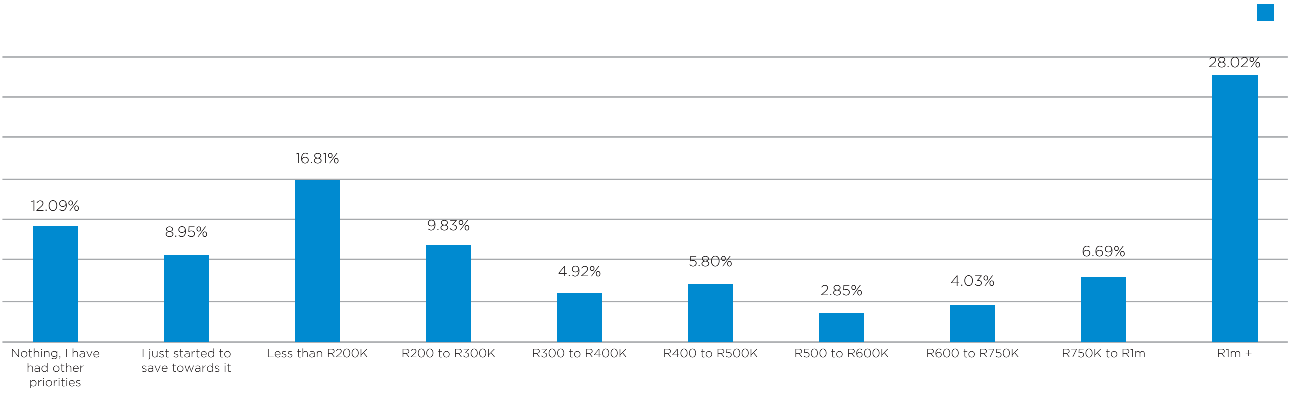


Table size	1017 100%

Q6.4 What financial contingencies other than retirement provision with your employer have you CURRENTLY put in place for the future and/ or specifically for your retirement?

	2017
Base: All Respondents	1013
I have a retirement annuity	57.16%
I have some investments (Unit trusts, call account, savings at bank)	44.52%
I have other property which I intend to rent out	21.13%
Nothing, I am in trouble	17.37%
I will draw an income from other business interests	9.87%
I have additional income on the side related to my hobbies	9.28%
I will rent out part of my primary residence to student, tenants or holiday makers	5.92%
Table Size	1013 100%

Q6.5 What financial coping methods or strategies are you most likely to deploy in retirement? Please select the TOP 3 coping methods/ strategies.

	2017
Base: All Respondents	1004

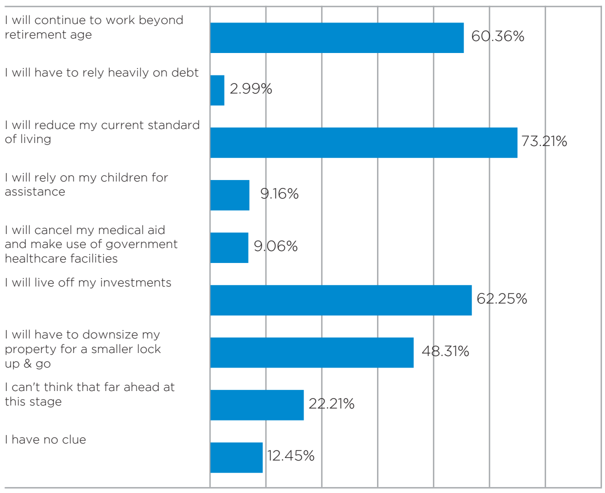
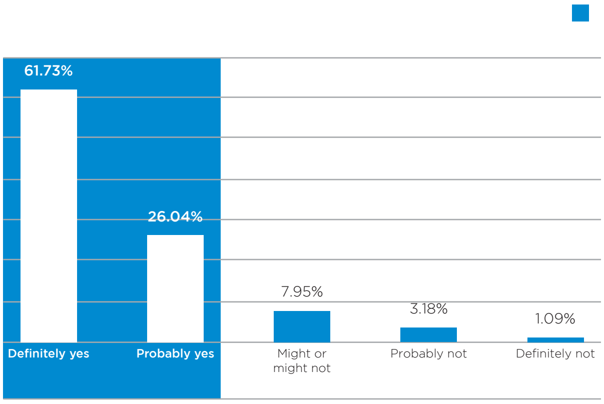


Table size	1004 100%

Q6.6 Do you think it is a good idea to put money aside now to cover your future medical expenses?

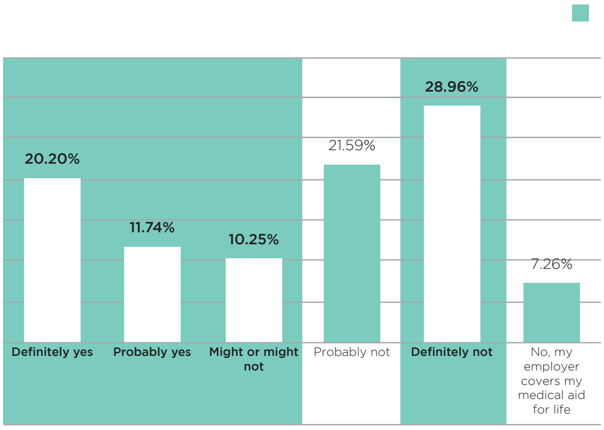
	2017
Base: All Respondents	1006



Summary	
Any yes	87.77%
Table size	1006
	100%

Q6.7 Are you currently making provision/ saving towards your post-retirement medical aid contributions?

	2017
Base: All Respondents	1006



Summary	
Any yes	31.94%
Table size	1006
	100%

Q6.8 Will you cash in your retirement fund benefits if and when you change jobs?

	2017
Base: All Respondents	989

Table size	989
	100%

Section 7
Advice and financial planning

Q7.1 Where do you go to for any form of advice related to your finances? Please select your TOP 3 sources of advice

	2017
Base: All Respondents	**995**
I have a personal advisor/ broker	52.26%
Family members/ friends/ colleagues	40.70%
I Google everything	34.67%
Someone at the bank	26.13%
I just do my own thing and hope for the best	25.53%
I am quite knowledgeable about this stuff so I do it myself	21.61%
Accountant/ Lawyer	9.25%
There is an advisor or broker at work	6.23%
I ask someone in Human Resources	3.62%
Table size	995 100%

Q7.2 Do you see any value in financial advice?

	2017
Base: All Respondents	**995**

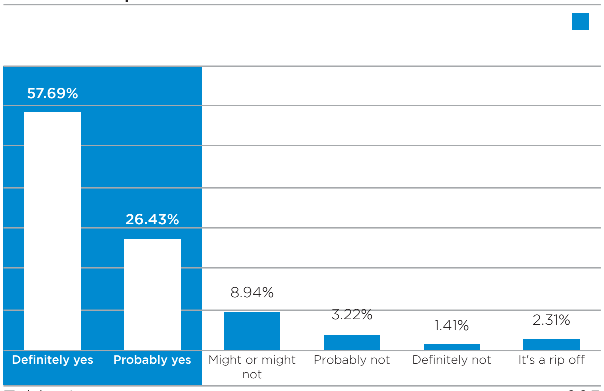


Table size	995 100%

Q7.3 What do you think of the idea of robo advice? (This is where you will receive assistance online via a computer programme that will guide your financial decisions or options. This means that the entire advice process is digital with no human interface.)

	2017
Base: All Respondents	**985**

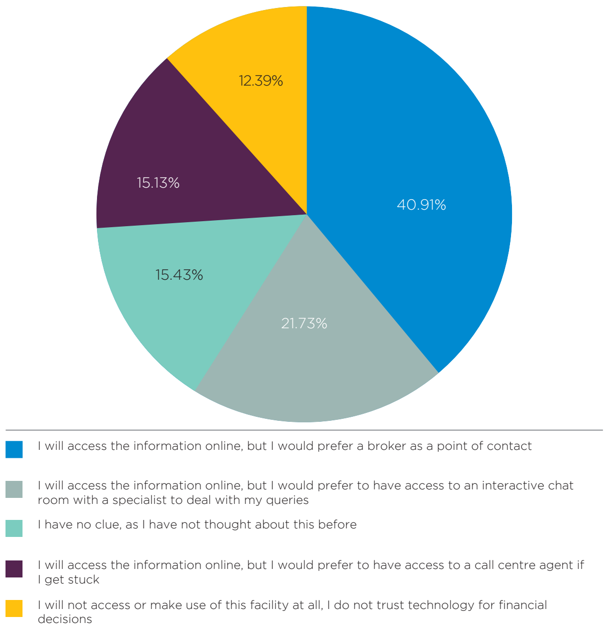


Table size	985 100%

Q7.4 Would you like to have access to more digital solutions for your retirement provision, if yes which of these options would appeal to you?

	2017
Base: All Respondents	**976**

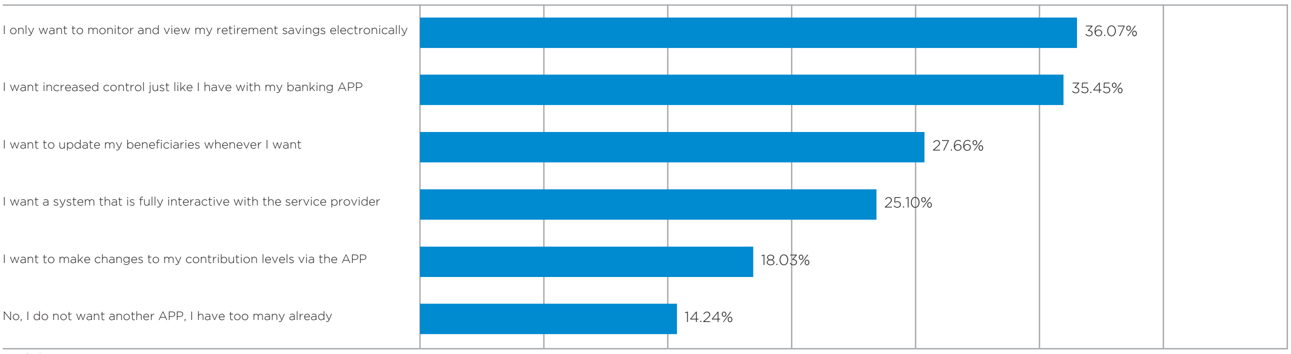


Table size	976 100%

Section 8
Additional Benefits

Q8.1 In your opinion, what do you think your employer should do differently for you as an employee with regards to the current benefits you receive? What additional benefits should be on offer and what would you like to have less of and why?

	2017
	Count
Medical Aid	133
Retirement benefits	116
Choice and flexibility	72
Educate members	59
Personal financial advice	52
Post-retirement medical aid	28
Housing allowance	22
Tax Advice	19
Any benefit would help	18
Wellness programmes	18
Increase contributions	17
Increase benefits	13
Annual feedback sessions	9
Car allowance	9
Gap Cover	8
Monthly statements	8
Education Bursaries	6
Increase retirement age	6
Long-term incentives	6
Short-term insurance	6

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