Retirement reform in South Africa, Chile, Brazil, and India

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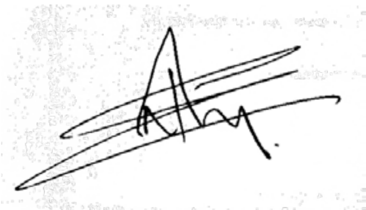
DECLARATION

I, Nitosh Krishean Maharaj, declare that this research article is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.



Nitosh Krishean Maharaj

Signed at Sandton

On the 29^{th} day of May 2018

DEDICATION

My work and efforts pertaining to this research paper and the MBA degree is dedicated to my late unborn twin boy and girl. The loss I felt the day I realised I will never get to meet you was the hardest day of my life and will never be forgotten. As time progressed and I had time to reflect what had transpired, I realised that life is unpredictable and that I should better my life and knowledge in general. As such losing you inspired me to do just this. You will forever remain in my heart and soul.

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My perseverance and motivation to complete my studies and work is attributed to many people and factors in my life.

Firstly I would like to thank the almighty for blessing me with the guidance, courage, strength and belief in myself that it would be possible for me to complete this study. Secondly I would like to pay tribute, honour and gratitude to the following people who played a role in helping me complete this study:

- My loving and caring parents, who continued to support me and motivate me through their prayers and devotion to god to help and guide me through this journey;
- My loving sisters who continuously supported, helped, motivated and encouraged me to become a better person and to aim high in everything I do;
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Lastly I would like to thank and express my appreciation to the most special person in my life, Raakhee Maharaj. My wife, confidant, friend and soul mate. Thank you for your patience, support, love, sacrifices, encouragement and being

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ABSTRACT

The South African government is concerned with the lack of a savings culture in South Africa, particularly, South Africans not saving enough for retirement and thus the need to rely on the social security system. This research article therefore examines South Africa's social security system and the retirement reforms that the National Treasury has proposed to ensure a better savings culture is created in South Africa.

The main aim of this research article was to compare South Africa's social security and retirement systems to that of Chile, Brazil, and India given the similarities between these countries in terms of social and economic conditions, and to understand the perceptions of the South African professional population in terms of their planning for retirement. The literature review undertaken for the purpose of this research article illustrates that Chile has been at the forefront of retirement reform, having just entered their fourth cycle of reform. As they are known for being the pioneers of the individual accounts system, they have become a key case study for many countries as these countries progress to reform their systems. Through active reforms, Brazil and India have also been successful in reducing their social security debt. Retirement and social security reforms are of global importance as countries forge ahead in trying to achieve social upliftment and sustainability for their citizens.

A survey was used as part of the research method, and the purpose of this survey was to develop an understanding of the perceptions of South African's that are educated and currently working in the corporate world. Twenty-five questions were sent out to the population target, with a specific focus on establishing if they have adequately provisioned for retirement. The study is basic in nature and does not aim to solve the low savings culture in South Africa, but rather to understand the perceptions and relate this to the National Treasury's efforts to improve South Africans comfort at the time of retirement and old age.

However, from the survey responses, it can be concluded that educated South Africans with professional positions in large corporations do not adequately provision for retirement and have shown a deep level of concern regarding this issue.

The literature review reveals that given the South African environment, individuals should not spend more than 5% p.a. inflation adjusted, if they don't want to risk shortfalls over investment periods in excess of 15 years. As the participants are unaware of how much they would require at retirement this would be a growing concern for government as it leaves very little hope for South Africa's uneducated and poor that have to rely on family and the government in their old age.

It is for this very reason and many other factors that the National Treasury and governments globally have embarked on a retirement and social reform, to achieve social upliftment and sustainability for all citizens.

Keywords:

Retirement
Social security
Retirement reform
Pension fund
Financial planning
Perception

1. INTRODUCTION

PURPOSE

This research article seeks to provide the reader with an understanding as to why retirement reform is required both globally and locally, and how the proposed retirement reform will address retirement and pension needs across emerging countries such as Brazil, Chile, India and South Africa. The purpose is further expanded to provide an understanding as to why South African's behave in a certain way from a savings culture perspective.

BACKGROUND

Income security and social security systems for a nation's population is a high priority for governments as it is viewed as a major contributor to social development (Saad, 2001). It is a fundamental human right for people to have access to income security, especially if they are unable to provide for themselves due to illness, disability, or old age (Mamabolo, 2015).

Retirement is a growing concern in both developed and developing worlds for various reasons. These reasons can be attributed to the population not having provisioned adequately for their retirement, the ageing population increasing, and global fertility rates decreasing (Standish & Boting, 2006). Such reasons place an enormous amount of pressure on the social and retirement systems for each country as the ratio of those who are retiring compared to individuals who are economically active increases (Viard, 2002). Furthermore, this also increases the burden of those currently contributing to retirement funds to spread such contributions to fund the retirement system and those who are currently retiring.
In order to address these concerns, governments across the globe have undertaken to reform their pension and retirement systems through policies, to encourage people to adequately provide for their retirement and to secure the

future of their loved ones (Holzmann, 2013). Many people contribute to some pension mechanism as they have a formal job, and government employees are taken care of through a subsidised retirement scheme (Nevondwe, 2010). However, the reality as it stands is that individuals are not preserving their retirement savings and generally exercise the option of taking cash when they move from employer to employer. This has dire consequences for the individual as they lose the compounding effect of growing their hard-earned pension, had they placed their funds in an investment preservation product (Holzmann, 2013).

Market returns in the last decade have further added to the burden to which the current retirement systems have been subjected to (Coile & Levine, 2011). Low market returns combined with low bond yields, higher valued shares, and a low interest rate environment have proven to be an obstacle for retirees to draw an income and grow their capital at the same time (Coile & Levine, 2011).

In the USA and UK, bond yields have fallen since the early 1980s and returns on shares have been affected negatively by the major financial crises in 2008 (Authers & Wigglesworth, 2016). This resulted in massive pension deficits, with USA pension run companies in the S&P 1500 index being underfunded by $562 billion and £149 billion shortfall in the UK by their 35 largest listed companies (Authers & Wigglesworth, 2016).

The two graphs below illustrate the declining bond yields of the UK and the US, resulting in declining returns for pension funds.

Figure 1: United Kingdom Government Bond 10-Year (TradingEconomics, 2017a)

Figure 2: United States of America Government Bond 10 Year (TradingEconomics, 2017)

The United Kingdom Government Bond 10Y peaked at an all time high of 16.09% in late 1981 and dropped to a low of 0.52% in 2016 (TradingEconomics, 2017a). Similarly, the United States Government Bond 10Y peaked at 15.82% in the third quarter of 1981 and dropped to a low of 1.36% mid-2016 (TradingEconomics, 2017b).

To provide better context of countries that resemble South Africa's situation, the literature review below focuses specifically on retirement reform in Chile, Brazil, and India. These countries have experienced similar economic conditions, existing retirement fund legislations, and have on-going retirement reforms to build better lives (Mamabolo, 2015). Furthermore, obtaining insight of how other countries reformed their retirement and social security systems have provided policymakers with a view of how to address their system's long-term challenges (Borzutzky, 2012). This can assist policymakers to avoid similar mistakes that other countries have previously made whilst reforming their systems; however, this still does not provide a universal solution to reform, but merely guidance and insight.

PROBLEM STATEMENT

Main Problem

There is no doubt that pension fund systems across the globe are some of the most important systems for any country and government, to ensure that the elderly are taken care of (Holzmann, 2013). As many countries are considering reforming their current pension fund system, developing countries tend to follow the reforms of developed nations, which is not necessarily suitable and in their best interest, given the difference between a developed and an emerging economy (Mamabolo, 2015).

Whilst South Africa has a fairly stable and solid social security system that weighs up impressively to those of other countries, there are some flaws and disadvantages of the current system.

The main problem of retirement reform is that it aims to address and correct the delimitations of the current system. These refer to a mismatch and divide in terms of the fiscal pillars that the structure of the South African retirement system was designed for. Firstly, it is an income support mechanism for the elderly; secondly, it is the private pension sector that is tax-incentivised that would provide a higher incentive to wealthy individuals when compared to low-income individuals (National Treasury, 2007). Essentially, low-income earners are penalised for saving when subjected to the means test that is applied in the social security system because they cannot access the government subsidy, whilst the rich increases their tax incentives as their income increases over time (National Treasury, 2007).

Furthermore, retirees have to make difficult financial choices regarding the amount of money to withdraw from their retirement funding investment in order to subsist (Maré, 2016). This choice is critically important as retirees would need to balance between living below their means and outliving whatever money they have available. In the USA, financial advisors generally conform to 4% as a ‘safe’ withdrawal number (Maré, 2016). However, Maré (2016) advocates that a 5% withdrawal rate for South Africans would be sustainable for short periods of time, such as 15 years, based on a balanced investment portfolio mix. This study by Maré has a significant contribution towards retirement reform as it alludes to the attitudes and perceptions of people towards retirement, underestimating the amount they require at retirement and balancing this with the ideal portfolio to ensure capital growth, whilst drawing down to sustain basic living needs.

Retirement Reform Proposal

To solve the above, the National Treasury has proposed that the means test threshold for social assistance grants, which are funded by the government revenue, should either be increased substantially or removed completely. Secondly, the tax system needs to be reformed in order to balance having enough incentives for individuals to provision sufficiently for retirement and, at the same time, address the inequalities and complexity of the current system.

Sub-problem 1

The first sub-problem relates to people not preserving their retirement savings when they resign, move jobs, or when they retire from a provident fund. People will change jobs on average at least 12 times in their working career to obtain fulfilment and greater compensation (Doyle, 2017). In South Africa, cashing in your retirement fund is popular as people use this money to pay off debt.

According to a study conducted by the World Bank, only 6% of South Africans can retire comfortably, with South Africans labelled as the biggest borrowers of money in the world (Demirgüç-Kunt, Klapper, Singer, & Van Oudheusden, 2015), thus leaving South Africa with a large number of poor retirees that the social security system cannot house.

Retirement Reform Proposal

To help individuals that are retiring from provident funds, the National Treasury is proposing an alignment of benefits for provident funds similar to those as pension and retirement annuity funds (National Treasury, 2007). This is to ensure that longevity risk is managed better and that retirement fund money is not spent too quickly, whereby they will then be forced to rely on the state. To dissuade individuals from cashing in their pension when transferring jobs, the tax implications will be severe and all efforts are to assist individuals in preserving their retirement (National Treasury, 2007).

Sub-problem 2

A key concern is that although a well-established private retirement system exists for people who have secure employment as well as government employees who are well taken care of through a subsided retirement scheme, the majority of the South African population enter retirement age with no funded pension and thus have to rely on the government's social grant programme (National Treasury, 2007). This is largely due to people not working in the formal sector, but rather earning an income in the informal sector. This contributes to the already overstretched public social security system South Africa is currently facing.

Retirement Reform Proposal

To close the gap created between social assistance grants and the private retirement provision sector, the National Treasury is proposing a compulsory contribution to a national savings scheme (National Treasury, 2007). This will be based on an earnings threshold to be agreed upon and will provide for basic retirement, unemployment, death, and disability benefits.

Sub-problem 3

Demographic deviations cause major impacts on the social and economic performance of countries globally. One of the most apparent changes is the rapidly ageing population across the globe (Giang & Pfau, 2008). This essentially means that, out of the total population, the ratio of elderly people is increasing rapidly.

This brings about the third sub-problem policymakers are facing, namely the ageing population and declining fertility rates. There is an increase in longevity amongst populations, with a number of people outliving the expected age and this creates problems within the old-age dependency ratios (Giang & Pfau, 2008). This goes hand in hand with declining fertility rates as it leaves less contributors to the economy, thus placing a great deal of pressure on governments to meet their fiscal social security requirements (Turner, 2016). Therefore the retirement reform aims to address the above concerns through the following mechanisms (National Treasury, 2007):

a) Means test to be removed or increased to ensure greater social assistance in the form of grants;
b) Participation in a mandatory national social security system will be introduced to provide basic retirement, unemployment, death, and disability benefits. Ideally this will aim to narrow the gap between social assistance grants and current private sector retirement vehicles; and
c) Stricter policies surrounding the early withdrawal of funds during resignation and the move to different jobs.

OBJECTIVES

The intention of this research article is to achieve the following:

a) Analyse the practicality of the intended retirement reform in the South African context;
b) Establish why the South African population behaves in a certain way when it comes to creating a savings culture; and
c) Provide a comparative review of Brazil, India, and Chile's retirement reform, and establish the impact on the South African investment landscape given the proposed changes to retirement annuities, provident funds, and pension funds.

DELIMITATIONS AND ASSUMPTIONS

This study has certain delimitations in terms of its context, research, and theory. The focus of this study is to compare South Africa's retirement reform to Chile, Brazil, and India purely due to the similarities of their economic and social environments; the study excludes other emerging economies. This exclusion is due to the fact that the three emerging economy countries have made significant progress in reforming their retirement and social security systems when compared to other emerging economy countries. Secondly the research focuses on professional individuals working in corporate companies, the majority being in the financial services sector. This was partially deliberate as the research aims to prove that if the educated working in a financial environment with a professional job cannot plan for retirement, what hope is there for citizens that are uneducated and poor in terms of retirement planning?

Within this research article various assumptions were made with respect to the literature review and the research method and design. These are as follows:

a. The literature review considers only the retirement reform proposals of the South African National Treasury, Chile, Brazil and India that was published at the time this research was undertaken and excludes any further publications after this research article was completed.

b. The various papers, which have been published by the National Treasury since the first publication in 2004, have been reviewed continuously to date, taking into account South Africa’s economic and social climate at each point in time the papers were produced;
c. The survey research method, which is used as the main quantitative research technique, is the most applicable means for obtaining an understanding of the perceptions of professional South Africans regarding their planning and adequacy for retirement;
d. The target population and sample size was appropriate and adequate for this research; and
e. All information disclosed in the survey by the participants was provided truthfully and honestly.

SCOPE AND LIMITATIONS OF THE STUDY

This research article comprises five sections. The first section entails the introduction, problem statement, and objectives; it provides a detailed context of the foundation of the research article. Section two consists of the literature review and a comparative study between South Africa, Chile, Brazil, and India. Section three provides context in terms of research methodology, followed by section four that outlines the results of the survey questionnaire sent out. Finally, section five concludes the research article and provides recommendations for future studies.

2. LITERATURE REVIEW

The intention of this research paper is to provide a comparative study of Chile, Brazil, and India’s retirement reform, and to evaluate and understand the impact of retirement reform in South Africa. This is based on the decisions that have been taken and the factors that support these decisions in order for the National Treasury to issue an undertaking to reform the South African retirement and social security systems. Furthermore, the relevance of such factors will be closely scrutinised. The literature review will provide a clear understanding of the debate surrounding retirement reform in South Africa.

Reforming retirement and social security systems is a key initiative and priority for many governments globally (Holzmann, 2013). However, these initiatives have become incredibly debateable as politicians and policy makers argue which is the best way to reform their current systems, given their country’s economic conditions and demographics (World Bank, 1994).

Different countries and organisations reformed for various reasons, such as the World Bank advocating on the age crisis, Chile reforming to increase the growth rate of savings, and Western Europe reforming to transfer the burden of provisioning for retirement income to individuals (Adami & Gough, 2008). As governments are intensely burdened by the complexity of providing social security, the move of such retirement funding from governments to individual responsibility will boost market activity for investments and personal retirement products, both locally and globally (Adami & Gough, 2008). Globally, governments have been advocating for their populations to take responsibility and provision for their retirement over a number of years, with the United Kingdom pushing for such behaviour for over 25 years, compared to less developed countries that have only started this process a little over a decade ago (Attanasio & Rohwedder, 2001).

In the USA, retirement security is a major concern for most Americans, as many American workers remain doubtful that they will live a comfortable life once retired

(Madland, 2010). Given the fact that retirement is the American government's primary concern after healthcare, this is likely to lead to huge levels of support by the American population as they believe they will benefit greatly from such reforms (Madland, 2010). Sadly, this is not only driven by self-interest, but also political gain (Jaeger, 2006). Political gain is underpinned by self-reliant values; as such, this diminishes the support for these reforms to move to the private sector for the benefit of the people of the country (Jaeger, 2006).

Such behaviour is not only limited to USA or other developed and developing countries. This is quite ripe and prominent in South Africa. South Africa's social security system is based on an era where apartheid was a main focus of the previous government and was substantially influenced by a racially divided past (National Treasury, 2007). The South African Pension Funds Act was promulgated into law in 1956; however, 61 years later and after 23 years of a democratic government being in power, very little has changed to uplift the plight of most retired South Africans.

CHILE'S RETIREMENT REFORM

South Africa is often compared to Chile when it comes to retirement reform, as there are many lessons that can be learnt from Chile (Mamabolo, 2015). Chile has moved onto their fourth cycle of reform, displaying their need to uplift the lives of their people. They introduced their retirement reform in the early 1980s, which succeeded their old state-run pension system as it had gone bankrupt (Nevondwe, 2010). Chile's system was replaced through a privatisation mechanism, making contributions to a personal pension account compulsory with and the account balances determining what the final benefits would be (Tamborini, 2007).

Chile was the pioneer of such a system and has thus become a prime example of a global case study on fully funded individual pension account systems (Nevondwe, 2010). Globally, particularly in the USA, it has been advocated that the Chilean system is a successful case and that government-run systems are becoming unsustainable in a society that is ageing rapidly (Mamabolo, 2015). This means that the system adopted would place a country on a passage of sustainable soundness beyond the traditional 75-year projection period (Tamborini, 2007). The system will eventually cease to exist as the contributors and recipients of the benefits reach the end. The expectation remains that by 2050 the scheme will be shut down (Kritzer, 2008). This is largely due to the fact that a fully funded system is not sensitive to the changes in the number of workers per beneficiary.

The Chilean retirement system works as follows (Kritzer, 2008):

a) The Chilean workforce has the choice of utilising the public social security pay-as-you-go system or the use of the system that is managed by the private sector. Individuals that are eligible for retirement within 5 years are exempted from this rule;
b) As the public system is phasing out, at the end of 1982, it become compulsory for the new joiners of the Chilean workforce to contribute to the capitalised scheme. Each worker had to create an account with the pension fund company of their choice;
c) Workers must contribute 10% of their monthly earnings, with the maximum being around $2,427 per month to the individual accounts;
d) Further voluntary contributions could be made to these accounts, or separate accounts opened and contributions made to those;
e) Self-employed people have voluntary participation and employers do not have to contribute to their employees’ individual retirement accounts;
f) Upon retirement, 65 for men and 60 for women, the money can be used to take out an annuity product to ensure that the individual will have sustainable funds to draw an income over a defined period, either monthly, quarterly, etc.;

g) Purchase a defined annuity – this typically means that a future date will be set for purchasing an annuity, and withdraw frequently until this date arrives and

h) Under certain conditions, early retirement is allowed and any excess funds available can be withdrawn with certain conditions being applicable.

From an investment manager perspective, they were only allowed to invest in low-risk domestic instruments and could place 100% of assets into government bonds (Edwards, 1998). Allowable transactions were restricted to government bonds, a limited number of corporate bonds, and financial institution bonds, but investments in foreign securities were not allowed (Edwards, 1998). As Chile's capital market developed in 1985, the limit on government-issued papers dropped to 50% and investment managers could then invest between 10% to 30% of assets in some shares (Berstein & Chumacero, 2006). After 2002, the laws were further relaxed to allow more investments into equities and foreign assets. After August 2002, investment managers could offer members a range of multi-funds that held different exposures to equities with varying degrees of risk associated to them (Kritzer, 2008).

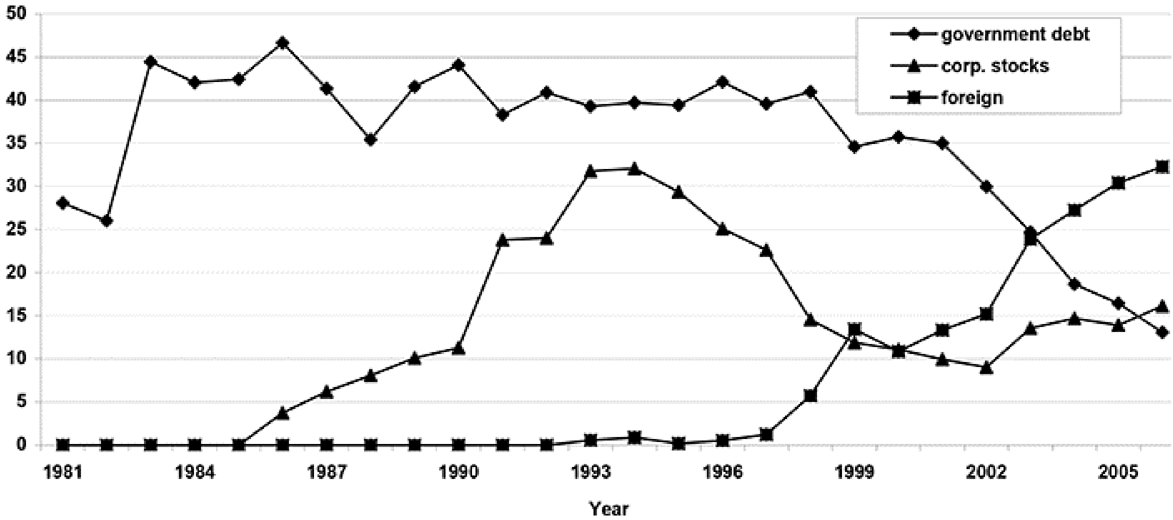

Figure 3: Evolution of selected pension fund investments (Kritzer, 2008)

Figure 3 illustrates how pension fund investments have evolved since 1981. As explained above, the rules restricted investments to government bonds from 1981 to 2002, with a limit of 26% in 1981 to a high of 47% in 1986. By 1992, foreign investments represented less than 1% of investment management company assets, which then grew to 30% by 2005 (Kritzer, 2008).

Although Chile made good progress reforming their pension systems, some policy challenges remain unresolved, such as many workers not being covered by the scheme and irregular worker participation rates would lead to insufficient retirement remunerations (Nevondwe, 2010). Despite certain issues with their system, they have made good progress that provides a comprehensive solution to their retirement system, which has contributed positively to the Chilean economy over the last two decades (Kgatla, 2013).

BRAZIL’S RETIREMENT REFORM

Brazil’s social security system has undergone significant reforms since the late 90s. The system is split between private sector workers and civil servants, with a further split between federal governments, states, and municipalities (Giambiagi & De Mello, 2006). Brazil’s reform mainly focused on streamlining the first mandatory pay-as-you-go public system due to financial stress (Melo, 1998). They then developed voluntary additional personal saving mechanisms, ignoring the fact that there should have been an individual compulsory savings plan that would have fit between the two options above (S. G. Ferreira, 2006). Discussions around whether to introduce a compulsory fully-funded scheme to replace the existing pay-as-you-go system proved to be too costly from a transition cost perspective (Giambiagi & De Mello, 2006). Evidently many Latin American countries have adopted the Chilean model of private pension security and have some form of compulsory fully-funded pension security scheme (Souza, Zylberstajn, Afonso, & Flori, 2004).

The pension security system for private sector workers has been under reform since 1998, with the primary focus on slowly contracting eligibility conditions, reducing replacement rates, and increasing the volume of people that can be covered under the pension security system (Souza et al., 2004).

The social security system for private sector workers can be summarised as follows (Giambiagi & De Mello, 2006):

a. Currently female and males can retire under the private pension security system based on old age, between 60 and 65 respectively, given that they have adhered to the pension system's 15-year minimum working requirement;
b. The minimum retirement age falls away when workers have adhered to the system in excess of 10 to 15 years in addition to the 15-year requirement;
c. Should there be an ailment of disability, then there is no restriction on the age or length of the contribution; and
d. The benefits of the pension fund are capped to ensure that there is growth with regard to additional provisions. Income is the baseline used to estimate the amount paid to the system, with the maximum fixed. Beyond this maximum, individuals can make payments to any elective system.

An interesting factor relating to the change of the pension security for private sector workers is the parametric change that the reform introduced in 1998. Pension values were calculated on the basis of average earnings during the 36 months leading to retirement (Souza et al., 2004). Giambiagi & De Mello (2006:7) indicate that "since the reform, the benefits have been calculated by multiplying the average of 80% of the highest earnings throughout the working life by a parameter that depends on age at retirement, length of contribution and life expectancy at retirement." This modification is a drawback for the premature retirees, subject to contribution length, as the replacement rate became a function of one's retirement age (S. G. Ferreira, 2006).

The social security system for civil servants can be summarised as follows (Giambiagi & De Mello, 2006):

a. Parametric changes were also introduced by the 1998 reform for the public sector worker;
b. Minimum retirement ages were introduced. For existing workers, 53 and 48 for men and women, respectively. For new workers, 60 and 55 for men and women, respectively;
c. Teachers could stop working 5 years prior to other employees;
d. In 2003, the system was transformed, which changed the requirements for the various divisions, including current and to recently appointed employees. For current employees, the lowest contribution requirement was set to 11% subject to their income, over the pre-determined limit. Should early retirement occur, the value would be decreased by 5% annually for leaving work too soon;
e. In 2004, additional legislation aimed to equal the benefits to that of federal government by aligning the splits between government, civil servants, and the state municipalities.

There is still a significant number of issues to be addressed in designing the next social security system reform for Brazil, mainly the increasing deficit experienced in the private sector (S. G. Ferreira, 2006). This is the main source of imbalance in the pension security system and will need to be addressed adequately to align and ensure relativeness to Brazil's GDP (S. G. Ferreira, 2006).

INDIA'S RETIREMENT REFORM

Since India's independence in 1947, they have developed a complex pension security system in order to address the social issues they are facing. India's social security system is categorised according to the following five components (Asher, 2003):

a.) ***The Employees Provident Fund Organisation (EPFO) schemes***

The EPFO was established in 1952 to cater for private sector workers in companies that had more than 20 employees across 177 different industries. By 2000, the scheme had accumulated 25 million individuals. However, this was not constituted as individual accounts for members, but rather the EPFO registered the companies who in turn provided the details of contributions by their employees.

This created a problem as the accounts could not be transferred to other employers as employees changed jobs. Apart from added responsibility to the EPFO, given this practice, the unemployed could withdraw all of their money, which will have negative implications for retirement security and labour mobility.

Most of the investments in this scheme are subcontracted to state-owned banks and are invested in public sector bonds and securities, but not in equities.

The EPFO schemes are not governed by any regulator, but follow the general provident and pension funds regulation in India. EPFO is an unusual national provident fund as it administers both a defined contribution and defined benefit scheme.

b.) ***Civil service schemes of the Central and State Governments***

The civil servants' main social security benefit is a non-contributory, unfunded DB pension, which is indexed for both prices and wages and allows for up to 40% of pension benefits to be taken as a lump sum. This system was set up when the average salary of a civil employee was relatively low. In 1998, salaries were revised and increased, which increased fiscal costs of the state pensions considerably.

c.) *<u>Public Sector Enterprises</u>*

These typically would include enterprises such as the Reserve Bank of India, public sector banks, electricity boards, industrial, and oil companies that have their own pension fund schemes. A major concern for India's retirement reform policies was that not much information is available for how these schemes work or who is accountable. Part of the reform policy is to regulate these schemes in order to provide for more transparency and accountability working toward fiduciary responsibility.

d.) *<u>Voluntary tax advantaged savings schemes</u>*

This comprises mainly Post Office Savings Bank Schemes, Public Provident Fund (PPF), and individual and group annuities of life insurance companies, which constitute 10% of India's GDP. PPF's are tax-shelter havens for high income individuals.

e.) *<u>Public Assistance and other schemes for the Life time poor at the Centre and in the States</u>*

Government budgets typically finance these schemes, thus such a scheme is dependent on how well the fiscal health of the government is. As the above typically covers one-sixth of the labour market, the rest is not covered by any social security scheme. Thus the elderly and poor rely heavily on income support from this scheme.

The pension scheme in India is focused mainly on welfare, however there needs to be a balance between ensuring the elderly are taken care of and the financial effects remains sustainable (Sülzer, 2008).

SOUTH AFRICAN RETIREMENT FUNDING LANDSCAPE

South Africa's retirement funding system has been in existence for decades, has a well-established legislation ensuring proper governance, and stacks up well against other countries (Kgatla, 2013). Yet the retirement industry has been misled and influenced by apartheid, leading to a racially divided past (National Treasury, 2007). This essentially meant that the majority of South Africans, particularly blacks, were misplaced when it came to provisioning for retirement (Nevondwe, 2010). Furthermore, one of the principles of this system is that it assumes that working individuals will be able to look after themselves and that unemployment is only a temporary problem (Committee of Inquiry, 2002).

However, given South Africa's high rate of unemployment, currently 27.7% for Q2 2017 (J. Ferreira, 2017) and the size of the growth problem for South Africa's economy, this assumption does not bode well with reality. The reality is that this trend is unlikely to change in the near future, given South Africa's high unemployment rate, which is primarily driven by poor economic growth and a shortage of skills in the labour market (J. Ferreira, 2017).

To correct this injustice and to redistribute wealth for a more equitable society, following the 1994 elections, the government committed itself to various social policy goals, one of them being the provision of a reasonable income in old age for South Africa's population (Committee of Inquiry, 2002). A major concern is the means test applied to determine who and how much grant should a person receive (Kgatla, 2013). In South Africa, in order to receive social assistance, an individual is subjected to means testing, which allows the South African Social Security Agency (SASSA) to evaluate their income and assets to determine if their means are below the stipulated amount to qualify for the grant. This is to ensure that the grant is indeed paid to those who have insufficient means to support themselves (Segodi, 2015).

The requirements of the means test are that a single individual should not have an income of R73, 800 per year or (R6, 150 per month) and total assets should not exceed R1, 056,000. If a person is married, their income should not exceed R147,600 or (R12,300 per month) and the combined assets must not be greater than R2,112,000 (Kelly, 2017). In essence the above does not encourage the unfortunate individuals to build a financial nest as whatever they do put away will not be sustainable in their old age. This will also have the effect of them not being eligible in qualifying for social income assistance when they do eventually require it (Segodi, 2015). This implies that they are indeed too rich to meet the requirements of the means test and to qualify for the government grant, but also too poor to live comfortably and be self-reliant in their old age (Kgatla, 2013).

The second major concern in relation to the main problem listed above is the tax incentive the private sector provides to encourage individuals to save for retirement (Segodi, 2015). In the 1920s, politicians and governments realised that there was an advantage to encourage some sort of formal savings mechanism as people relied on their savings during employment as a means to provide for themselves in their older years rather than rely on family, friends, and the community (Devereux, 2007). Furthermore, a need for better control on how pensions were offered was necessary and, as such, they introduced tax incentives to encourage such savings for old age (Mhango, 2014). Tax rules were created via their existing tax legislation in order to regulate pension benefits. This led to an exponential increase in providing funded, secure, and reliable pension benefits to workers by employers (Mhango, 2014).

Ideally the introduction of tax as a control above was to stimulate pension fund growth and incentivise the people to save, however, this brought about inequalities as the rich exploited this mechanism to add to their hefty accumulated retirement pot, whereas the poor could not use this mechanism and take advantage of the tax incentive (Kgatla, 2013). Tax is essential for the government as it provides an income to run public affairs, and the taxation of retirement benefits is essential to ensure the South African Revenue Services (SARS) receives what is due to them in terms of income generated by the tax payer.

The inequalities of the current tax system need to be resolved to ensure equality is restored between the poor, who need to save for income during retirement, and the fact that people need to be incentivised through tax mechanisms for retirement funding (Nevondwe, 2010). Benefits at the point of withdrawal is payable to fund members when they exit the retirement fund and this is partly tax-free and partly taxable (Botha, 2008). The problem with this is that the taxable portion of a member's lump sum is based on the average formula implied by SARS, yet this is complex and relies on information that is not easily accessible by the fund member. Botha (2008) also states that the portion that is tax-free is low and no adjustment has been made for a relative number of years. These are the two issues that have triggered the need for change and the need to go back to the original intent and objective of pension funds (Botha, 2008).

RESIGNING AND CHANGING JOB IMPLICATIONS

In the South African retirement fund structure, if a person leaves a company before retirement age, they are generally paid out their contributions to the scheme and any investment growth that was achieved during that time (Brown, 2013). This is more common in provident funds (Brown, 2013). The problem lies in that there is no compulsory preservation and can be cashed out, if requested. The benefit to transfer this to another retirement scheme or into a preservation product will result in the tax benefits being fully preserved (Brown, 2013).
Ideally transferring one's retirement savings to another retirement fund or preservation product is the right thing to do. However, low saving levels and a lack of preservation of existing savings are quite evident in South Africa. This is due to

a low household savings ratio, mounting financial responsibilities of South African households, and rising debt levels (StatsSA, 2017).

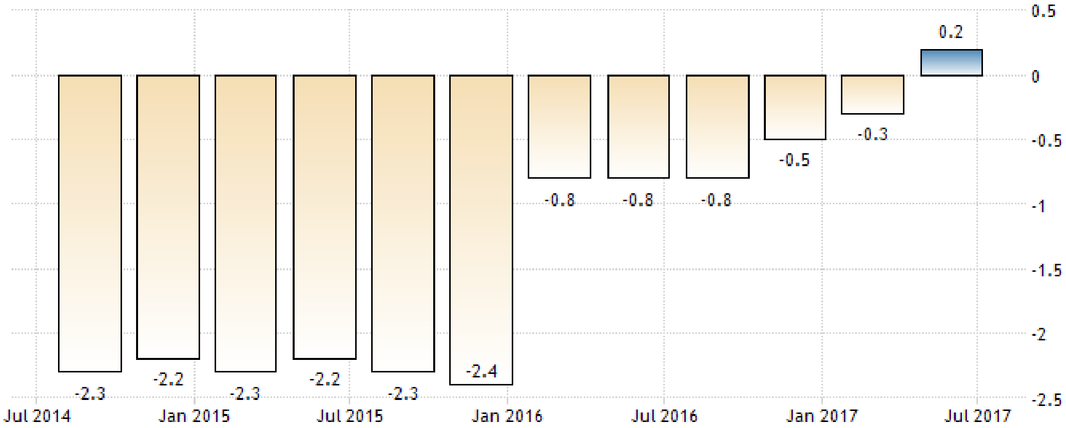

Figure 4: South Africa Household Saving Ratio (StatsSA, 2017)

The graph above illustrates the household savings rate in South Africa, between July 2014 and July 2017. The household savings rate had a marginal increase of 0.20% in the third quarter of 2017 from -0.30% in quarter one (StatsSA, 2017). From 1960 to 2017, personal savings averaged 4.86%, with a high of 23.80% in 1972 to a low of -2.70% in 2013 (StatsSA, 2017).

Amongst all countries globally, South Africa is known for having a dreadful savings rate, estimated at 15.4% of the GDP (Erasmus, 2015). Compared to other developing countries, China saves more than 50% of their GDP, India 30%, and Brazil 25%. Furthermore, South Africa's household debt as a percentage of household income is estimated at 80% (Erasmus, 2015). Some of the reasons for the low savings rate in South Africa include:

a) Burden of rising taxes;
b) High inflationary environment;
c) Little to no disposable income;
d) High unemployment; and
e) Low economic growth.

These factors promote high debt incurrences and, as such, entice individuals to leave their jobs to cash in their retirement. In a survey conducted by Sanlam in 2015, 77% of retirement fund members withdrew from a retirement fund either due to retrenchment or resignation and received the benefits in cash (Visser, 2017). Individuals access these options without understanding the long term effects that early withdrawals from a retirement fund can cause on their financial position and the harshness of the tax consequences (Amromin & Smith, 2003).

As it is too easy for employees to access their retirement savings when resigning or changing jobs, the government, as part of the retirement reform proposals, has proposed changing the tax rules of provident funds to align with retirement annuity funds and pensions funds (National Treasury, 2014). Essentially members of provident funds will be encouraged to take a major portion of their money as a monthly pension payment instead of a once-off lump sum. This will ensure that there is an income provided for the duration of a member's life, thus providing financial security and stability (National Treasury, 2014).

COMPULSORY CONTRIBUTION TO A NATIONWIDE SAVINGS SCHEME

People that have formal sector jobs and work in government contribute to either a pension, provident, or retirement annuity fund that will provide for their retirement and income in old age (Segodi, 2015). However, many South Africans do not have the benefit of an employer or government retirement fund as they either work in informal sectors or work for themselves, with retirement planning being the last priority for them as they strive to make ends meet (Nevondwe, 2010).

The above statement is evidence that, although South Africa has a firm and well established retirement system and industry, it does not provide for the entire population's requirements (Kgatla, 2013). To this end, the National Treasury has proposed a compulsory contribution to a nationwide savings scheme for the population of South Africa. South Africans do not save adequately and do not consider the financial risks that arise when not saving and investing (Nevondwe, 2010). The National Treasury believes that people tend to prefer a default contribution to a savings platform, directly from their income, as opposed to having a choice to contribute (National Treasury, 2007). Furthermore, the high costs to enter the private sector retirement schemes make the majority of the population vulnerable to enter this space, with the perception that the national scheme will provide for greater economies of scale, thus keeping costs lower.

Of all proposals, this has been the most controversial and has drawn the most attention. This is due to the fact that it could threaten many product providers that manufacture and distribute current savings mechanisms to the poor. (Nevondwe, 2010).

Essentially this proposal aims to enforce compulsory savings to a national fund by all those employed in the formal sector (National Treasury, 2007). An agreed threshold or rate still needs to be agreed, but the proposal on the table is 13-18%, after tax earnings, to a maximum of R60 000 threshold a year (National Treasury, 2007). For example, if the rate is 14% and you earn R80 000 per year, you will be forced to contribute R11 200 per year or R933 a month. The low-income earner's cost of such a contribution will be covered by their wage subsidy (National Treasury, 2007). Of course, should one wish to make additional contributions to this scheme, this will be allowed. Besides obtaining basic retirement funding, one would also receive unemployment insurance, life, and disability cover for this compulsory contribution (National Treasury, 2007).

This proposal affects the current product providers, as people will only be able to contribute to one scheme due to affordability and the complications of trying to manage multiple portfolios on their own without financial supervision (Mamabolo, 2015). There is a debate as to whether the South African government is worthy of managing a scheme of this scale, however, they have managed to collect taxes from eight million individuals and SASSA continues to ensure that 12 million South Africans receive their old age grant every month (Kgatla, 2013).

INCREASED LONGEVITY AND DECLINING FERTILITY RATES

Increased longevity and declining fertility rates pose an additional concern to social security systems (Standish & Boting, 2006). The result is an increased ratio of those retiring versus those who are economically active (Viard, 2002). This dependency ratio thus places an increased burden on those currently contributing; the benefits paid out to retired individuals will thus be spread across a larger number of people (Viard, 2002). To ensure adequacy in balancing retirement payments, fund managers need to carefully manage and balance the assets in order to manage the fund liabilities better (Viard, 2002).

When social security was implemented globally, across various countries in different years, the way it was set up to provide benefits initially, when compared to now, is very different (Turner, 2016). Benefit eligibility rates was set at 65 for two reasons, in terms of an eligibility age, pension plans used to be either 65 or 70 and this was based on actuarial calculations indicating that fewer people could qualify at the age of 65, with the programme being financed at a lower payroll tax rate (Turner, 2016). In 1940, life expectancy at the age of 65 was estimated to be 11.9 years, factoring in the aspect of people entering the work force much earlier than now (Bell & Miller, 2005). By 2010, life expectancy at the age of 62 was 23.3 years, thus doubling since 1940 with the effect of increasing costs of providing social security benefits at the same age (Bell & Miller, 2005).

The United Nations (2015) indicate that:

> Worldwide, there were 901 million people aged 60 years or over in 2015, an increase of 48 per cent over the 607 million older persons globally in 2000. By 2030, the number of people in the world aged 60 years or over is projected to grow by 56 per cent, to 1.4 billion, and by 2050, the global

population of older persons is projected to more than double its size in 2015, reaching nearly 2.1 billion. Globally, the number of people aged 80 years or over, the “oldest-old” persons, is growing even faster than the number of older persons overall. In 2000, there were 71 million people aged 80 or over worldwide. Since then, the number of oldest-old grew by 77 per cent to 125 million in 2015, and it is projected to increase by 61 per cent over the next 15 years, reaching nearly 202 million in 2030. Projections indicate that in 2050 the oldest-old number will be 434 million globally, having more than tripled in number since 2015. (p.9)

Currently, the majority of the world’s senior citizens occupy underdeveloped areas, with increasing numbers. It is estimated that by 2050, approximately 60% of the “oldest-old” will occupy these areas (United Nations, 2015).

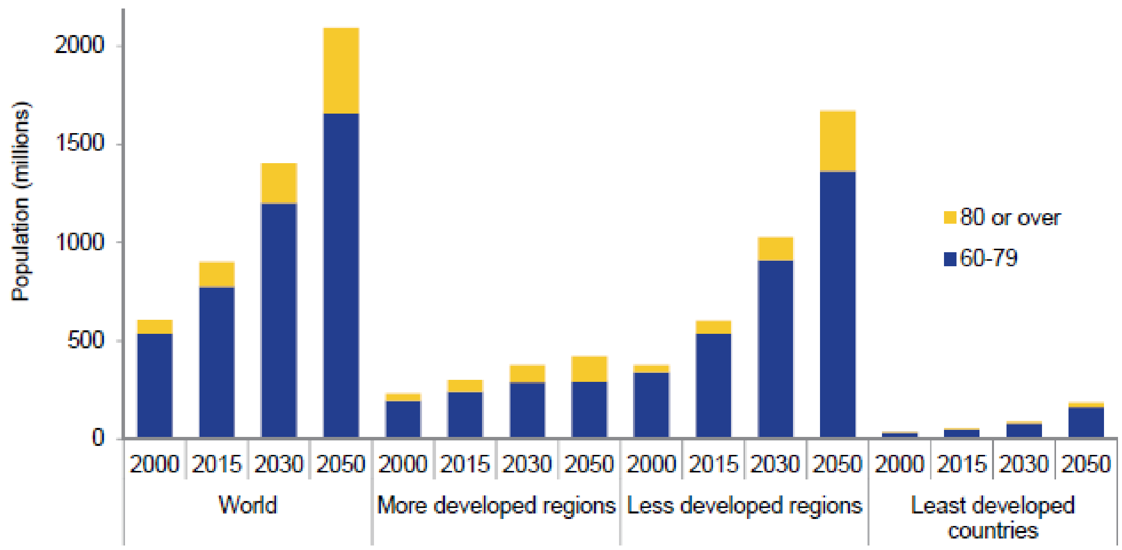

Figure 5: Number of senior citizens between 60 and 80, from 2000 to 2050 (United Nations, 2015)

Figure 5 illustrates that the cohorts of people who were born from 1940 onwards shall go into 80 between 2015 and 2030. There was a decrease in reproduction during this period, hence the small number of babies being born. Thus this group of people, who are 80 and older, will grow slower over the next 15 years versus the past 15 years (United Nations, 2015).

Figure 5 illustrates that the cohorts of people who were born during World War II *will enter 80 during the years 2015 to 2030. As fertility was depressed during the* war, this ensured small birth cohorts of people, thus the group aged 80 years or more will grow slower over the next 15 years versus the past 15 years (United Nations, 2015).

This illustrates that as a percentage of GDP, most nations will spend more on social security providing the oldest-old and older people (Turner, 2016). Whilst developed nations will be able to provision for it, developing nations will face difficultly trying to mitigate this fiscal challenge as population ageing requires extensive public expenditure for the aged people on pensions and healthcare, which thus impacts pension funds, government budgets, and long term fiscal sustainability of governments globally (Giang & Pfau, 2008).

In the same light, the declining fertility rates are generating considerable shifts in the global population age structure (Boldrin, De Nardi, & Jones, 2015). Data shows that an increase in government provided social security for the aged has a very strong correlation with a reduction in fertility. Boldrin, De Nardi, and Jones (2015) used two models to prove this, namely the Barro and Becker model and the Boldrin and Jones model. In the first model, parents had children to ensure their legacy continued. However, in the second model people had children to look after them in their old age to ensure their comfort during this period (Boldrin et al., 2015). In the first model the impact on government is very small, but in the second model the impact is more considerable affecting mostly developing countries compared to developed countries.

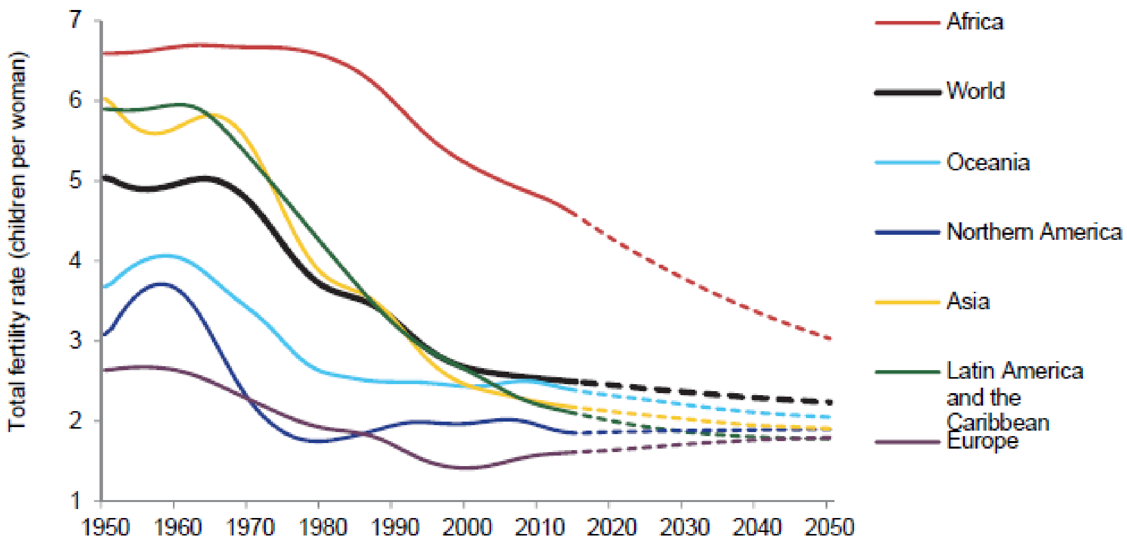

Figure 6: The total number of births per woman, between 1950 and 2050 (United Nations, 2015)

Figure 6 illustrates the estimated trends between 1950 and 2015, with a projection to 2050 for fertility globally. At a global level, the total fertility in the year 1950 was five children per woman, but has now fallen to two children per woman in 2015 (United Nations, 2015). The underdeveloped continents experienced a steep fall in fertility rates from 6 children per woman in 1950 to 2 births during 2015.

The rate of reproduction needed to maintain the populace is known as the "replacement ratio" (Boldrin et al., 2015). In Africa, the fertility decline has begun falling more recently than other regions, due to a decline in the number of children. This affects the proportion of people who are able to work (between 15 and 65), whilst the percentage of older people remain the same. Thus the proportion of dependents is also decreasing (Turner, 2016).

India also faced similar issues, thus forcing them to evolve their social security system since their independence in 1947. Currently in its 5th cycle of sociodemographic evolution due to a fall in reproductive rates, their aim is to accomplish a sustainable level relating to reproductive rates to ensure a stable population level by 2045 (Asher, 2003). There is an expectation that the elderly will double by 2025 and as such life expectancy is relevant for social security as it specifies how long one would need social revenue assistance (Asher & Bali, 2010).

South Africa's dependency ratio was 30.3 in the 1970s and declined to 27.8 in 1980, with a rise to 47.8 in 2001 (Standish & Boting, 2006). The high rise of this rate is attributed to the impact of the HIV/AIDS disease on certain demographic profiles and the ageing population. The significance of this trend and the fact that withdrawals exceed contributions into funds will lead to a decline of the South African retirement fund industry (Standish & Boting, 2006).

Figure 7 below illustrates life expectancy in relation to income ($) for South Africa, Brazil, Chile, and India. People tend to live longer in countries that produce a high GDP per capita (Gapminder, 2018). Countries that have a high income illustrate that people live longer, while countries that have a low income do not illustrate long life expectancies (Gapminder, 2018). Figure 7 show that Chile has a life expectancy of 79.4 years at an income level of $22,500. In comparison to India, this is 67.2 years at an income level of $5,500. Furthermore, some countries could be very close or similar in income, but have a vast life expectancy to income ratio based on how money is distributed and used in these countries (Bhorat, 2015). An example of this would be South Africa and Brazil. Their income levels are similar but the life expectancy differs, where Brazil has a life expectancy of 74.7 years at an income level of $14,500, whilst South Africa has a life expectancy of 61.3 years at an income level of $12,500. The defining factor here is that South Africa has the larger Gini co-efficient when compared to Brazil at a rate of 0.66 (Bhorat, 2015).

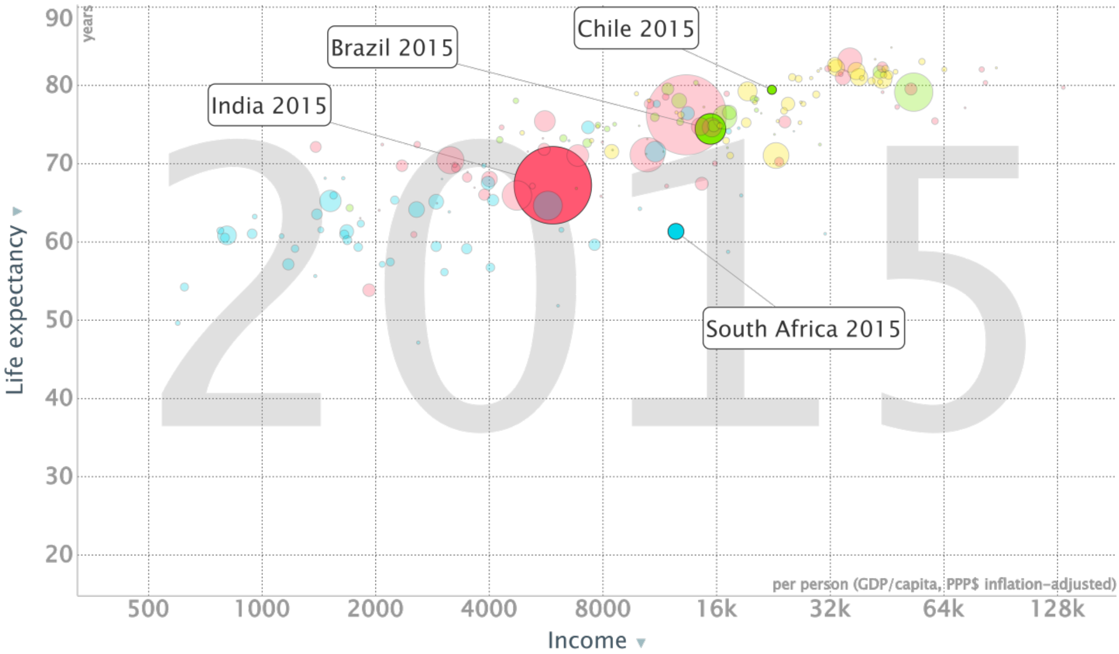

Figure 7: Life expectancy versus income for South Africa, Chile, Brazil, and India (Gapminder, 2018)

CONCLUSION

Clearly South Africa is facing an ongoing challenge in terms of economic growth, unemployment, poverty, income inequality and ensuring all South Africans have the basic necessities to survive (Committee of Inquiry, 2002). The South African National Treasury is convinced the above factors necessitate a review of the social security system and the Retirement Funds Act to ensure people are taken care of in their old age and at retirement (National Treasury, 2007).

The proposals mentioned above, however, affect the South African population in many ways, therefore this analysis aims to analyse the impact of the proposed reforms on individuals as well as the investment landscape in terms of how these reforms will be implemented.

3. RESEARCH METHODOLOGY

This section provides a description of the research methodology and design, which were used in the research process. It is indicated that the quantitative research method was used with a survey being the primary collection instrument used to collect data. This section further provides context to the research process, data collection and analysis, target population, and the research ethical considerations.

RESEARCH DESIGN

This research was designed as a quantitative study. This relates to research that explores the use of numbers in the form of numerical statistics to quantify, predict, or explain a problem or phenomenon under the study (Kumar, 1999). The use of statistics is not necessarily an essential aspect of quantitative studies, but rather its main function is to serve as a check to sanction or dispute the conclusions that one has established based on their interpretation of the data that was analysed (Greener & Martelli, 2015).

Conversely, a qualitative study is used as an exploratory basis if the intention of the study is to predict or explain the problem or phenomenon with information gathered through the use of non-numerical, video, text, and individual's written or verbal words (Greener & Martelli, 2015). Qualitative studies are collected through interviews with focus groups or individuals using unstructured or structured topics as a guideline for the interviews (Kumar, 1999).

Whilst both quantitative and qualitative methods of research have their strengths and weaknesses, neither is superior to the other (Ackroyd & Hughes, 1992). The purpose of this research article will determine the information needed, as well as what the requirement and measurement of the analysis of the variables will be (Kumar, 1999).

RESEARCH PROCESS

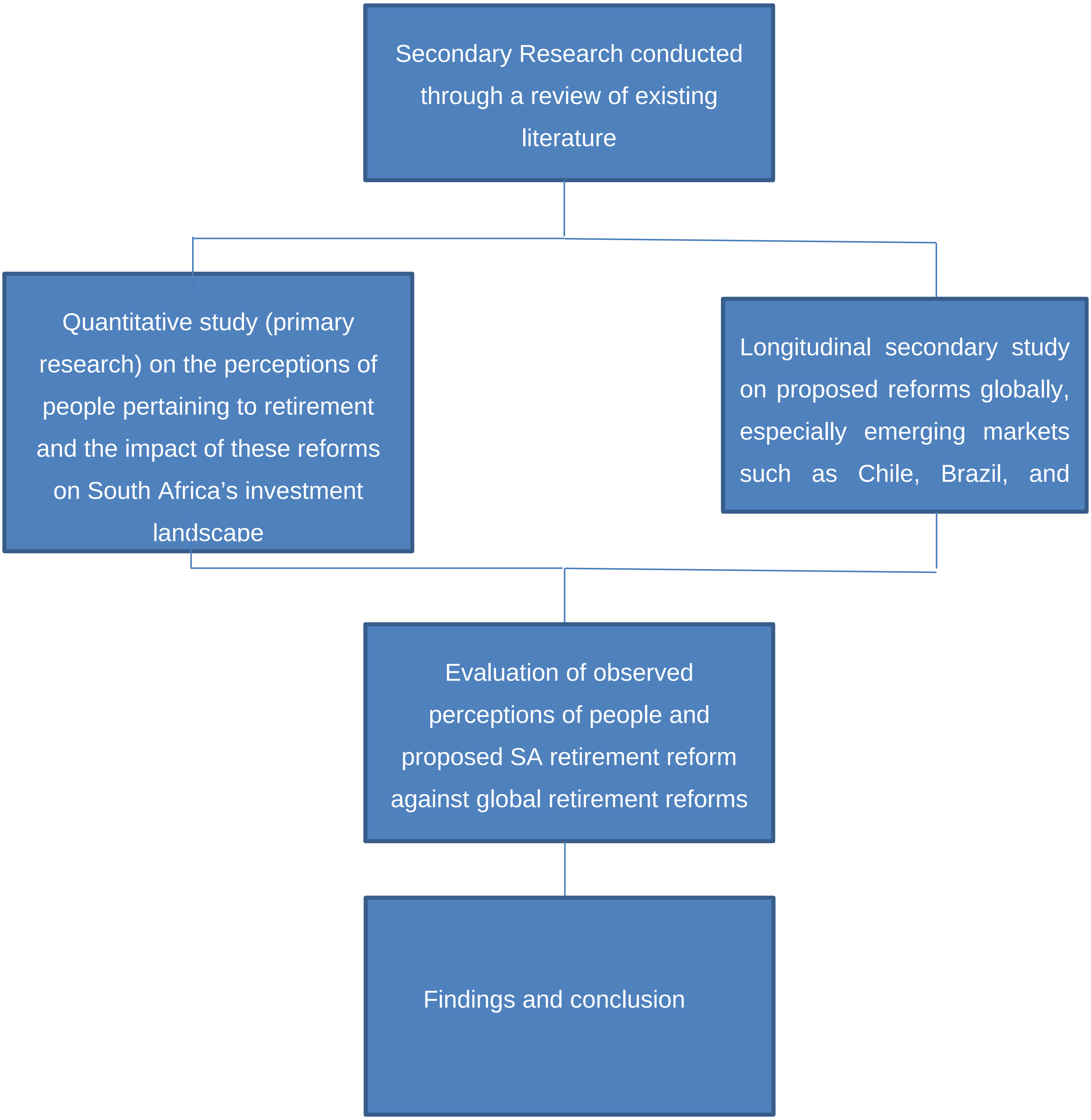

Figure 8: The Research Process

Figure 8 shows the proposed structure of the research. This process uses quantitative techniques, thus the research will be able to meet its primary objectives of evaluating and understanding people's perceptions regarding retirement and what the impact of retirement reform on the South African investment landscape will be. This will assist in a comparison to evaluate the impact of retirement reform and what has been achieved globally from a retirement reform perspective.

SAMPLING STRATEGY

The research has one population group. This survey will be sent to people working in the South African corporate environment, which includes the majority working in the financial services industry. These include general staff, such as customer facing, administration, finance, sales individuals, or any other senior-nominated specialist that will be required to complete a closed-ended questionnaire.

The reason for selecting this population group to participate in the survey is to understand their perceptions of retirement, given the fact that they are in a corporate environment and they currently contribute to a corporate pension fund. This will allow us to evaluate their perceptions and gauge if they have given retirement any serious consideration. In comparison to the rest of the South African population, approximately 80% that contribute to a pension fund scheme will provide a view that shows if these professionals have or do not have an understanding of the need for retirement versus those who work in the informal sector and rely on the South African government's social security system in their old age.

A census is regarded as a systematic process of collecting and recording such information regarding an entire population that is part of the research. (Greener & Martelli, 2015). This can be used if the population of the research is relatively smaller, recognisable, and simple to reach (Kumar, 1999). A publication released by StatsSA, which measures the quarterly employment statics, indicated that there were 2,105 million people employed in the financial services sector (StatsSA, 2016). This also includes the investment industry in South Africa, which is dominated by geographical locations such as Johannesburg and Cape Town. Given the size of this sector, 100 to 150 professionals will be targeted for this research. This target population will meet the requirements as set out by Greener & Marterlli (2015), inter alia.

DATA COLLECTION METHOD

The data for this research was collected via a close-ended questionnaire (Appendix A). This was emailed as a link to the target population that could be accessed, opened and completed online, and was anonymous. The medium that was used for this survey was Qualtrics, as it is easy to manage and requires no printing or scanning from the recipient. For research purposes, online questionnaires are a simple and convenient way to reach target populations that have easy access to the internet and are spread across different locations (Greener & Martelli, 2015).

The data analysis will review the professional individual's perceptions of retirement and evaluate the need for retirement reform in South Africa and how it impacts the investment landscape. This will be compared to other countries particularly Chile, Brazil, and India. The differences and resemblances within these will be noted for reporting.

DATA ANALYSIS

The data obtained via the survey was analysed using the Qualtrics system. This was first checked to ensure that all questions were answered. The questionnaire was designed to prompt a response from the participant thus ensuring no blank spaces or uncompleted questions exist. Once each question was analysed and no missing data was guaranteed, the analysis of the data commenced, with Qualtrics providing detailed data and analysis on each question providing a realistic view of the target population's perceptions regarding planning for retirement.

ETHICAL CONSIDERATIONS

The proposed research article was guided by the Graduate School of Business Administration (Wits Business School – WBS), University of the Witwatersrand, Johannesburg Ethics Committee. The policies and procedures of this committee were respected and abided by, which include policies against breach of confidentiality, plagiarism, coercion, or falsification. The Ethical Clearance form has been completed and submitted to the school and will be attached as an annexure to the final copy of this research paper.

VALIDITY AND RELIABILITY

Reliability refers to the level at which a test or process yields similar outcomes given the same conditions all the time and to the degree of which studies can be replicated (Bell, 2014). Holton & Burnett (2005) question whether the results would be the same, if the same research could be conducted again. One of the recognising factors of good research is the validity of data collected and results of such data (Holton & Burnett, 2005). This illustrates that, in a quantitative research, the researcher is able to obtain significant conclusions from the outcomes, while reliability specifies that the participants' scores are reliable and constant.

In an effort to warrant validity, the objectives of the research should match the research design, data collection tools and processes. These should be ethical and impartial. Cooper & Schindler (2003) state that decisions and actions executed based on the valuation of the results of the data ensures validity. A simple differentiating factor between reliability and validity is that validity looks at how the results of the data support the conclusions, whereas reliability focuses on the collection process of the data to make sure that the results remain stable (Cooper & Schindler, 2003).

Within this research article great precautions were taken to ensure reliability and validity of the research methods used. The use of appropriate questions and various sources within the research increased the reliability and validity of this research article.

CONCLUSION

The main purpose of this research article is to understand and evaluate the proposed retirement reforms that the National Treasury has tabled with the view that this will benefit the population in their old age and in retirement. Furthermore, this will be a comparative study as to what Chile, Brazil, and India have achieved from a retirement reform perspective.

Maré (2016) proves that in the South African context a 5% withdrawal rate of retirement monies is only sustainable for short periods of time, which would be 15 years or less. Unfortunately, the majority of South Africans, including professionals, do not know or understand this concept. The data collected and analysed in this research will contribute new knowledge and thinking to the field of retirement and social security in the public and investment sector. This is a unique research article, as it is one of the few research studies examining the impact of the proposed retirement reforms. The supporting research methodologies are applied to substantiate the findings of the research; these findings will benefit the South African investment landscape and public to a limited extent.

4. RESULTS

In section three, the methodology was explained in terms of how the questions will be used to analyse the individual's perceptions of their planning for retirement. The intended target population pertaining to the survey was reached with one hundred and sixty participants responding to the survey sent electronically via Qualtrics. This section provides an analysis of the data collected based on the answers the participants provided to the 25 questions in the survey. Only key responses correlating directly to the problem statement, sub-problems, and objectives of the research have been recorded in this section. The full data analysis per question is presented in Annexure A.

RESULTS PERTAINING TO SURVEY QUESTIONS

SECTION A - BIOGRAPHICAL INFORMATION

Please indicate the age group you belong to

The data from the survey illustrates that 41% of the participants in the survey were aged between 35 and 44; whilst the participants aged 25 to 34 were 33%. The response rate of those closer to retirement, aged 45 to 54, was 16%. This provides a fair spread of the participants in the survey as they are in different stages of their careers, thus providing a dynamic view on retirement planning.

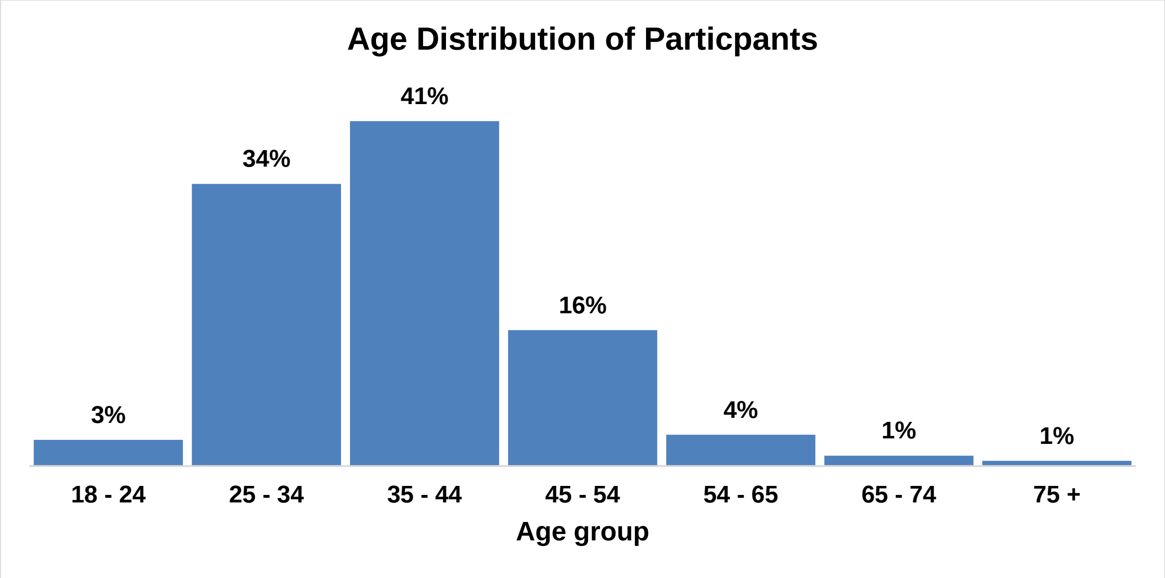

Figure 9: Age Distribution

Education: What is your highest level of education completed?

Figure 10 illustrates that 33% of the participants hold a postgraduate degree, 19% have a diploma, and 16% have a bachelor's degree.

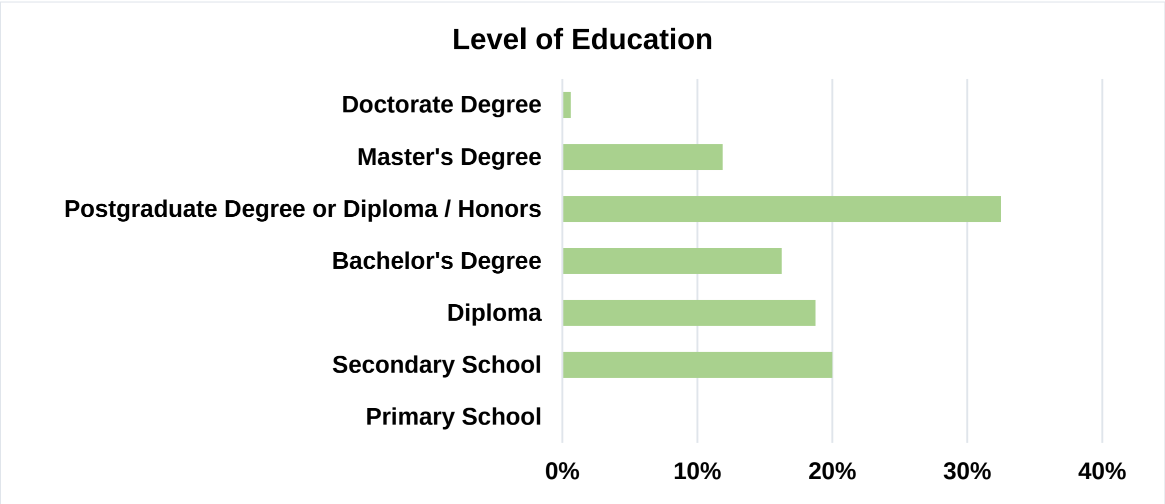

Figure 10: Level of Education

SECTION B - PERCEPTIONS REGARDING RETIREMENT

The purpose of this section is to understand the perceptions of the participants of the survey regarding their planning and thinking for retirement. The questions are primarily focused on whether planning for retirement is important i.e., when are the participants planning to retire, if they have a concern pertaining to adequate provisioning for retirement, and if they are aware of how much they would need to draw as income when they do eventually retire. The findings pertaining to the aspects that are importantly relative to this study are presented in the charts to follow.

Do you think planning for retirement is important?

Figure 11 illustrates an overwhelming response rate of 94% was achieved pertaining to the question. This is positive and illustrates that individual perceptions on retirement planning are viewed as a serious aspect of one's life. Given the fact that retirement products are complex and are different to traditional savings mechanisms such as fixed bank deposits, a considerable amount of thinking needs to go into planning for one's retirement (Harrison, 1994).

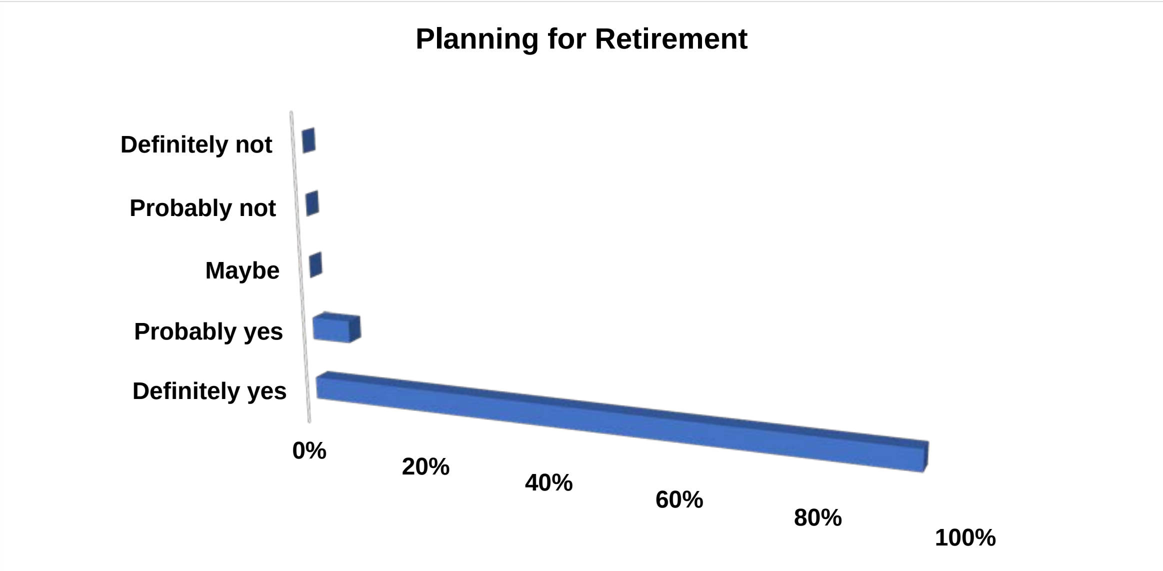

Figure 11: Planning for Retirement

At what age do you plan to retire?

Out of the respondents, 47% stated that they would like to retire between the recommended ages of 56 and 65 years old, 18% stated they would like to retire between ages 50 and 55, and 22% stated they would retire above 65%. Only 6% stated they would never want to retire and 8% stated that they would want to retire before 50. This finding is similar to Chile, Brazil, and India where the recommended retirement age is between 60 and 65 years (Kritzer, 2008). In comparison to developed countries, the retirement age is 65 and above. Particularly in the USA, most Americans are concerned that they will not have the luxury of living a comfortable life once they have retired (Madland, 2010).

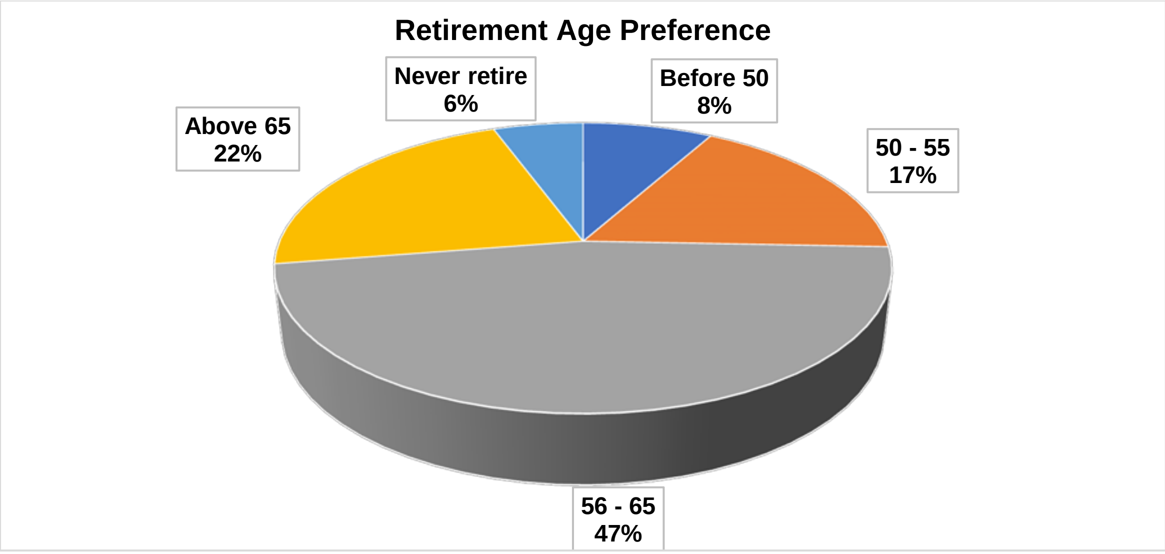

Figure 12: Retirement Age Preference

Do you feel concerned that you have not adequately provisioned for retirement?

This question is important to this is survey as it is relative to the purpose of Retirement Reform. The majority of the participants, at 36%, stated that they are slightly concerned about having provided adequately for their retirement, whilst 18% were very concerned, and 16% extremely concerned. Of the participants, 13% stated that they might be concerned while 18% were not concerned. A combined 83% stated that they are concerned that they have not adequately provisioned for their retirement. It is for this reason that governments around the world are looking to reform their retirement systems, particularly their social security systems. Economic and environmental pressures are contributing to the declining financial systems globally, adding to the burden of the individual who needs to find a way and means to survive (Saad, 2001).

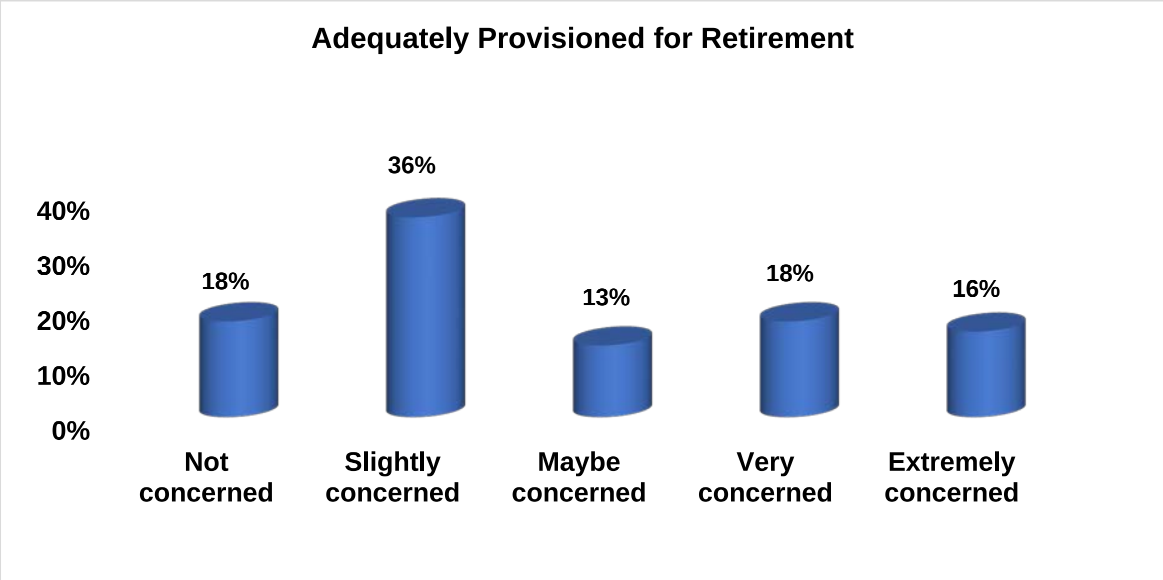

Figure 13: Adequately Provisioned for Retirement

What percentage of your monthly income do you save additionally for retirement?

The survey further probed the participants into providing a percentage that they would save additionally. Of the participants, 43% stated they would save 1% to 5% of their income additionally for retirement, 30% would save 6% to 10%, 12% would save 11% to 15%, 9% would save 16% to 20%, 2% would save 21% to 25%, and 4% stated they are currently saving above 25% in addition to their contribution to a pension fund scheme. According to the World Bank, only 6% of South Africans save enough for retirement (Luthuli, 2017) and 55% of South Africans are living in poverty. Whilst this is a small number in the context of the greater savings problem in South Africa, it is encouraging to see that a small number of people are actively trying to save further for their retirement as opposed to contributing to their pension fund only.

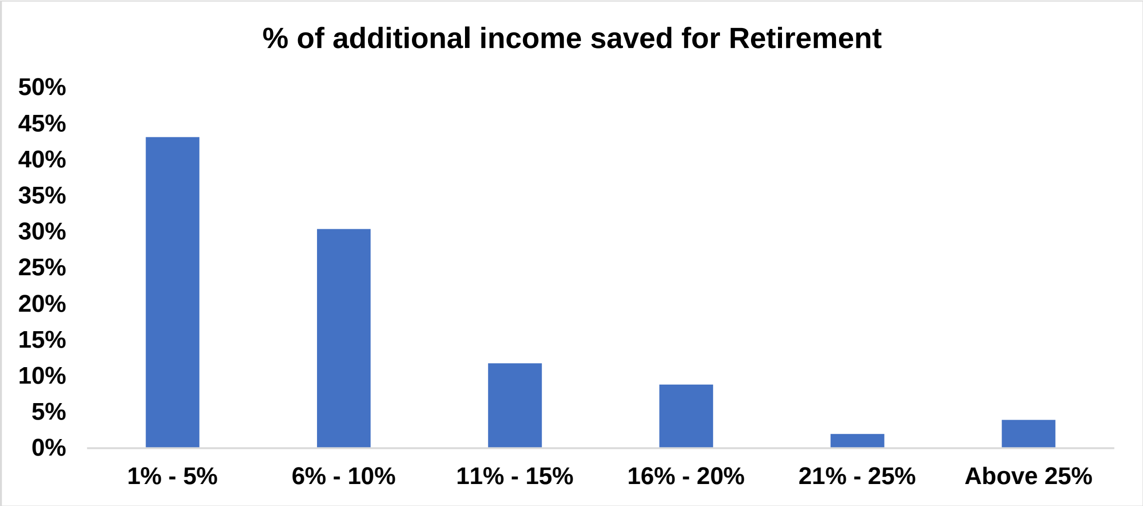

Figure 14: Percentage of additional income saved for Retirement

Do you use a financial adviser to assist with your financial planning needs?

Alarmingly 61% of the participants stated that they do not consult a financial adviser for their financial planning needs, while 39% stated that they make use of a financial adviser. This is a concerning statistic given the complexities of financial retirement products as individuals would require financial advice in order to make better financial decisions (Kalenga, 2015). Lusardi & Mitchell (2011) advocated that a low level of financial planning is as a result of financial illiteracy. With the use of a financial adviser, data had shown a high correlation with proper financial planning and investing more efficiently in preparation for retirement (Lusardi & Mitchell, 2011).

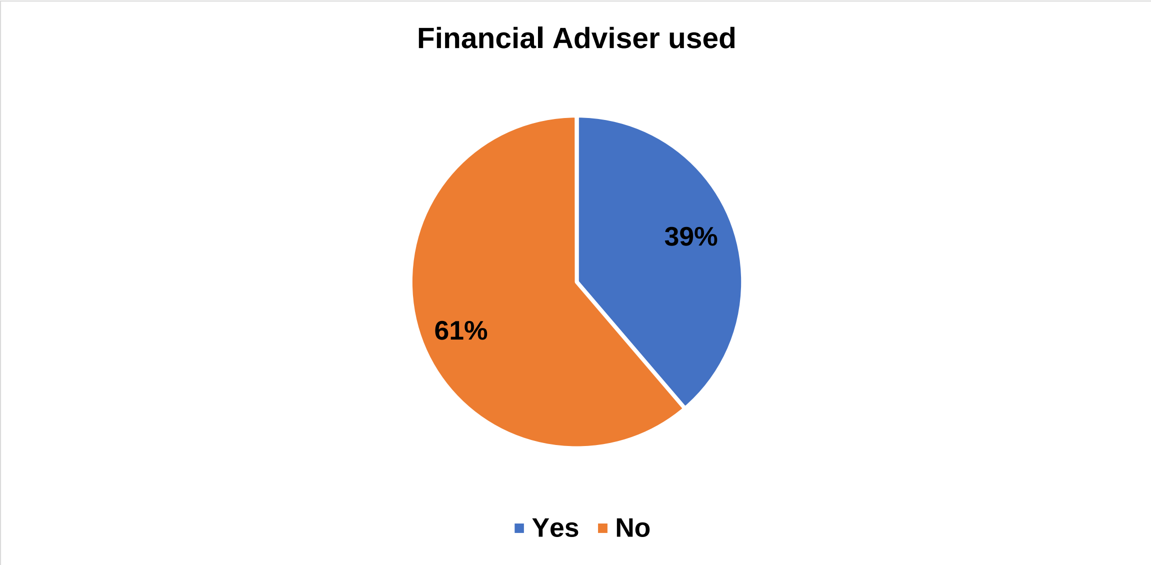

Figure 15: Financial Adviser Used

What would you do with your pension/provident fund when you resign from your existing organisation and move to another organisation?

Of the participants, 56% stated that they would move their money to the new organisation, whilst 16% stated that they will leave their money in the current scheme, and a combined 15% stated they will cash out their pension fund. Of the participants, 13% stated that they are unsure what to do with their pension fund. One of the issues retirement reform programmes worldwide have been trying to address is the compulsory transfer of retirement monies into a preservation fund when jobs are being changed.

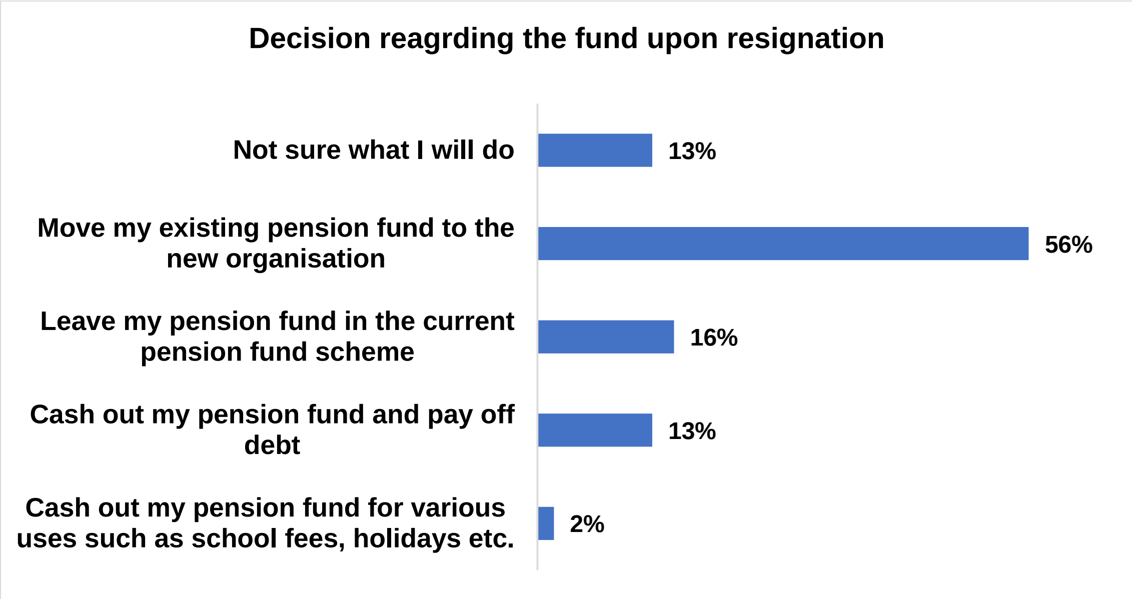

Figure 16: Decision regarding the fund upon resignation

Have you calculated how much money you would need by the time of your retirement?

Not surprisingly, 63% do not know how much money they would need at the time of retirement, while 37% responded yes to this question. This relates to financial literacy as well, as people do not necessarily know how much they would need at retirement due to the schooling in complex financial models that they need (Hogarth & Hilgert, 2002).

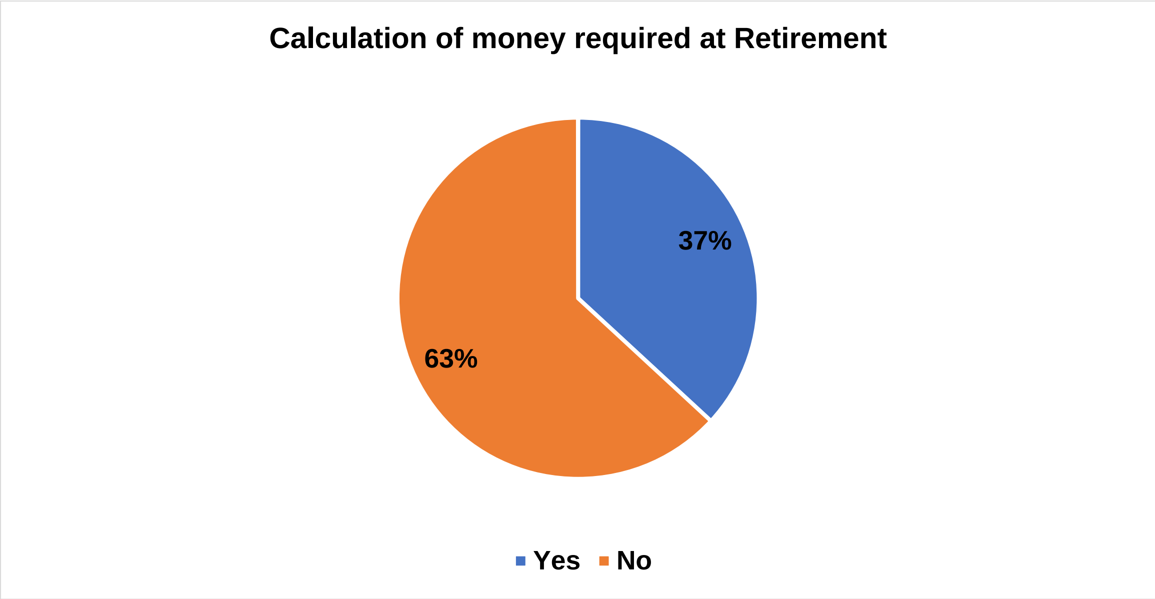

Figure 17: Calculation of money required at Retirement

If you have answered yes to the above question, what percentage of your pension fund would you need to draw as income when you have retired, to sustain your basic needs and lifestyle?

Of the participants, 53% responded stating that they are unsure as to what percentage of their pension fund they would need to draw as income to sustain their lifestyle at retirement. Data further reveals that the majority of the responses indicate they will draw above 5%. Maré (2016) stated that retirees are faced with a challenging financial choice as to how much they can draw safely to live comfortably. This statement is reinforced by these two questions as you have qualified professionals unable to answer both these questions.

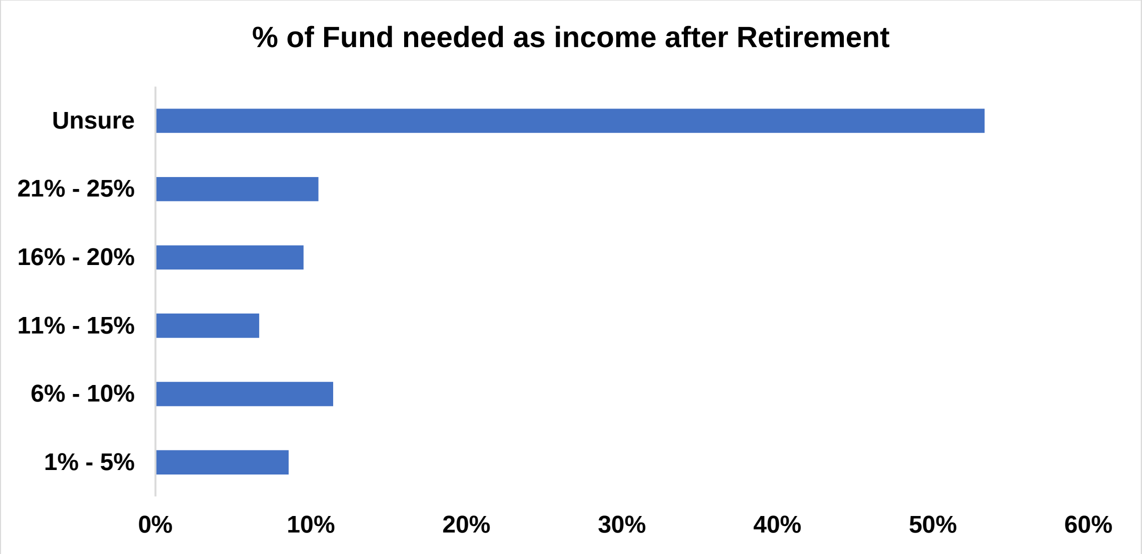

Figure 18: Percentage of Fund needed as income after Retirement

SUMMARY

Not surprisingly, the results of the survey conducted reinforced the reasons why the National Treasury embarked on a retirement reform programme in South Africa. These results are comparable to Chile, Brazil, and India as they face similar difficulties in terms of financial literacy and their populations' inability to adequately provide for their retirement.

5. CONCLUSION AND RECOMMENDATIONS

The core purpose of this research paper was to compare the need for South Africa to implement its retirement reform programme in comparison to what Chile, Brazil, and India have done. The purpose was also to investigate the perceptions of professional individuals in the corporate sector in terms of their concerns and readiness for retirement.

This section delivers a summary of the research project by outlining the research results in context of whether the research goals and objectives were reached. Based on what has been achieved, contributions of the research will be reflected upon. Thereafter recommendations are made on how the National Treasury can improve the retirement reform programme and South Africa's social security system.

This will be followed by an overall conclusion of the research undertaken.

ADDRESSING THE RESEARCH OBJECTIVES

The aim was to determine whether the research project proactively addressed the said research objectives and problem statements. This is evaluated in terms of the literature review and data collected via the survey conducted.

RESEARCH OBJECTIVE 1

The first objective of this research as outlined in the introduction was to analyse the practicality of the intended retirement reform in the South African context. Based on the literature review and survey questions 8, 10, and 12, the National Treasury has a gigantic task on their hands to implement the retirement reform programme they have been looking at for the last decade. The major issues that will need to be addressed are South Africa's high unemployment rate, irregular incomes, extended periods between employment, HIV related deaths before retirement affecting income of young dependants, lack of job skills, affordability for employees, employers, and the government (Nevondwe, 2010). The survey questions led to further issues such as financial literacy. The questions probed individuals in terms of their comfort on adequately planning for their retirement and the use of a financial adviser. Of the participants, 61% alluded to not using a financial adviser and 83% stated they do not feel comfortable that they have adequately provisioned for retirement. Given the fact that the target population was professionals, this leaves very little hope for the uneducated and financial illiterate South Africans in terms of their retirement planning.

RESEARCH OBJECTIVE 2

The second objective of this research as outlined in the introduction was to analyse why the South African population behaves in a certain way when it comes to creating a savings culture for their retirement. Based on the literature review and survey questions 7, 10, 14, and 15, the government will have a challenge trying to introduce a savings culture into an environment where personal savings levels are at a negative. The responses to the survey questions reflected that 44% do not save additional monies for retirement and an alarming 63% do not know how much money they would require at the time of retirement. Furthermore, 13% indicated that they will cash out their pension funds to pay off debt. This relates to the sub-problem stated in the literature review on the issue of pensions being cashed out between job changes. With bleak economic conditions and the rising cost of living, South Africans find it difficult to plan any further when it comes to creating a savings culture.

RESEARCH OBJECTIVE 3

The third objective of this research as outlined in the introduction was to provide a comparative review of Brazil, India, and Chile's retirement reform and establish the impact on the South African investment landscape given the proposed changes to retirement annuities, provident funds, and pension funds. Based on the literature review conducted, it is imperative that the regulations around preserving retirement funds between job changes, especially on provident funds, are normalised to the same treatment as pension funds and retirement annuities. This relates to the reform of the tax system as well, in terms the government aiming to simplify the retirement system to provide a consistent tax treatment for pension funds, provident funds, and annuities. Chile, Brazil, and India have been at the forefront of reforming their retirement policies to ensure cost and tax efficiencies, upliftment of people’s lives, and ensuring the system is maintained well. This is evident particularly for Chile that has privatised their social security system more extensively than any other country. South Africa’s reform has been in debate for a number of years, but has seen no effective changes as yet, similarly to Brazil and India that continue to run a deficit on their social security budget. Retirement reform amongst these four countries is an ongoing task to ensure that their populations adequately plan for retirement to ease the burden on the overall social security system that need to provide for the elderly and old for years and years to come.

CONTRIBUTION OF THE RESEARCH

The findings of this research improve our knowledge of the retirement reform in South Africa, Chile, Brazil, and India. Furthermore, our knowledge is enhanced on professionals’ perceptions regarding retirement planning and their view on retirement reform and the impact of the reform on South Africans in comparison to Chile, Brazil, and India. The information obtained through the survey tells us that even professional individuals with postgraduate degrees are unable to provide an estimate of how much they would need at retirement and how much they would need to draw from their retirement savings once retired. This is an alarming statistic as it is generally assumed that only the poor and uneducated do not provision for retirement.

Another alarming statistic is that the majority of the participants of the survey do not use a financial adviser and claim to be concerned that they are concerned about not having adequately planned for retirement. The outcome of this research article could assist the National Treasury in focusing the reform programme more broadly across South Africa's population as opposed to mainly focusing on the poor, old, and uneducated. By assisting all South Africans to provision efficiently, irrespective of level of earnings or educational status, this can go a long way in preserving and ensuring South Africa has a sustainable retirement policy and social security system.

SUGGESTIONS FOR FURTHER RESEARCH

This research project focused on South Africa's problems relating to retirement policies and their social security system, and compared this to similar economies such as Chile, Brazil, and India as a secondary research component via the literature review and a primary research via the survey. As it has been established that even professionals with postgraduate degrees working in a corporate environment do not adequately provide for their retirement, further research can be conducted to gauge these individuals' increased awareness towards retirement planning. Furthermore, not many South Africans are aware of what retirement reform is and what countries such as Chile, Brazil, and India have done to improve the lives of their retirees and elderly. Additional research can be undertaken to establish if South Africans are more aware of retirement reform and what it aims to achieve and what other emerging economies have done thus far to revolutionise their retirement policies and social security systems.

RECOMMENDATIONS

Ideally all individuals want to retire comfortably and be taken care of in their old age. However, given the lack of a savings culture in South Africa driven mainly by factors raised in the beginning of this section, one key aspect that stands out is that South Africans lack financial knowledge. The researcher is of the opinion that financial literacy is a key contributor to creating a savings culture in South Africa and, as such, initiatives should be put in place to educate South Africans on financial products. There is no doubt that this is the work of a financial intermediary, however, the basics around the need for financial planning should start from early childhood development all the way into adulthood, to ensure that a culture of saving is embedded in each individual. The researcher's recommendation is that financial planning should be a compulsory subject in primary and secondary schooling to educate South Africa's younger population on the importance of saving. The focus areas should be interest compounding, inflation, and the different mechanisms that can be used to grow wealth.

The researcher also recommends that the social security system be revised to ensure a fair and equitable means test is applied for the poor to apply for social old age grant in contrast to the tax system that incentivises the rich to save further and secure their retirement, as explained in the literature review. This would be to ensure that both the rich and poor are encouraged and incentivised to save for retirement equally. The Chilean social security and retirement system, after the reform, would ideally be suited to alleviate the above problem. However, South Africa has the highest unemployment rate and, as such, this system will become difficult to cater for those who have been unemployed for long periods of time and have not made regular contributions.

CONCLUSION

This research paper looked at a comparison of retirement reforms in South Africa, Chile, Brazil, and India. In particular, the research analysed professional individuals' perceptions regarding their readiness for retirement and their views on the National compulsory savings scheme and how South Africa fares against emerging market economies and social security systems.

The research found that financial literacy plays a crucial role in terms of people's planning for their retirement. This was evidenced by the survey results where professionals admitted to not being adequately prepared for their retirement and the lack of use of a financial intermediary. This illustrates that if professionals with post graduate degrees have not adequately provisioned for their retirement, in the sense that they do not know how much they will need at retirement and how much they will have to draw at retirement, this leaves a very compelling case for urgent reforms in South Africa to be undertaken. Furthermore, if the educated have not planned adequately, one would need to ask what hope is there for the uneducated, poor, and underprivileged South Africans.

In comparison to Chile, Brazil, and India, South Africa requires much more depth and work into their proposed reform programme. Chile has seen great success with the privatisation of their programme and Brazil has been successful in alleviating their social security deficit through various versions of reforms being implemented. All four countries face a major issue of an ageing population, where people living longer have stopped contributing to the retirement and social security system, thus leaving the burden to the actively contributing population

Finally, from the findings of the research, it is evident that people are unaware of what retirement reform is and whether it will contribute to helping South Africa's retired and elderly to live a better life. Not enough has been done to alleviate poverty in South Africa when compared to other countries that have done more to place their people in a better position and out of poverty. However, the proposals presented by the National Treasury offer some hope for South Africans in that they offer some encouragement to South Africans to create a dynamic and sustainable savings-orientated culture. This is, however, a long journey to success, but can be achieved through financial literacy, cohesion, and inclusion of all South Africans.

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APPENDIX A

RESEARCH SURVEY QUESTIONS AND RESULTS

Good Day

You have been invited to participate in my survey that will contribute to the research I am conducting on Retirement Reform in South Africa. Research is one of the core components for the completion of my Masters in Business Administration (MBA) degree.

I have chosen retirement reform as an area of interest to research, as I believe adequate retirement planning is relevant to each individual in South Africa to ensure sustainability in one's old age, and as such this research could potentially add meaningful contributions to the on-going discussions currently taking place around this topic in South Africa.

My research aims to provide an overview of people's perceptions and behaviours towards planning adequately for their retirement and to compare National Treasury's planned retirement reform to other countries similar to South Africa.

Please note all responses to this survey are strictly confidential and should not take you longer than 10 minutes to complete. You may during the course of the survey, withdraw from continuing the survey should you feel you no longer wish to participate.

Thank you for your valued time and input, it is much appreciated.

Should you require further information please feel free to contact me on nitosh@gmail.com or 0836348884.

By clicking yes below, the survey will begin and you acknowledge that you are participating in this survey on a voluntary basis and that you are over the age of 18.

Regards
Nitosh Maharaj
WBS MBA Candidate

Section A

Demographical Variables

Q1. Please indicate the age group you belong to:

Result: Data analysis using Qualtrics

Age	18 - 21	22 – 30	31 – 40	41 – 50	51 – 60	61 – 70	71 +
Response Count	5	54	66	26	6	2	1

The data from the survey illustrates that 41% of the participants in the survey was aged between 35 and 44, whilst the participants aged 25 and 34 were 33%. Closer to retirement, at the ages of 45 and 54, the response rate was 16%. This provides a fair spread of the participants in the survey as they are in different stages in their careers thus providing a dynamic view on retirement planning.

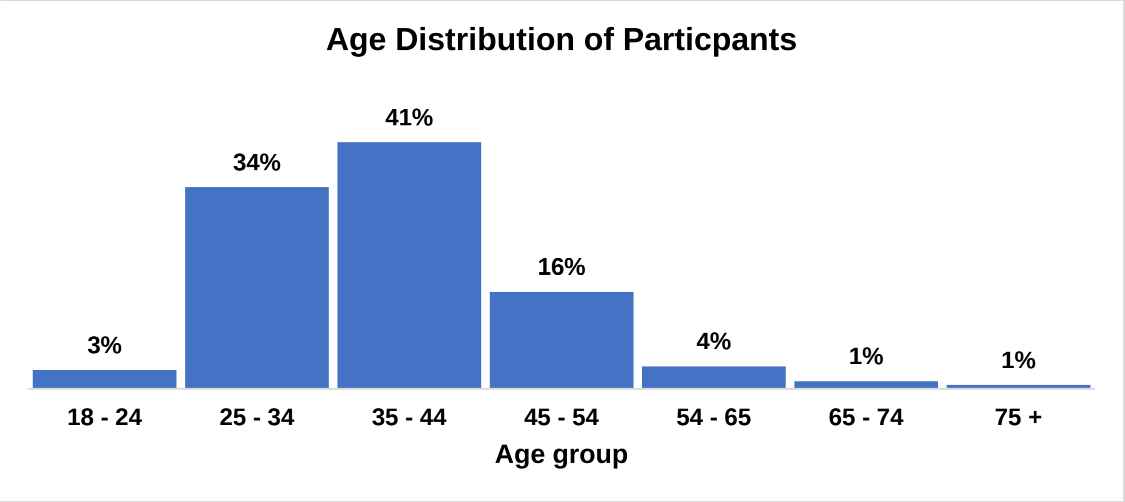

Figure 1: Age Distribution

Q2. Please select your gender

Result: Data analysis using Qualtrics

Gender	Male	Female
Response Count	77	83

Figure 2 below illustrates the gender distribution of the participants in the survey. The split between male and female is closely proportioned with males contributing 52% and females contributing 48% respectively to the survey.

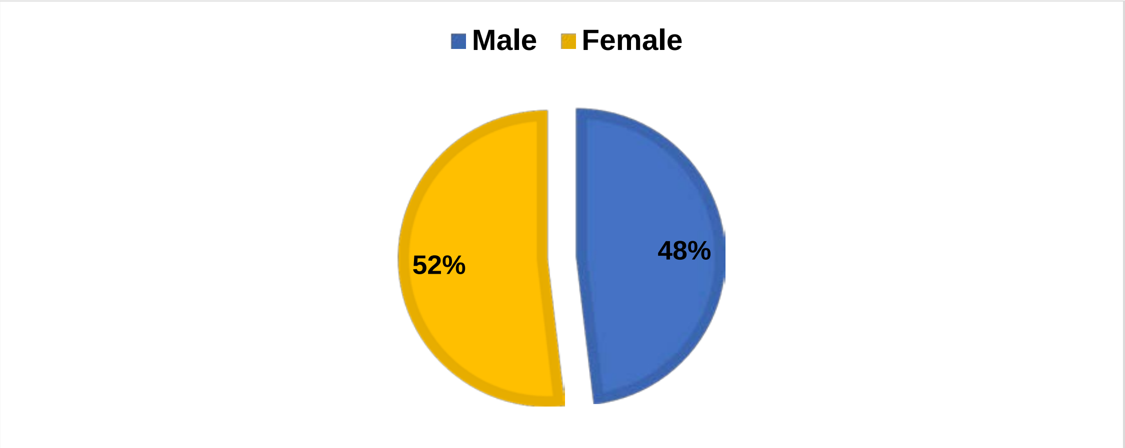

Figure 2: Gender Distribution

Q3. Marital Status: What is your marital status?

Result: Data analysis using Qualtrics

Marital Status	Single, never married	Married or domestic partnership	Divorced	Separated	Widowed
Response Count	43	101	12	4	0

Figure 3 shows that 63% of the participants in the survey are married or in a domestic partnership. 27% of the participants in the survey are single. In the context of retirement, partnerships are important as partners contribute to each other's financial welfare by building and sharing a life together.

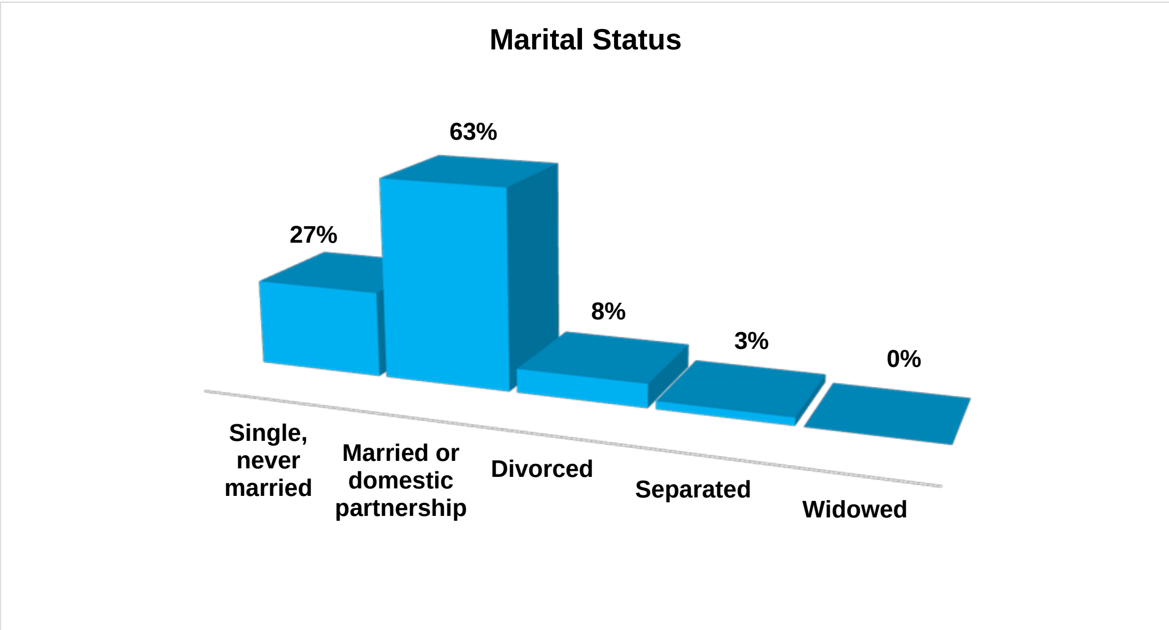

Figure 3: Marital Status

Q4. What is your highest level of education completed?

Figure 4 illustrates that 33% of the participants of the survey are holding a postgraduate degree, with 19% a diploma and 16% a bachelor's degree.

Result: Data analysis using Qualtrics

Education	Primary School	Secondary School	Diploma	Bachelor's Degree	Postgraduate Degree or Diploma / Honours	Master's Degree	Doctorate Degree
Response Count	0	32	30	26	52	19	1

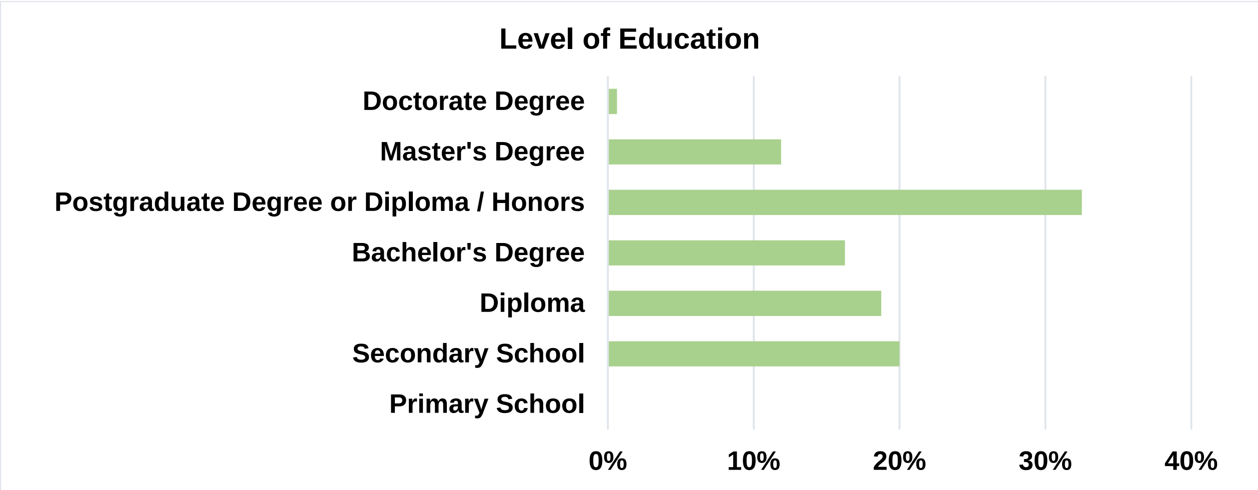

Figure 4: Level of Education

Q5. Do you currently own a property or properties?

Result: Data analysis using Qualtrics

Property Owners	Yes	No
Response Count	119	41

Of the respondents, 74% of the responded stated that they do own property as per Figure 5. Owning property is an essential component of retirement planning as it is probably one of the biggest expenses one would occur in their life time.

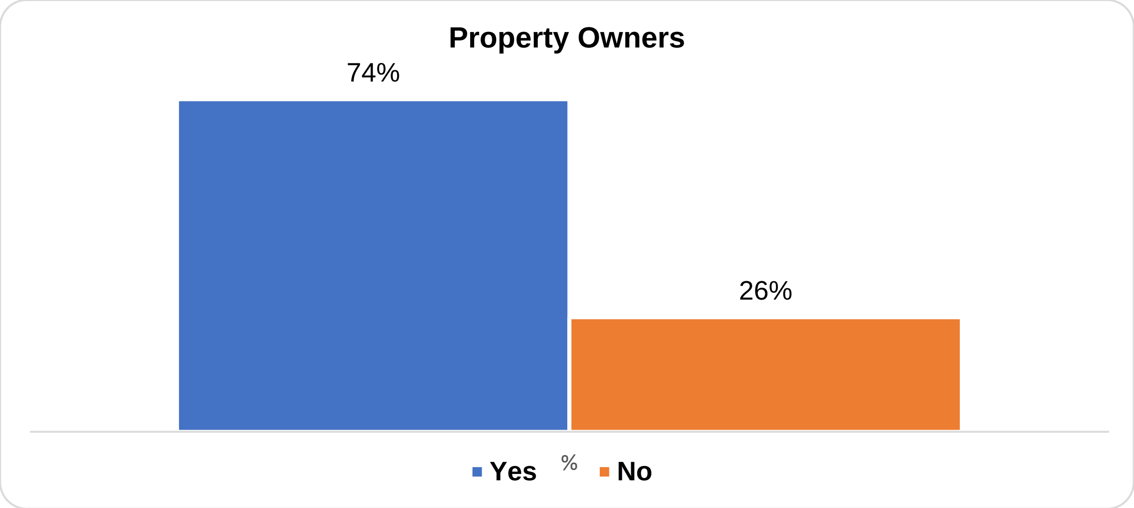

Figure 5: Property Owners

Section B

Perceptions Regarding Retirement

Q6. Do you think planning for Retirement is important?

Result: Data analysis using Qualtrics

Planning for Retirement	Definitely yes	Probably yes	Maybe	Probably not	Definitely not
Response Count	150	10	0	0	0

As per figure 6 below an overwhelming response rate of 94% was achieved pertaining to the question. This is positive and illustrates that individual perceptions on retirement planning is viewed as a serious aspect of one's life. Given the fact that retirement products are complex and are different to traditional savings mechanisms such as bank fixed deposits, considerate amount of thinking needs to go into planning for one's retirement (Harrison, 1994).

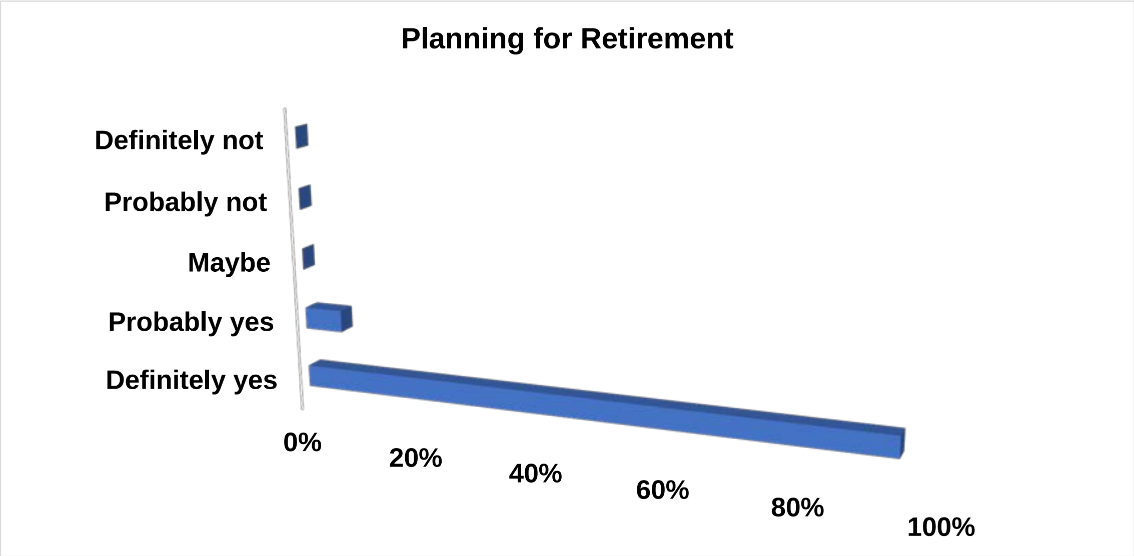

Figure 6: Planning for Retirement

Q7. At what age do you plan to retire?

Result: Data analysis using Qualtrics

Retirement Age Preference	Before 50	50 - 55	56 - 65	Above 65	Never retire
Response Count	13	28	75	35	9

Of the respondents, 47% stated that they would like to retire between the recommended ages of 56 and 65 years old. 18% stated they would like to retire between ages 50 and 55, and 22% stated they would retire above 65%. Only 6% stated they would never want to retire and 8% stated that they will want to retire before 50. This finding is similar to Chile, Brazil and India where the recommended retirement age is between 60 – 65 years (Kritzer, 2008). In comparison to developed countries, the retirement age is 65 and above. Particularly in the USA, most Americans are concerned that they will have the luxury of living a comfortable life once they have retired (Madland, 2010).

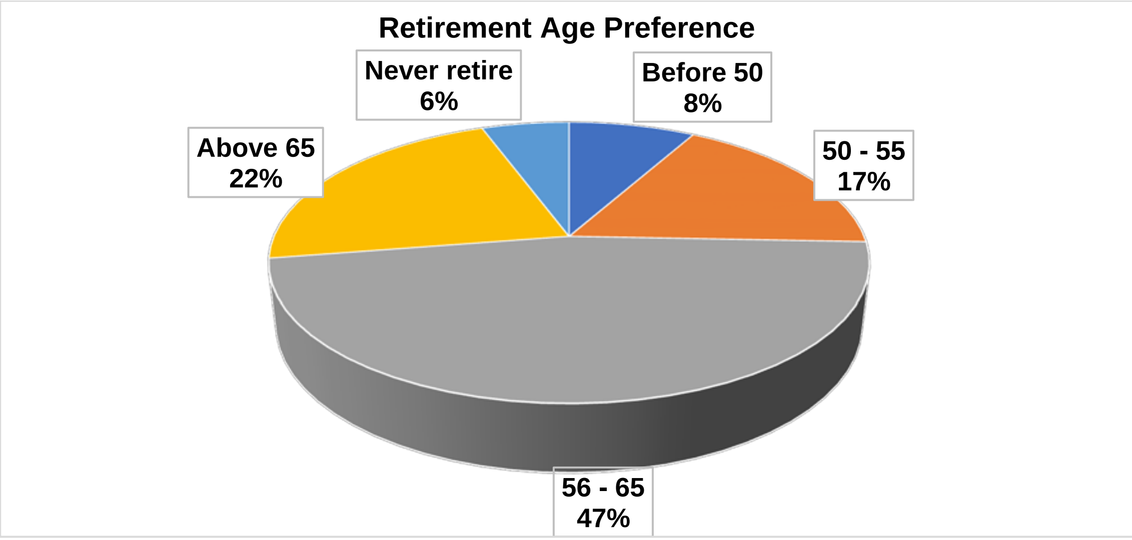

Figure 7: Retirement Age Preference

Q8. Do you feel concerned that you have not adequately provisioned for Retirement?

Result: Data analysis using Qualtrics

Adequately Provisioned	Not concerned	Slightly concerned	Maybe concerned	Very concerned	Extremely concerned
Response Count	28	58	21	28	25

This question is important to this is survey as it is relative to the purpose of Retirement Reform. The majority of the participants at 36% stated that they are slightly concerned about having provided adequately for their retirement, whilst 18% were very concerned and 16% extremely concerned. 13% of the participants stated that they might be concerned while 18% were not concerned. A combined 83% stated that they are concerned that they have not adequately provisioned for their retirement. It is for this reason government around the world are looking to reform their retirement systems, particularly their social security systems. Economic and environmental pressures are contributing to the declining financial systems globally, adding the burden to the end individual that needs to find a way and means to survive (Saad, 2001).

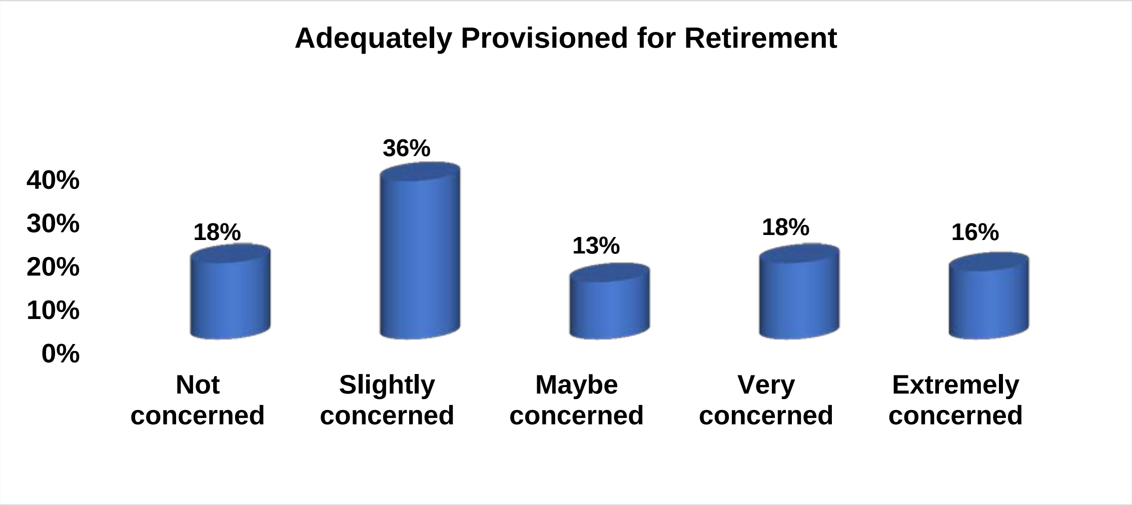

Figure 8: Adequately Provisioned for Retirement

Q9. Do you currently contribute to a pension fund scheme at the company you work for?

Result: Data analysis using Qualtrics

Contribution to a Pension Fund	Yes	No
Response Count	138	22

Of the survey participants, 86% responded yes to contributing to a pension fund for the company they work, whilst 14% did not contribute to a pension fund.

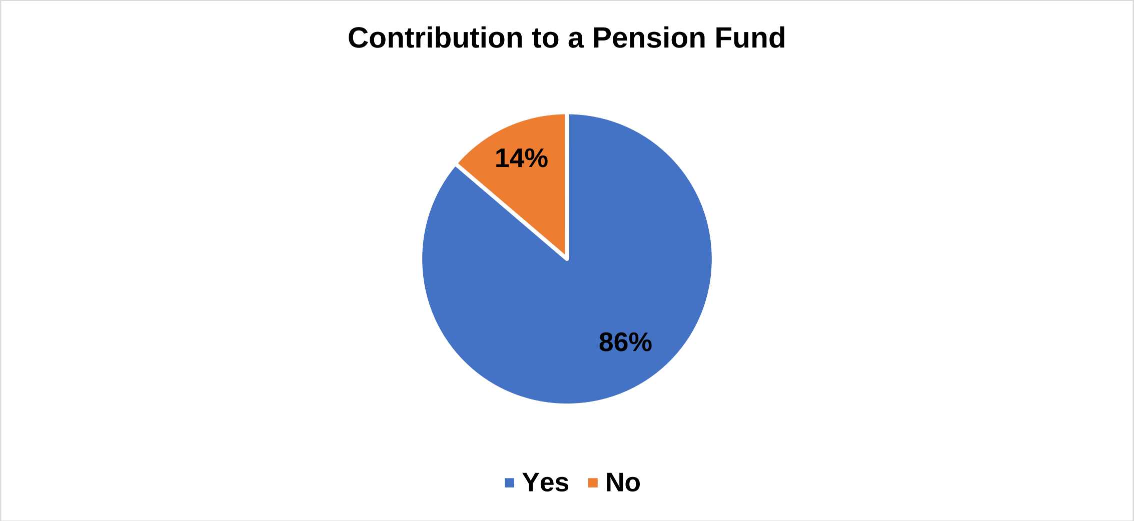

Figure 9: Contribution to a Pension Fund

Q10. If you have answered yes to the above question, do you save any additional money for retirement over and above your contribution to a company pension fund scheme?

Result: Data analysis using Qualtrics

Additional Savings for Retirement	Yes	No
Response Count	84	66

Participants that answered yes to question 9 had to answer this question. The responses were fairly close, with 56% saying yes they do contribute additionally to retirement and 44% saying no.

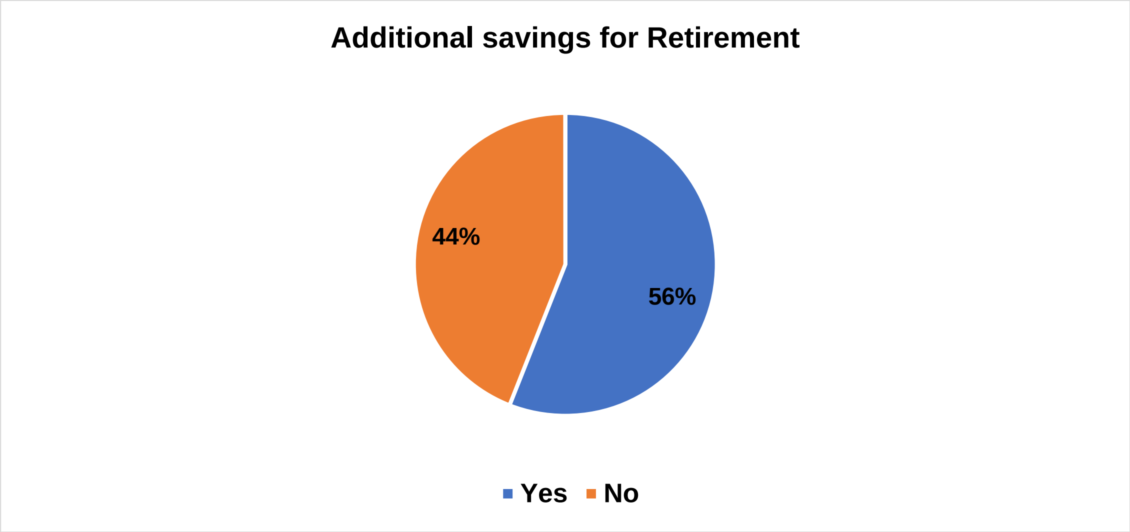

Figure 10: Additional savings for Retirement

Q11. If you have answered yes to the above question, what percentage of your monthly income do you save additionally for retirement?

Result: Data analysis using Qualtrics

% of additional income saved for Retirement	1% - 5%	6% - 10%	11% - 15%	16% - 20%	21% - 25%	Above 25%
Response Count	44	31	12	9	2	4

Following on from question 10, the survey further probed the participants into providing a percentage that they would save additionally. Of the survey participants, 43% stated they would save 1% - 5% of their income additionally for retirement, 30% would save 6% - 10%, 12% would save 11% - 15%, 9% would save 16% - 20%, 2% would save 21% - 25% and 4% stated they are currently saving above 25% over and above their contribution to a pension fund scheme. According to the World Bank, only 6% of South Africans save up enough for retirement (Luthuli, 2017) and 55% of South Africans living in poverty. Whilst this is a small number in the context of the greater savings problem in South Africa, it is encouraging to see that a small number of people are actively trying to save further for their retirement as opposed to just contributing to their pension fund only.

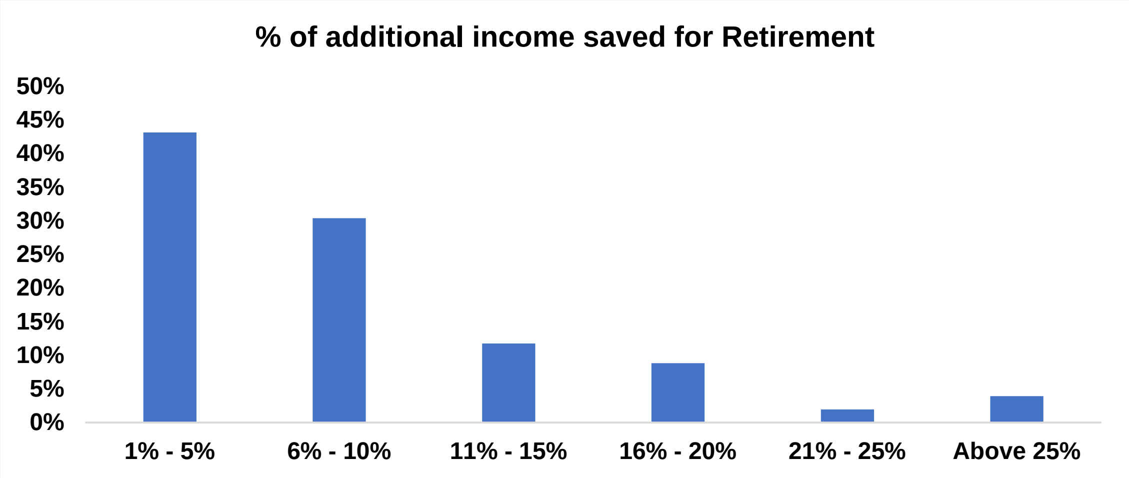

Figure 11: Percentage of additional income saved for Retirement

Q12. Do you use a financial adviser to assist with your financial planning needs?

Result: Data analysis using Qualtrics

Financial Advisor Used	Yes	No
Response Count	62	98

Alarmingly, 61% of the participants stated that they do not use a financial adviser to for their financial planning needs. 39% stated they do make use of a financial adviser. This is a concerning statistic given the complexities of financial retirement products as individuals would require financial advice in order to make better financial decisions (Kalenga, 2015). Lusardi & Mitchell (2011) advocated that a low level of financial planning is as a result of financial illiteracy. With the use of a financial adviser, data had shown a high correlation with proper financial planning and investing more efficiently in preparation for retirement (Lusardi & Mitchell, 2011).

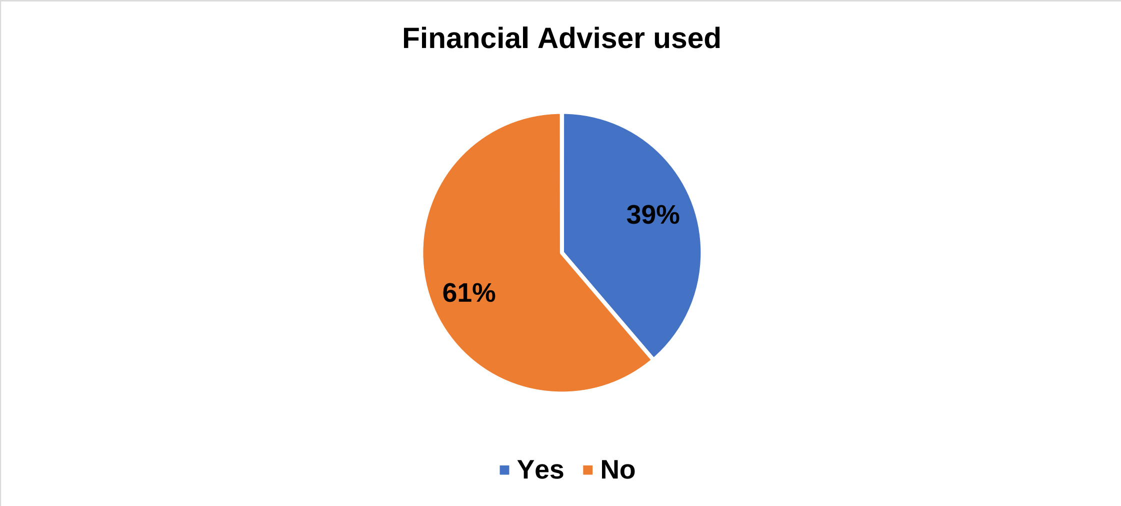

Figure 12: Financial Adviser Used

Q13. How comfortable do you feel that either you or your financial adviser has invested your money wisely and have made the right investment decisions to grow your money that you are saving?

Result: Data analysis using Qualtrics

Comfortable / Uncomfortable with investment decision	Extremely comfortable	Moderately comfortable	Slightly comfortable	Neither comfortable nor uncomfortable	Slightly uncomfortable	Moderately uncomfortable	Extremely uncomfortable
Response Count	25	45	23	36	10	4	17

The results to this question were fairly scattered across the options, with 28% stating they were moderately comfortable. 23% were unsure and 11% stated that they are extremely uncomfortable.

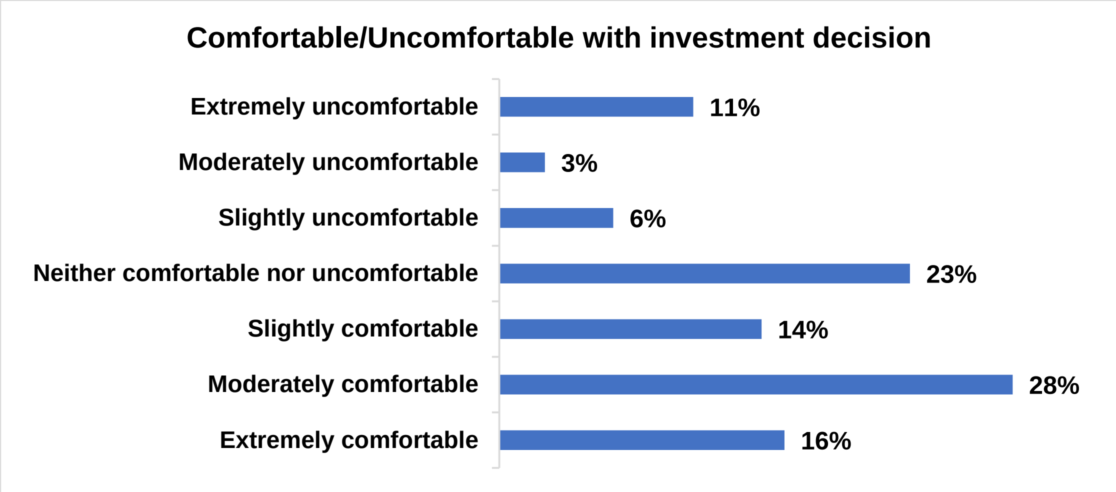

Figure 13: Comfortable / Uncomfortable with Investment Decision

Q14. What would you do with your pension/provident fund when you resign from your existing organisation and move to another organisation?

Result: Data analysis using Qualtrics

Decision regarding the fund upon resignation	Cash out my pension fund and use this for various needs such as school fees, holidays etc.	Cash out my pension fund and pay off debt	Leave my pension fund in the current pension fund scheme	Move my existing pension fund to the new organisation	Not sure what I will do
Response Count	3	21	25	90	21

Of the participants, 56% stated that they would move their money to the new organisation, whilst 16% stated that they will leave their money in the current scheme and a combined 15% stated they will cash out their pension fund. 13% stated that they are unsure what to do with their pension fund. This is one of the issues retirement reform programmes worldwide have been trying to address, is the compulsory transfer of retirement monies into a preservation fund when jobs are being changed.

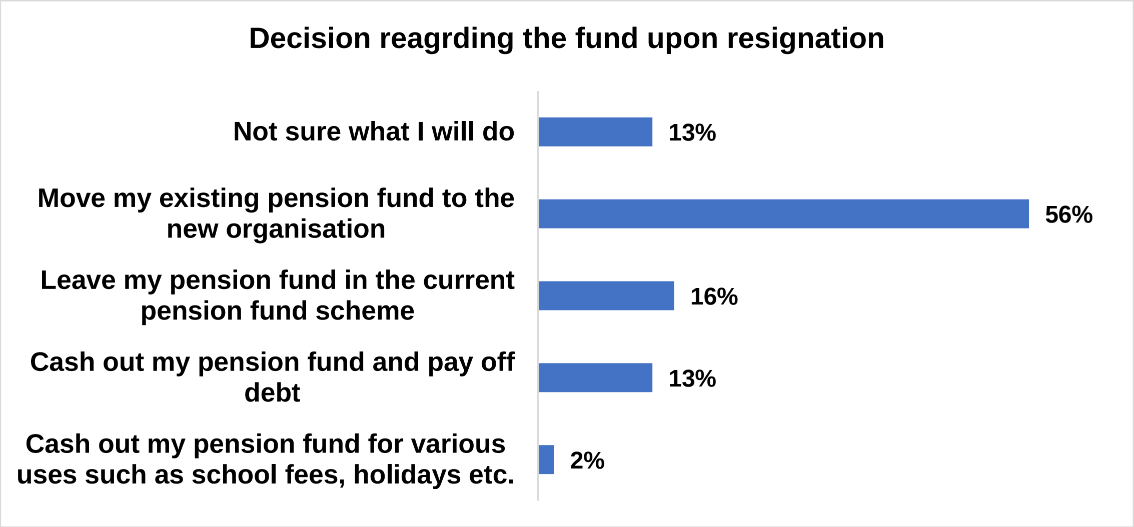

Figure 14: Decision regarding the fund upon resignation

Q15. Have you calculated how much money you would need by the time of your retirement?

Result: Data analysis using Qualtrics

Calculation of money required at Retirement	Yes	No
Response Count	59	101

Not surprisingly 63% do not know how much money they would need at the time of retirement, while 37% responded yes to this question. This relates to financial literacy as well, as people don't necessarily know how much they would need at retirement due to the complex financial models that they need to be educated on (Hogarth & Hilgert, 2002).

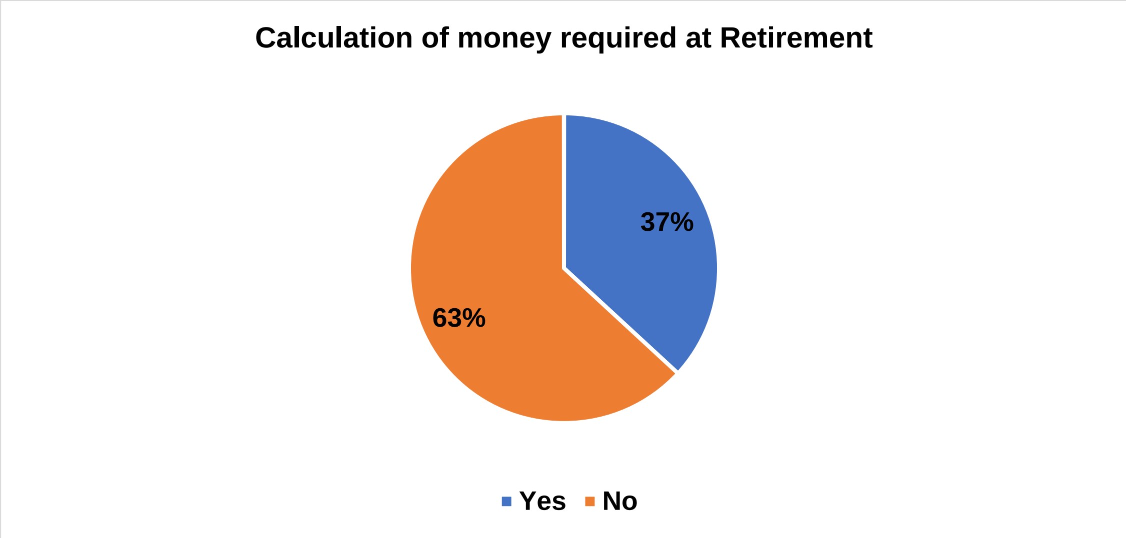

Figure 15: Calculation of money required at Retirement

Q16. If yes to the above question, what percentage of your pension fund would you need to draw as income when you have retired to sustain your basic needs and lifestyle?

Result: Data analysis using Qualtrics

% of Fund needed as income after retirement	1% - 5%	6% - 10%	11% - 15%	16% - 20%	21% - 25%	Unsure
Response Count	9	12	7	10	11	56

Of the survey participants, 53% responded stating that they are unsure as to what percentage of their pension fund they would need to draw as income to sustain their lifestyle at retirement. Data further reveals that majority of the responses indicate they will draw above 5%. Maré (2016) stated that retirees are faced with a challenging financial choice as to how much they can draw safely to live comfortable. This statement is reinforced with these two questions as you have qualified professionals unable to answer both these questions.

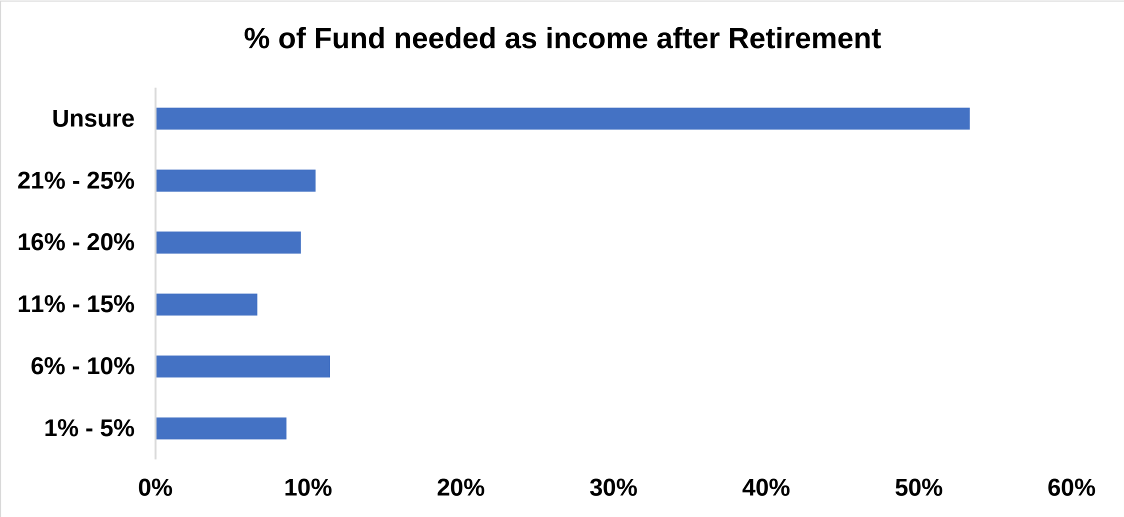

Figure 16: Percentage of Fund needed as income after Retirement

Q17. What would you do if National Treasury implements the compulsory National Savings Plan?

Result: Data analysis using Qualtrics

Decisions when the National Savings Plan is implemented	Continue with my current savings for retirement, but reduce the contribution I make in order to compensate for the added money I will need to contribute to the compulsory National	I will cancel my current savings for retirement and only contribute to the compulsory National Savings Plan	I will continue with my existing contribution to retirement and contribute to the compulsory National Savings Plan	I am not sure what to do

	Savings Plan			
Response Count	41	12	63	44

Of the survey participants, 39% indicated that they will continue with their existing contribution to retirement and contribute to the compulsory plan, whilst 28% are not sure what they will do at this stage.

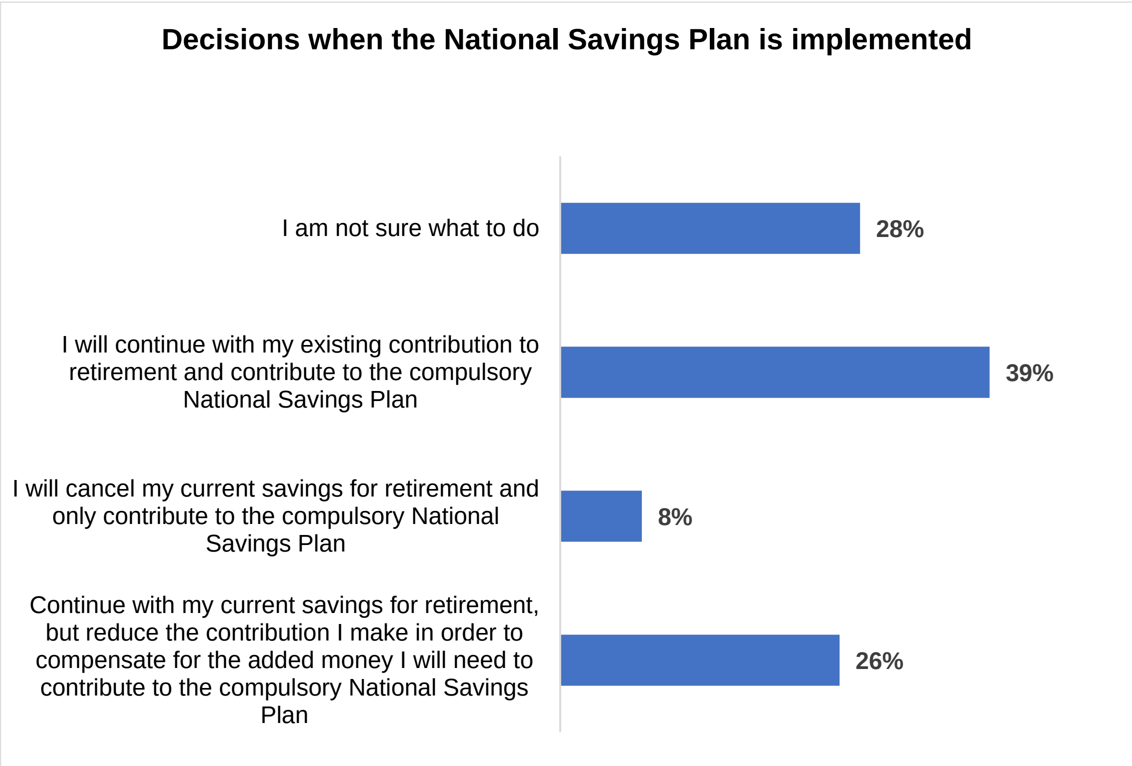

Figure 17: Decisions when the National Savings Plan is implemented

Q18. Do you feel concerned that your current debt levels are a problem in relation to your current financial status?

Result: Data analysis using Qualtrics

Current Debt s Current Financial Status	Not concerned	Slightly concerned	Maybe concerned	Very concerned	Extremely concerned	I do not have any debt
Response Count	51	41	18	15	20	15

Of the participants, 32% stated they are not concerned regarding their debt levels, whilst 13% felt extremely concerned

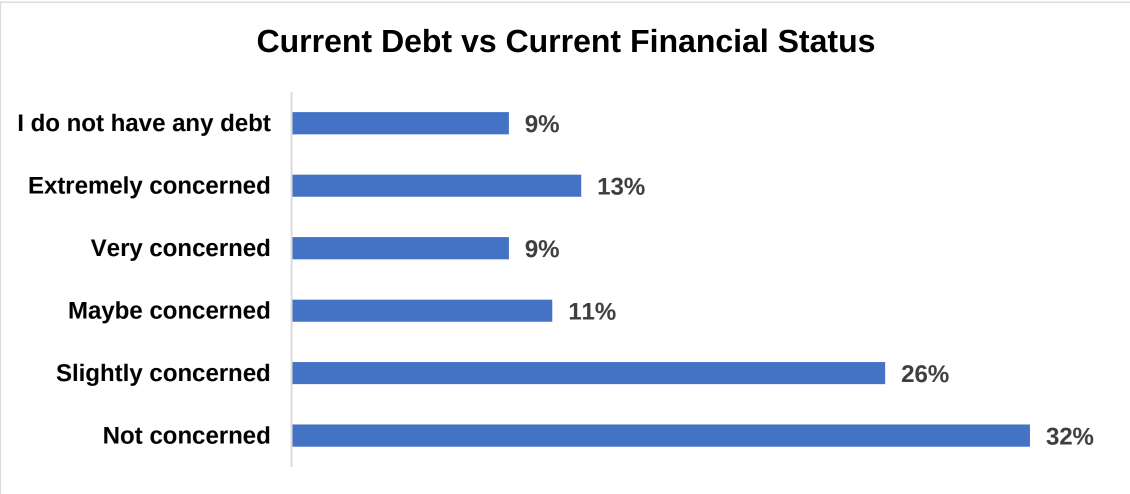

Figure 18: Current Debt vs Current Financial Status

Q19. Do you currently contribute to a medical aid?

Result: Data analysis using Qualtrics

Contribution to Medical Aid	Yes	No
Response Count	140	20

Of the survey participants, 88% responded to having a medical scheme in place, whilst 12% did not contribute to a medical aid scheme.

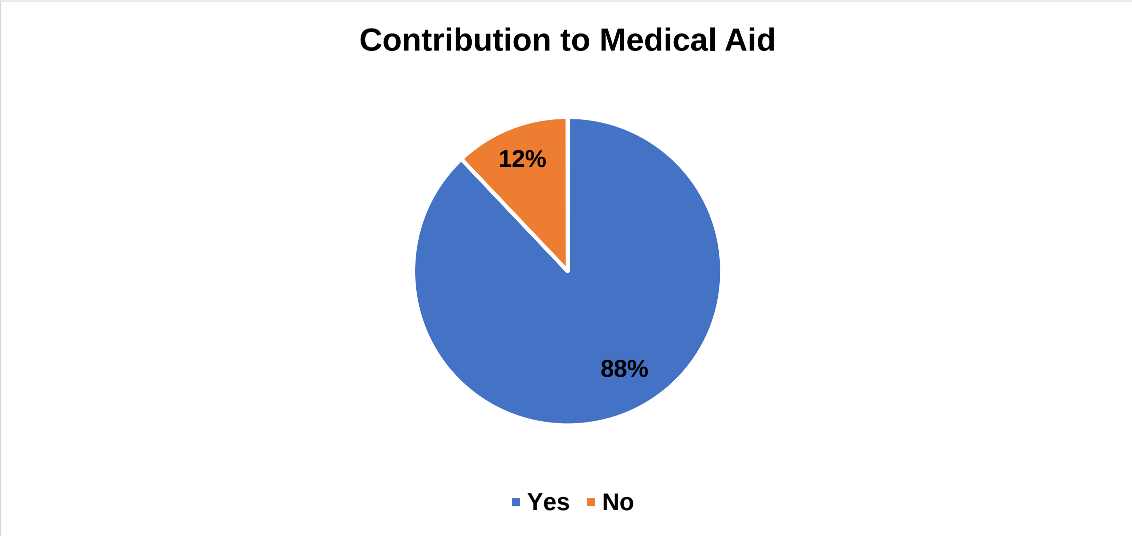

Figure 19: Contribution to Medical Aid

Q20. Will you contribute to a medical aid scheme when you have retired?

Result: Data analysis using Qualtrics

Contribution to Medical Aid upon Retirement	Yes	Maybe	No
Response Count	123	23	14

77% of participants have stated they will continue to contribute to a scheme, whilst 14% remained unsure and 9% said they will not contribute to a scheme after retirement.

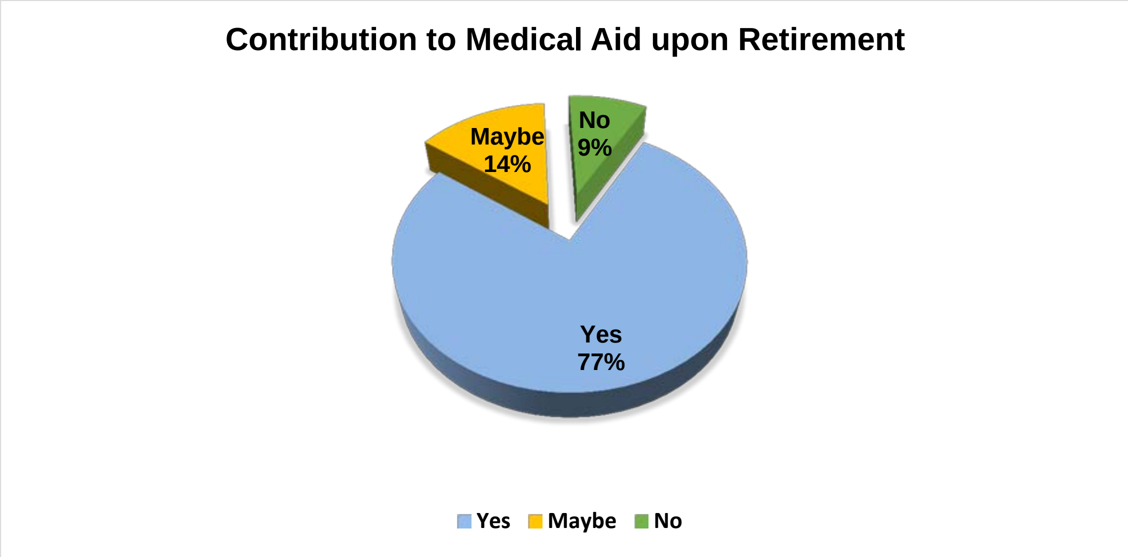

Figure 19: Contribution to Medical Aid

Q21. Do you plan to work after you have retired?

Result: Data analysis using Qualtrics

Working after Retirement	Definitely yes	Probably yes	Might or might not	Probably not	Definitely not
Response Count	31	61	36	22	10

38% of the participants responded with a probably yes that they will still work after retirement, 23% were unsure and 19% stated definitely yes they will continue to work. Only 6% felt comfortable that they will not work.

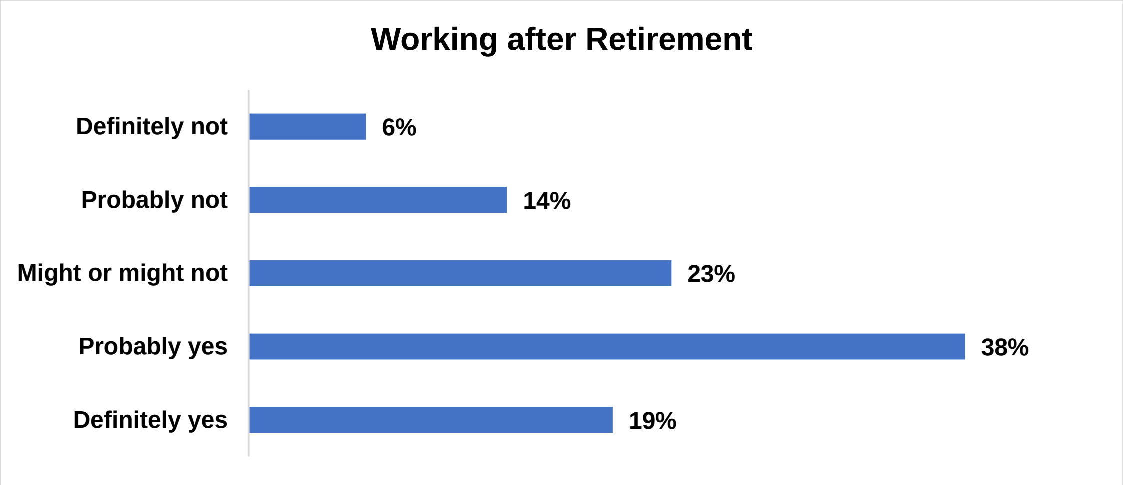

Figure 21: Working after Retirement

Q22. If you have answered yes to the above question, what will be the main reason to work after retirement?

Result: Data analysis using Qualtrics

Reason for working after Retirement	Additional income to improve my lifestyle	To keep active and busy	My retirement funds will be inadequate to sustain my lifestyle	Will have no choice but to work in order to provide for my basic needs	To avoid boredom
Response Count	29	71	18	9	7

53% of the participants' responded saying they will work purely to keep busy and active, whilst 22% indicated that they will work for additional income to improve their lifestyle. 13% indicated that their retirement funds will be inadequate to sustain their lifestyle and 7% stating they will have no choice but to work to provide for their basic needs.

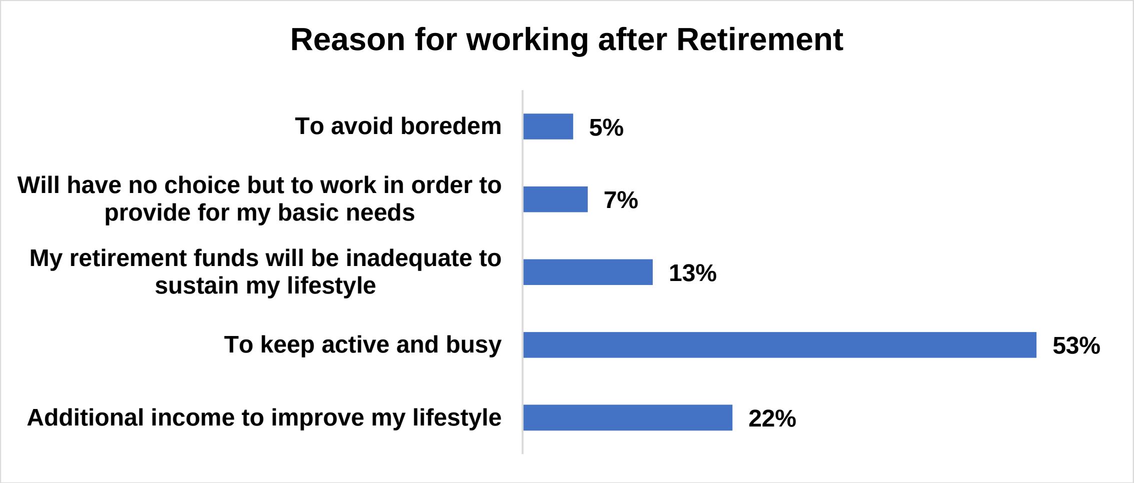

Figure 22: Reason for working after Retirement

Q23. Do you believe there is a need for a compulsory National Savings?

Result: Data analysis using Qualtrics

Need for Compulsory National Savings Scheme	Definitely yes	Probably yes	Might or might not	Probably not	Definitely not
Response Count	54	54	26	10	16

Majority of the responses where a combined yes to this question, with 16% feeling unsure and 16% combined stating that there is no need for this scheme.

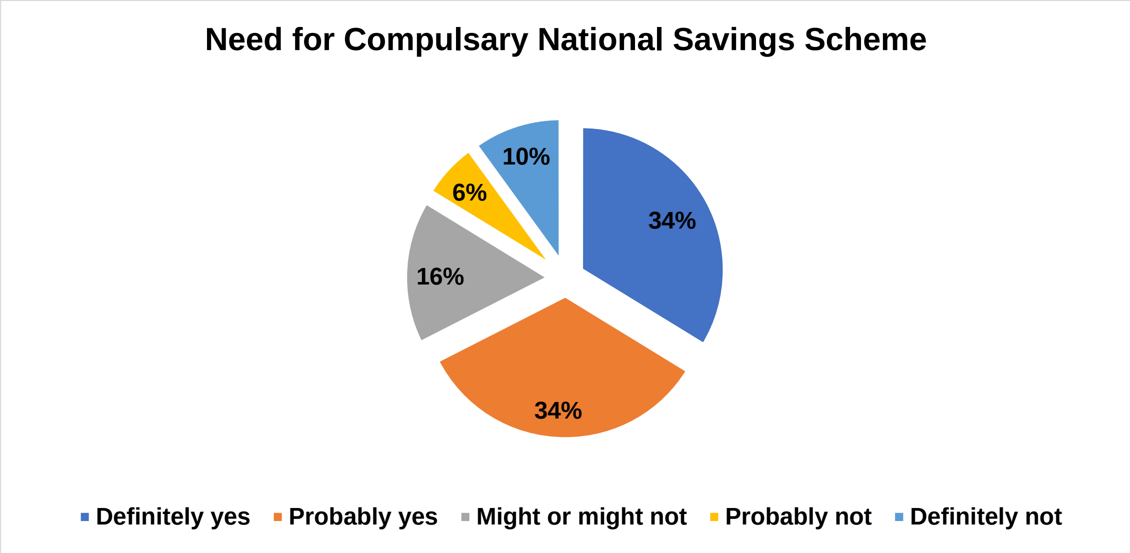

Figure 23: Need for compulsory National Saving Scheme

Q24. How strongly do you feel that this compulsory National Savings Plan will help South Africans in their old age?

Result: Data analysis using Qualtrics

Will the National Savings Plan assist in Old Age	Not strong	Slightly strong	Very strong	Extremely strong	Unsure
Response Count	31	44	42	21	22

A combined 67% felt strong that this scheme will help South Africans during retirement and old age, whilst 14% were unsure and 19% not agreeing that this will help South Africans.

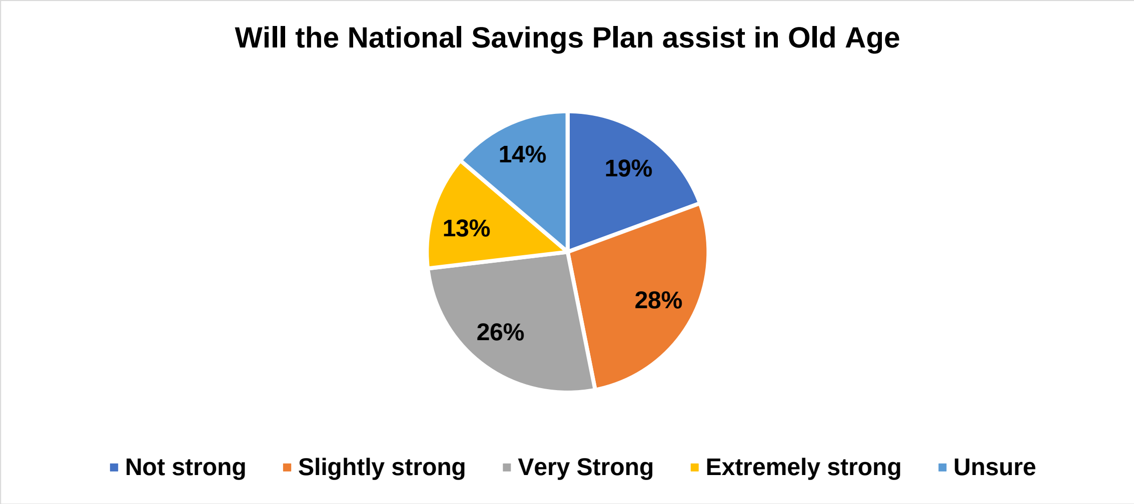

Figure 24: Will the National Savings Plan assist in Old Age

Q25. Do you believe South Africa stacks up well in terms of a social security system when compared to other emerging market economies?

Result: Data analysis using Qualtrics

South Africa's Social Security System vs Other Economies	Definitely yes	Probably yes	Might or might not	Probably not	Definitely not	Unsure
Response Count	5	34	17	44	46	14

A combined 24% of participants stated yes to the above question, whilst 65% have no faith that South Africa compares well to other social security systems. 11% of the participants were unsure.

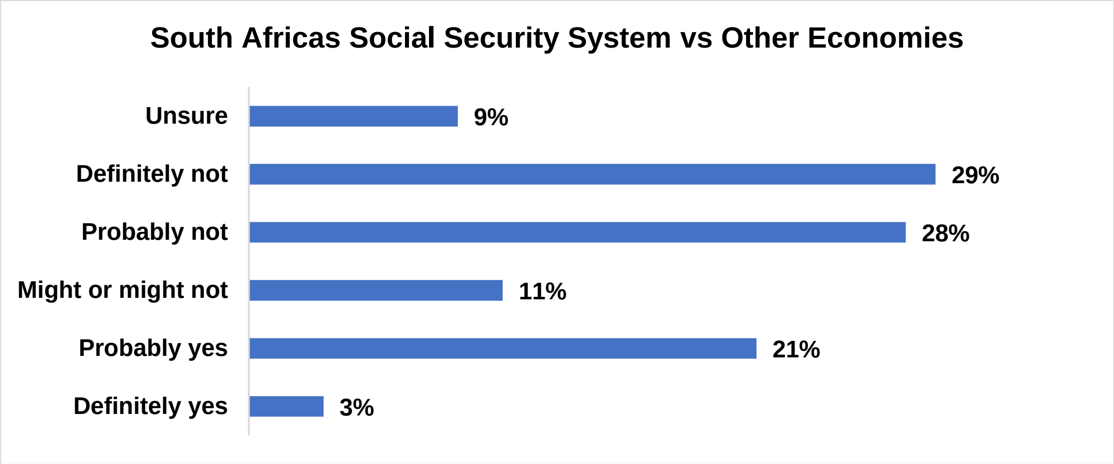

Figure 25: South Africa's Social Security System vs Other Economies