# JUST RETIREMENT **INSIGHTS 2022**

Understanding the South African retirement market & their needs

**Quantitative Research** Summary of Results



## WHAT IS JUST RETIREMENT INSIGHTS?

### A tracking study to understand the South African retirement market and their retirement needs:

### **Online and Telephonic interviews** with target market respondents in **Cape Town, Durban and Gauteng**:

- Fieldwork was managed by an independent data collection company, 1DCS (Data Collection Services)
- Fieldwork was conducted in March 2022
- 380 respondents

### Target market respondents:

- Pre-retirees and retirees
- Between the ages of 50 and 85 years
- Target quotas specified for Area, Race, Gender, Age and Monthly Household Income

### Frequency:

- The study was first conducted in 2015
- We re-launched the study in 2018, with a follow-up in 2019
- planning
- A full tracking study was conducted again in 2022 (following on from 2015, 2018 & 2019)

• Just Retirement Insights Lite was conducted in 2020 to specifically assess the impact of COVID-19 on retirement



### SAMPLE DEMOGRAPHICS AND PROFILE





Minimum quotas were imposed in line with Just SA's current and potential retiree population.

### AGE

14%	50 -	- 54 years
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21% **55 – 59 years** 

23% **60 – 64 years** 

20% **65 – 69 years** 

22% **70 – 85 years** 

### MONTHLY HOUSEHOLD INCOME

9% > <b>R50k</b>
34% R20k – R50k
26% R10k – R20k
23% R6k – R10k
9% < <b>R6k</b>



### SAMPLE NATURAL FALLOUT IN TERMS OF OTHER DEMOGRAPHICS







### MARITAL STATUS

11% Living together 11% **Divorced** 



# FINANCIAL PLANNING

JUST. **RETIREMENT INSIGHTS** Themes for 2022

> FINANCIAL CERTAINTY

# FINANCIAL ENDURANCE



# SECTION 1 FINANCIAL PLANNING





# IMPORTANT TO SET OBJECTIVES BASED ON RETIREMENT NEEDS



Please tell me to what extent you agree or disagree with the following statement about financial planning: I plan my finances. I set goals that I want to achieve and work towards that. Mean Score: Strongly agree = 5, Somewhat agree = 4, Neither agree nor disagree = 3, Somewhat disagree = 2, Strongly disagree = 1



n = 524

n = 345



# **LESS PLANNING FOR THEIR FUTURE**

Only 3 out of 10 use – or intend to use – the services of a professional adviser



n = 380

n = 307

Those who strongly or somewhat disagreed with statement: I do not save much or plan for the future; I prefer to spend money when I have it. (Strongly agree = 5, Somewhat agree = 4, Neither agree nor disagree = 3, Somewhat disagree = 2 & Strongly disagree = 1)

n = 345



# **A THIRD HAVE NO FINANCIAL RETIREMENT PLANS**

# **NO RETIREMENT** CALCULATIONS



n = 380

# WHY NOT?



Will do so closer to retirement

Thinking of your retirement, have you made any calculations in terms of how much money you would need per year? (n=380); What are the main reasons for not yet doing any planning for your money in retirement? (n = 125)





Don't know how



Don't have enough to plan properly



Say children will provide for them



Will rely on spouse/ partner



# THE LINGERING EFFECT OF COVID-19 & LOCKDOWN

Re-evaluated what is important in retirement

Lockdown affected employment

Financially affected by lockdown

Re-evaluated risks in retirement

Sourced another means of income

Dipped into retirement savings

Asked family/friends for financial help

Made special arrangements to meet payments 34%

Please tell me whether you agree or disagree with each of the following statements about how the Covid-19 pandemic and regulated lockdown has affected you? % of respondents who agreed with the statement







# **RISK APPETITE HAS INCREASED SLIGHTLY BUT STILL LOWER THAN PRE COVID**



# don't want to take risks

2020

don't want to take risks

n = 380

n = 307

Please tell me to what extent you agree or disagree with each of the following statements about financial planning? I do not mind taking risks with my money for saving or investment purposes (Strongly agree = 5, Somewhat agree = 4, Neither agree nor disagree = 3, Somewhat disagree = 2 & Strongly disagree = 1)



n = 524

n = 345



# SECTION SUMMARY

# Setting achievable financial goals is important

professional advice

Some still feeling the financial aftershocks of COVID-19, possibly coupled with other macro events

# But only 5 in 10 plan ahead, and only 3 in 10 will seek



# SECTION 2 FINANCIAL CERTAINTY



# MORE THAN HALF NOT CONFIDENT THEY HAVE SAVED ENOUGH FOR RETIREMENT



## Only 2 in 5 are confident their savings will last

2022



34% Confident

3,18 Mean Score

n = 380

Please rate your level of confidence that your income (money) will cover your monthly expenses in retirement if you reach the age of 100, allowing for inflation. Mean Score: Really confident = 5, Confident = 4, Not sure = 3, Not confident = 2 & Really not confident = 1





# AND WILL CALL ON CHILDREN FOR SUPPORT



If your retirement money is enough for now, but may run out in the future, who will you rely on to provide support?

		<u>2020</u>	<u>20</u>
	57%	46%	50
42%		28%	38
		15%	34
		9%	5
		12%	11
o believe		19%	12

















## WHAT INCOME MUST DO: CERTAINTY OVER FLEXIBILITY

Income must last, it must not go up or down, it must keep pace with inflation

### Statements

My retirement income must **continue for as long as I live** 

My retirement income must **cover frail care and medical** 

My retirement income must **not be affected by what hap** markets

My retirement income **must keep up with inflation** every

I must have **flexibility** in deciding how much income to dro

My retirement income must continue to meet my family's after I pass away

I am happy for my retirement income to be higher when i are strong and lower when they are weak

I am going to read you various preferences with regards to your retirement income. Please tell me how important each of these are to you? All statements were deemed important when it comes to retirement income, and are shown here from most to least important.

	2022	2020	2019	2018
	1	1	1	1
bills	2	5	2	6
pens in investment	3	4	3	5
year	4	3	4	3
raw each year	5	2	5	4
's needs	6	6	6	2
investment markets	7	7	7	7
	n= 380	n = 307	n = 524	n = 34





# PRIORITIES FOR RETIREMENT SAVINGS



Please rate the importance of each of the following in terms of how you will use the money you will get from your retirement savings when you retire? (1 – Not important; 2 – Slightly important; 3 – Moderately important, 4 – Very important; 5 – Extremely Important)

# 2020 2

e rest of my life		82%	91%	8.
	7	6%	82%	8
ortgage	70%		90%	74
	63% Lowerth		79%	69
	62% previous	years	78%	80
cost 52%			60%	5.

Those expressing extremely and very important indicated above

Total n = 380



















# SECTION SUMMARY

# People seek certainty, and not only in times of uncertainty

Intend to use funds to generate a reliable income for life – but still uncertain if it will be enough

Most are <u>not</u> confident they have saved enough and expect to turn to children when they run out



# SECTION 3 FINANCIAL ENDURANCE



# **MOST THINK THEIR HEALTH IS ABOVE AVERAGE**

- people in the population increases<sup>1</sup>
- $\bullet$
- And only 1 in 10 believe their general health is below average

Very bad health

Below average health for people my age

Average health for people my age

Above average health for people my age

Very good health

1 World Health Organisation (2021)

Worldwide 55 million people have dementia, this number will increase exponentially as the proportion of older

However only 4 in 10 respondents have thought extensively about planning for cognitive decline like Dementia





# BUT EXPECT TO DIE BEFORE THEY REACH AVERAGE LIFE EXPECTANCY

- People think that they will live (on average) to age 80
- But actual life expectancy (on average) will be 85 years i.e. 5 years longer
- The chart below shows what age people expect to live to, based on current age



Male

e Female



# SECTION SUMMARY

Pensioners need financial increases

**Conservative expectation of about 20 years** in retirement, which is about 5 years shorter than reality

# endurance as life expectancy



# **AVERAGE VALUE OF RETIREMENT SAVINGS**

- Average savings is up, but is it enough?
- People should have saved 25X annual income for a sustainable retirement
- But have saved 10X on average
- And many have not even saved 2X annual income

What is the approximate current Rand value of all of your retirement savings?





n = 380

# AND MANY CANNOT AFFORD TO LOSE IN A MARKET CRASH



If you have control over how your retirement fund money is invested, what percentage do you think you could afford to lose in a market crash before it seriously impacts on your retirement plans?







# AND THE LESS MONEY SAVED, THE HIGHER THE EXPECTED ANNUITY RATE

Expectation is greater than reality, particularly for those who have not saved enough 





Average expected income in retirement by amount saved for retirement





# SECURE A SUSTAINABLE INCOME



# SECTION SUMMARY

# Saving for retirement will help save your retirement

Either keep something in reserve or have a guarantee to fall back on

Depending on the amount saved, income options at retirement offer different benefits and outcome



# **ANNUITIES PROVIDE A STEADY INCOME DURING RETIREMENT**



A living annuity has flexible drawdown rates but its investment value is linked to financial markets, which fluctuates in value with no guarantees



# **APPLYING THE THEORY**

## Taking an astute couple from our survey into a practical example:

- Age 65, and the other is two years younger
- Current household income is R15 000 per month
- R4,5m saved for retirement
- Realistic in terms of income in retirement, knowing this is a modest amount
- Still want to only draw R15 000 per month in retirement
- Quietly confident that this annuity will cover monthly essential expenses (+/- R8 000) for life, which they think will only be for another 15 years
- They do not want to seek advice from a financial adviser

## TRANSLATES INTO A LIVING ANNUITY DRAW DOWN RATE OF 4%



# **APPLYING THE THEORY**

And adding some other couples as further examples...

	CASE STUDY A	CASE STUDY B	CASE STUDY C
Ages	65, and 63 years old	Both 66 years old	64, and 62 years old
Retirement savings	R4,5 million	R5 million	R7,5 million
Expect to draw	R15 000 pm	R25 000 pm	R55 000 pm
Expect to live until	79	77	88
Living annuity drawdown rate	4%	6%	9%



# DRAWDOWN RATES IN RELATION TO AGE: WHERE DO THEY SIT?



# SAFE DRAWDOWN RATES VERSUS TYPICAL GUARANTEED LIFE ANNUITY RATES



• Based on life annuity rates which can be obtained from Just Lifetime Income (JuLI) StableGro



# HOW YOUR DRAWDOWN MAPS TO AN OPTIMAL RETIREMENT INCOME SOLUTION



### DANGER ZONE

Unsustainable drawdown

A life annuity can eliminate the risk of running out of money

### RISKY ZONE

Potentially unsustainable drawdown

A **blended annuity** improves your retirement outcome by providing a safety net

### SAFE ZONE

Sustainable drawdown

A living annuity offers you flexibility to increase your drawdown, but this increases your risk of becoming a burden later in life if your money runs out





# HOW YOUR DRAWDOWN MAPS TO AN OPTIMAL RETIREMENT INCOME SOLUTION



### Mapped annuity solution

	Living annuity	Blended annuity	Lif annı
	ZONE 3	ZONE 2	ZO
Longevity protection	×	$\checkmark$	✓
Inflation protection	×	$\checkmark$	√
Volatility protection	×	$\checkmark$	✓
Flexibility	$\checkmark$	$\checkmark$	×



# **DO YOU NEED ADVICE ?**

It is worth considering advice from a qualified financial adviser

- If you need help understanding your options life, living and blended annuities
- If you want to take account of your personal financial circumstances
- If you are considering how your retirement savings can be used with other savings and investments to meet your financial needs
- If you need to consider the tax implications of your choices

Contact Just or visit our website for more information, or for details of independent financial advisers in your area



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Just focus on addressing the widespread, recognised problem of people outliving their assets in retirement.

We rethink retirement, offering an innovative range of income options that allow retirees to select an income structure that meets their needs.



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