

JUST.

RETHINK RETIREMENT

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:

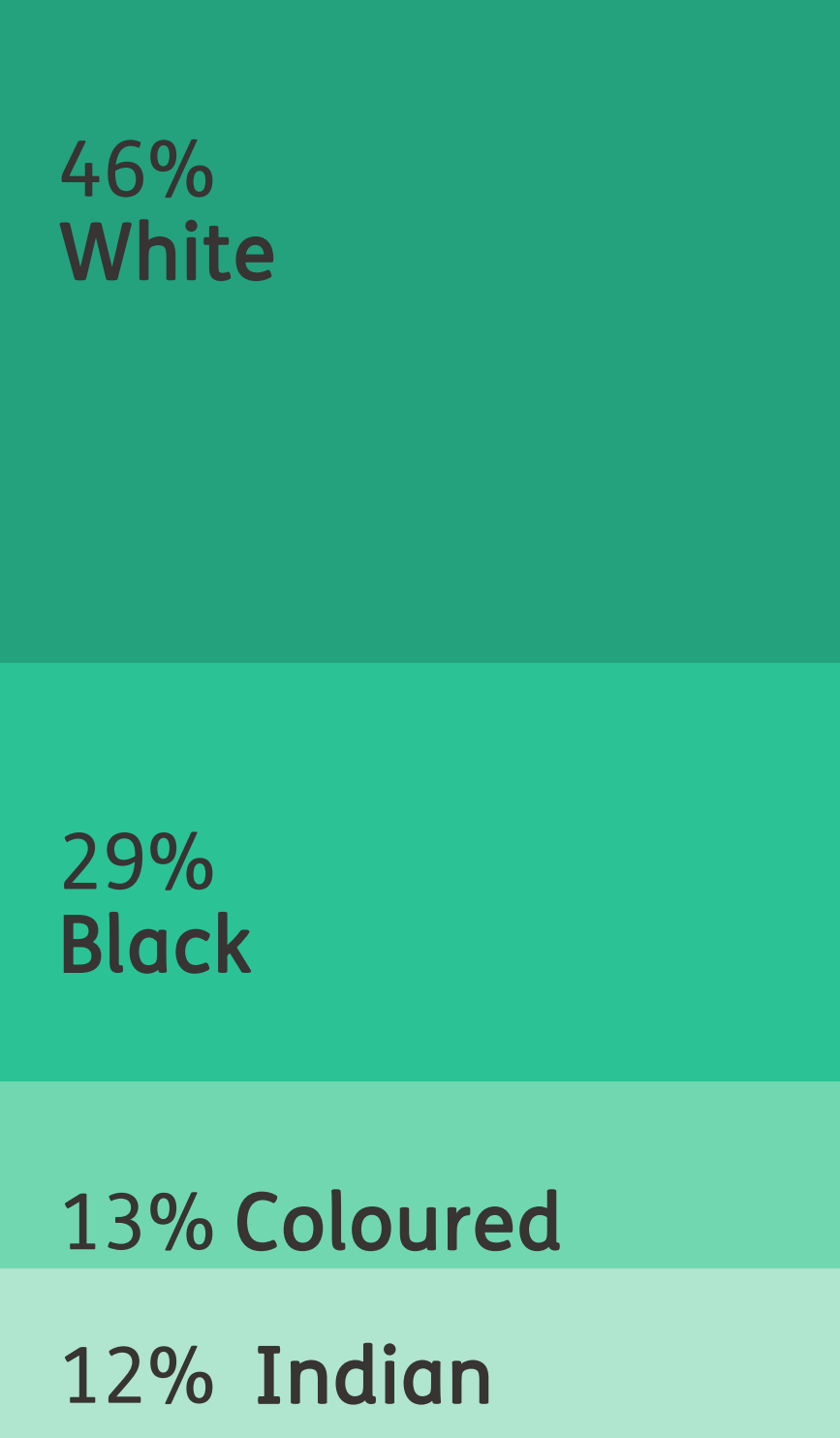
- Pre-retirees and retirees
- Between the ages of 50 and 85 years
- Target quotas specified for Area, Race, Gender, Age and Monthly Household Income

Frequency:

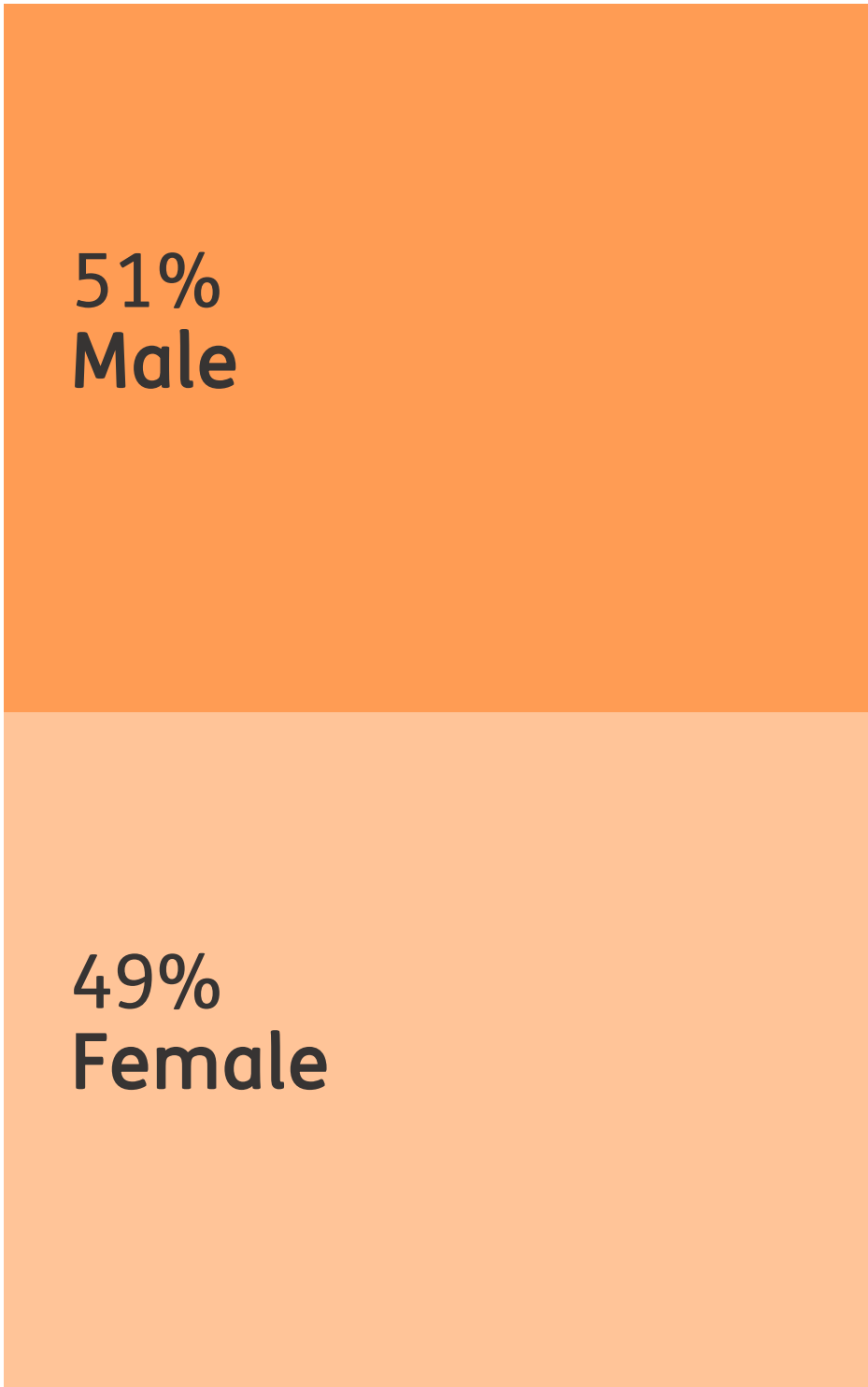
- The study was first conducted in 2015
- We re-launched the study in 2018, with a follow-up in 2019
- Just Retirement Insights Lite was conducted in 2020 to specifically assess the impact of COVID-19 on retirement planning
- A full tracking study was conducted again in 2022 (following on from 2015, 2018 & 2019)

SAMPLE DEMOGRAPHICS AND PROFILE

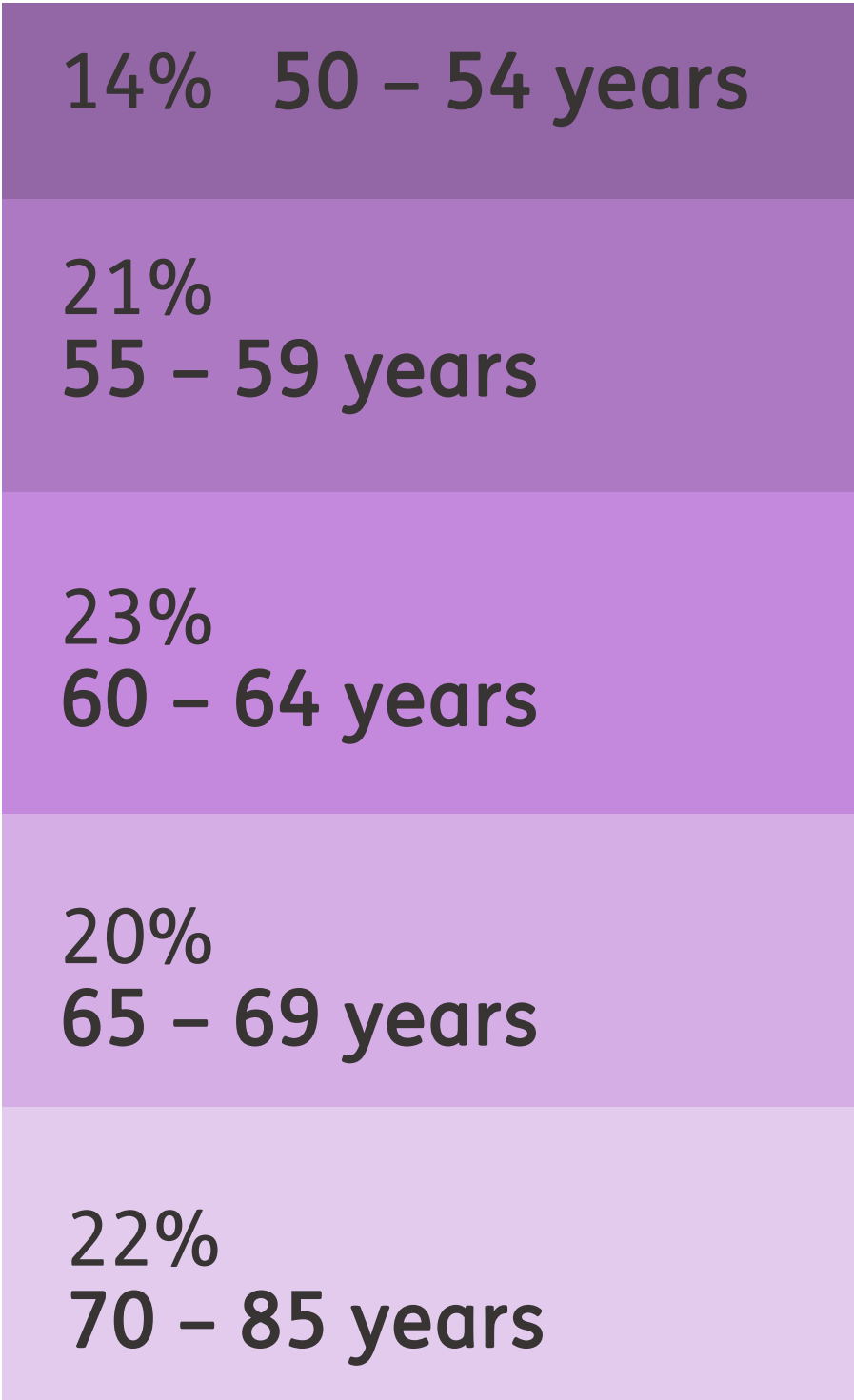
RACE



GENDER



AGE

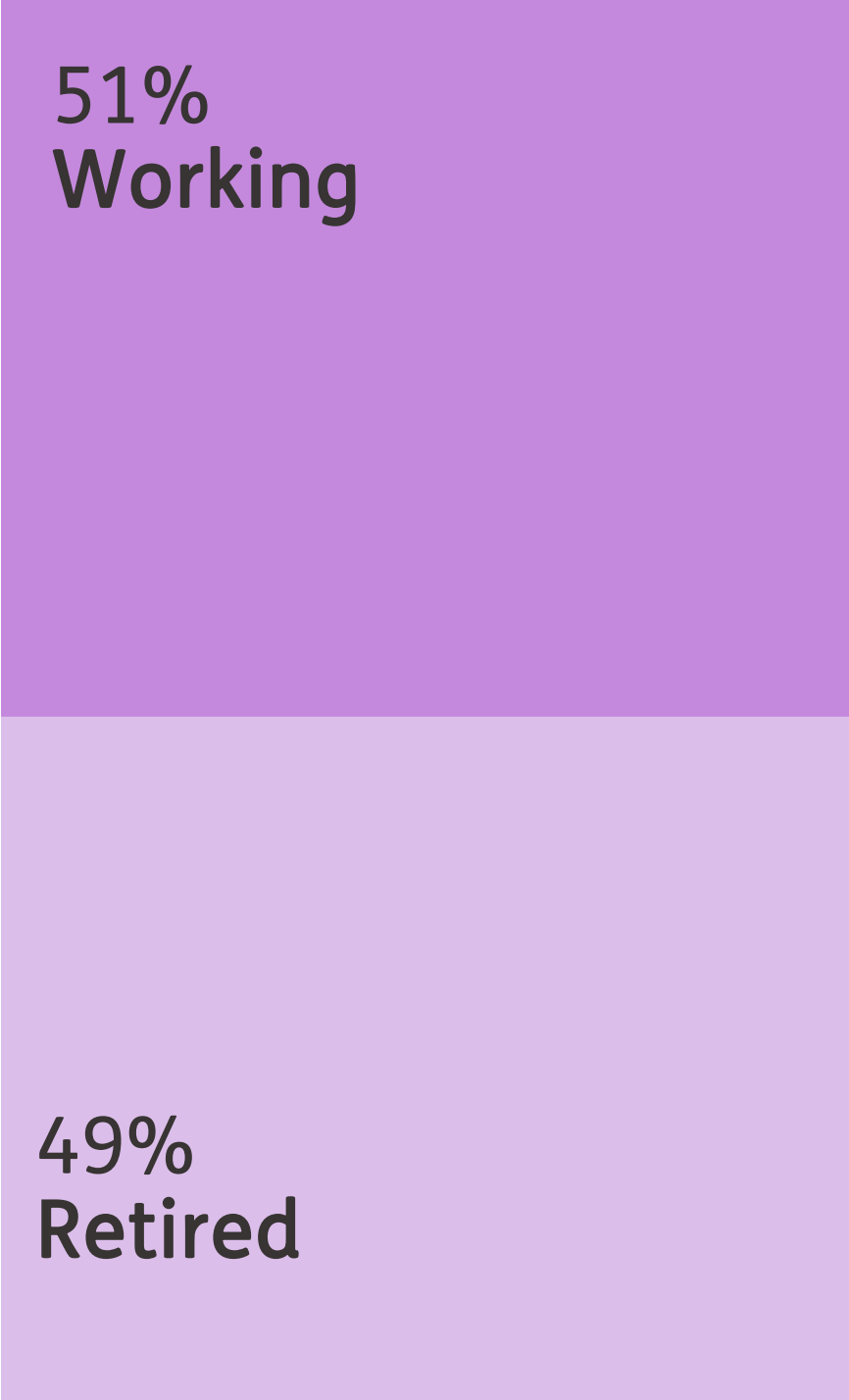


MONTHLY HOUSEHOLD INCOME

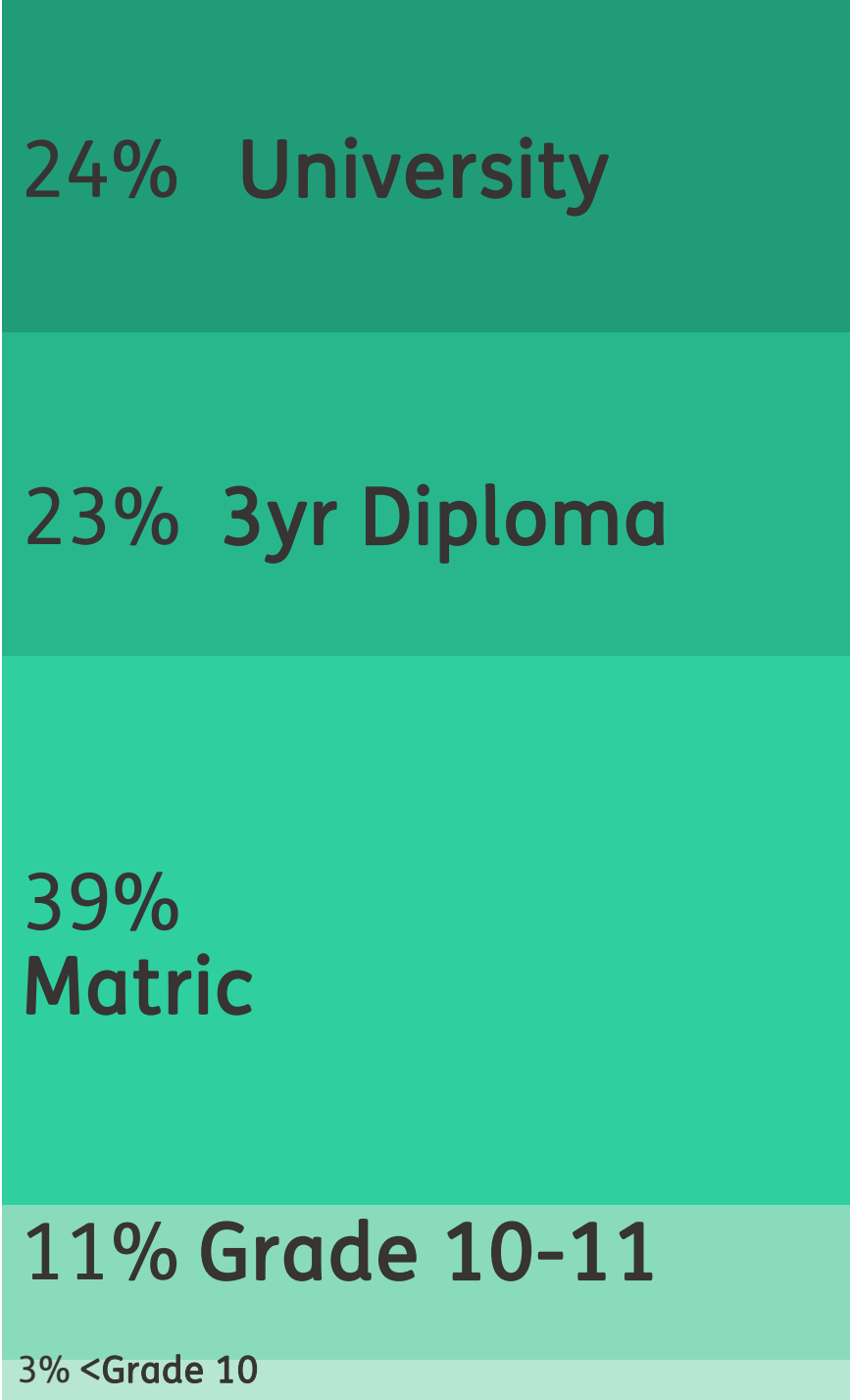


SAMPLE NATURAL FALLOUT IN TERMS OF OTHER DEMOGRAPHICS

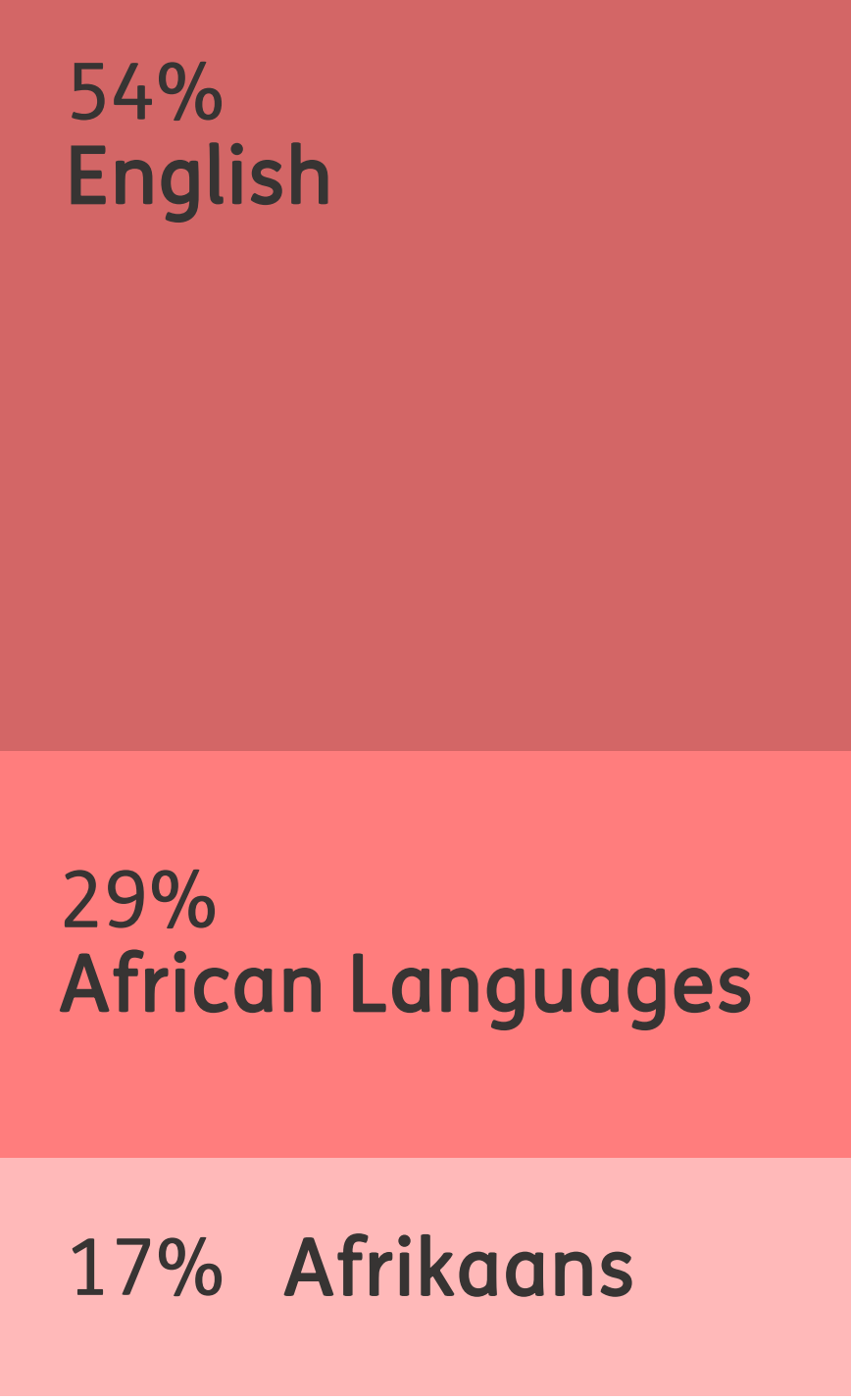
WORKING/RETIRED



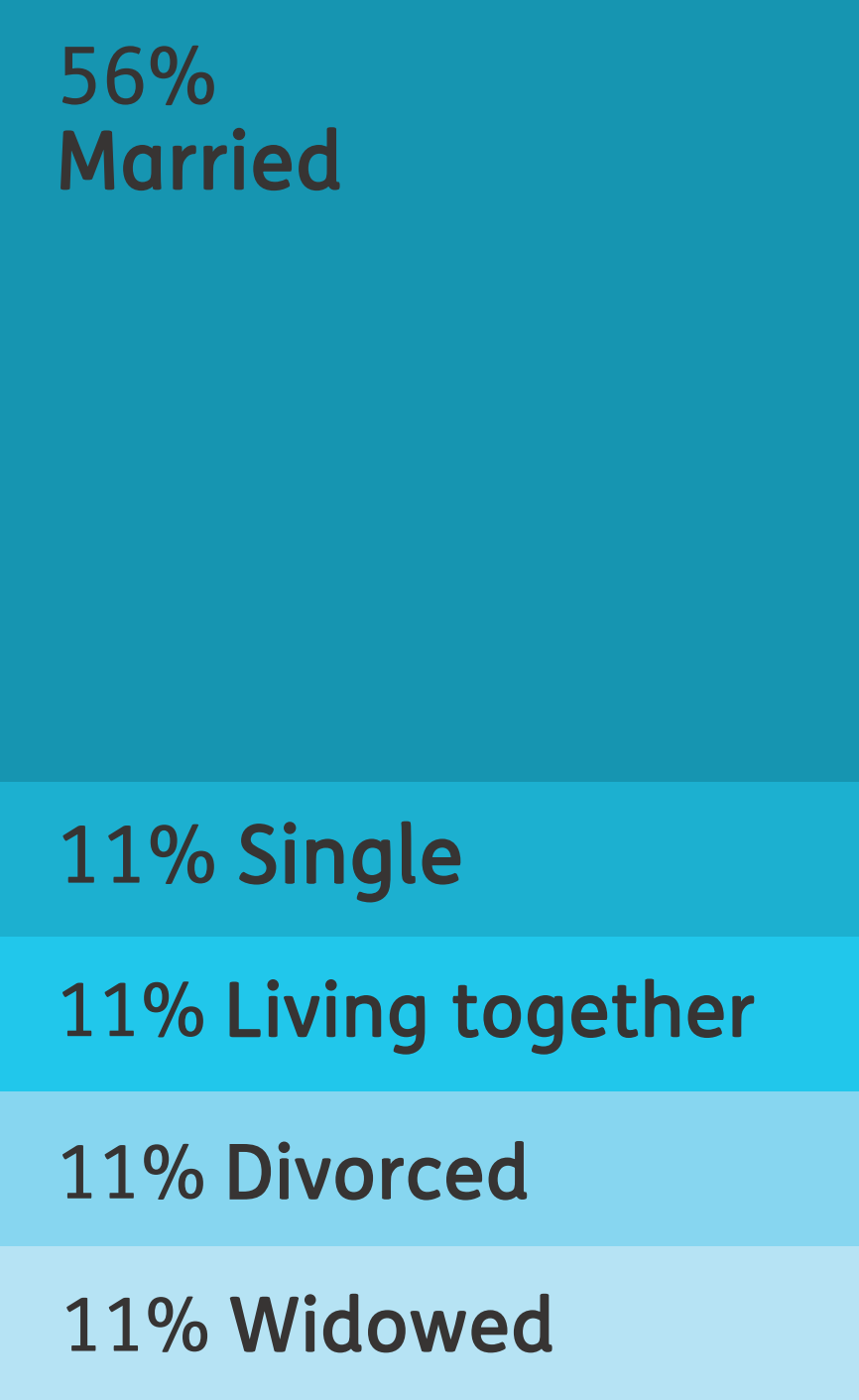
EDUCATION



LANGUAGE



MARITAL STATUS



n = 380

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

JUST.

RETIREMENT INSIGHTS Themes for 2022

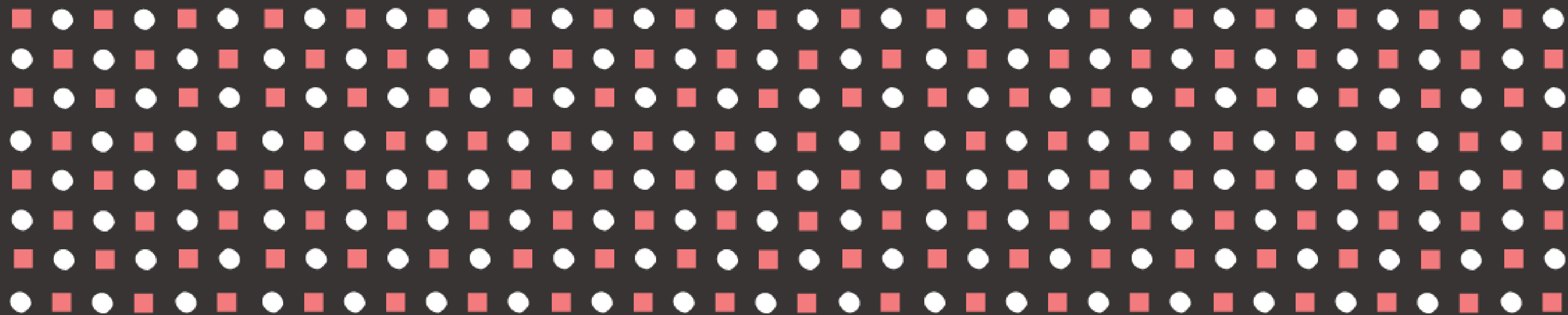
**FINANCIAL
PLANNING**

**FINANCIAL
CERTAINTY**

**FINANCIAL
ENDURANCE**

SECTION 1

FINANCIAL PLANNING



IMPORTANT TO SET OBJECTIVES BASED ON RETIREMENT NEEDS

2022

63%

Strongly agree

20%

Somewhat agree

4,36
Mean Score

n = 380

2020

68%

Strongly agree

18%

Somewhat agree

4,44
Mean Score

n = 307

2019

60%

Strongly agree

23%

Somewhat agree

4,27
Mean Score

n = 524

2018

40%

Strongly agree

27%

Somewhat agree

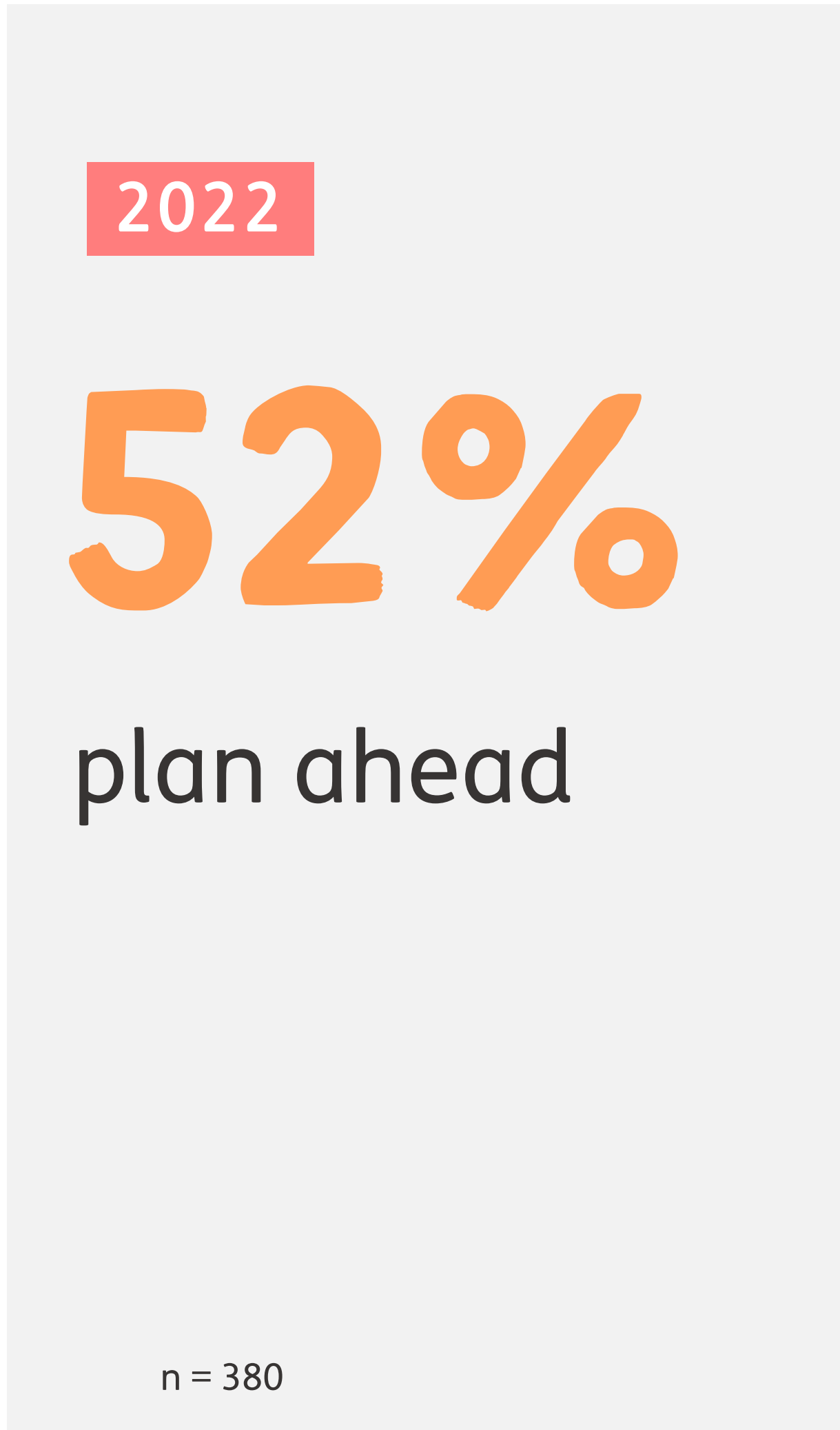
3,83
Mean Score

n = 345

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

LESS PLANNING FOR THEIR FUTURE

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



2020

74%

plan ahead

n = 307

2019

62%

plan ahead

n = 524

2018

47%

plan ahead

n = 345

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)

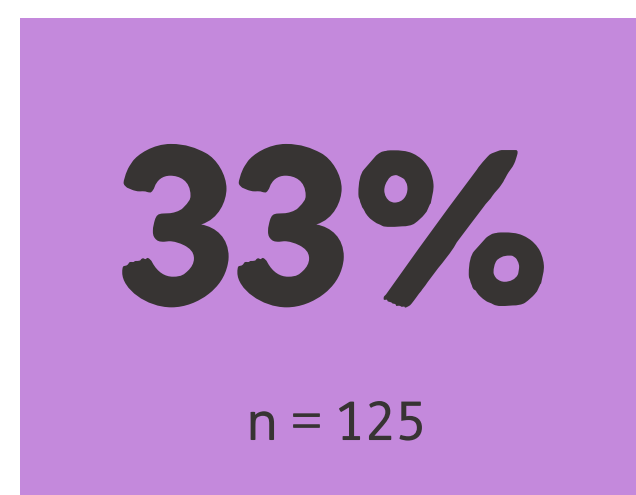
A THIRD HAVE NO FINANCIAL RETIREMENT PLANS

NO RETIREMENT CALCULATIONS

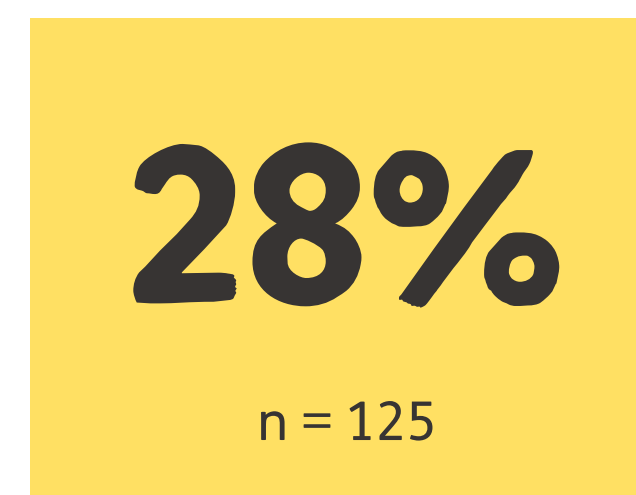
33%

n = 380

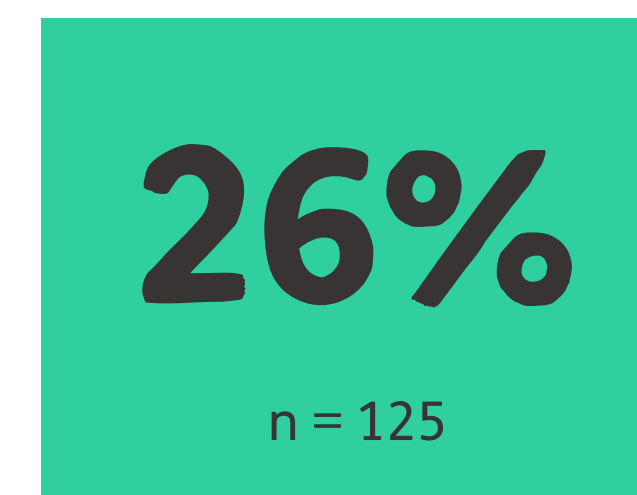
WHY NOT?



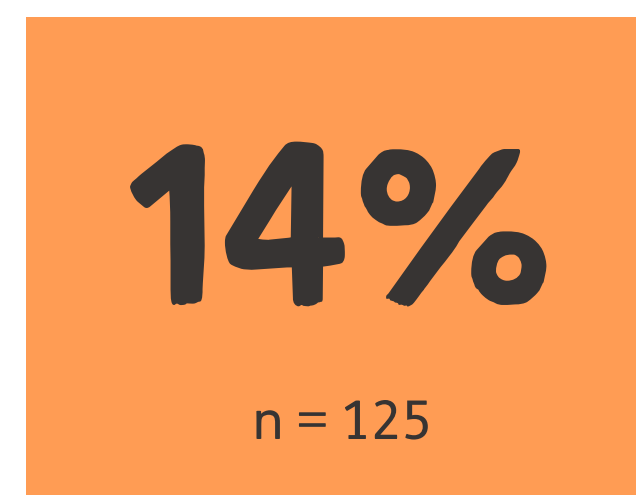
Will do so closer to retirement



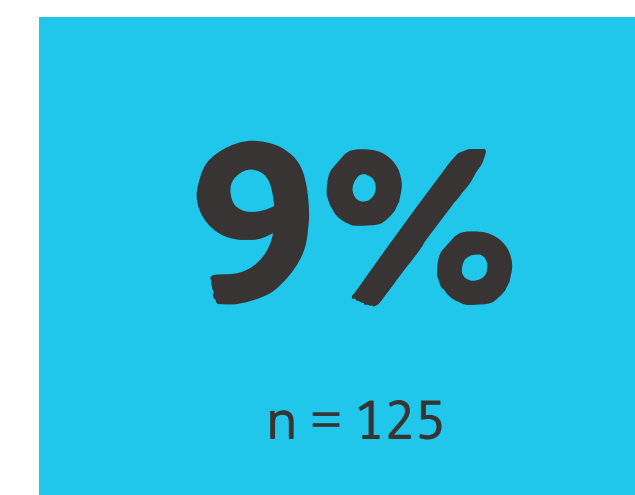
Don't know how



Don't have enough to plan properly

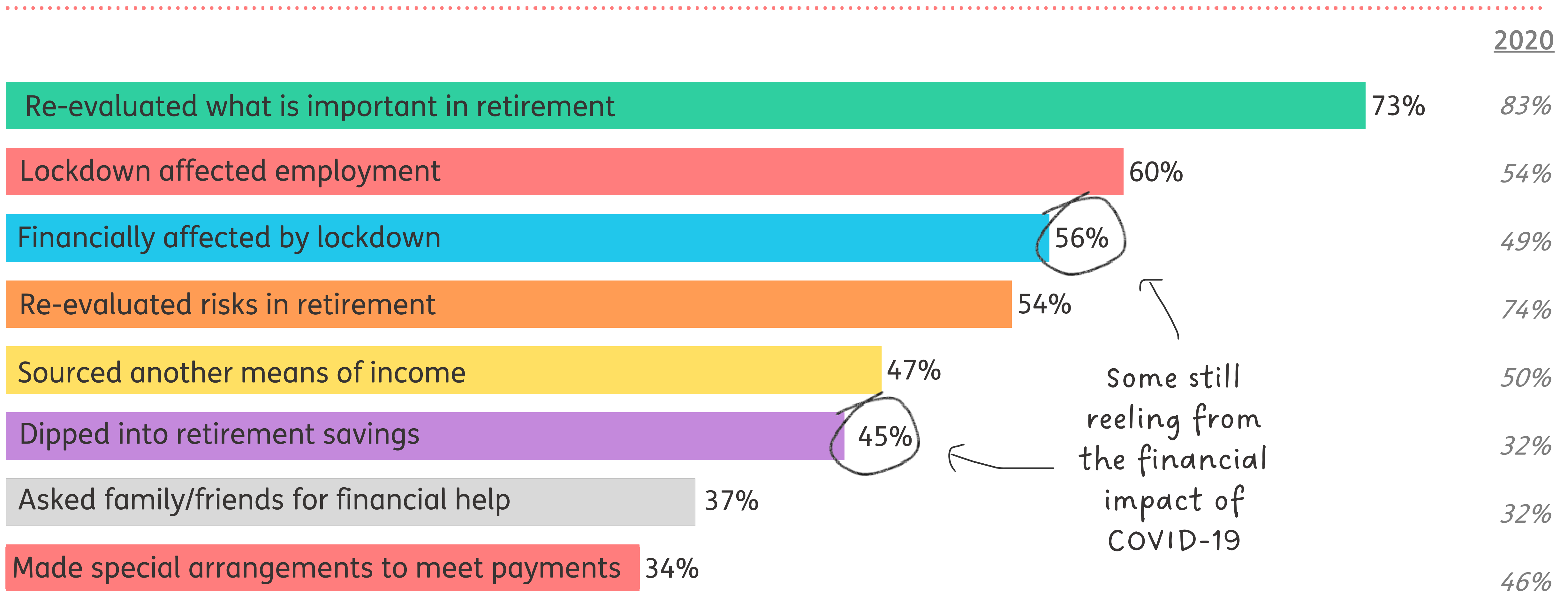


Say children will provide for them



Will rely on spouse/partner

THE LINGERING EFFECT OF COVID-19 & LOCKDOWN



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

Total n = 380

RISK APPETITE HAS INCREASED SLIGHTLY BUT STILL LOWER THAN PRE COVID

2022

52%

don't want to take risks

n = 380

2020

65%

don't want to take risks

n = 307

2019

40%

don't want to take risks

n = 524

2018

46%

don't want to take risks

n = 345

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)

SECTION SUMMARY

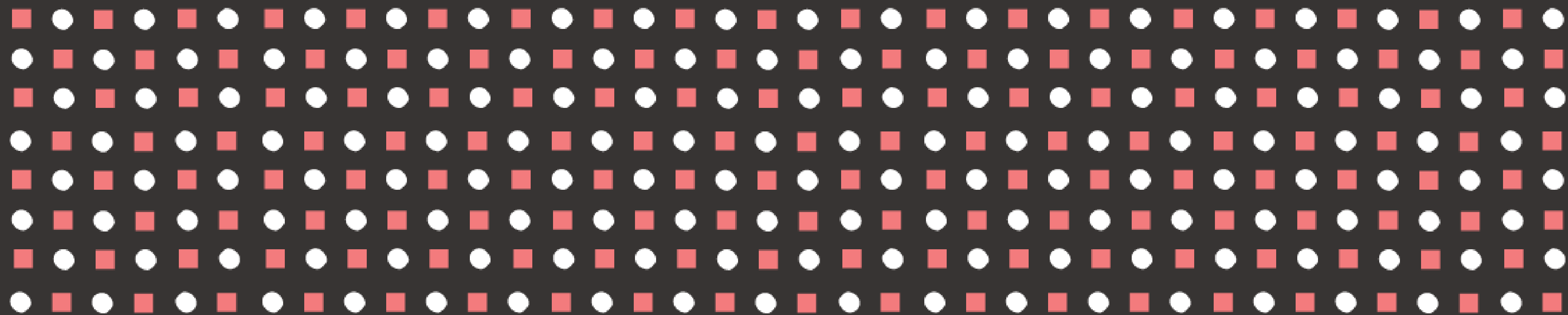
Setting achievable financial goals is important

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

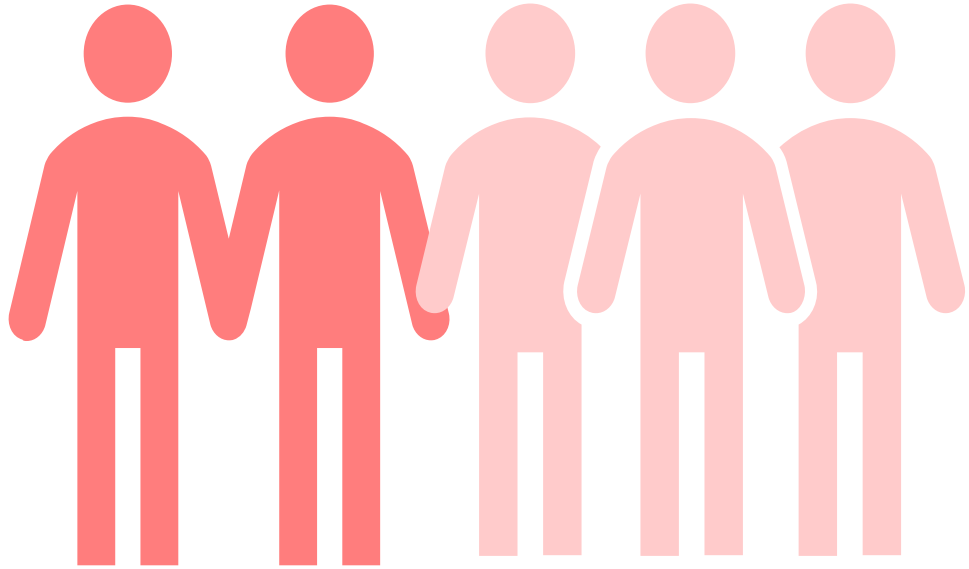
Some still feeling the financial aftershocks of COVID-19, possibly coupled with other macro events

SECTION 2

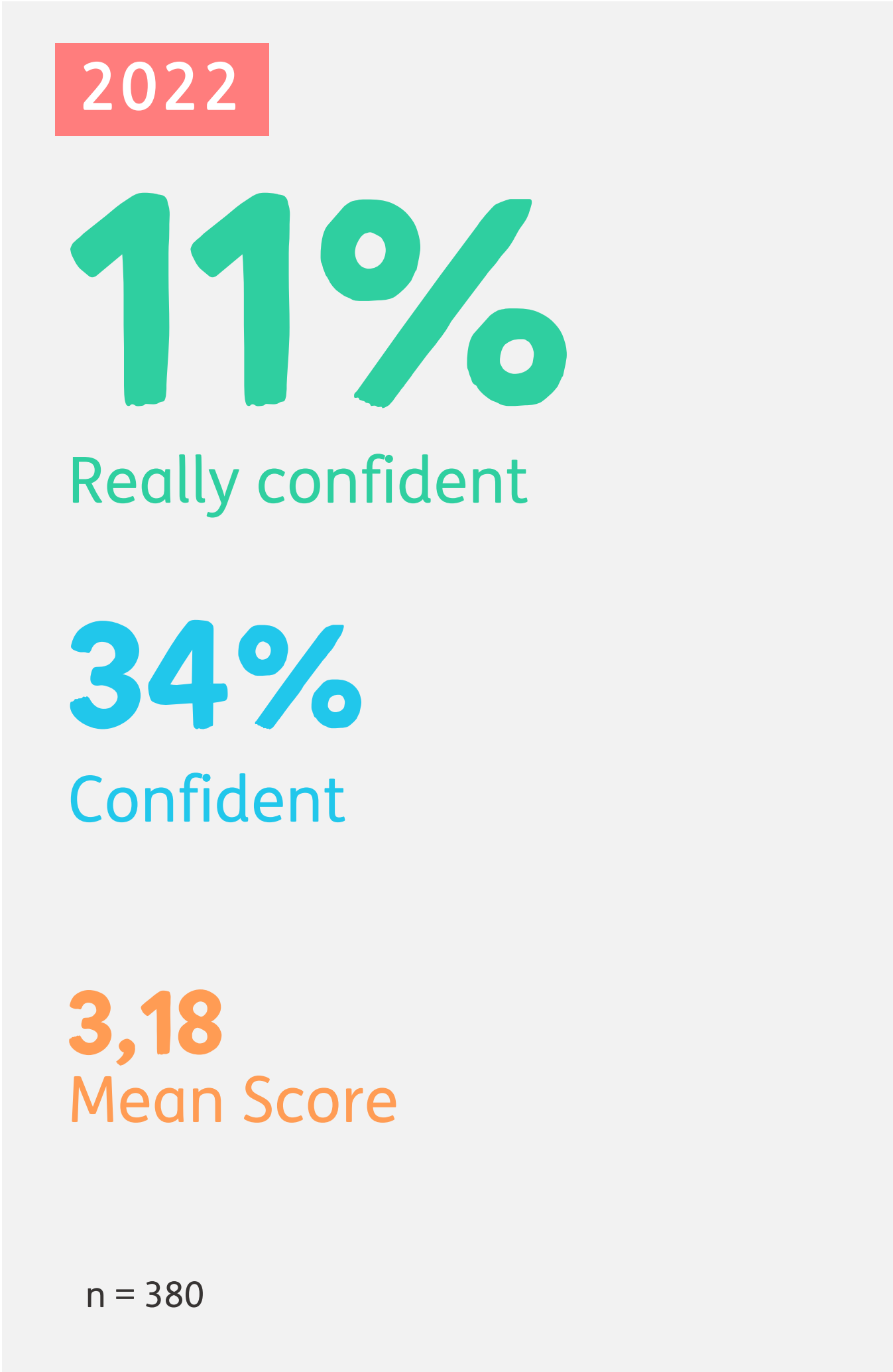
FINANCIAL CERTAINTY



MORE THAN HALF NOT CONFIDENT THEY HAVE SAVED ENOUGH FOR RETIREMENT



Only 2 in 5 are confident their savings will last



2020



n = 307

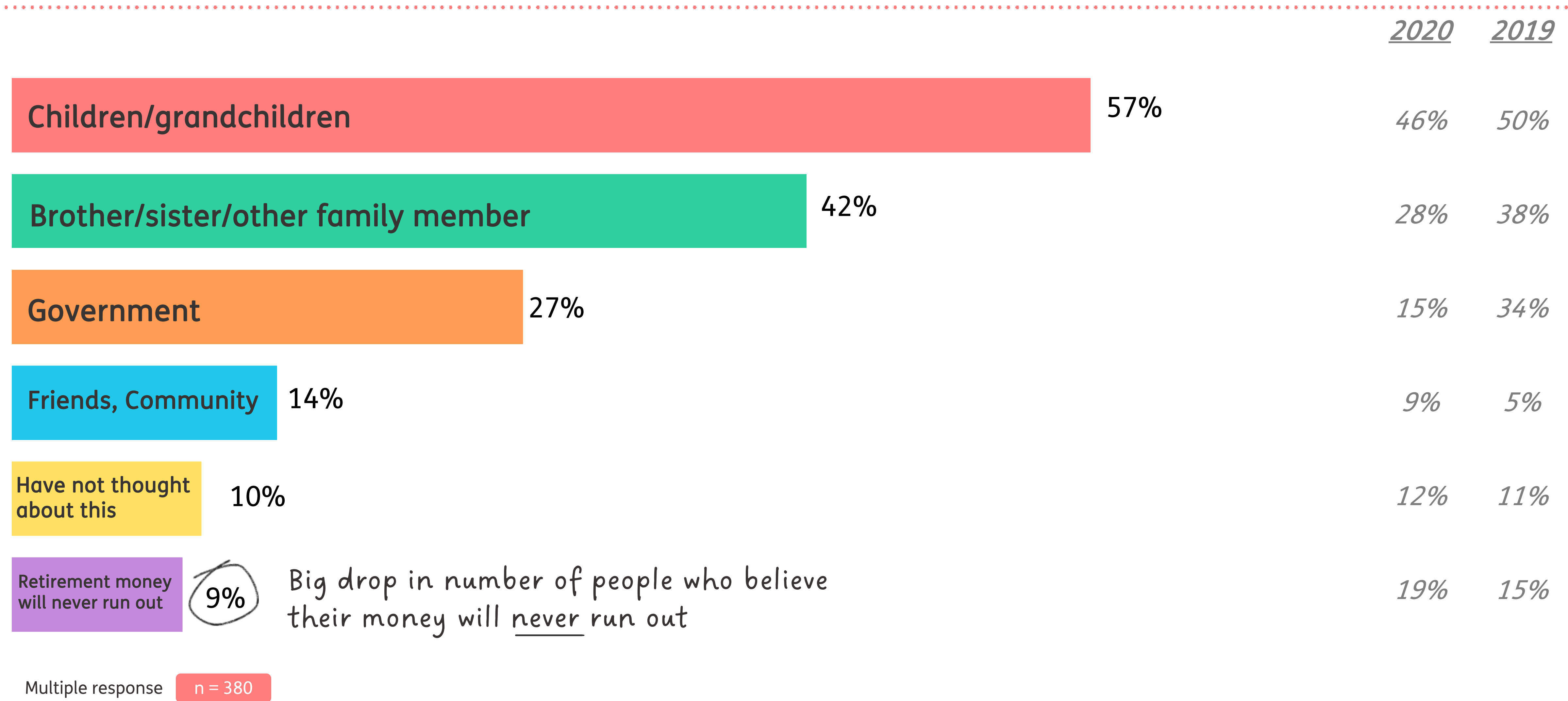
2019



n = 524

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?

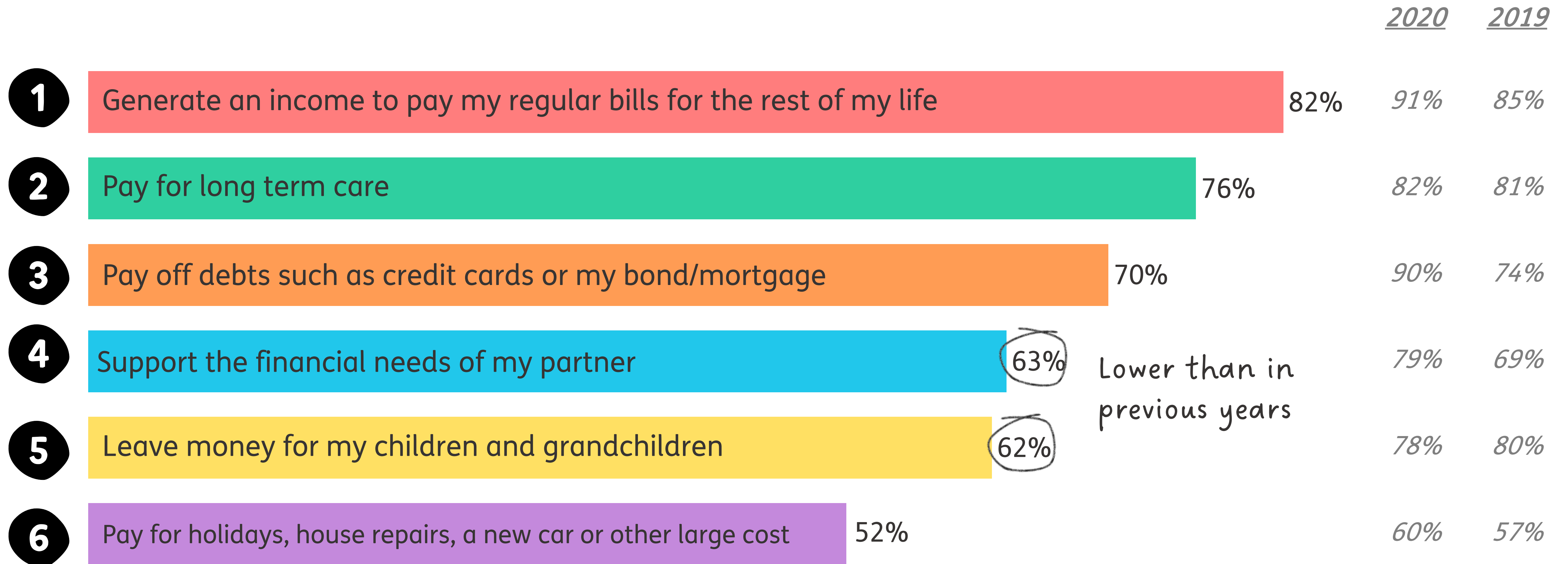
WHAT INCOME MUST DO: CERTAINTY OVER FLEXIBILITY

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

| Statements | 2022 | 2020 | 2019 | 2018 |
|--|---|---------|---------|---------|
| My retirement income must continue for as long as I live | 1 | 1 | 1 | 1 |
| My retirement income must cover frail care and medical bills |  2 | 5 | 2 | 6 |
| My retirement income must not be affected by what happens in investment markets | 3 | 4 | 3 | 5 |
| My retirement income must keep up with inflation every year | 4 | 3 | 4 | 3 |
| I must have flexibility in deciding how much income to draw each year |  5 | 2 | 5 | 4 |
| My retirement income must continue to meet my family's needs after I pass away | 6 | 6 | 6 | 2 |
| I am happy for my retirement income to be higher when investment markets are strong and lower when they are weak | 7 | 7 | 7 | 7 |
| | n = 380 | n = 307 | n = 524 | n = 345 |

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.

PRIORITIES FOR RETIREMENT SAVINGS



Those expressing extremely and very important indicated above

Total n = 380

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)

SECTION SUMMARY

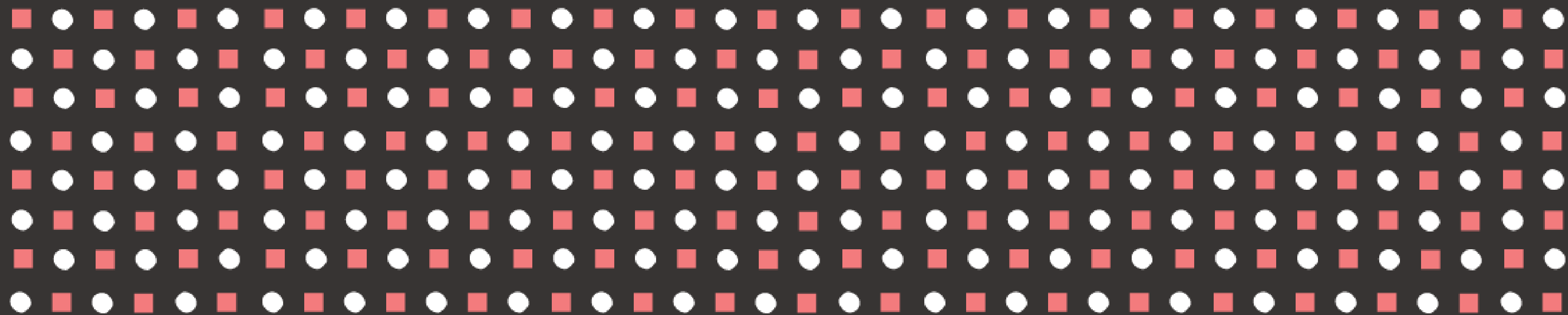
People seek certainty, and not only in times of uncertainty

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

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

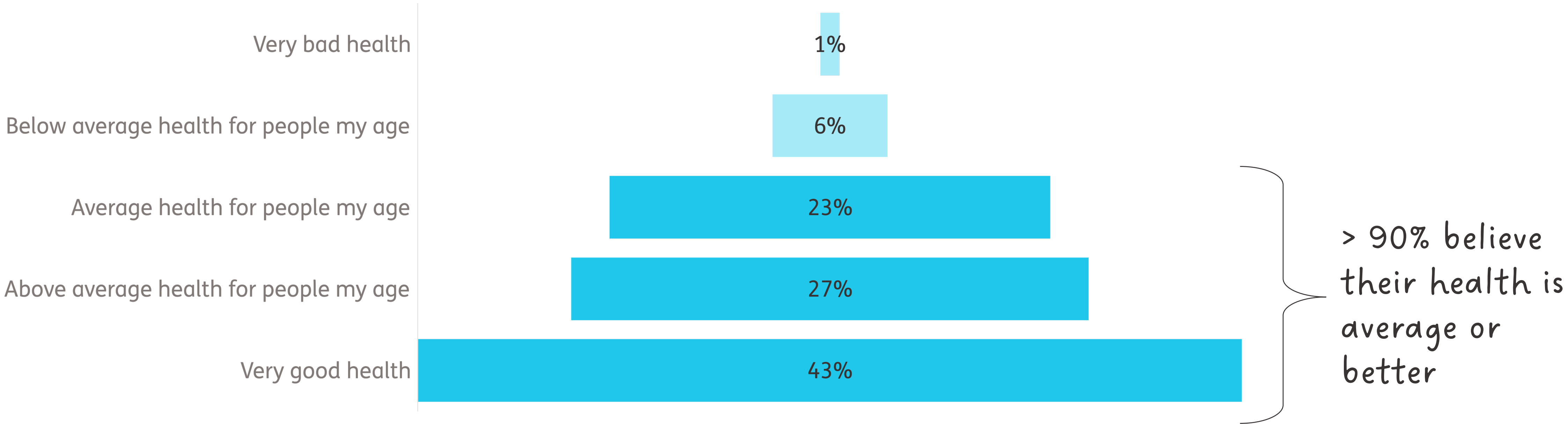
SECTION 3

FINANCIAL ENDURANCE



MOST THINK THEIR HEALTH IS ABOVE AVERAGE

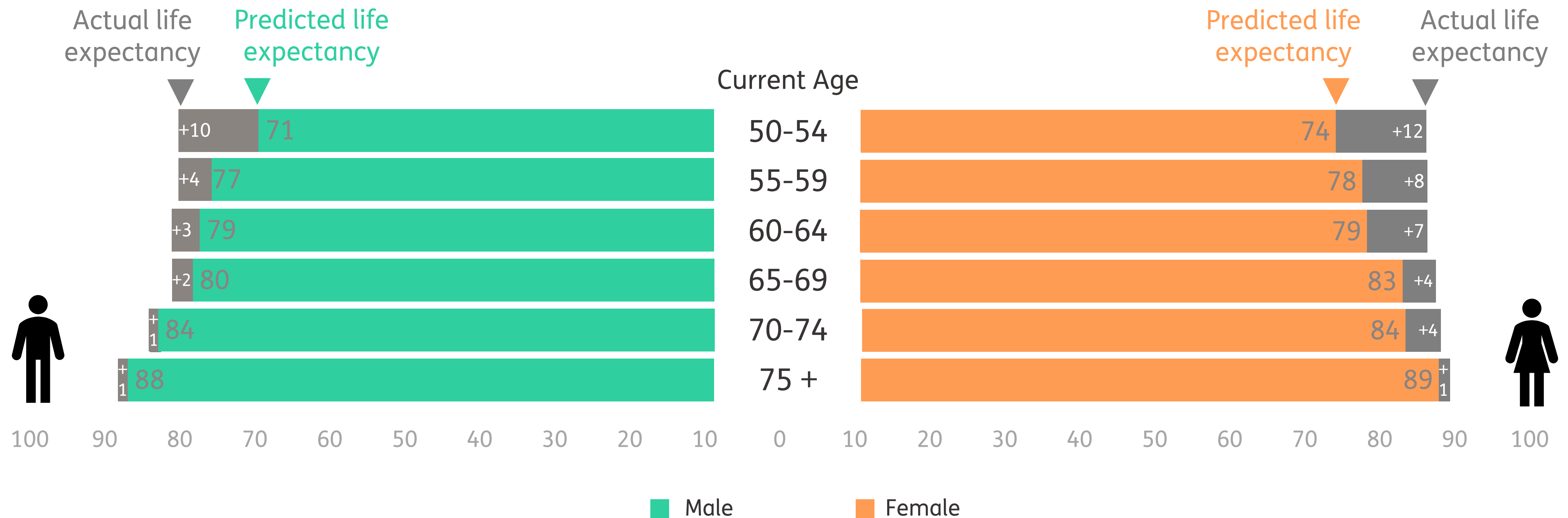
- Worldwide 55 million people have dementia, this number will increase exponentially as the proportion of older people in the population increases¹
- However only 4 in 10 respondents have thought extensively about planning for cognitive decline like Dementia
- And only 1 in 10 believe their general health is below average



1 [World Health Organisation](#) (2021)

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



SECTION SUMMARY

Pensioners need financial endurance as life expectancy increases

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

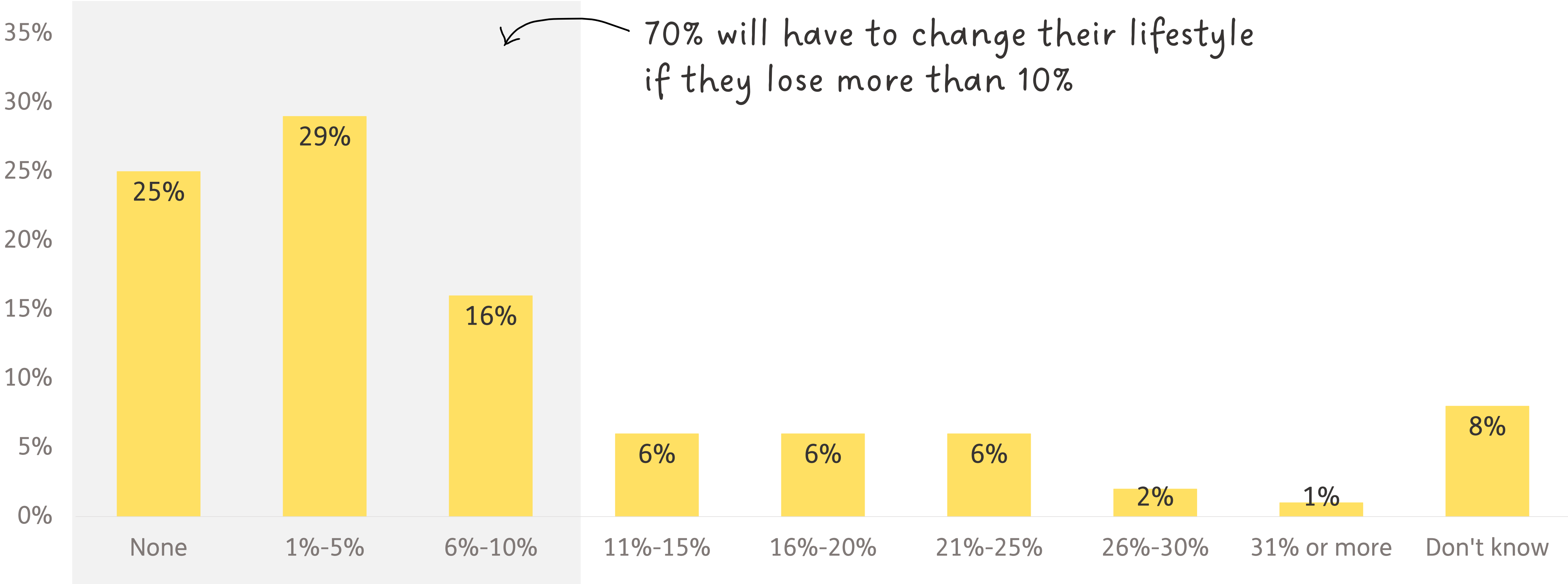
AVERAGE VALUE OF RETIREMENT SAVINGS

- Average savings is up, but is it enough?
- People should have saved **20X** 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?

AND MANY CANNOT AFFORD TO LOSE IN A MARKET CRASH

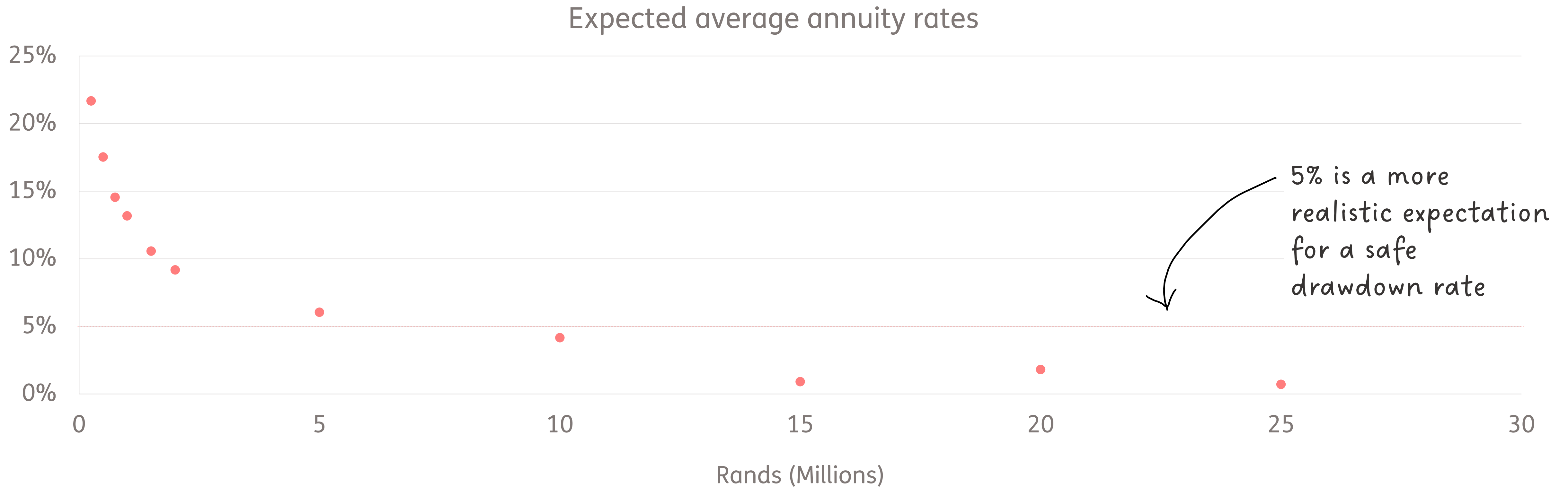


n = 380

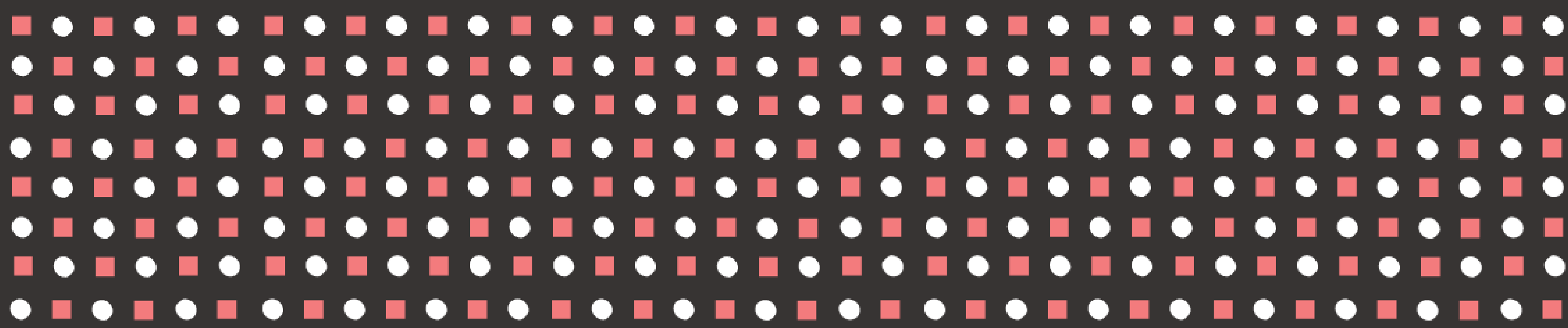
If you have control over how your retirement fund money is invested, what percentage do you think you could afford to lose in a market crash before it seriously impacts on your retirement plans?

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

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



SECURE A SUSTAINABLE INCOME





**SECTION
SUMMARY**

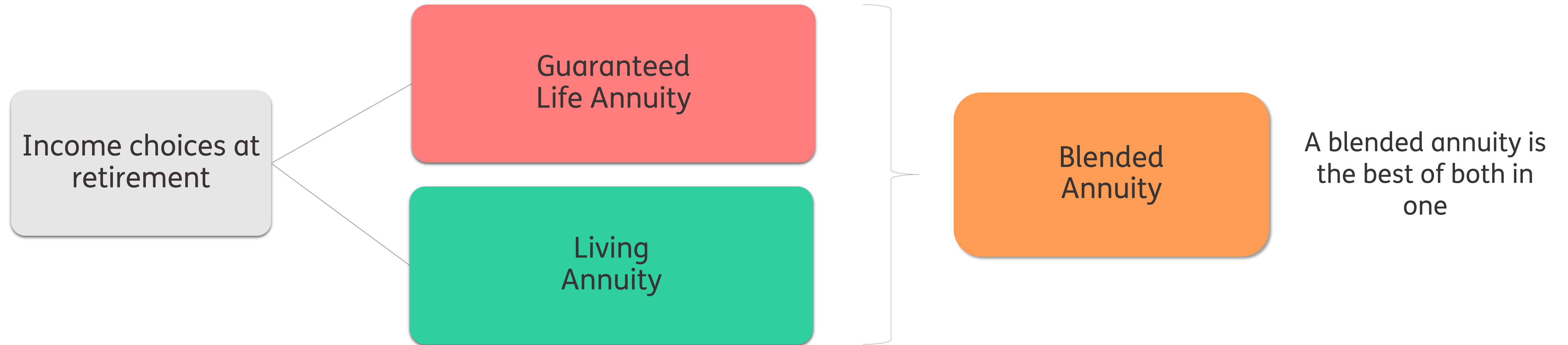
Saving for retirement will help save your retirement

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 guaranteed life annuity converts your retirement savings into a regular income for the rest of your life.



A blended annuity is the best of both in one

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

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

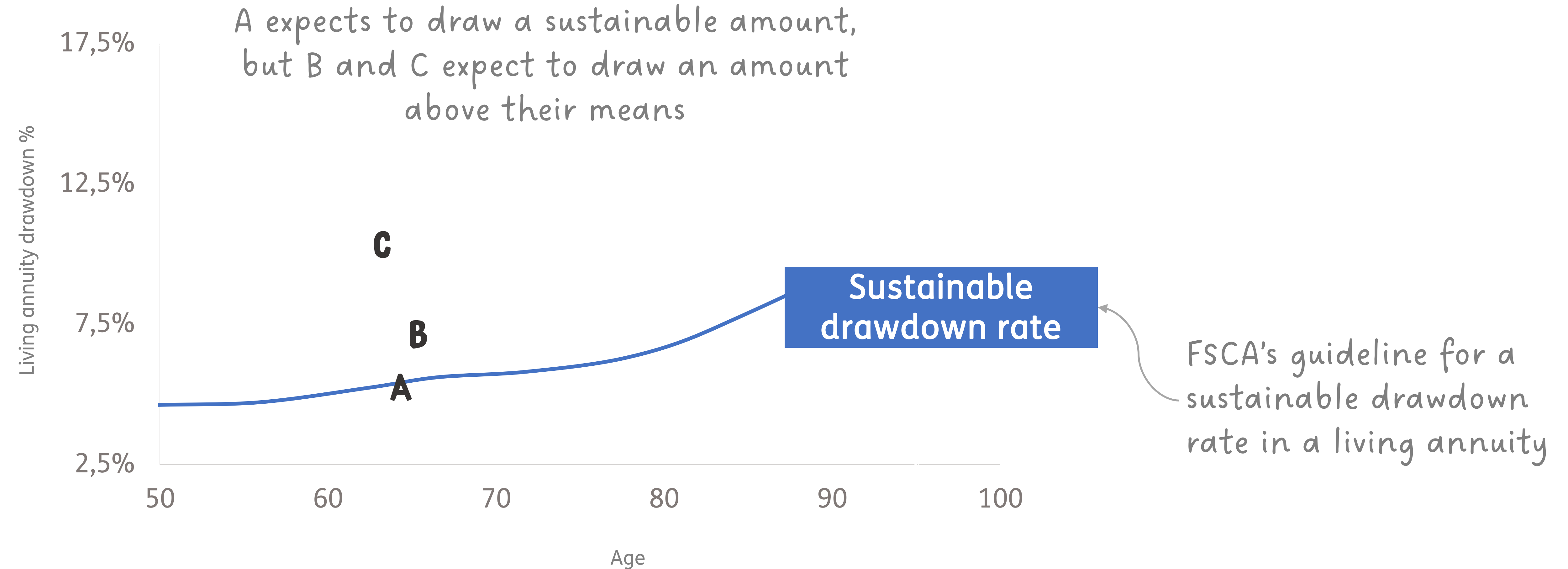
- Age 65, and the other is two years younger
- Current household income is R15 000 per month
- R3,5m saved for retirement
- Realistic in terms of income in retirement, knowing this is a modest amount
- Still want to only draw R15 000 per month in retirement
- Quietly confident that this annuity will 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 5%

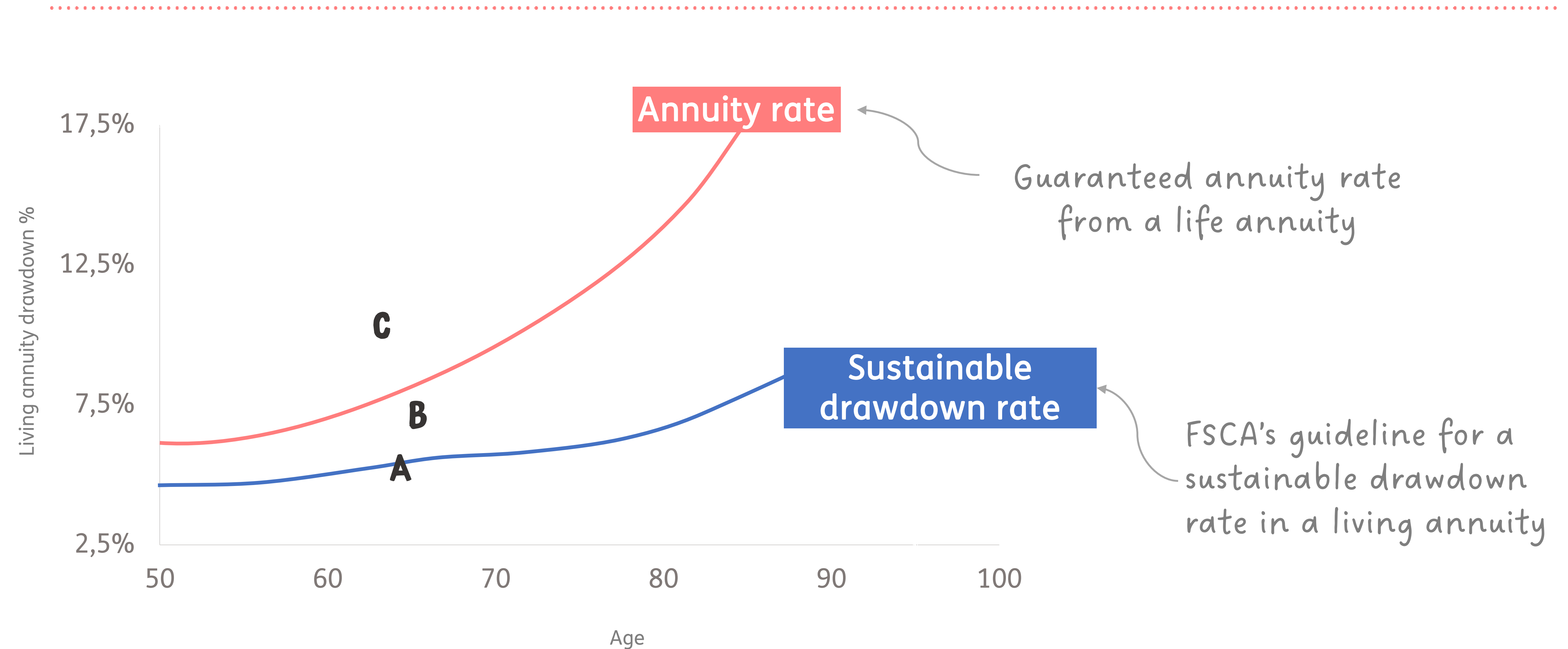
And adding some other couples as further examples...

| | 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 | R3,5 million | R6 million | R7,5 million |
| Expect to draw | R15 000 pm | R35 000 pm | R55 000 pm |
| Expect to live until | 79 | 77 | 88 |
| Living annuity drawdown rate | 5% | 7% | 9% |

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

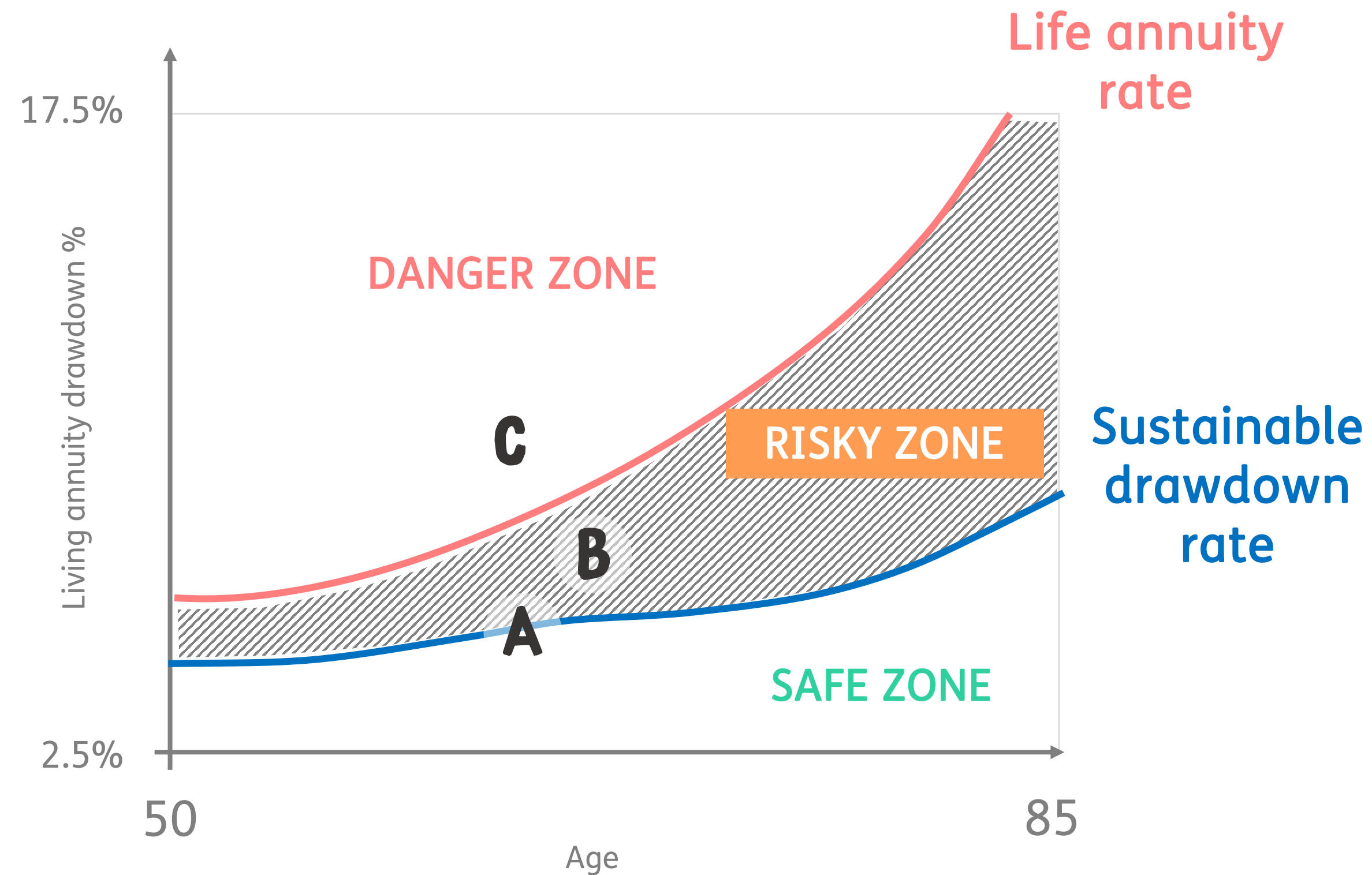


SAFE DRAWDOWN RATES VERSUS TYPICAL GUARANTEED LIFE ANNUITY RATES



• 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

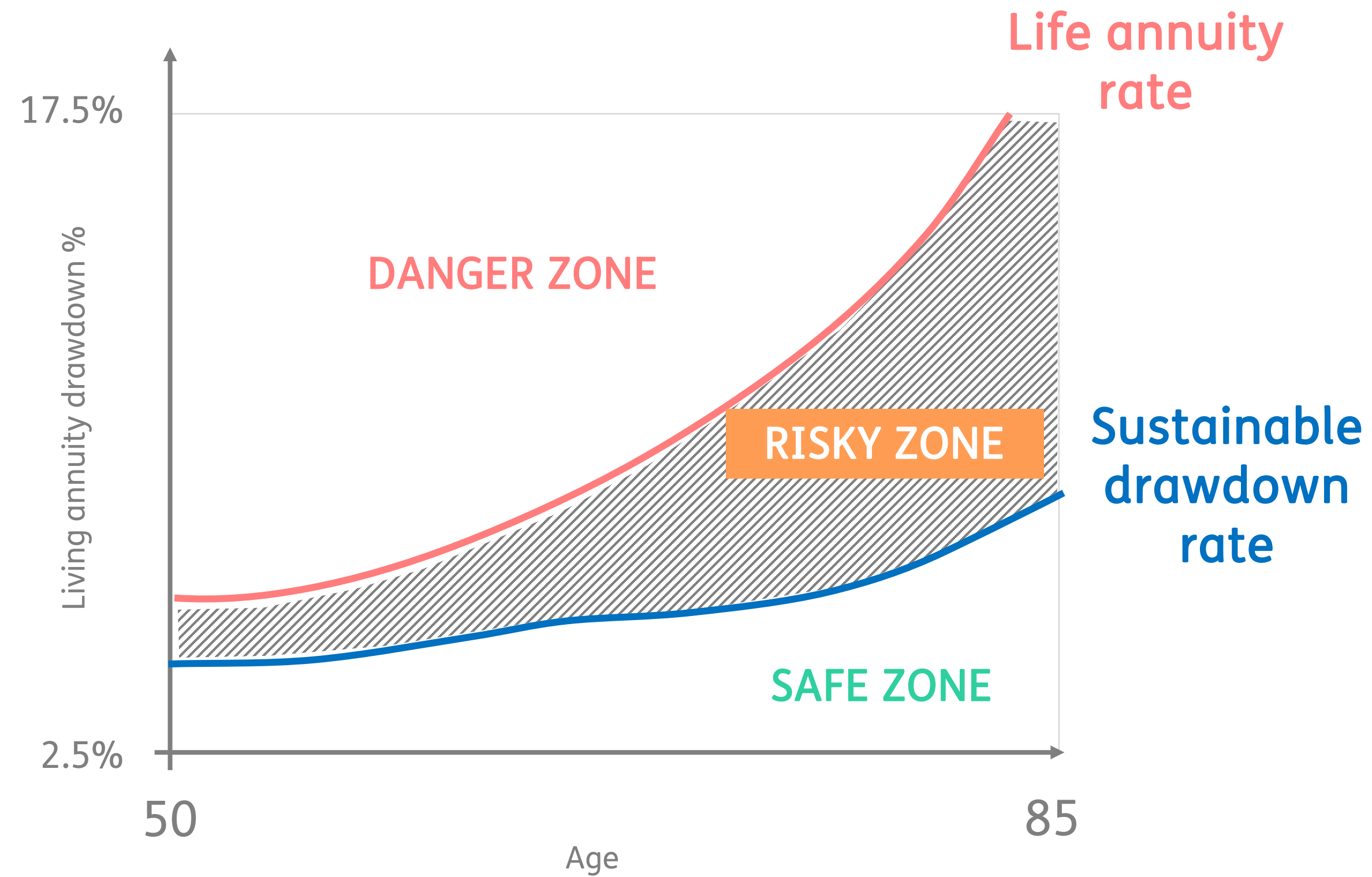
A **blended annuity** improves your retirement outcome by providing a safety net

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 ZONE 3 | Blended annuity ZONE 2 | Life annuity ZONE 1 |
|-----------------------|--------------------------|---------------------------|------------------------|
| Longevity protection | ✗ | ✓ | ✓ |
| Inflation protection | ✗ | ✓ | ✓ |
| Volatility protection | ✗ | ✓ | ✓ |
| Flexibility | ✓ | ✓ | ✗ |

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**

VISIT [JUSTSA.CO.ZA](https://www.justsa.co.za)

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.

