



FOR PROFESSIONALS

SINCE 1941



SA PROFESSIONALS BELIEVE COMPULSORY RETIREMENT SAVING IS VITAL - SURVEY

6 November 2013: South Africa's graduate professionals have shown significant support for some form of compulsory preservation vehicle to foster a greater retirement savings culture, according to a survey conducted by PPS.

For the third quarter of 2013, the PPS Graduate Professionals Confidence Index (PCI) – which tracks the confidence levels of nearly 5 000 of South Africa's graduate professionals – showed that 65% of respondents believe that compulsory preservation is necessary to enforce South Africans to save.

According to Gerhard Joubert, Head of Group Marketing and Stakeholder Relations at PPS, this is the highest value recorded for this question since the inception of the survey in January 2011. "Professionals clearly feel that compulsory retirement saving is needed in order to ensure a more stable financial future for the population."

Joubert points to the Finscope South Africa 2012 statistics as possible reasons why professionals are showing greater favour for compulsory retirement savings. According to the research, approximately 35% of South Africa's banked population have a formal retirement product in place, while 83% of South Africans do not own a retirement pension or provident product at all.

"Given these statistics it is not surprising that professionals support compulsory preservation. In various discussion papers, National Treasury has raised the prospect of implementing some form of compulsory retirement saving. It is important that these considerations are taken seriously, as many South Africans may otherwise face a bleak retirement," says Joubert.

Nick Battersby, Chief Executive of PPS Investments, says it is very encouraging to note that professionals appreciate the value of a dedicated, consistent savings approach throughout their careers in attaining a secure retirement. "A failure to preserve accumulated retirement savings when leaving an occupational retirement fund means that investors have to start saving for retirement from scratch – and now have less time to save. Because they will be taxed on this withdrawal, they also lose a fair chunk of their savings."

By transferring their accumulated retirement savings to a preservation fund, they avoid an immediate tax implication (they will only be taxed upon retirement), says Battersby. "This means that their full savings amount can be reinvested to generate further returns."

The survey also revealed that 61% of respondents think they have enough to retire comfortably – the highest result recorded for this question over the past 15 months. It is interesting to compare this finding to the Finscope data which revealed that 48% of South Africans do not feel they have saved enough for retirement, says Joubert. "While it can be

argued that professionals do earn a significant amount more than the average South African citizen, this vast difference highlights the severity of the lack of savings culture among the broader public. Compulsory retirement preservation may be the only way to ensure people can retire comfortably.”

In other results, the survey revealed an overall decline in confidence across a number of critical socio-economic issues. Confidence that unemployment will improve over the next five years fell one percentage point quarter-on-quarter as well as year-on-year to 38%.

“Given the recent Statistics SA findings that formal sector employment dropped by 28,000 jobs in the second quarter of 2013, it is not surprising that professionals are feeling less confident in employment improving in the next five years. It is not possible to improve unemployment while so many jobs are being lost,” notes Joubert.

Tied to low confidence in employment, is the drop of confidence in the standard of education improving over the next five years to 45%, a one percentage point decline. The key to creating more jobs is to improve education, says Joubert. “Basic Education Minister Angie Motshekga recently revealed that South Africa’s public schools had 7,076 unqualified and 2,642 under-qualified teachers; the goal of improving education cannot realistically be achieved while this remains the case - a solid primary educational foundation is key to long term higher education success.”

The third quarter survey points to a number of areas that professionals feel need addressing, such as the lack of a sound retirement savings culture and a number of socio-economic issues, which need to be urgently addressed, concludes Joubert.

Other results from the survey

- Confidence in the future of their profession declined one percentage point quarter-on-quarter to 78%;
- Confidence in the local equity / share market over the next 12 months increased by two percentage points quarter-on-quarter to 62%;
- Confidence that respondents have seen the worst of the global economic turmoil increased by one percentage point to 54% quarter-on-quarter;
- Confidence that crime rates would improve over the next five years fell one percentage point to 39%;
- 52% of respondents indicated they agreed with the principle behind National Health Insurance (NHI) up one percentage point quarter-on-quarter.