Navigating the retirement landscape

FNB Retirement insights survey 2024

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Project context and objectives

Section A

About this survey

About this survey

Samukelo Zwane
Product Head, FNB Wealth and Investments

South Africa's retirement savings conundrum remains a pressing and concerning issue, with a staggering number of individuals still unprepared for retirement. We're not prepared to just stand by an observe this troubling situation. Our mission is to influence the retirement savings sector positively and provide South Africans with the help they need to achieve the retirement outcomes they deserve. As prominent thought leaders within the retirement space, we use our resources to carefully dissect the unique retirement savings needs of all South Africans, with a particular focus on our banked clients' specific situations and requirements.

This year, we've continued this commitment with the second instalment of our annual retirement survey. Our aim is to raise awareness of the need for better retirement planning and preparedness, and reinforce our role as a pioneer in retirement savings and investment.

This 2024 survey expands upon the initial groundwork laid through last year's research, offering a comparative look at the behaviours and preparedness of our broad-based research participants, including an in-depth look at our banked clients, in alignment with our strategic segmentation approach.

Using a blend of digital and personal touch points, we gathered insights from 1 072 individuals between 23 January and 2 February 2024, employing CAPI techniques to ensure we include those beyond the reach of the internet. This approach allows us to connect with older demographics and those in extreme income brackets, ensuring our data reflects the diversity of experiences and challenges faced by South Africans when it comes to retirement.

As we monitor and evaluate the progression in the data we collect through this survey every year, we are better able to pinpoint opportunities to boost confidence in retirement planning across varied market segments. Our proactive stance is designed to bring about positive evolution in retirement preparedness, with the broader objective of empowering our clients and all South Africans, enhancing financial wellness, and setting the stage for a more stable retirement reality in this country.

We invite you to join us on this important journey. Collaborative efforts are essential if we want to successfully confront the retirement savings dilemma head-on and build a future where financial security in retirement is not the exception, but the norm, for the majority of South Africans.

The retirement survey was designed to meet two main objectives

1. Uncover consumers perceived preparedness for retirement, and based on how consumers experience retirement planning.
2. Explore our role in how to best support consumers in this process. The answers to these questions will allow us to position FNB as a thought leader in this space and engage both the category and consumers on how to prepare for retirement.

Three distinct viewpoints were captured:

Under 60s

Exploring their view of retirement and how prepared they feel for their retirement years. Two distinct groups emerge – those with and those without a retirement plan.

Over 60s

Describing what life is like at retirement age and capturing their retrospective views of their experience planning for retirement.

Retirees

Consumers who have already retired, understanding their experience as a retiree and to what extent this was in line with their expectations.

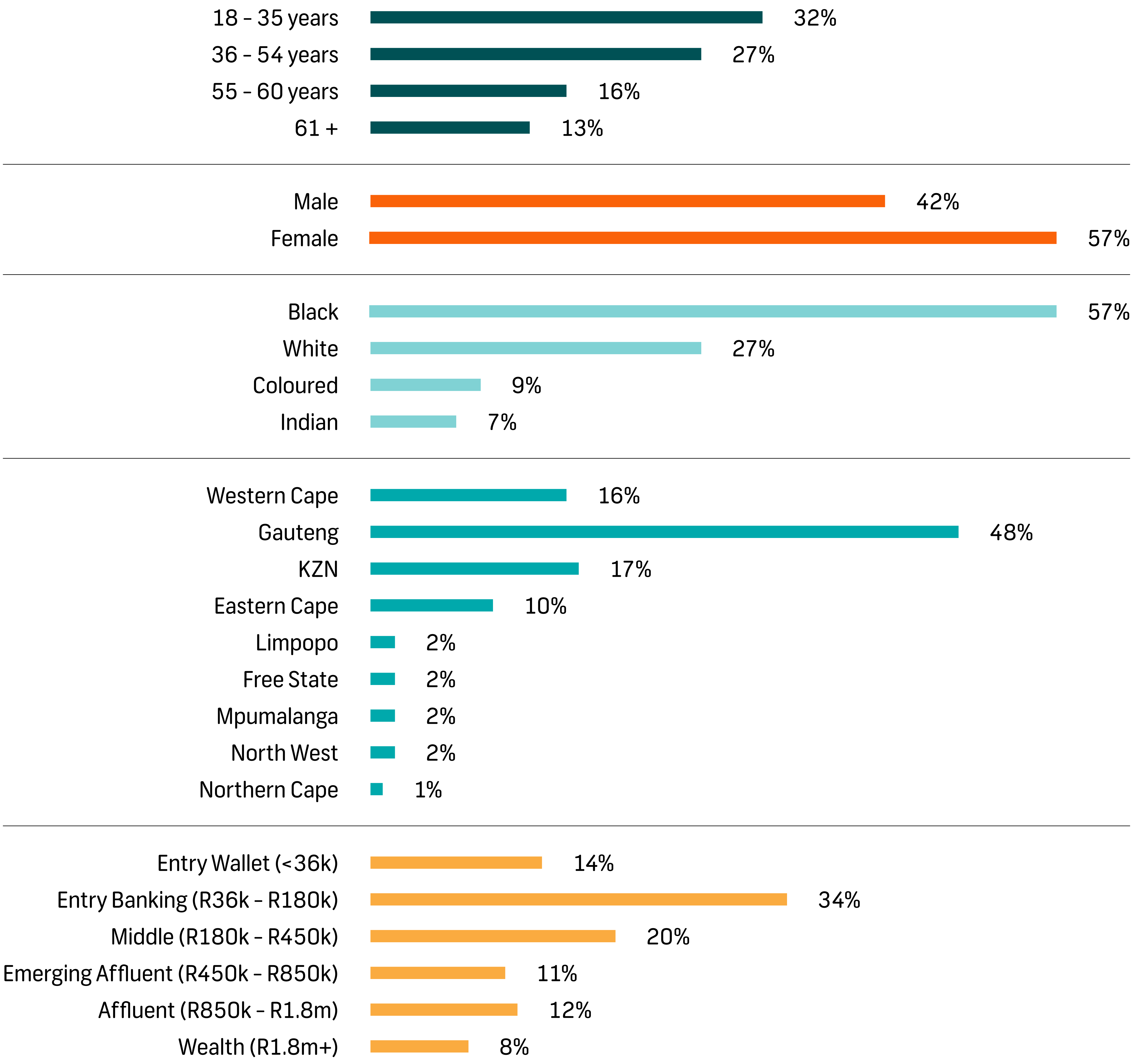
To achieve these objectives the study was structured as follows

A mix of quantitative surveys and face-to-face interviews were conducted with 1 072 respondents between 12 January and 2 February 2024. CAPI (computer assisted personal interviewing) was conducted to reach consumers who are not accessible online (older individuals and consumers in the bottom-most or top-most income brackets). We recruited from the following age and income breaks.

	TOTAL	Entry Wallet	Entry banking	Middle market	Emerging Affluent	Affluent	Wealth
n=	PMI	<R3 000	R3 000 - R15 000	R15 000 - R40 000	R40 000 - R70 000	R70 000 - R150 000	R150 000+
18 - 35 years	317	40	112	75	38	32	20
36 - 54 years	322	40	129	68	33	32	20
55 - 60 years	153	31	32	38	11	20	21
60+	279	60	94	35	39	41	30
Sample size/ sub-segment		151	367	216	121	125	90

Respondents were aged 18+ and had to have financial decision-making authority.

Demographic profile of the sample achieved



An important note before we get into the results

In 2023, our sampling method ensured equal and robust representation from each income group. However, this meant that any figures reported for the total population were not nationally representative (as the total was rather an average across all income groups weighted equally).

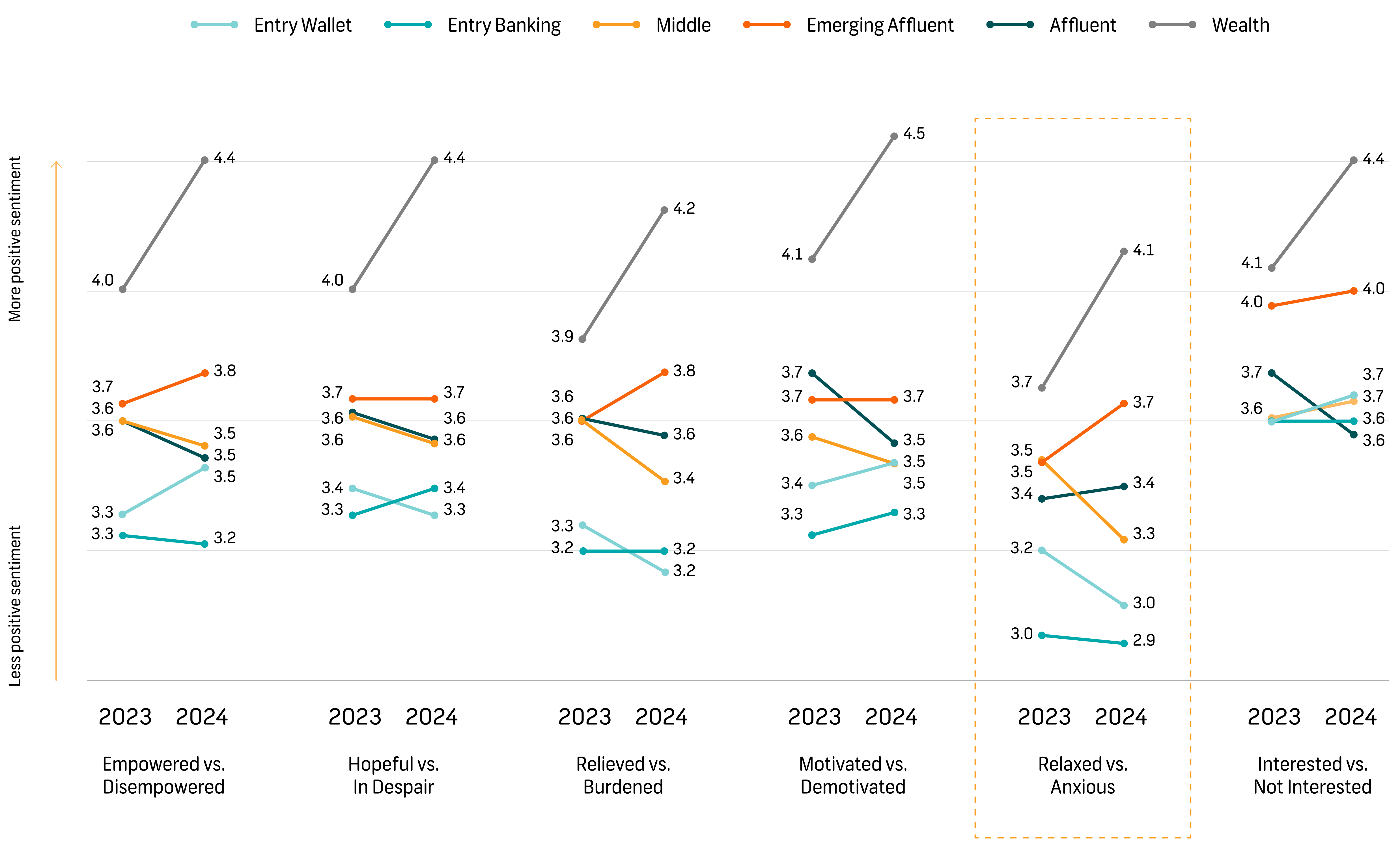
In 2024, a sample adjustment was made to enable reporting of nationally-representative figures, while still preserving the integrity of the views expressed within each income group.

While we can now extrapolate our findings to the entire population for 2024, we cannot directly compare the total 2024 figures to the total population figures from 2023. Importantly, we are able to track year-on-year changes within the segments themselves – and these differences have been noted throughout the report where they appear.

Significant changes from 2023 to 2024

Wealthy consumers are feeling more positive overall about their retirement planning, while Middle consumers feel less positive, with a greater sense of burden and anxiety.

Emotions associated with Retirement Planning: 2023 vs. 2024.



Section B

Opening thoughts from FNB leadership

The importance of relevant and accessible advice for effective retirement planning

Lytania Johnson
CEO, FNB Personal Segment

The 2024 FNB Retirement Insights Survey Report has yielded numerous valuable insights and lessons, but arguably one of the most crucial takeaways is the paramount importance of providing South Africans, across all income brackets, with relevant and personalised retirement advice. While people generally acknowledge the significance of seeking advice before making financial or investment decisions, this imperative has not yet fully permeated the realm of retirement planning and investment. This disconnect may be a remnant from the era of defined benefit funds, where employees were not required to actively engage in their retirement investments, secure in the knowledge that they would receive a predetermined sum upon retirement, irrespective of market fluctuations.

However, those days have long since passed, and defined contribution funds have become the new reality. Consequently, both pre- and post-retirees must now assume a far more active role in managing their investments. This responsibility continues to grow as markets become increasingly complex and volatile.

Our research delved into the various sources of advice people rely on for guidance regarding their financial situation. Notably, bankers and bank branches remain a highly valued source, with nearly one-third of respondents indicating that they regularly seek advice through this channel. It's a heartening statistic because, contrary to the assumption that only affluent customers can afford advice, we believe that retirement advice can, and should, be made more accessible through our bankers.

When examining the personalisation of advice, social circles emerged as the most valued channel, likely due to the familiarity and personal trust inherent in these relationships. It is a somewhat concerning statistic given the untested nature of financial and retirement advice often provided by friends and families. To shift this trend, it's vital for financial institutions to offer more relevant and personalised advice. They must ask the right questions, understand customers' financial circumstances and personal context, and consider their family dynamics. Advice should not solely focus on the mathematics of money but rather on grasping the personal context and addressing customers' primary concerns to help them achieve their life goals. This is the appeal of social circle advice – it is highly personal and comes from a deep understanding of the person and their circumstances. Professional advice can only achieve higher uptake if it takes the same approach.

Our survey also revealed that there is room for financial institutions to better meet customers' retirement needs, as retirement-specific services received the lowest satisfaction scores. While many institutions prioritise well-designed products, client service, support centres, and qualified advisors, organisations clearly need to place greater emphasis on specific aspects – both financial and psychological - of customers' retirement planning journeys. This entails understanding their challenges, fears and preferences and then providing easily understood, cost-efficient, and flexible retirement products and services supported by practical retirement planning toolkits and accessible and relevant education across a full range of channels and platforms.

No matter which source of financial advice consumers are using, the benefit offered is universal: relevant, personalised guidance.

% Row responses	Offers me guidance that is special to my circum-stances and needs	Is the source of advice I trust the most	Is the most convenient way to get financial advice	Communi-cates well and ensures I'm always updated	Explains financial matters in a way that is clear and understand-able	Offers me access to financial experts that have a track record of success	Has the best range of financial products for me	None of these
Social circles: family, friends, colleagues	27% ↑	16%	15%	12%	11% ↓	9% ↓	8%	2%
Online media, Google searches, articles, posts, etc.	19%	11%	18%	11%	15%	14%	10%	3%
My bank branch or banker	18%	15%	16%	10%	14%	13%	14% ↑	1% ↓
Social media Facebook, Twitter, Linkedin, etc.	17%	14%	16%	12%	15%	13%	9%	4% ↑
Directly with the investment company where I invest	18%	13%	13%	11%	15%	15%	14%	1%
My financial planner/advisor/ wealth manager	19%	15%	13%	11%	15%	16%	12%	1%
Traditional media, e.g. newspapers, magazines	19%	12%	16%	10%	14%	14%	10%	4% ↑
Human resources at my company	20%	14%	14%	13%	15%	15%	9%	1%
My insurance broker	18%	13%	12%	12%	15%	16%	13%	2%
A retirement fund consultant	18 %	13%	14%	10%	16%	16%	11%	2%

Are banks truly meeting customer needs?

Sizwe Nxedlana
CEO, FNB Private Segment

In the fast-changing world of financial services, banks face growing pressure to cater to the diverse requirements of their clients. The FNB Retirement Insights Survey reveals that despite making progress in this regard, banks still have some way to go in crafting bespoke solutions that genuinely address the unique needs of each individual South African.

The participant feedback highlights a desire for lower fees, enhanced transparency regarding banking options, and the provision of flexible solutions that are genuinely beneficial. It is imperative that we heed these calls, and that begins with ensuring a deep understanding of our customers' aspirations and financial objectives. This understanding can then serve as the cornerstone on which personalised and effective services and empowering financial strategies can be built.

At FNB, our commitment extends beyond traditional banking; we offer integrated financial solutions that encompass banking, savings, investment, and protection. This holistic approach is designed not only to meet immediate banking needs but also to assist our customers in achieving their long-term wealth and life goals. For us, it's about creating a visible impact, where customers can clearly see the growth of their investments and progress towards their goals, thereby inspiring continued engagement and ongoing investment into their financial wellbeing.

However, the path to financial empowerment goes beyond just providing services. It requires a paradigm shift towards making financial growth opportunities accessible to all South Africans, thereby democratising wealth creation and fostering a financially savvy population. The insights from this 2024 survey highlight the imperative for financial institutions to pivot from traditional models to more dynamic, customer-centric approaches that prioritise the customer's financial wellbeing.

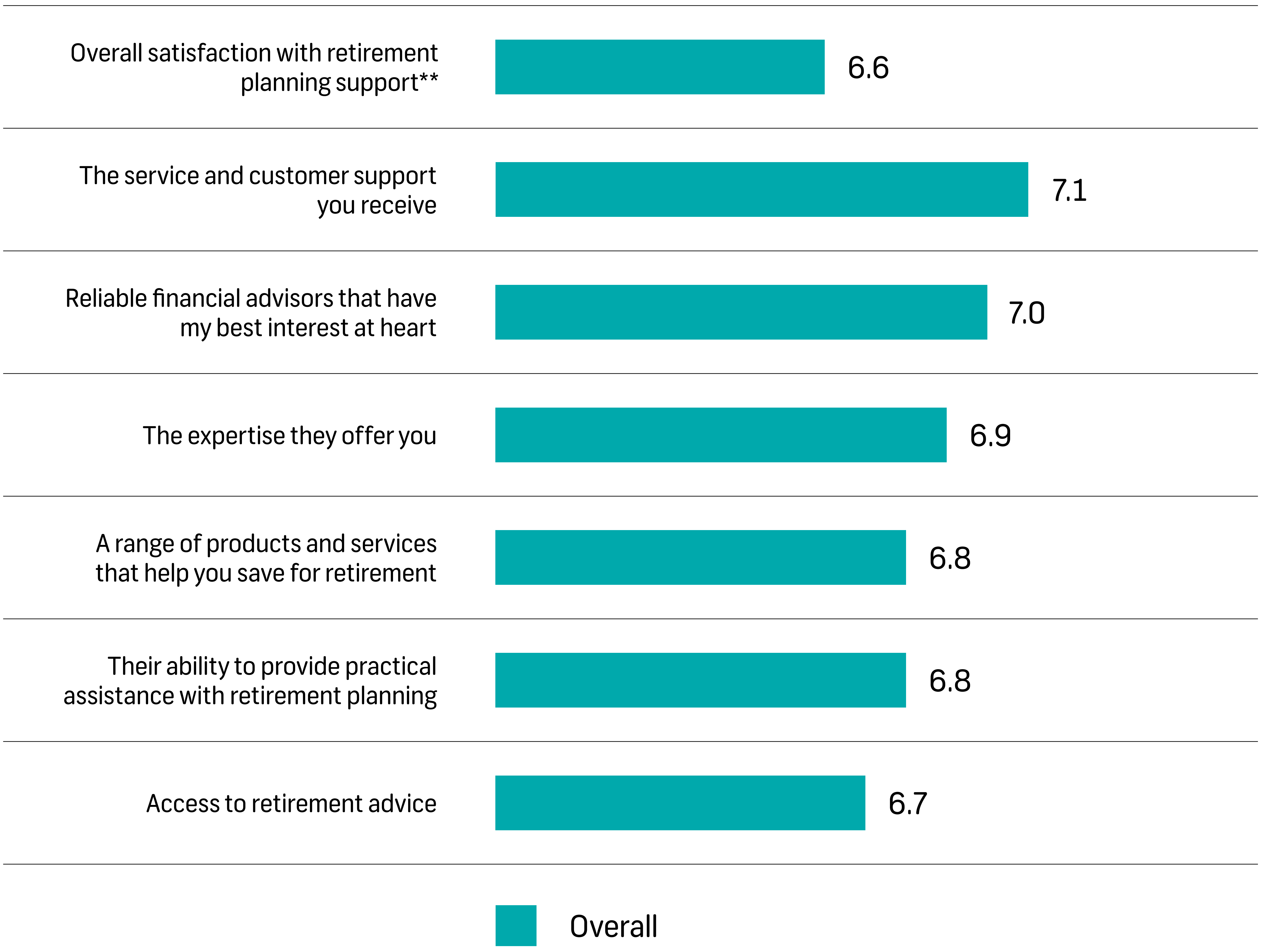
I believe that this report sets the stage for a broader conversation on how banks, guided by the aspirations and needs of their customers, can innovate and redefine their role as a partner in wealth creation. As we look to the future, our focus at FNB is clear – to empower every South African to realise that a more prosperous future is possible, and to then provide them with the help they need to achieve it. Through continuous innovation and a commitment to understanding and meeting the needs of our customers, we are dedicated to making this vision a reality.

There’s scope for financial institutions to better meet consumers’ retirement needs

However, FNB customers rate the retirement support that they receive higher than the category at a total level. Interestingly across the market, retirement specific services achieves the lowest satisfaction scores relative to other experience elements and given the importance of expertise, especially in upper income, there’s additional opportunity for the category to deliver expertise.

Scale 1-10 satisfaction score

On a scale of 1 to 10, where 1 means not at all satisfied, how satisfied are you with the amount of support you receive from your bank or financial provider in helping you save for retirement.



2024 key research themes

Bheki Mkhize
CEO, FNB Wealth and Investments

The findings of the 2024 FNB Retirement Research study highlight a number of key themes that collectively depict a retirement landscape in South Africa characterised by numerous challenges, but also many opportunities for significant improvements through comprehensive financial education, improved access to professional advice, and inclusive economic policies.

The 10 key themes to come out of the research

1 Continued financial and knowledge constraints hampering retirement planning

As was the case in 2023, a dominant theme remains the significant barriers that a general lack of financial and retirement knowledge places on retirement planning. Many South Africans do not have adequate retirement plans in place due to limited financial resources and a lack of necessary information to make informed decisions. This points to a critical need for enhanced financial education and accessible retirement planning services.

2 Impact of challenging economic conditions

Economic factors, including general price increases and historically low interest rates on savings, are identified as having a direct impact on people's ability to save for retirement. This theme is prevalent across various income segments, suggesting that economic volatility is a significant concern that affects all levels of the retirement planning spectrum.

3 Income group disparities

The research highlights that when it comes to planning for retirement, income levels still play a significant role. Significant disparities exist across different income segments, with lower-income individuals facing more challenges in retirement planning. These segments are less likely to have structured retirement plans and are more affected by economic adversities, pointing to a need for retirement services providers and banks to offer more targeted financial support and planning services.

4 The value of diversified income streams and financial discipline

Against the backdrop of the previously mentioned economic challenges, there is a widespread recognition across income groups of the importance of building diversified income streams and practising sound financial management. The findings suggest that those who integrate these strategies tend to feel more confident and on track with their retirement plans. This indicates an important understanding by many South Africans that proactive financial behaviour and diversified planning are crucial in achieving a stable retirement.

5 Reliance on alternative strategies for retirement income

In the absence of formal retirement plans, many South Africans are relying on alternative strategies such as government grants, family support, or business income for post-retirement financial stability. This reliance on uncertain and potentially unstable sources reflects a precarious retirement landscape for many.

6 Post-retirement work

Another notable theme is the trend of continuing to work post-retirement. A significant proportion of individuals, especially in the higher income brackets, plan to supplement their retirement income through continued work. This trend indicates that retirement is no longer seen as a complete withdrawal from the workforce but rather a transition phase.

7 Psychological constraints and planning challenges

The findings highlight that the barriers to financial planning are not only financial; there are also many psychological hurdles that pre-retirees need to overcome. One of the most prevalent of these is the ongoing tendency across most income groups to prioritise short-term needs over long-term security. This can significantly hamper effective retirement planning, and highlights the need for strategies that address both financial and mental readiness for retirement.

8 Emotional and social factors

The emotional context surrounding retirement planning is complex and fraught with anxiety and uncertainty. The emotional responses associated with retirement planning underscore the need for supportive measures that address both the financial and emotional aspects of retirement.

9 Expectations versus reality

There is a notable gap between expectations and reality in terms of retirement preparedness and income levels. Many respondents anticipate maintaining their standard of living, yet the financial provisions in place often fall short. This theme is especially pronounced in younger individuals, probably because they still have the benefit of time and choice in their retirement planning.

10 The vital role of financial advisers and information sources

Access to reliable financial advice has again emerged as a key factor in effective retirement planning. The findings highlight a variance in the sources of financial advice, with wealthier individuals more likely to engage with financial planners and retirement advisors, whereas lower-income groups often rely on less formal sources. This suggests that improving access to professional financial advice could significantly enhance retirement preparedness across various demographic segments.

Learning lessons from successful global retirement funds

Samukelo Zwane
Product Head, FNB Wealth and Investments

As South Africa navigates the increasingly complex landscape of retirement planning, it is essential to recognise that we don't have to do this alone. There is immense value to be gained from learning from global retirement systems that have achieved success. Specific social, cultural, political and historical circumstances influence retirement systems from different countries; hence comparison of the different systems can be controversial. While no two countries are identical and no single retirement system is perfect, there are universal truths and lessons that we can glean from those nations considered most successful in providing for their retirees. By examining the strategies and practices employed by top-performing countries, South Africa can work towards building a more robust and sustainable retirement framework.

In this regard, the Mercer CFA Institute Global Pension Index offers a comprehensive evaluation of retirement income systems using the three sub-indices of adequacy, sustainability, and integrity. The 2023 findings, which included 47 countries representing more than 65% of the world's population, provide valuable insights into the strengths and weaknesses of various retirement systems.

The Netherlands, Iceland, and Denmark topped the rankings, with overall index values of 85.0, 83.5 and 81.3, respectively. South Africa, on the other hand, placed 38th out of 47, with a total Index Score of just 54 a slight drop from last year's score of 54.7, and sub-category scores of 44.2 for adequacy, 49.1 for sustainability, and 76.6 for integrity.

It's not a particularly heartening picture especially given the fact that our total score dropped compared to the previous year but it does provide us with clearly defined pathways to improving our country's retirement system. Most importantly, it is clear that to ensure better outcomes for retirees, the South African retirement industry must focus on several key areas.

Understanding how income shapes spending habits is crucial for both consumers and financial services providers. It allows consumers to make informed financial decisions and banks and financial services providers to structure their products and services to better suit specific income groups. As inflation continues to decline, there is the potential for lower interest rates by this time next year, which will ease some financial pressures on consumers. It's an opportunity for the industry to help South Africans make wise money choices to get their retirement planning back on track.

Firstly

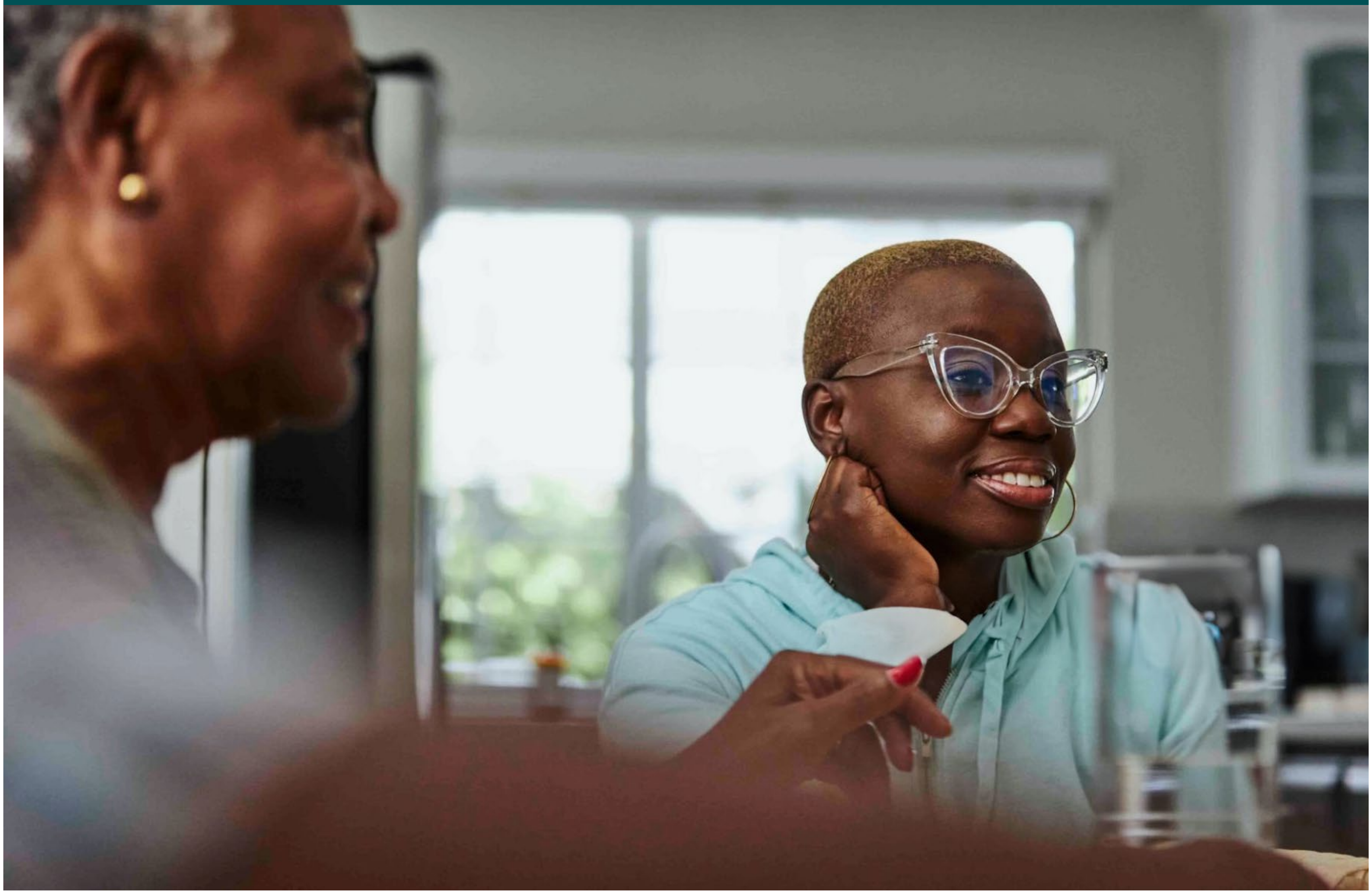
Increasing the level of support for our poorest aged individuals. Currently the maximum amount that an old age grant can provide to citizens older than 60 is R2 180 which increases to R2 200 when they reach age 75. This amount is about 50% lower than the average minimum wage of a domestic worker; technically, you should aim to replace about 75% of your salary in retirement.

Secondly

Increasing coverage of employees occupational pension scheme which will increase overall contributions and savings in pension schemes. There is no legal requirement to compel all companies to have an occupational pension scheme. One of the ways to address this is to make setting up an occupational pension scheme mandatory. However, this could be expensive for smaller companies which would require them to participate in umbrella funds.

Thirdly

Increase the minimum level of mandatory contributions into a retirement savings fund. According to industry statistics, the average contribution into a pension fund is approximately 7.5%. This amount is not large enough to ensure people retire comfortably. The tax deductible limit for contributions is a maximum of 27.5% of pensionable salary or R350K. Ideally, members of pension funds should take full advantage of these limits in order to maximize their likelihood of retiring comfortably.



Two Pots: helping with improving South Africa's pension system

Finally

Introducing preservation requirements restricting members from withdrawing their pension fund prior to retirement. The introduction of the Two Pots system in September 2024 will result in compulsory preservation of retirement savings. This will ensure that two thirds of savings are preserved. It will result in an increase of preservation rates from less than 10% to 100% on two-thirds of your retirement savings.

Hopefully, with the recent introduction of the Two Pots system, South Africa's ranking in the Mercer CFA Institute Global Pension index will improve. As stated in the survey, compulsory participation in occupational pension schemes and minimum contributions in retirement savings will help improve our ranking further.

Section C

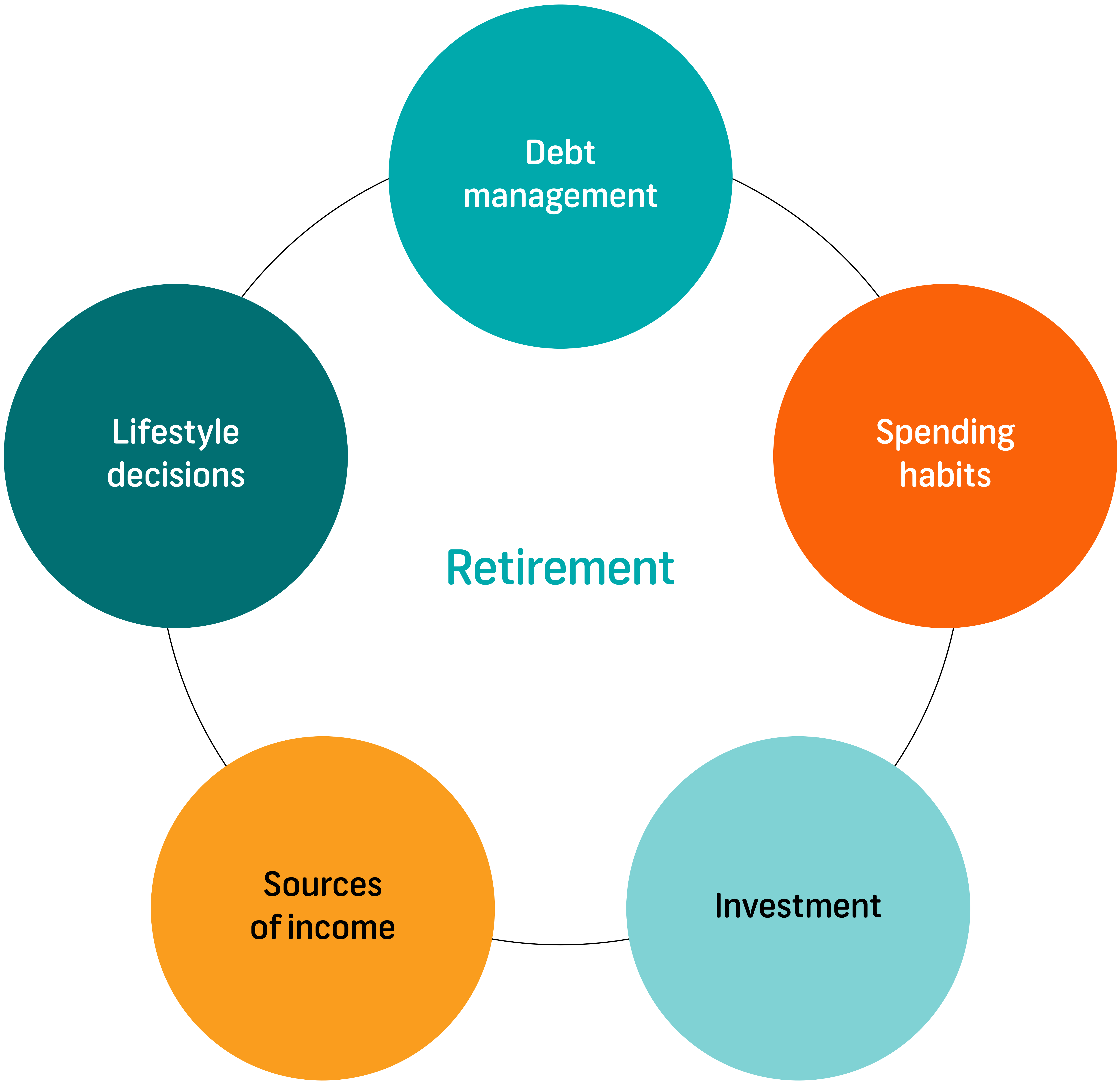
Integrated retirement planning

Retirement planning cannot happen in isolation

In 2024, we saw that for all consumers their ability to plan for retirement is still heavily connected with other financial responsibilities: how they earn and spend their money, and decisions around how they live their life. Discussions around retirement planning need to take these factors into account – conversations about retirement cannot happen in isolation.

Grow what you have, build for the future

Retirement needs to be positioned as more of a life plan – something that fits in with the overall life context. So budgeting, financial planning, saving, debt management all form part of this conversation - and are relevant at any life stage.



Growing awareness of the need for integrated retirement planning

The 2024 Retirement Insights research findings highlight the significant need that exists for integrated retirement planning, and re-emphasise its importance as a multifaceted approach to post-retirement financial security. The data reveals that having only savings and a retirement plan is no longer sufficient for most retirees. Rather, diversified income streams are essential for a stable retirement. Pleasingly, the responses by most participants reflect an understanding of this shift and the need for a more comprehensive strategy that includes various forms of income and disciplined financial management.

However, while the survey results indicate that awareness of the necessity for integrated planning is increasing, the actual practice among participants varies widely. Most recognise the importance of diversification but struggle with the implementation due to emotional and psychological barriers, such as biases affecting long-term financial decisions. Moreover, economic uncertainties, fluctuating interest rates and a lack of access to education and guidance add layers of complexity, making effective retirement planning more challenging for many.

Despite these hurdles, there is evidence of a trend towards seeking out financial advice, as seen with an increased reliance on personal advisors over traditional banking sources. This suggests a growing acknowledgment among South African pre-retirees of the need for tailored strategies to navigate the intricate retirement planning landscape effectively.

Two pots or three? Either way, the SA retirement industry needs to be ready

Renee Coughlan
Product manager, FNB Wealth and Investments

With the 1st of September rapidly approaching, financial institutions need to ensure that they are ready to implement the new two pot retirement system. It's no easy feat, because while the two-pot system appears simple enough on the surface, it's actually extremely complex, with multiple nuances that need to be understood in order to action it correctly.

Currently, retirement fund members can only access their retirement savings when they retire, resignation or emigrate. The two-pot retirement system will give people access to some of their retirement savings before retirement if they face a financial emergency, while still preserving the bulk of those savings for retirement. The new system actually consists of three components, namely a vested portion, a savings portion and a retirement portion – leading many commentators to say that the it actually comprises three pots, not two. Irrespective of your preferred naming convention, the indisputable truth is that retirement industry needs to be 100% ready for the new system implementation on 1 September.

What has FNB done to ensure we are prepared?
FNB is on track to meet all the implementation requirements by 1 September and we do not have any major concerns about our implementation of the new system.

Communication and education
As a retirement fund administrator, FNB supports the changes that the new two-pot system will bring and we believe that it will be beneficial to our fund members, provided its implementation and ongoing operation is accompanied by extensive member education.

To this end, we have a full communication plan in place to educate our members and our employees on the new system. Our specialist teams have all rallied to support our business initiatives and we are proud to have a fully integrated educational and communication plan to ensure the best outcomes. We have personalised this communication campaign to ensure that it is relevant to our customers and appropriate to their unique needs and circumstances.

A critical component of this communication has been to ensure that our members fully understand the new rules as well as the implications of making withdrawals from the new savings pot. Our aim is to ensure that our customers are well versed in the rules and have all information at hand to make the right financial decision. Our branch staff, consultants and private bankers are also on hand to provide assistance and guidance at any time.

Over and above these initial communications, we will be rolling out a full Retirement Curriculum on our FNB Insights web page that will provide a detailed guide to effective retirement planning in a two-pot environment. FNB also offers a library of information like self-help guides, webinars, podcasts and articles on everything Two pot related as well as highly skilled advisors that can give advice on various options.

Ensuring smooth processes

While we foresee a smooth implementation, we do share some of the concerns expressed by the rest of the industry about the volume of savings pot withdrawal claims we may receive post-implementation. The so-called 'seeding' amount built into the system allows for the lesser of 10% of your vested pot balance at the time of implementation or R30 000 to be transferred to the savings pot. This creates a risk that members may see this initial savings pot balance as 'free' cash, prompting a flurry of withdrawals.

Our administration teams are prepared for any such influx, and standing by to assist our members with any questions and processing their claims. That said, while we have done everything in our power to ensure smooth and quick claims processes, there are some steps that are out of our hands. SARS will play a particularly critical role in terms of issuing directives and withdrawal approvals, and we trust that the tax administration is prepared to handle the inflow and ensure smooth claims processes and acceptable turnaround times.

Encouraging preservation

We have tested and simulated various outcomes and we remain committed to promoting and encouraging the preservation of retirement savings. While we understand that withdrawals of savings portions are inevitable, particularly given the economic challenges many households are currently facing, we intend making sure that every member who requests a withdrawal understand the longer term impact this will have on their future retirement income outcomes.

Of course, the question of when is it appropriate to take advantage of the accessible cash has no one-size-fits- all answer. It depends on each member's unique financial and personal circumstances.

There are many people and families still feeling the economic effects of Covid-19, even four years later. Others may be facing growing debt as the high-inflation environment stubbornly persists. For fund members in these situations, having access to some of their retirement savings could literally be life-changing.

However, for fund members who don't have immediate financial pressures, the best course of action is to leave all their retirement savings invested and growing for the future. The ideal approach is to build up a separate emergency savings fund, rather than seeing your retirement savings pot as fulfilling that purposed. After all, the three pots are technically your total savings pot for your future retirement.

Our stance remains that preservation is always better, but if withdrawal is absolutely necessary, we are here to help our fund members make informed choices and, preferably, rebuild their retirement savings over time.

Significant changes from 2023 to 2024

There is little shift evident in the dynamics that surfaced in 2023; retirement planning remains challenging for all.

But this year, the emotional burden has come to light more strongly, which necessitates a shift in mindset. To do that we have to understand and be able to support and address the emotional dynamics at play. The emotional context remains incredibly challenging.

Logical versus emotional tension emerge

Retirement logic

We know what we need to do to retire comfortably.

Gains versus goals
But we fall into the hyperbolic discounting bias of prioritising the short term gains over longer term goals.

In their own words

'Always get your finances in order, regardless of how much you earn, and prioritise essentials.'
(Emerging Affluent)

'Yes, make a saving as a priority, with the little I earn but put the small amount to my savings for rainy days.'
(Entry Wallet)

Retirement emotions

The emotional challenges and struggles lead us into one of three distinct mindsets.

1. Resignation/defeat
2. Procrastination/delay
3. Avoidance/rejection

In their own words

'Some months I feel like I can just stop paying cause of the cost of living and the economy of our country. It's too much, school fees, groceries and petrol are taking a toll on me.' (Middle)

Three mindsets

Uncertainty and anxiety

At the centre, there is a sense of uncertainty of what the future will bring, which causes a strong sense of anxiety for all, even those who are planning for their retirement years.

Inadequacy and regret

Those who are not feeling on track come face to face with a sense of inadequacy and regret, which makes it difficult to be proactive about retirement planning.

Defeat and avoidance

And for those without a plan, a sense of defeat or avoidance hinders their ability to engage with the topic. For those who are open to planning for retirement one day, procrastination delays engagement.

Overall financial position

Summary: when it comes to budgeting, debt and having emergency savings...

Disposable income allocation

We spend as much on clothing as we do on saving for retirement

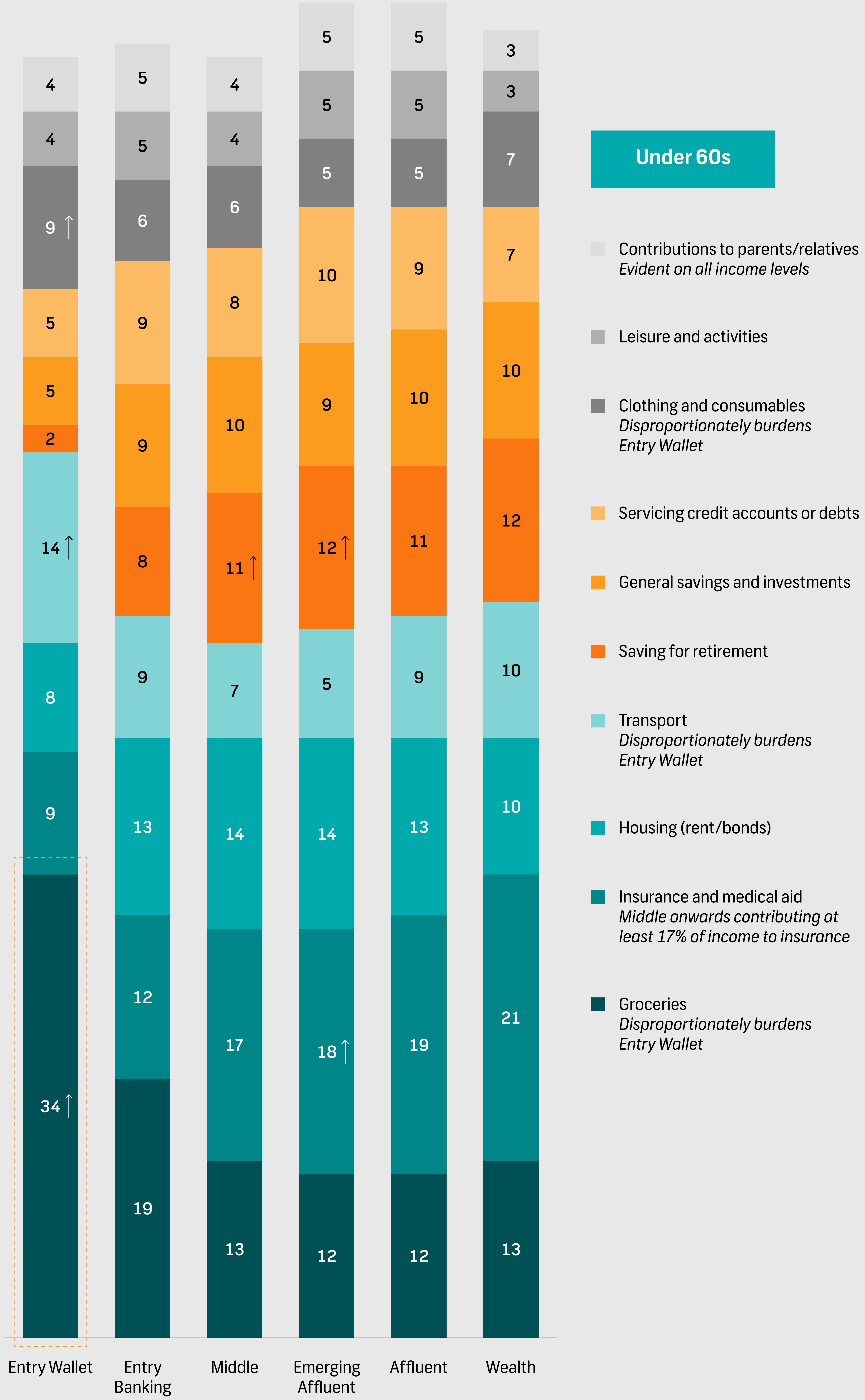
How do we allocate our income?

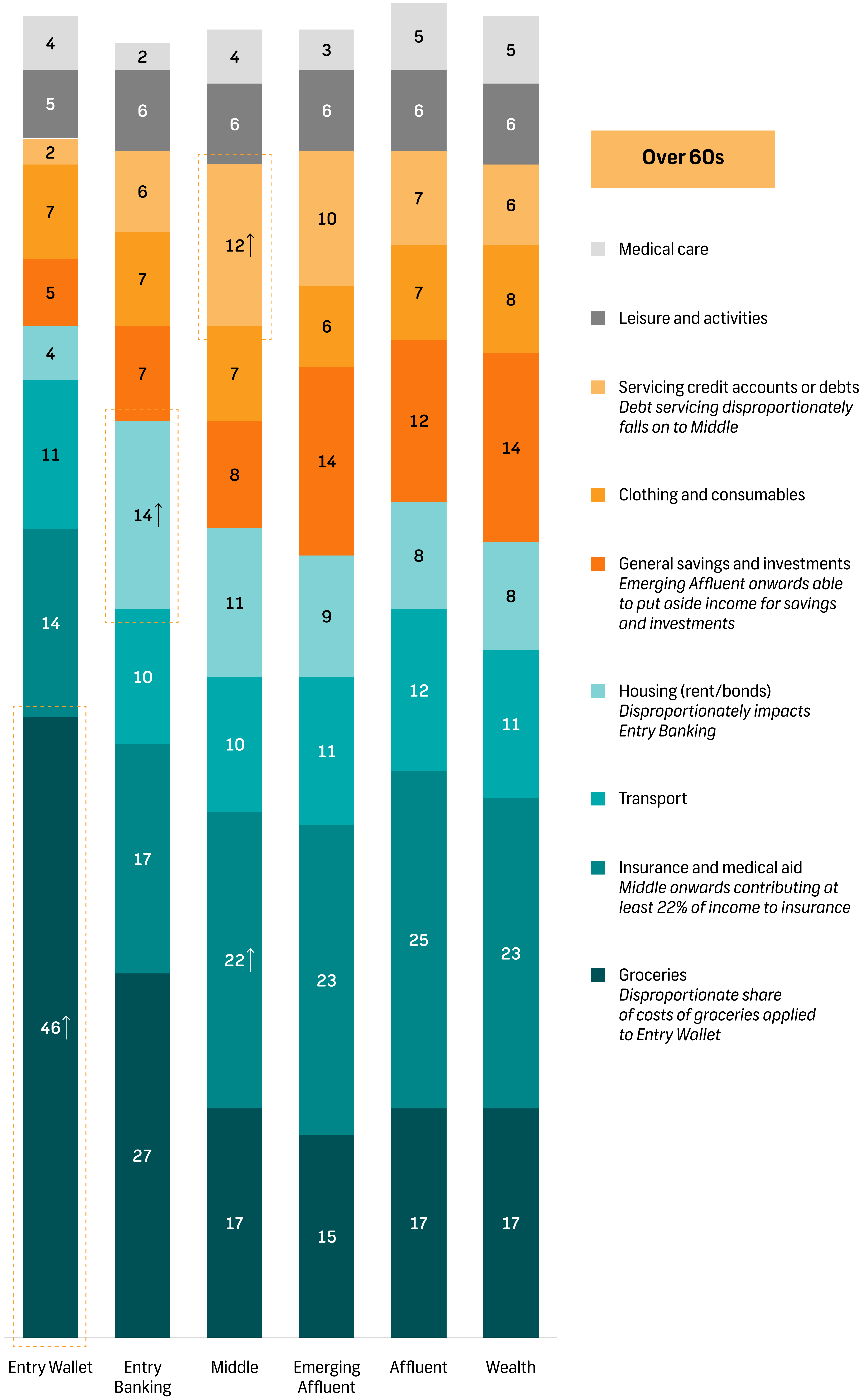
7%	7%	20%
Clothing and Consumables	Saving for retirement	Groceries

Across all respondents

- Upward trend from Middle to Wealth on insurance and medical aid – about 1/5 of spend
- All segments are funding incomes to parents
- Clothing spend disproportionate to saving for retirement – highest among Entry Wallet (BNPL) – possibly from credit options and online retail platforms
- Higher insurance and medical aid for over 60s

There is little difference in the allocation of income between pre and post 60s respondents.

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Entry Wallet
Entry Banking
Middle
Emerging Affluent
Affluent
Wealth
Over 60s
Medical care
Leisure and activities
Servicing credit accounts or debts
Debt servicing disproportionately falls on to Middle
Clothing and consumables
General savings and investments
Emerging Affluent onwards able to put aside income for savings and investments
Housing (rent/bonds)
Disproportionately impacts Entry Banking
Transport
Insurance and medical aid
Middle onwards contributing at least 22% of income to insurance
Groceries
Disproportionate share of costs of groceries applied to Entry Wallet

Debt types

All respondents

43%
Retail store cards

26%
Personal loans from a bank

25%
Loans from family/friends

23%
Credit card

22%
Lay-by/BNPL

17%
Have no debt

Emergency savings levels

Under 60s	Over 60s
44% A very small amount	22% A very small amount
12% Recommended 6 months' incomes saved	11% Recommended 6 months' incomes saved

Personal monthly income (PMI) (total market)

None	Small amount	1 month of PMI	2 months of PMI	3 months of PMI	6 months of PMI	6 months + of PMI
22%	30%	17%	17%	9%	5%	0%

- Emergencies lead to more debt
- Personal circumstances are further exacerbated when emergencies arise
- Any unexpected spend has a massive impact on savings and plans, which results in more debt – and the spiral continues

Avoiding the debt spiral with a save now, buy later approach

In today's world of instant gratification, the 'Buy Now, Pay Later' (BNPL) trend is an attractive proposition for many consumers, promising immediate ownership of an item without the immediate financial burden. The appeal is understandable, especially given the challenging economic times and the resulting shortage of disposable income for most people and households. Small wonder, then, that the BNPL model has changed the retail landscape in recent years, offering a seemingly easy way to get the latest products without paying right away.

However, this convenience has a hidden cost, especially for those nearing retirement. That's because the BNPL model can slowly erode your financial foundation, leading to a debt spiral that can harm your retirement planning.

The appeal of BNPL is that it allows people to defer payment, enabling purchases that may not fit their current financial situation. For pre-retirees, this is a significant risk.

As retirement approaches, an individual's focus should shift from immediate spending to long-term financial security. Given the shift from defined benefit to defined contribution retirement arrangements, the need for a significant retirement nest egg is more pressing than ever, but the short-term satisfaction of BNPL can undermine one's ability to build up retirement savings, leading to financial insecurity when retirement day arrives. Apart from the fact that paying for an impulse purchase over time can be expensive and reduce the amount you have to save for retirement, BNPL agreements can lead to accumulated debt that can carry over into retirement, reducing the buying power of fixed incomes and adding stress to already tight budgets. Given the challenges of high inflation and rising healthcare costs, starting retirement with debt can significantly impact your quality of life.

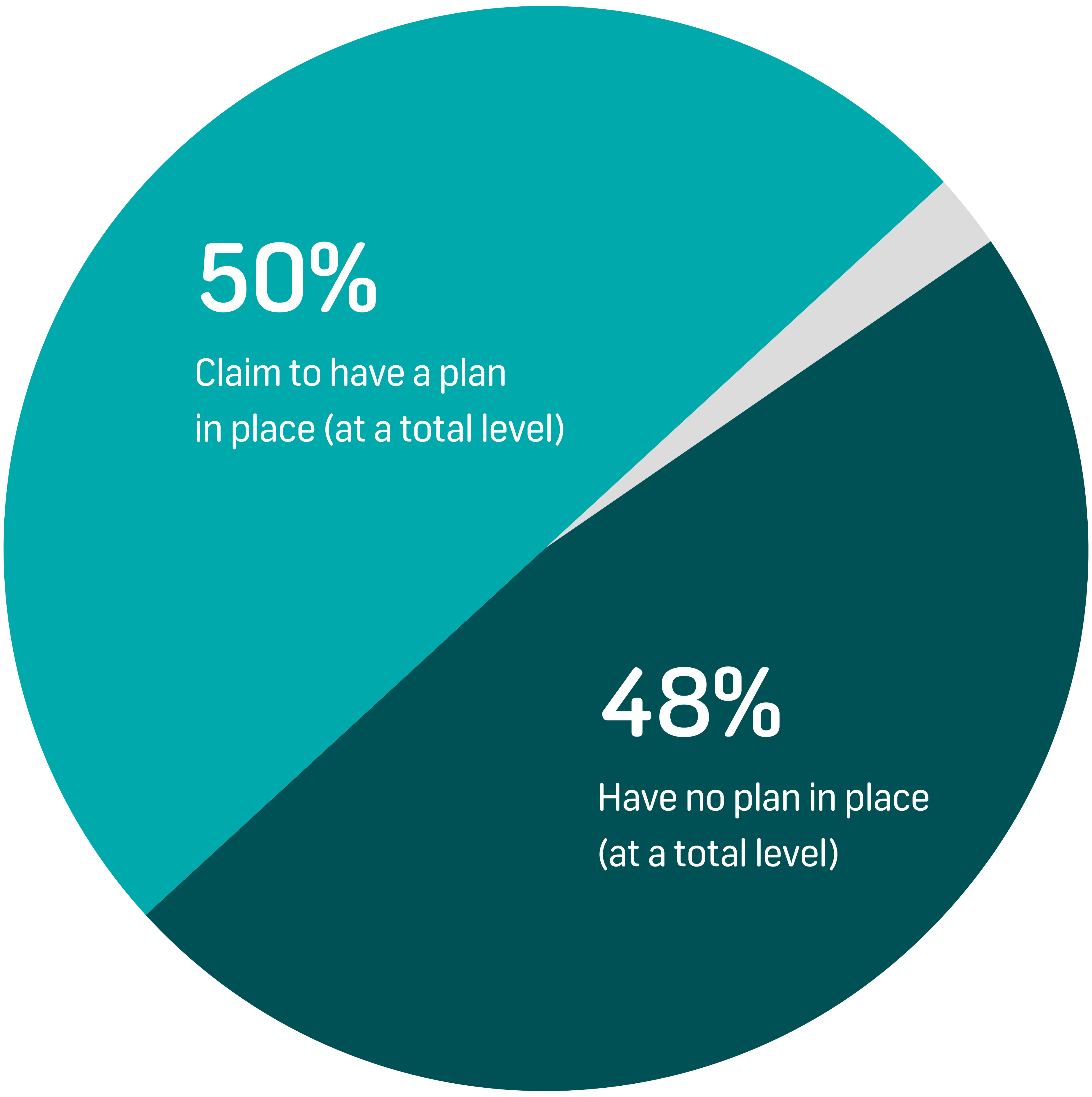
On the other hand, the 'Save Now, Buy Later' approach (SNBL) promotes a forward-thinking mindset. It encourages a disciplined savings habit that aligns with the need for financial self-sufficiency, enabling individuals to build the financial reserves they need to navigate the uncertainties of retirement. SNBL may not offer the thrill of instant gratification, but by encouraging saving over spending, it's a good way for pre-retirees to ensure they have the funds to cover increasing expenses and can enjoy the rewards of their work without the burden of debt in their golden years.

As retirement nears, it's vital to re-evaluate financial strategies and adapt to a changing income landscape. Balancing your needs in retirement with a stable and secure income source is essential, and SNBL can play a valuable role in ensuring that the debt you incur prior to retirement doesn't derail this delicate balance.

In the end, the choice between BNPL and SNBL is not just about personal preference; it's about building financial health and stability. Pre-retirees who adopt the SNBL approach can avoid the impact of debt on their retirement wellbeing and look forward to being able to fully enjoy their later years with the peace of mind that comes from making good financial choices.

Traditional retirement planning versus alternative solutioning

Almost half do not have a retirement savings plan in place and seem to be turning to alternative solutioning.



Of those without a a plan and looking at alternative strategies:

5%	‘I don’t plan on retiring so having a retirement plan is not needed right now.’
9%	‘I invest in other assets for retirement, that I can sell.’

In their own words

‘I have started a side hustle of selling clothes, the business is expanding which will be something that will continue to give me money when I retire. Also I have property to rent.’ (Affluent)

‘Buying property like houses, plant and motor vehicles and starting a business.’ (Entry Wallet)

The future of work

Working longer, second careers, consultants

Under 60s		Over 60s	
10%	Expect to be fully retired at age 60	38%	Still work full-time
25%	Continuing to work full-time	25%	Fully retired (do not earn any income)
25%	Continuing work part-time/ reduced hours	30%	Retired, but earn a secondary income
38%	Side hustle/ entrepreneurial enterprise	7%	Work part-time
9%	Retired, new hobbies/ interests	0%	Never worked and currently not working

Traditional retirement planning

Whilst there is a decline in retirement plan ownership across age and gender segments, 26-35 year olds and 55-60 year olds are less likely to have a plan in place than in 2023.

48% Don't have a retirement plan in place

Of the 48% without a plan (under 60s)

84%

Financial barrier
63% I can't afford to save - all disposable income is spent on other financial priorities.
26% I don't have enough information about how to plan for retirement.
15% I don't know where to get saving and investment products.

27%

Relying on
13% Government grants will provide for me when I retire.
9% I invest in other assets for retirement, that I can sell should I need money.
9% My spouse or wider family will provide for me when I retire.

4%

4% My business will provide for me when I retire.

Alternative solutioning includes

Saving in a personal capacity

- Trying to save small amounts when able
- Cutting expenses where possible
- Saving through stokvels

Other policies/plans

- Relying on spouse's plan
- Funeral cover (E)

Investments (Skew A/W)

- Relying on property, business and long-term investments

Under 60s

Diversified income streams

22%

Have a secondary, additional employment, side hustle (Nett) – highest in Middle

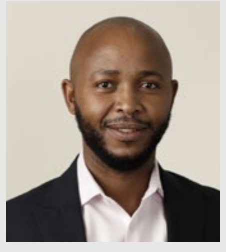
14%

Have rental income from property

50%

Of Entry Wallet only have part-time employment income

Economics of everyday living: how income and life stages shape what we buy



Siphamandla Mkhwanazi
Senior Economist, FNB

It is the fundamental rule of economics that we live in an environment of scarcity. For the average household, this requires putting our limited resources to the best possible use by making often tough decisions about what and how much to consume, produce, trade and invest.

Our income plays an important role in shaping these everyday spending habits. From the necessities we prioritise to the luxuries we indulge in; our financial resources drive our consumption patterns.

The 2024 Retirement Insights Survey provided some useful insights into the spending choices that pre-retirees and retirees are making to help them navigate their cost-of-living pressures, and the economic and social concepts related to these pressures and choices.

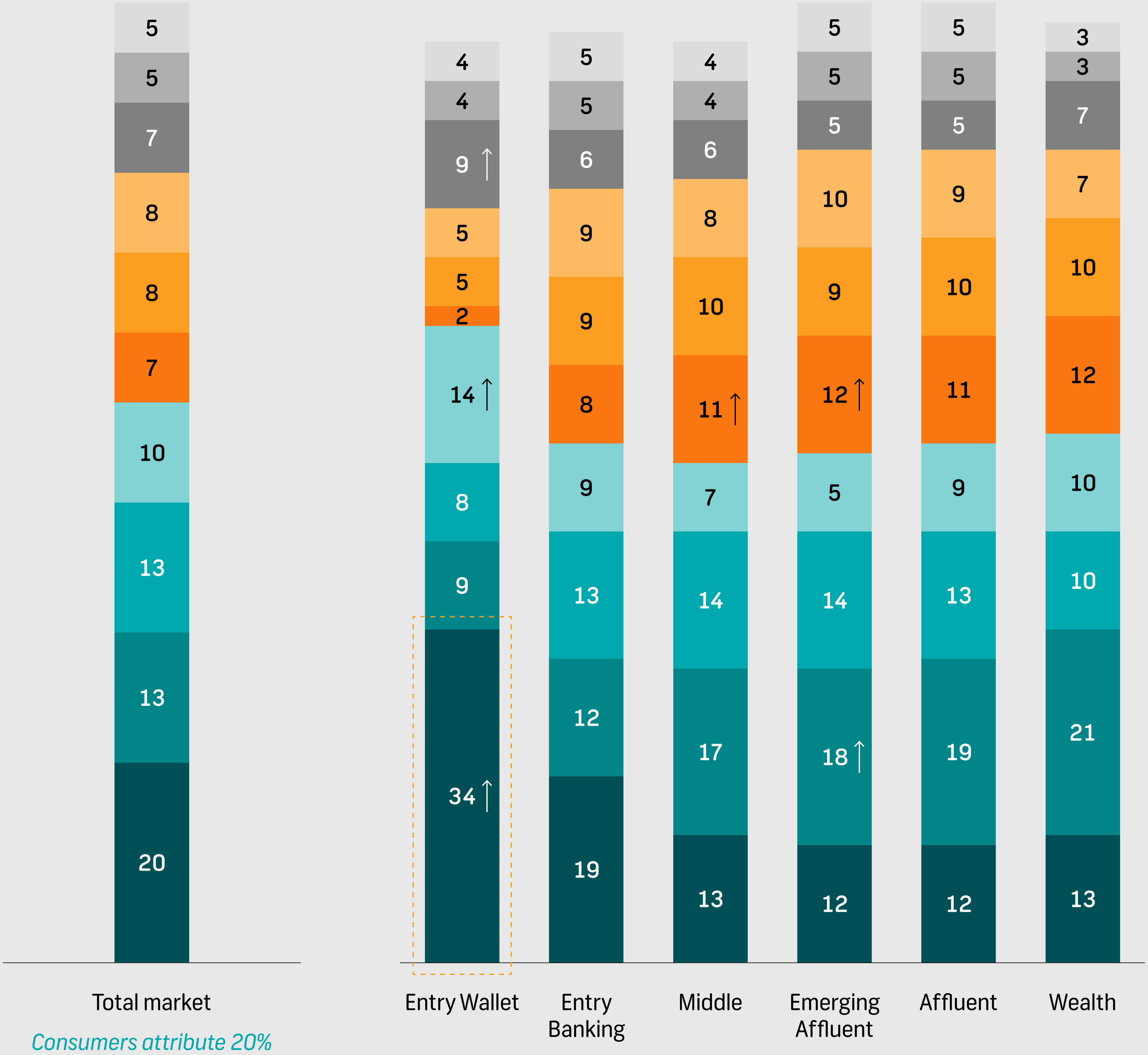
Regardless of life stage, everyday essentials disproportionately burden low-income earners.
Engel's Law, a cornerstone of consumer economics, explains this concept. As income rises, the proportion of our total budget that we need to allocate to essential items like food, housing, and transportation shrinks. This frees up more income for discretionary spending on entertainment, dining out, or travel. Survey results show that this is common across life stages, but that low-income earners have less of this discretionary income, often to the detriment of their retirement savings needs.

Our financial priorities evolve with our income levels.
Maslow's Hierarchy of Needs helps us understand this. Once we meet our basic needs, we strive to fulfill higher-level needs and wants. The survey results show that low-income earners prioritise daily expenses to look after families, while those with higher incomes focus on retirement planning or investments.

The high cost of living is felt by all, but disproportionately by lower income earners.
Behavioural economics explores how people with limited income may resort to impulse purchases or rely on credit for everyday essentials, potentially leading to a vicious cycle of debt. The 2024 survey results bear this out, suggesting that lower-income earners allocate a large portion of their budget to debt service costs, leaving less than optimal amounts for retirement savings. For financial institutions, this serves as a motivation to continue educating our customers about finances and the importance of keeping debt levels manageable.

Understanding how income shapes spending habits is crucial for both consumers and financial services providers. It allows consumers to make informed financial decisions and banks and financial services providers to structure their products and services to better suit specific income groups. As inflation continues to decline, there is the potential for lower interest rates by this time next year, which will ease some financial pressures on consumers. It's an opportunity for the industry to help South Africans make wise money choices to get their retirement planning back on track.

Everyday essentials disproportionately burden Entry Wallet, with retirement savings only possible from Entry Banking onwards, with Middle+ consumers able to contribute at least 10% to retirement specifically.



Consumers attribute 20% of their income to groceries and 7% to retirement savings.

- Contributions to parents/relatives *Evident on all income levels*
- Leisure and activities
- Clothing and consumables *Disproportionately burdens Entry Wallet*
- Servicing credit accounts or debts
- General savings and investments
- Saving for retirement
- Transport *Disproportionately burdens Entry Wallet*
- Housing (rent/bonds)
- Insurance and medical aid *Middle onwards contributing at least 17% of income to insurance*
- Groceries *Disproportionately burdens Entry Wallet*

Retirement preparedness in depth

Part 1
The perspective of the under 60s

The research findings provide interesting insights into the retirement perspectives and expectations of individuals under 60 years of age.

Reflections

A significant focus across all age groups in this segment is on maintaining their standard of living post-retirement, with most respondents expressing fairly strong expectations of being able to continue their current lifestyles when they stop working.

Despite these aspirations, however, there is a common acknowledgment among most members of all the surveyed groups that their retirement income may not fully match their current earnings. This is particularly evident when you consider that more than one-third of participants from the Wealth and Emerging Affluent segments in the survey expect that their income will be about half of what they earn now. Similarly, those in the Entry Wallet segment expect a significant reduction in their retirement income.

Against this backdrop, it is unsurprising that few individuals under 60 envision a retirement in which work doesn't continue to feature. About 30% of participants across the various segments plan to supplement their retirement savings with some form of continued employment or alternate income sources. This suggests a continued shift (as seen in the previous research) in the traditional view of retirement as a period in which individuals can completely stop working. Instead, most working individuals now believe that their retirement will involve at least some degree of economic activity.

As is to be expected, age differences play a role in retirement expectations, with the youngest cohort of participants (18-25 years) being more optimistic about their financial prospects in retirement. This group typically expects a higher retirement income than their current earnings, possibly due to early career-stage optimism and future income growth expectations.

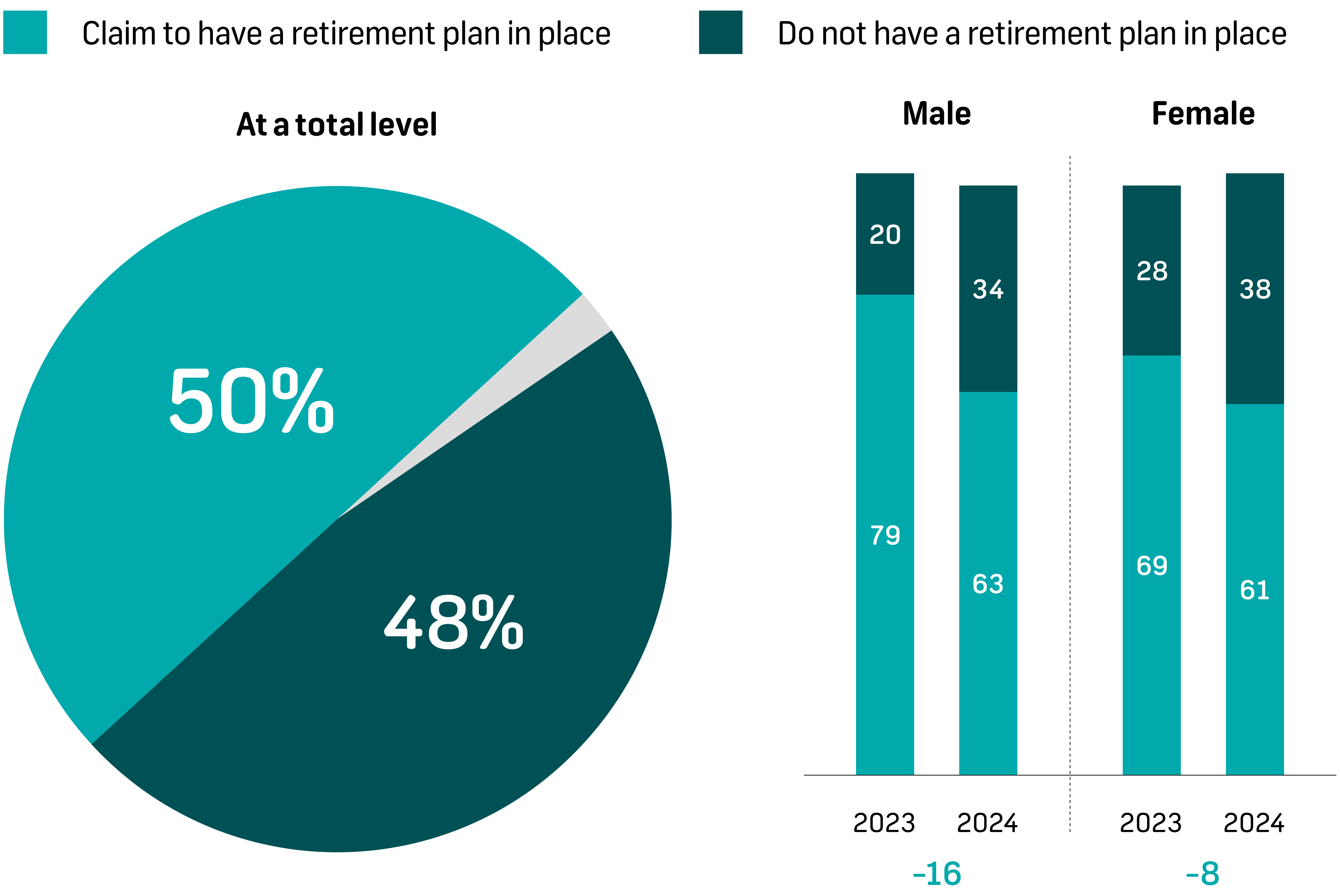
Overall, the data highlights a blend of realism and some optimism among individuals under 60 regarding their retirement income. While there is a strong desire to maintain current living standards, there is also a practical acceptance that retirement may – and probably will - involve continued work and lower income levels than they have enjoyed during their careers. It's a highly nuanced view, and one that reflects the shifting broader economic conditions as well as a willingness by under-60s to allow an evolution in their attitude towards retirement planning and lifestyle sustainability in their golden years.

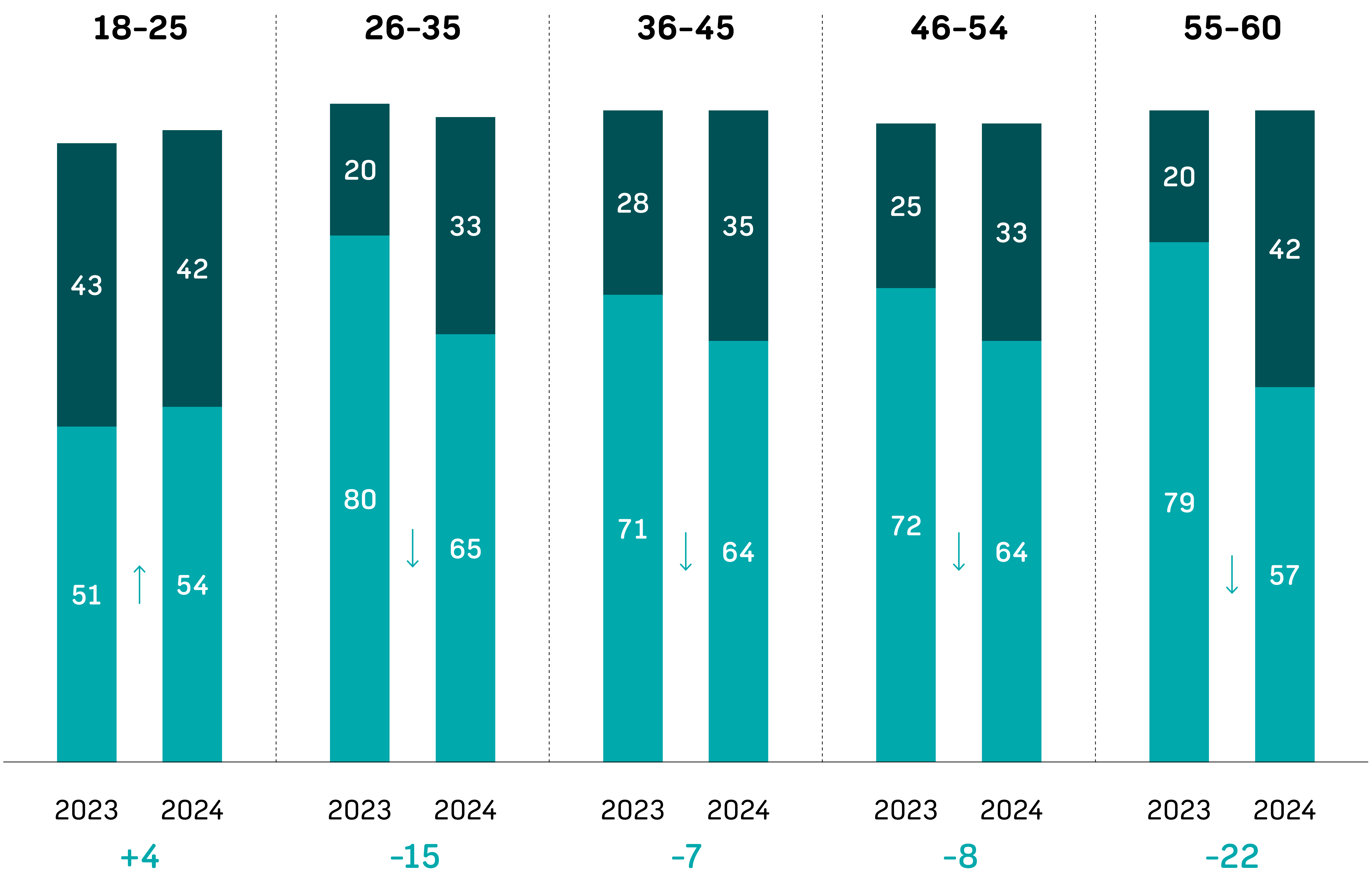
Key findings for under 60s

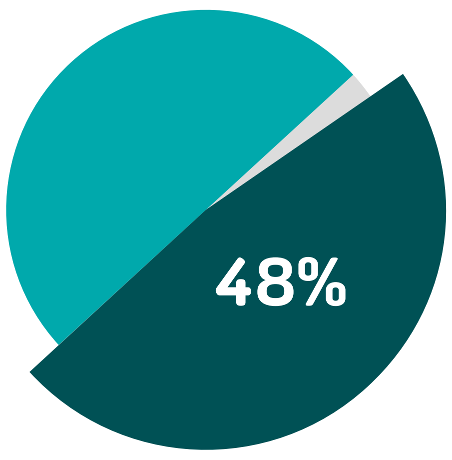
There is a key split between those that have a retirement plan in place and those that do not. We dive deeper into the quantitative as well as the emotional context that remain challenges to efficient retirement planning.

Having a retirement plan

While there is a decline in retirement plan ownership across age and gender segments, 26-35 year olds and 55-60 year olds are less likely to have a plan in place than in 2023.







For those that do not have a retirement plan in place

Barriers to retirement planning

Quantitatively we see that financial and knowledge constraints remain the largest barrier to retirement planning, followed by a reliance on alternative strategies to fund retirement years.

Financial, knowledge or age barrier

84%

63% Can't afford to save, all disposable income spent on other financial priorities. ↑ EW and EB

26% I don't have enough information about how to plan for retirement. ↑ 18-25 and 26-35 year olds

15% I don't know where to get saving and investment products.

Relying on

27%

13% Government grants will provide for me when I retire. ↑ EW

9% I invest in other assets for retirement, that I can sell should I need money.

9% My spouse or wider family will provide for me when I retire. ↑ 55-60

4% My business will provide for me when I retire. ↑ Private Banking

8% I don't need to save for retirement at this stage of my life.

5% I don't plan on retiring so having a retirement plan is not necessary. ↑ Males

For those who don't have a plan, it is not because they don't feel it is important

Personal circumstances

For many in the lower income groups, they are simply not in a position to take any action due to their personal circumstances. Theirs is a hand-to mouth existence as income is inconsistent. Some are sole providers in the family or reliant on social grants. Priority for any income is to take care of family's essential needs and managing increasing debt.

A few mention previously having a plan but due to personal circumstance or loss of job, were forced to discontinue payments.

Three mindsets

1
Resignation/ defeat
No possibility

There is resignation by some that they will be reliant on family or the government.

2
Delay/ procrastination
Not yet

The If '...' then mindset that delays taking any action.

3
Avoidance/ rejection
No point

But interestingly, for some, there is also a fatalistic mindset evident.

The idea that the future is so uncertain and death can come at any time (even tomorrow) so worrying too much about the future may be futile which deprioritises retirement planning.

In their own words

'No, I am the sole bread winner in my family of 5 and I can't even afford to think about retirement, never mind save for it.' (Entry)

'I have not taken any steps towards retirement. If I had a stable job with a stable income that paid me enough that would allow me to save towards retirement, I would do so but at the moment it is not something I can do.' (Middle)

If '...' then I can save and invest for retirement

For the 48% that don't have a retirement plan in place, we do see a desire from some to have a plan but their personal situation must improve to allow for this. For them, it is an IF, THEN situation.

Delay/procrastination: there is recognition that a regular, ongoing financial commitment has to be made for future planning so they need to feel more secure within their personal context before they can start to plan for retirement.

In their own words

'At this point I have no plan, apart from clearing my debt and then start saving towards retirement. Once my debt is cleared, I can start saving and I would also consider and endowment plan with a pay out in 10 years time that I can use that proceeds to invest.' (Entry)

Future goals

If I have fortified employment/income options

- Finding better employment that provides greater stability and comes with a higher salary and benefits
- Opening a business that will provide additional income
- Purchasing property that can be used to achieve rental income
- Investing in stock/chickens/goats

If I can improve knowledge levels

- A lack of knowledge hinders action and makes some feel disempowered to act
- Acknowledgment that there is a need to find out more and set up a plan to seek out relevant information and advice
- If this happens, then I can save and invest for retirement

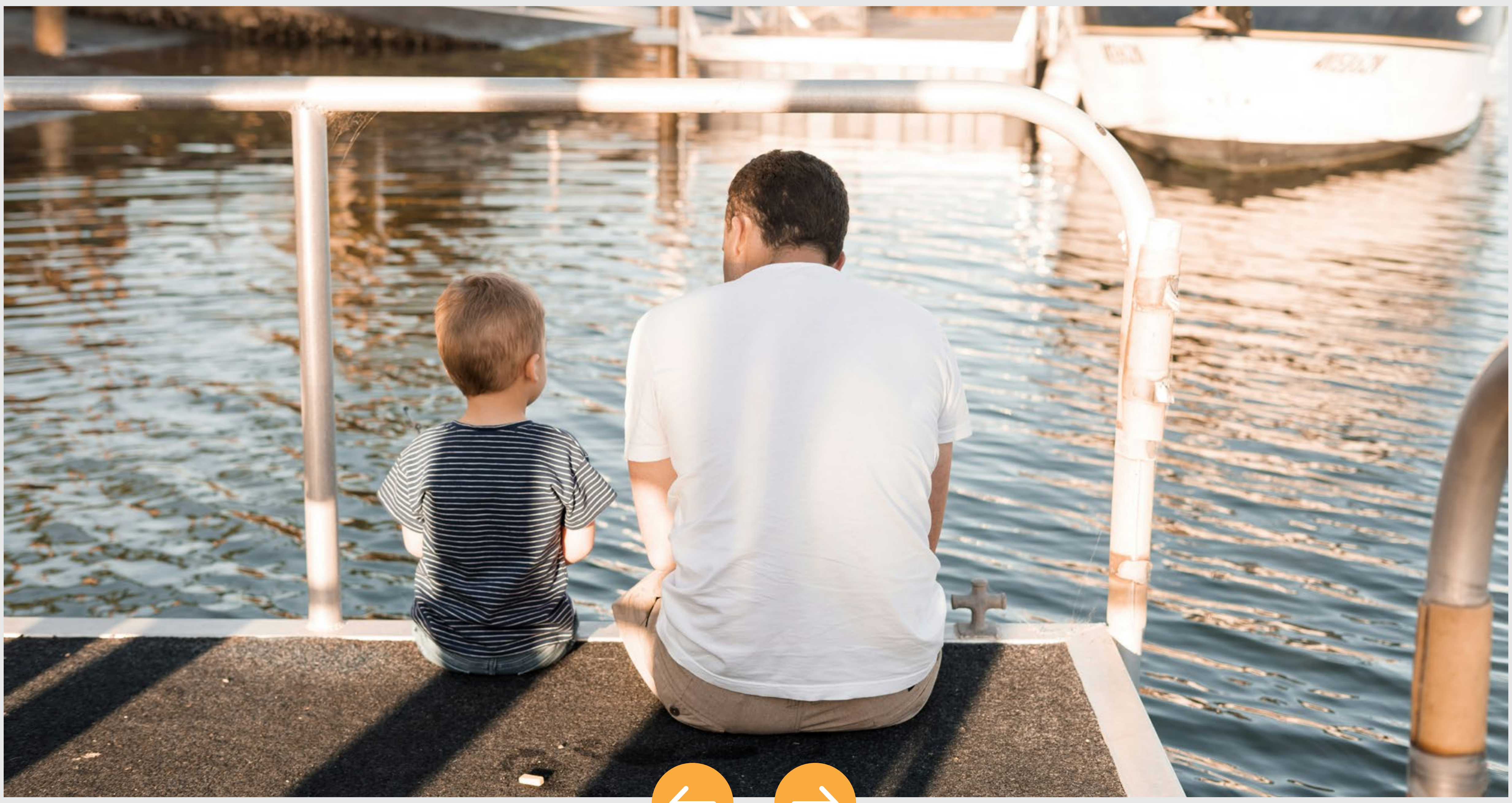
Retirement planning: how we feel about it also matters

Tracey Want
Head of Corporate Employee Investment and Risk-based Solutions, RMB

Many of us perceive money as a purely analytical subject, where emotions play a minor role. However, psychologists have extensively studied the impact of biases on decision-making, revealing that our choices and subsequent actions often stem from emotional responses. When emotions come into play, our responses are often guided by gut reactions rather than rational reasoning. Unfortunately, this can lead to fundamental mistakes in our judgment and actions. With the right mental models or thought patterns, these mistakes can be avoided.

FNB recently conducted a survey on retirement planning, asking some pertinent questions aimed at revealing how prepared individuals are for retirement. An interesting insight emerged from the responses as they revealed a kaleidoscope of emotions linked to financial and retirement planning decisions and actions. This raises the question: do our emotional connections to our retirement goals significantly impact our potential for achieving them?

In the survey, half of the respondents claim to have a plan in place, but only three-quarters of them believe they are on track with that plan. Those who are not on track report high levels of anxiety and feelings of being overwhelmed, uncertain, inadequacy and even regret. Those without a plan describe having accepted defeat - some are in denial and others are procrastinating using the vague promise of 'one day I'll get to it' as their shield. These types of emotions often lead to decision avoidance; but when we avoid addressing a subject, progress can become elusive.



Practical steps for better money decisions

To overcome emotional biases and make better financial choices, consider the following steps.

1 Change the status quo

Most of us humans tend to prefer a state of inertia, which is characterised by stability, routine, and familiarity. People tend to default to this status quo because it feels comfortable and requires minimal effort to maintain. Whether you've already put a plan in place or not, if you sense that you're veering off track, consider shaking things up a bit. Take time to review your affairs, revisit your plan, and be open to making necessary changes. Remember, altering the status quo can lead to positive outcomes.

2 Be accountable

Successful individuals hold themselves accountable for their actions. Make promises to yourself and keep them. Set achievable timelines and delivery dates, so that you can assess if you are on track. Avoid making excuses or blaming others - it's up to you to get this right.

3 Avoid procrastination

Delaying important tasks is common, especially when feeling overwhelmed. Create a simple list of retirement-related steps you need to take. They don't need to be a silver-bullet solution to a problem, but they do need to define what you should do about that problem. An example could be to

- Collect all investment statements;
- List cash, investment balances and debt balances on one sheet;
- Seek advice from a trusted friend (find out who their financial advisor is);
- Then call the advisor to discuss my financial plan

The trick with a list like this is that it helps you to not feel overwhelmed or to think you need all the answers upfront. Just tick off one item at a time and when it's done, focus on the next step. Simple.

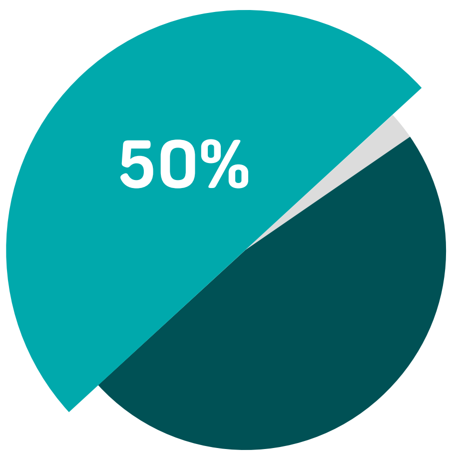
4 Your list is your action plan

Understand that no plan is fail-proof. You have the power to adapt and improve it. Make small, incremental decisions that will add up over time. Then, keep working at your action plan. Refine and adjust it as you go because winning doesn't happen overnight; it's the result of consistent effort.

5 Practice delayed gratification

Saving involves sacrificing immediate gratification for long-term benefits. Any form of saving is difficult, most of us balance a very delicate budget where daily necessities often trump our long-term goal. Just remember that any amount saved is better than none, and saving consistent amounts over a long period will allow you to benefit from compound growth.

Lastly, as you navigate your financial journey, remember this: when you find yourself in the ‘zone’, and you’ve mastered the process of taking small steps and ticking them off on your list, take a moment to celebrate your progress. Perhaps you’re not winning just yet, but you’re firmly on the road to a brighter financial future. Allow that sense of accomplishment to boost your confidence, knowing that you possess the strength to take control of your destiny, one step at a time.



For those that do have a retirement plan in place

Funding a retirement plan

Retirement plans continue to be most likely founded on savings accounts, except in Wealth, with these consumers relying on retirement annuities. Savings accounts, retirement annuities and pension/provident funds make up most retirement portfolios.

	Entry Wallet	Entry Banking	Middle	Emerging Affluent	Affluent	Wealth
	n=15*	n=131	n=133	n=73	n=74	n=53
Repertoire size (average number of products in retirement plan)		2.3	2.9	3.3	3.1	3.2
1	n/a Base size limited	Savings account 61%	Savings account 53%	Savings account 58%	Savings account 57%	Retirement annuity 85%
2		Pension/ provident fund 33%	Retirement annuity 45%	Pension/ provident fund 51%	Retirement annuity 51%	Pension/ provident fund 33%
3		Retirement annuity 30%	Pension/ provident fund 41%	Retirement annuity 48%	Pension/ provident fund 43%	Savings account 47%
4		Stokvel 25%	Fixed deposit 18%	Fixed deposit 18%	Fixed deposit 18%	A Will 34%
5		Tax-free savings account 18%	Tax-free savings account 18%	A Will 22%	A Will 19%	Fixed deposit 18%
6		Fixed deposit 18%	A Will 17%	Tax-free savings account 21%	Rental property 16%	Notice accounts 21%

Alternative solutioning: diversified income streams

Having savings and a plan is not enough. There is a crucial need for diversified income streams even for the 50% with a retirement plan in place.

Property and business investment are most common across as these can potentially deliver passive income during retirement phase. In addition to diversified income streams, there's a belief that financial discipline and management will help them prepare.

Of the 50% with a plan, 3 main areas are identified that contribute to more successful outcomes:

Budgeting and managing spend

- Cutting costs where necessary/cut back on luxuries
- Live within your means (EA/A)
- Planning for children's education and future needs
- Increase monthly premium payment
- Set up debit orders to enforce discipline
- Stokvels as a way of forced saving

Debt management

- Focus on paying off debt, e.g. different loans, credit card, cars and mortgage to secure assets
- Try avoid debt – use cash where possible (EW)
- Considered spend now to avoid in retirement e.g. house renovations/car purchase (M/EA)

Increasing knowledge

- Self-educating – actively seeking out information to help make more informed decisions
- Seek advice from family members
- Seek financial advice from experts e.g. FAs, lawyers, brokers (skew EA-Wealth)

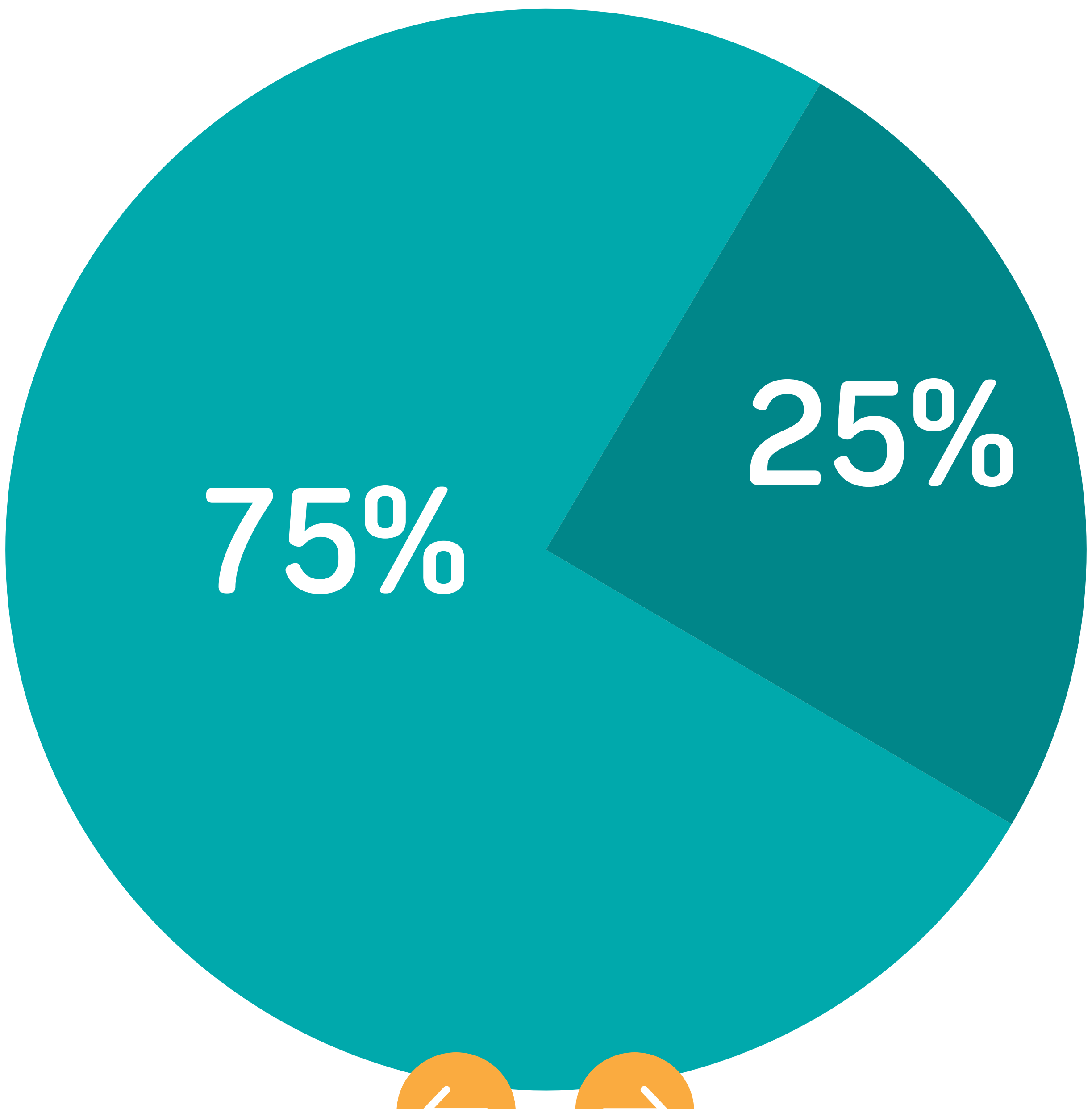
Starting ages

Overall, consumers begin to plan for their retirement years at 28, but this can change depending on segment. Entry Wallet is the most likely to start the latest, at 34 years of age.

26	27	28	29	30	34
Emerging Affluent	**Entry Banking**	**Middle**	**Affluent**	**Wealth**	**Entry Wallet**
<R3 000	R3 000 - R15 000	R15 000 - R40 000	R40 000 - R70 000	R70 000 - R150 000	R150 000+

On track versus not on track

Those with a plan that feel they are **ON TRACK**



Those with a plan that feel they are **NOT ON TRACK**

Contributing factors

25% Challenge:
inability to save

Across, most feel they are not on track as their savings are insufficient. Their ability to save is an ongoing challenge.

No income/stable income
Salary is not enough to cover

Not enough disposable income
(M/EM/A) costs let alone save (EW/E)

Debt
Paying this off takes precedence

Younger
Feel there is time to save

Economic factors at macro level

- Inflation and cost of living continually increasing and impacts ability to save but also means savings are insufficient to cover costs in the future (Across)
- Fluctuations in rand exchange rate may mean what is saved may not be enough (From Middle and up)

Emergency / unplanned events

- Deplete savings or disrupted premium payments – some forced to cash out plans to address issues

Time

- Delayed start in contributing to retirement fund – amount not what it should be and can mean increased premiums

Emotional context

- This results in strong emotions, which can feel overwhelming

Feeling of inadequacy

- This feels like a personal failure of not having done enough yet the reality is that for many it's an inability to save

High levels of anxiety

This is experienced differently depending on income level.

- For Entry, it's linked to a lack of knowledge. They don't feel well informed about retirement planning and there is a lack of clarity on what has been saved and how inflation will impact those savings in the future
- For Middle and Emerging Affluent, it is linked to 'Have I saved enough?'
- For Affluent and Wealth, it is linked to 'Have I accumulated enough?'
- Carrying debt over to retirement (across) – will impact sustainability of retirement funds

Uncertainty

- Doubts about effectiveness of policies/ plans - Is what is in place sufficient?
- Longevity of life and what future needs will be – makes it hard to plan with any sense of accuracy
- What retirement planning involves (EW)
- Economic instability and how this will impact plans
- Health and ability to work in older age and how this will impact savings
- Of being able to maintain current lifestyle when no longer working (Affluent/Wealthy)

Regret

- Not having started earlier – pressure to make up the time and catch up
- Starting late also means higher premiums (Wealth)

Of the 75% on track

For those who feel on track, there are 4 key things that influence confidence levels.

1. ## Planning started early

- Initiated savings plan from an early age
- Started contributing to fund early and increased as earnings grew

2. ## Trust in the plan

- Inherent trust with provider brand
- Trust in broker/FA expertise (skew Wealth)
- Visible evidence of grown validates personal choices
- Access to multiple products through work as well as private (skew EM/Affluent/Wealth)

3. ## Sufficient savings accumulated through diverse means

- Variety of savings accounts, e.g., fixed term, 32-day
- Investments (multiple for Wealth)
- Some mention of crypto (across)

4. ## Your list is your action plan

Understand that no plan is fail-proof. You have the power to adapt and improve it. Make small, incremental decisions that will add up over time. Then, keep working at your action plan. Refine and adjust it as you go because winning doesn't happen overnight; it's the result of consistent effort.

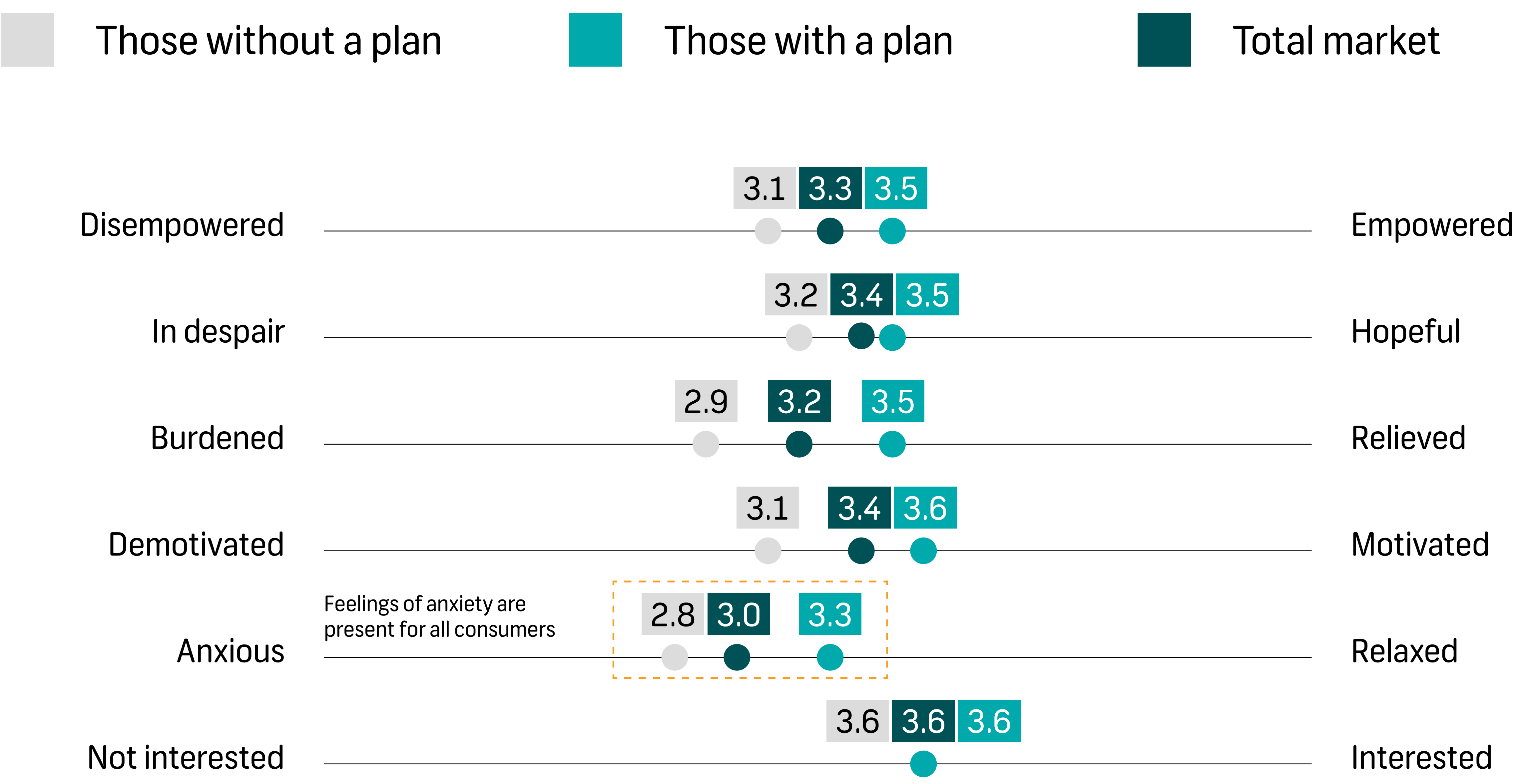
In their own words

'I started to invest at a young age, have a paid-up property and second shared bond almost paid off. Have not lived an extravagant life as far as money goes. Learnt to save at a young age. Am proud what I have achieved as I have earned a quite modest salary.' (Middle)

'I have maximised my retirement contribution with my employer, and I have always saved money when I left a job for another. I have two houses, therefore, my current bond house is my investment as well.' (Affluent)

Emotional context

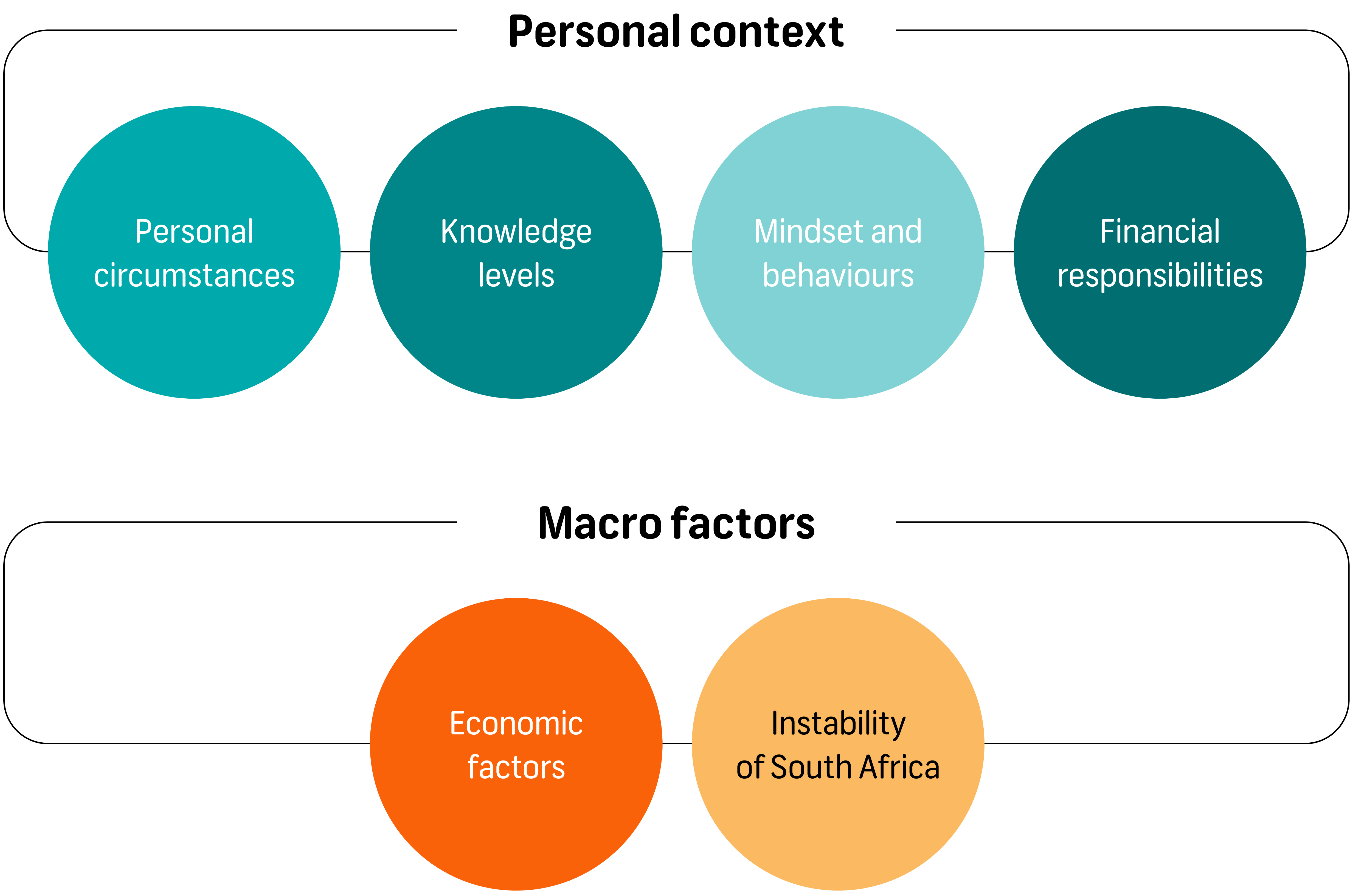
For all consumers there is a level of anxiety that is present around retirement planning – especially for those without a current plan in place.



There is an equal amount of interest from all consumers. It's therefore not a lack of interest that prevents consumers from formulating a retirement plan and points to other barriers.

Personal context impact with macro factors

Understanding the complexities: internal and external barriers impact their personal endeavors.



Personal context matters

Familial responsibilities impact financial constraints but limited exposure and access to opportunities are barriers to progression.

Personal circumstance

Financial stability
- Impacted by job stability
- Low, erratic or no income
- Earning potential is limited (↑ EW/E)

Health issues
- Impacts ability to work and increases cost of living

Financial responsibilites

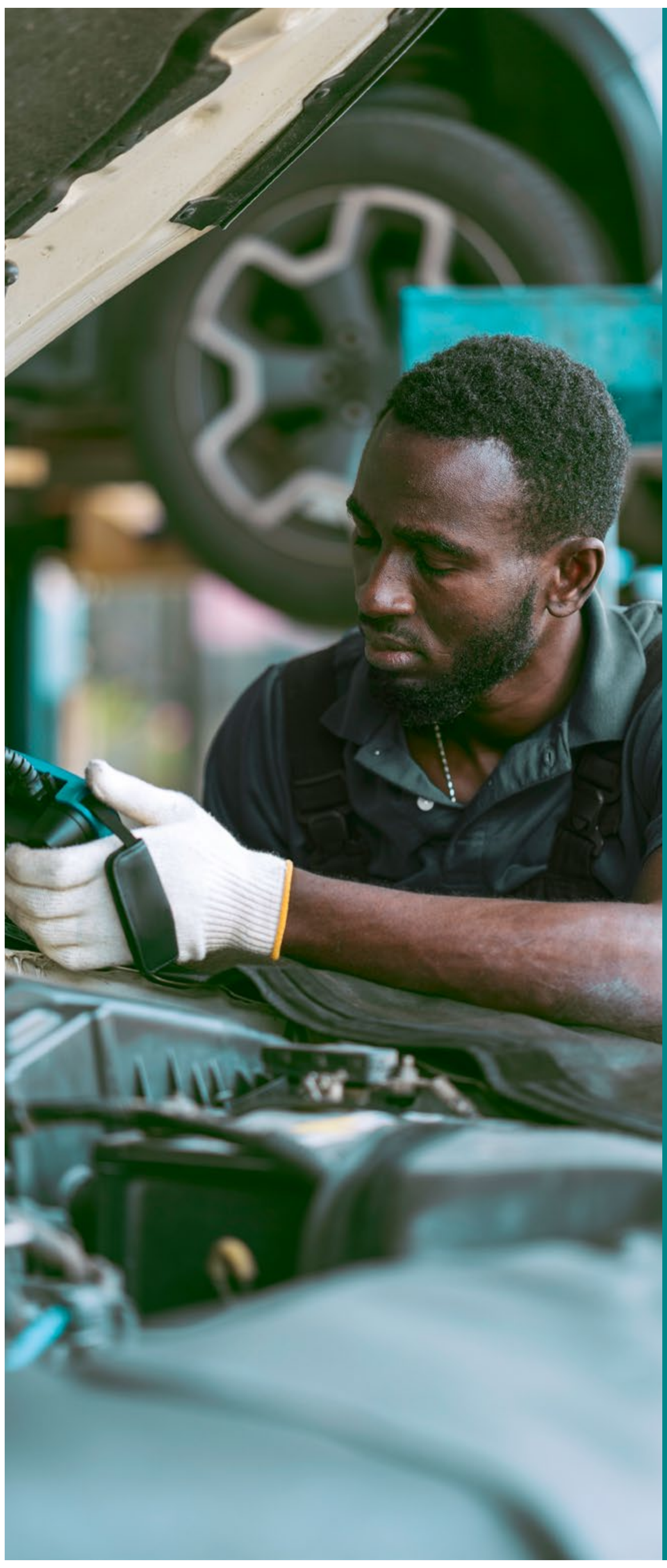
Competing financial priorities
- Household/family living expenses
- Supporting extended family
- Kids' education
- Maintaining assets (M and up)
- Younger – other financial goals take priority

Knowledge levels

Financial literacy is limited
- All segments express a lack of knowledge and understanding about retirement planning, investments and financial products
- Not equipped to manage a plan for the future

Mindset and behaviour

Short-term mindset (↑ E)
- Preference for immediate gratification – retirement feels too far away
- Lack of savings mindset (EM) – struggle to budget
- Lack of discipline with spending



Impact of emergencies/unplanned events

- Personal circumstances are further exacerbated when emergencies arise
- Any unexpected spend has a massive impact on savings and plans
- At the lower end, these emergencies can deplete any savings and there is no safety net so bounce back takes longer. Some forced to stop monthly premiums or cash out plans
- The type of emergencies vary in scale across the income brackets. They can range from kids getting sick, car repairs, home repairs, a death in the family to supporting a family member or a failing business
- Should the costs be extensive and there are insufficient funds to cover the costs, more debt is accumulated so the spiral continues

Part 2

The perspective of the over 60s

The responses from study participants older than 60 years reveal a nuanced mix of preparation and adaptation to the evolving economic environment, reflecting a shift in traditional retirement paradigms.

Reflections

A significant finding from the research is the continuation of work beyond the age of 60, particularly among higher-income individuals. This trend indicates a departure from the conventional notion of retirement as a definitive end to one's career, suggesting that many see value in remaining economically active, whether due to financial necessity or personal choice. This is especially true in instances where retirement savings may not be sufficient due to increased life expectancies and rising healthcare costs.

Income sources in retirement are diverse, with many relying on annuities, grants, and investment returns. The preference for annuities - both living and life - highlights the prioritisation of stable, predictable income streams, but also a desire to remain in control of financial matters post-retirement. This is clear from the fact that living annuities, which allow for some degree of choice, income flexibility and potential for growth, are particularly favoured, though they carry the risk of insufficient funds later in life if not carefully managed.

Unsurprisingly, expenditure after 60 tends to correlate closely with income levels. Those in middle-income brackets or higher report allocating significant portions of their income towards insurance and medical aid, underscoring the importance of health-related expenses as a central focus of retirement planning. This strategic financial management is crucial, given that medical costs tend to escalate rapidly with age, potentially consuming a large chunk of retirement savings.

Despite these preparations, many pre-retirees in this age group find the reality of retirement more challenging than anticipated. The data suggests a significant difference between expected and actual retirement conditions, with actual expenses often exceeding planned budgets. This reality check seems to impact those in the lower income brackets more severely, where there is less of a cushion of substantial savings or investment income.

Confidence about retirement appears to be tied closely to perceptions of how well prepared the individual is. Those who believe they have done everything possible to secure their post-retirement lifestyle generally express higher levels of confidence and satisfaction. This includes financial planning as well as other personal actions deemed beneficial for a comfortable retirement, such as strategic withdrawals from retirement funds or investing in long-term health insurance.

For affluent individuals, the transition into, and experience of retirement tends to be smoother. Greater financial resources allow for better handling of unforeseen expenses and allow these individuals to maintain a more comfortable standard of living. However, mandatory retirement ages set by employers sometimes force retirement on those who might not be financially or emotionally ready, adding stress to an already complex life phase.

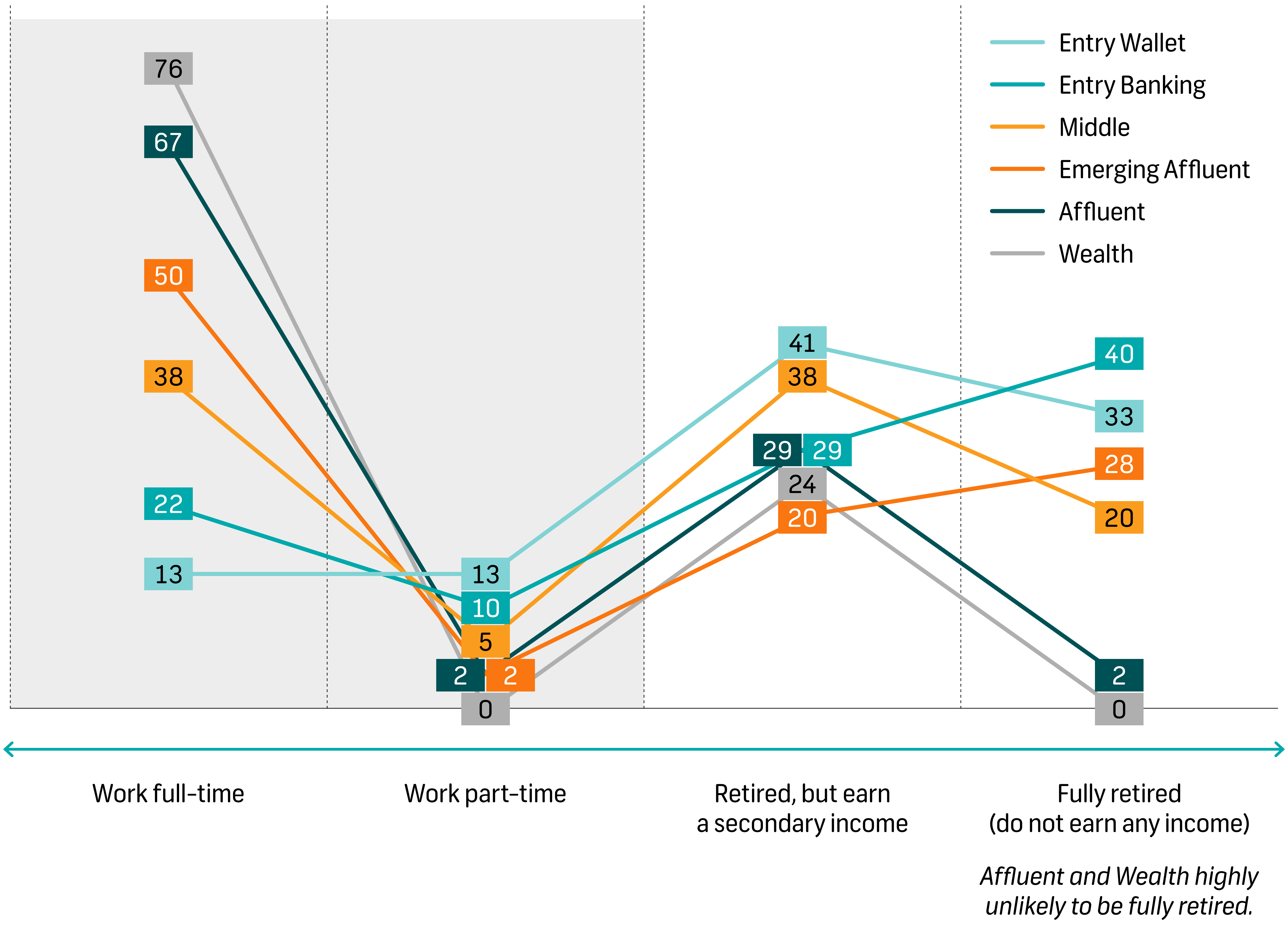
Overall, the research paints a picture of a group that is not merely stepping back and waiting for retirement to eventually happen, but who are instead deliberately navigating their later years with caution and a strategic approach.

Key findings for over 60s

Never retirees

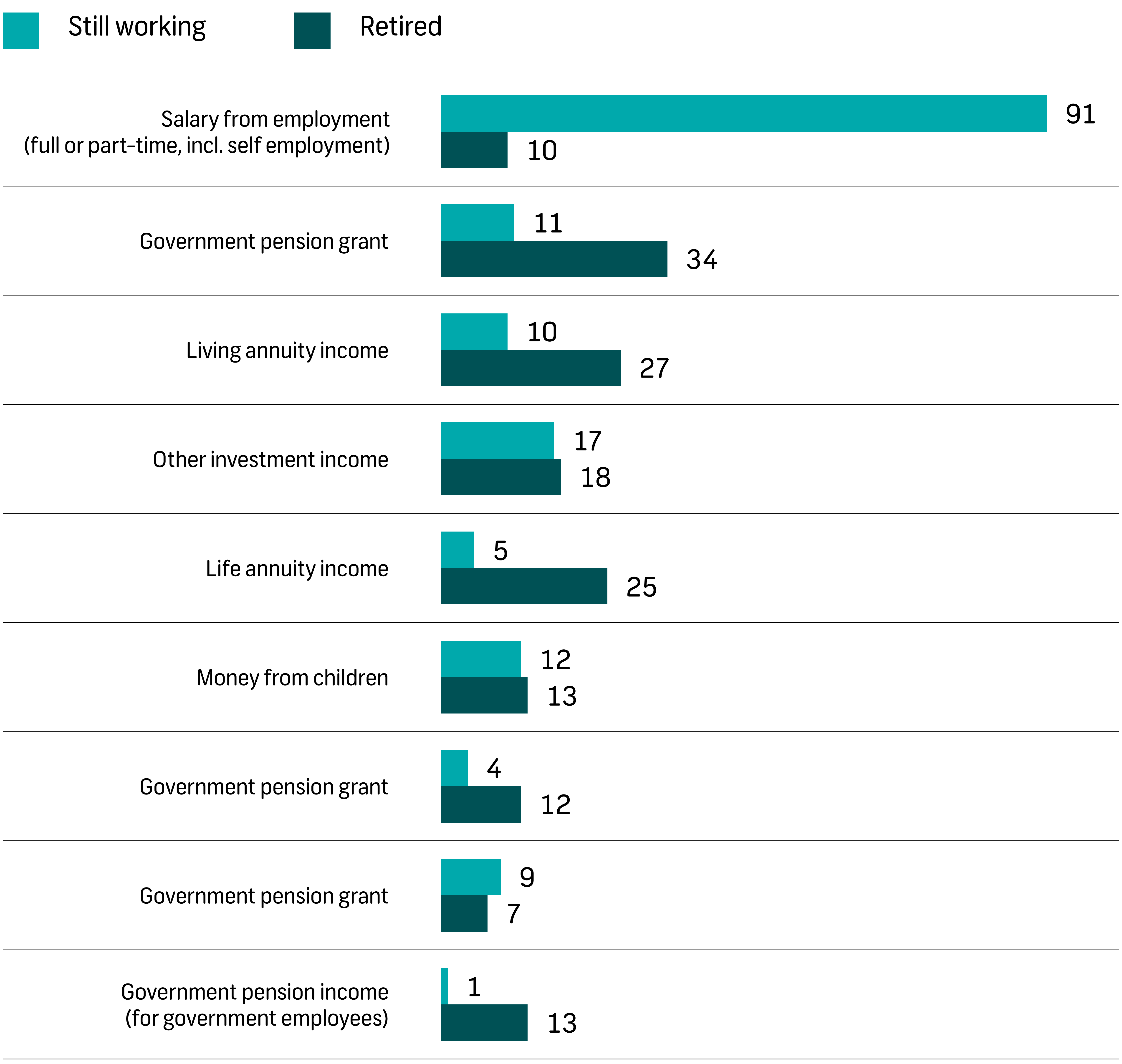
As we saw last year, many consumers still work past the age of 60, particularly higher income individuals. Interestingly the proportion of consumers still working full time falls out in line with income, with lower income consumers the least likely to be working.

'When you reach retirement age (60), which of the below do you see yourself doing?'



Income in retirement

Retirees continue to rely on Annuities, Grants and investment income. At a segment level, Entry Wallet continues to depend on government grants and contributions from children, while Affluent and Wealth draw from living annuities or salaries.

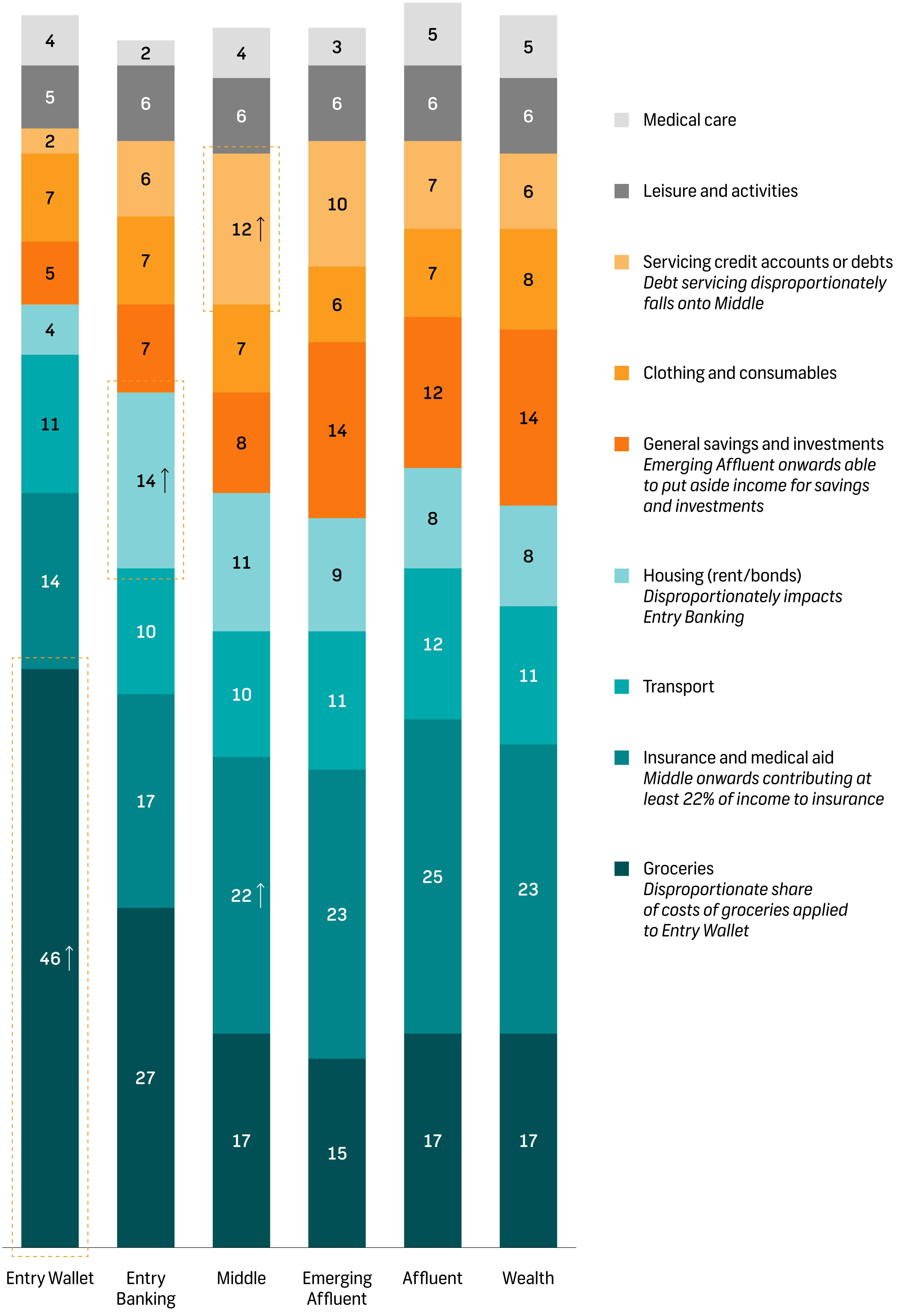


	Entry Wallet	Entry Banking	Middle	Emerging Affluent	Affluent	Wealth
Salary from employment				*	*	**
Government pension grant	**	**				
Living annuity income					**	**
Other investment income						
Life annuity income				*		
Money from children	**	*				
Government pension grant	**					
Government pension grant						**
Government pension income						

* Indicates a strong overindexing withing the income segment.
** Indicates an extremely strong overindexing within the income segment.
Indicates underindexing within the income segment.

High cost of living

The high cost of living is felt by all, particularly by Entry Wallet. Expenditure falls out similarly in the post 60 samples. Savings and investments are a function of income, with Middle onwards contributing at least a fifth of their income to insurance and medical aid.



Retrospectively, post 60s describe how difficult the retirement planning journey can be.

From their standpoint of having reached retirement age, consumers reflect on what the retirement planning journey was like.

Sufficiency of retirement knowledge
In retrospect, lower and middle income consumers rate their retirement planning knowledge and confidence as quite low, with Emerging Affluent also noting a lack of knowledge in 2024.

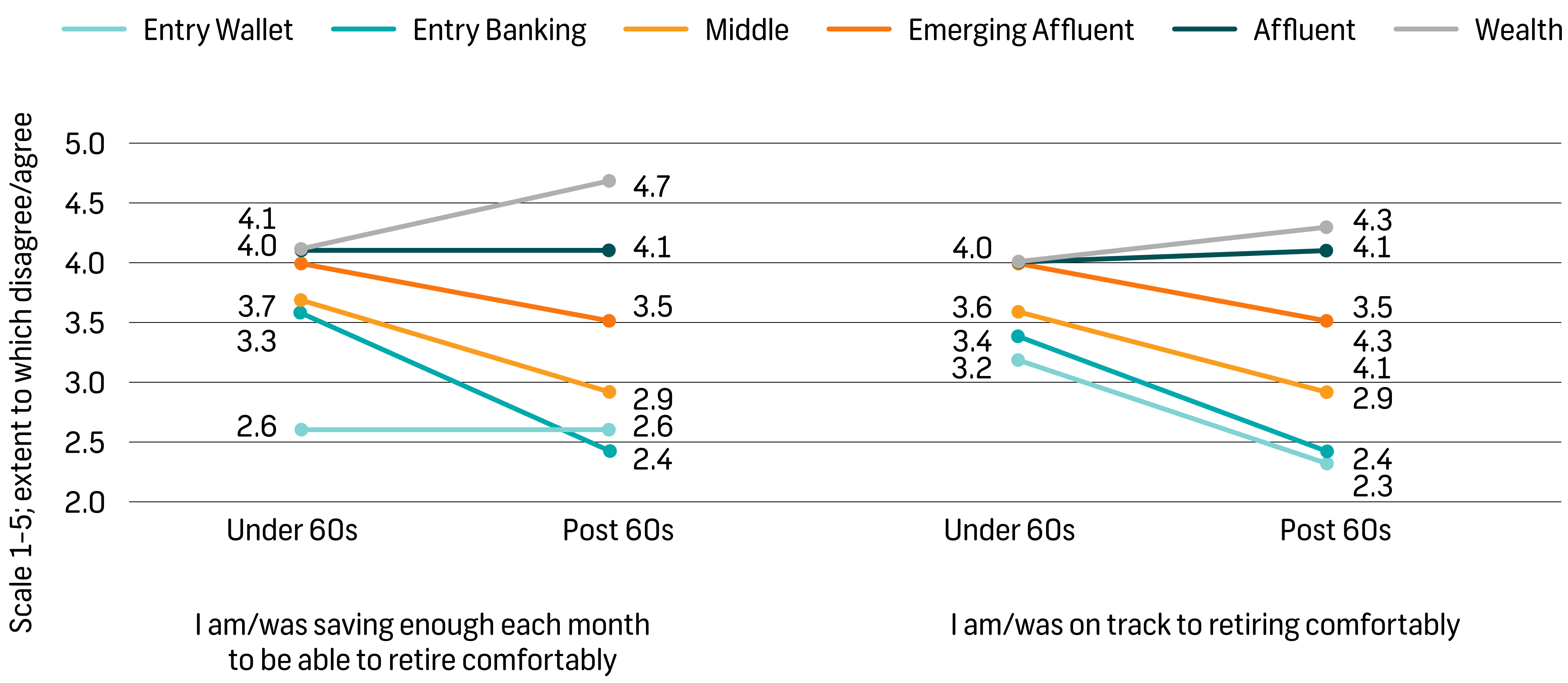
Ability to execute retirement plans
Similarly, lower and middle income consumers rate their ability to action retirement plan strategies as limited. Unlike 2023, this sentiment is also present in Emerging Affluent suggesting that only Affluent + Wealth are able to fully action retirement strategies.

Both Entry segments and Middle rate their knowledge of how much was needed for retirement, their confidence in, and quality of their plan as much lower than what under 60s currently rate themselves. This is in line with 2023 data, but interestingly, this dynamic is now also present in Emerging Affluent (which grouped more with Private last year).

In contrast with the under 60s

There is slightly less misalignment present in consumers' perceptions of how well they're able to execute their retirement strategies – although Entry Wallet to Emerging Affluent are likely to feel more on track currently than they're likely to be later. While Entry, Middle and Emerging Affluent currently feel that they are able to execute their retirement planning strategies to some extent, post 60s in these segments retrospectively rate their ability to save sufficiently as significantly lower than under 60s.

Retirement planning execution: pre- and post-60 comparison



While this dynamic was evident in 2023, it is interesting to note the behaviour of Emerging Affluent, which is more in line with Personal segments. The view of post 60s in these income groups paints an even more challenging picture than current expectations.

For those that feel they are on track in retirement

But for all, confidence levels increase when consumers feel they have done all they can to maintain their current lifestyle during retirement.

Starting early and saving consistently

- Giving policies and investments time to mature
- Lower Income – saving whatever you can, when you can
- Self-education combined with professional expertise
- Sought out professional guidance from financial advisors and institutions
- Doing own research but this felt challenging – desire for info to be more freely available

Proactively taking steps to ensure future financial security

- Being financially disciplined – limit spending, live within means

Paying off debts before retiring

- Secure investments and supplemental income at various levels

Starting own business

- Side hustle/small side business – investing in multiple companies

Purchasing property

- Renting a spare room – multiple rental properties

Seeking stable employment

- Transferring pensions between jobs and utilising pension payouts for savings (↑ M,EA)
- Prioritising working full-time to qualify for a pension fund, not changing jobs frequently (↑ E,EW)

In their own words

'I always spent less than what I earned, and made many sacrifices in order for me to save for my old age.' (Emerging Affluent)

'I invested an extra percentage to my pension fund every time I received an increase.' (Entry)

What happens to your retirement benefits when you pass away?

Johan Strydom
Growth Head, FNB Fiduciary

For many people, their pension funds are their single most valuable asset. It is therefore no surprise that these funds are often top of mind for those considering their estate planning and setting up their Wills. In South Africa, many pension fund members mistakenly believe that since we have freedom of testation, they can specify who should receive the benefits from their retirement funds in their Wills.

Retirement funds, which include retirement annuities, pension funds, provident funds, and preservation funds, are governed by the Pension Funds Act. Section 37C of the Act stipulates what should happen with the death benefits payable on the death of a member. New employees are often requested to complete a beneficiary nomination for their pension fund and employee benefits. It is important to know that this nomination of nominees is not binding on the trustees of the pension fund when allocating death benefits but can assist them in identifying dependants more quickly.

In terms of s37C, pension fund trustees must ensure that a member's death benefits are distributed to dependants and/or nominees. Dependants refer to any person to whom the member was legally liable for maintenance, a person financially dependent on the member before death, the spouse, and/or the child/ren of the fund member.

Trustees have 12 months to identify and trace all dependants. Where there are dependants and nominees (who are not dependants), s37C (1)(bA) stipulates that the trustees pay the benefit, or such portion thereof, to such dependant or nominee, and in such proportions as the board may deem equitable. Where the fund cannot trace any dependants within 12 months of the member's death, and the member didn't nominate a beneficiary/nominee, the death benefits will then be paid into the deceased member's estate. Beneficiaries (dependants and/or nominees) receiving death benefits can decide to receive their benefits in a lump sum (in which case, tax will be deducted) or purchase an annuity with the benefits.

But what about group life cover? Most employee benefit schemes include membership to a pension fund and some type of group life and disability cover. The life cover amount is usually a lump sum equal to three to five times an employee's annual salary. With these typical 'approved schemes', the life cover amount at death forms part of the death benefits, which, along with the pension fund value, will be distributed to dependants in terms of s37C.

With post-retirement fund values or benefits, it depends on the option that was selected at retirement. Life annuities, which guarantee a pension for the rest of your life, normally cease at death with no lump sum payments to beneficiaries. Where the option was selected for the continued pension payment to a spouse, the pension payments will cease at the death of the spouse. With living annuities, the investor can nominate beneficiaries. This allows the beneficiaries to elect to transfer the remaining fund value into a living annuity in their own names or take the funds in cash or a combination of the two options.

Mindsets in retirement

Personal choice validation

Respondents in higher income brackets express satisfaction with their retirement planning choices and feel content with their overall retirement preparations.

Acceptance

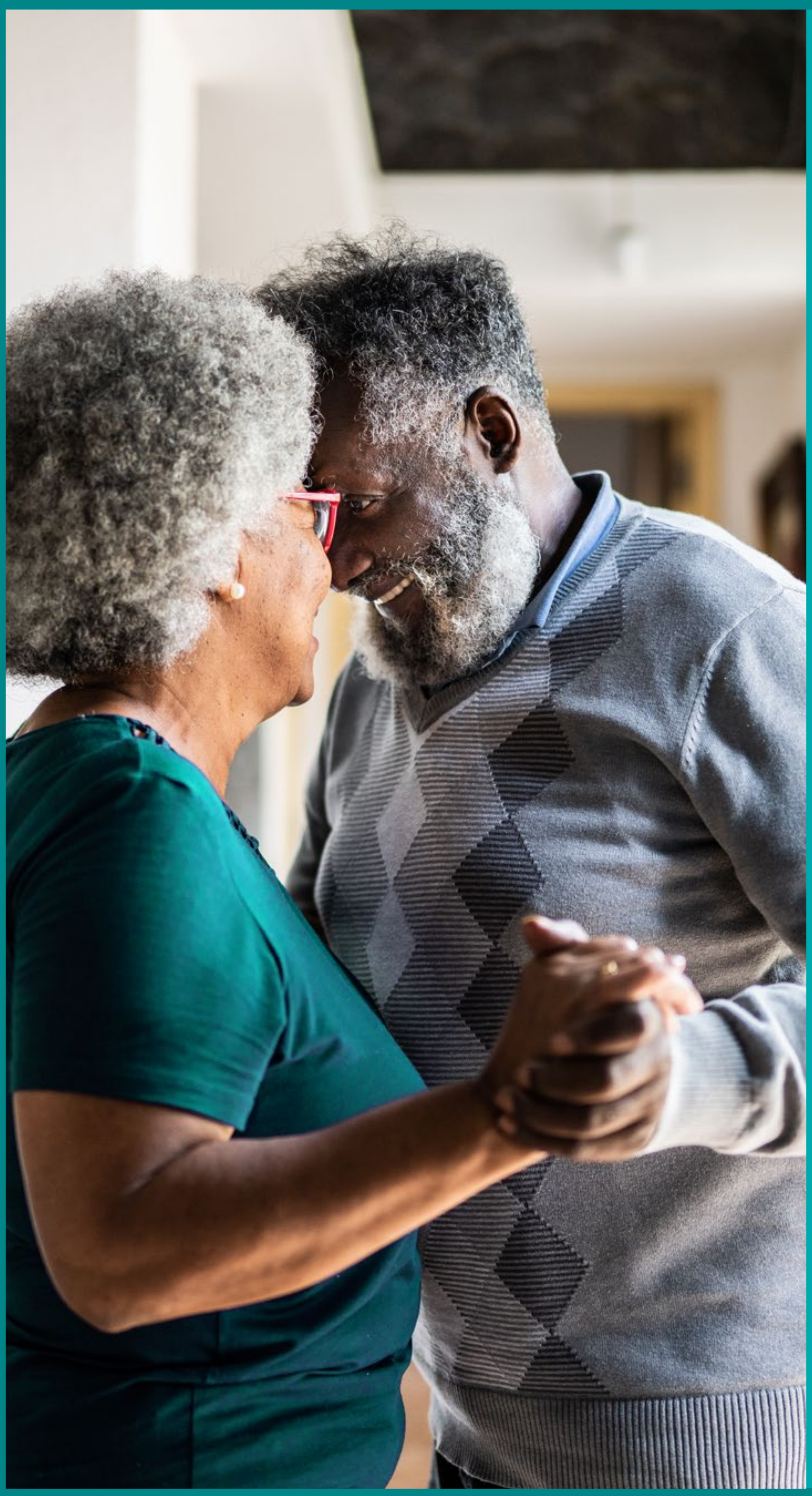
Lower income groups (↑ EW, E) demonstrate satisfaction primarily by accepting their financial situation and retirement preparations, while acknowledging the constraints they face.

Resignation

Many in these groups have thus resigned themselves to the idea that they do not have enough savings, and will have to rely on family or government assistance.

Regret

However, many also express regret for not prioritising retirement savings earlier in life, citing a lack of education and guidance on the topic and wishing for more readily available resources.



In their own words

'I tried to do my best , there was no other way to save for retirement.' (Emerging Affluent)

'I would have learned more on how to save enough so that I can retire peacefully. I wouldn't be working this hard at this age if I had saved for my retirement.' (Entry Wallet)

'Maybe I would have asked someone who I thought knew about this things and I'd have made better choices.' (Entry)

'Having suitable information helps a lot, having guidance also helps to prepare for the future.' (Wealth)

For those that don’t feel they are on track in retirement

Despite the desire to save for retirement, we see the same variety of internal and external factors as was present for under 60s. These can derail intentions, which make it difficult to plan and save long term.

Financial instability

- Unable to save because of limited disposable income
- Work limitations restricting income (LI) – insufficient salary, only working part time, having to change jobs – not enough years of service to earn a pension
- Policies and annuities too expensive (LI) – lower income groups not able to afford
- Dependence on qualifying for government grants (LI)

Lack of planning and knowledge

- Started too late/not a priority – feel there is not enough time to secure future
- Lack of knowledge about retirement
- Poor financial decisions and feeling like you squandered finances (UI)

Unexpected expenses depleting savings

- Retrenchments, business insolvency, family emergencies, illness limiting ability to work, medical debts

Macro factors impacting savings

- Covid, world debt, load shedding, unemployment, inequality, uncertain economic conditions in South Africa

Increased cost of living

- Rise in daily expenses
- Increased medical costs in older age

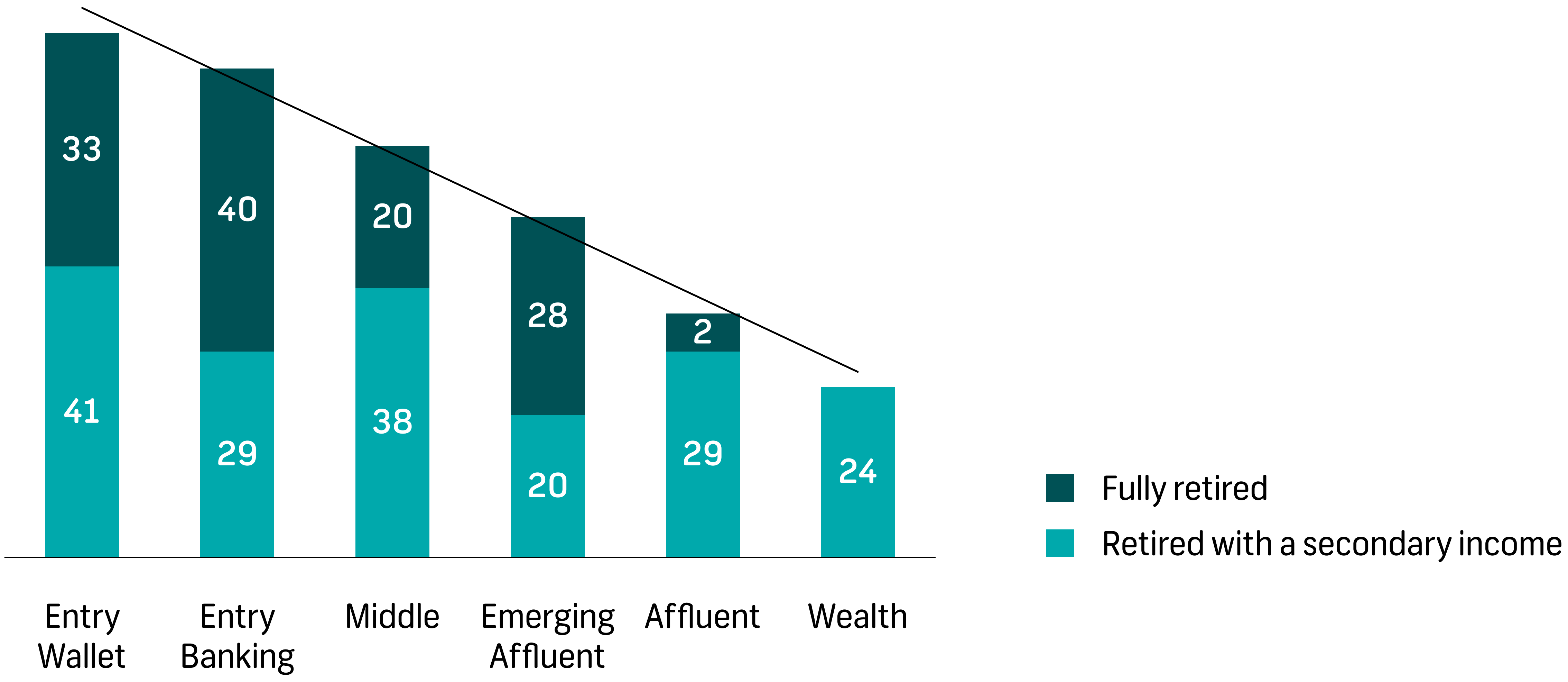
In their own words

‘I was retrenched at the age of 55and could not find employment (full time) for a few years. I had to live on my retirement savings and now have a small amount left in a living annuity.’
(Emerging Affluent)

‘Did not take into account the rise in the cost of living and load shedding when planning for retirement.’ (Middle)

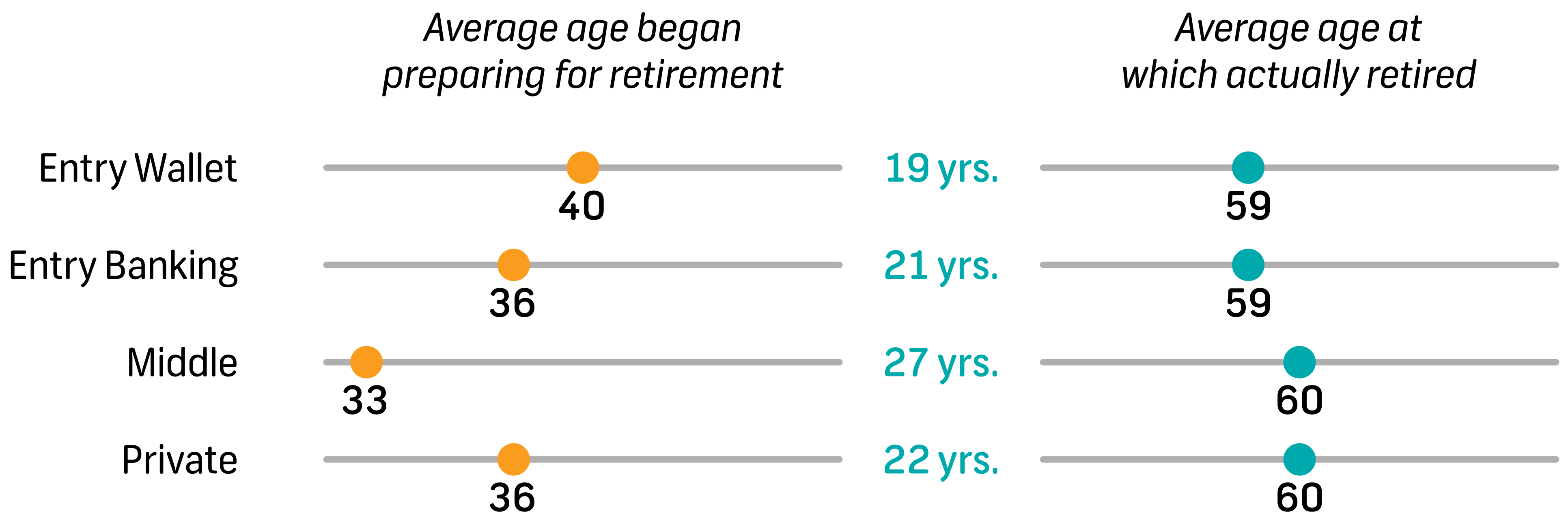
The journey to retirement

We've seen that the retirement planning journey can feel difficult, but what is the retiree experience like?

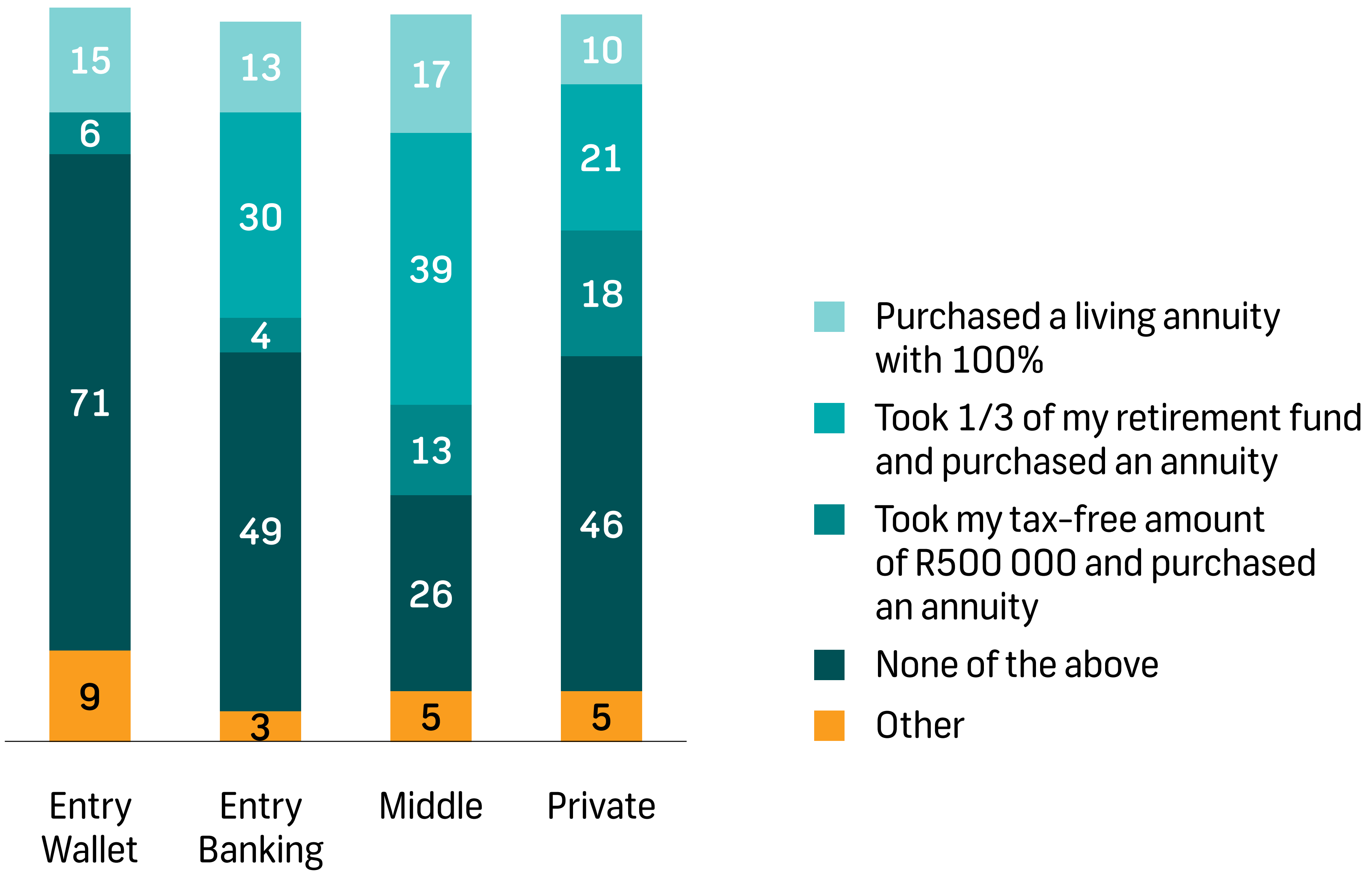


% retired

Age at retirement



Option selected on retirement



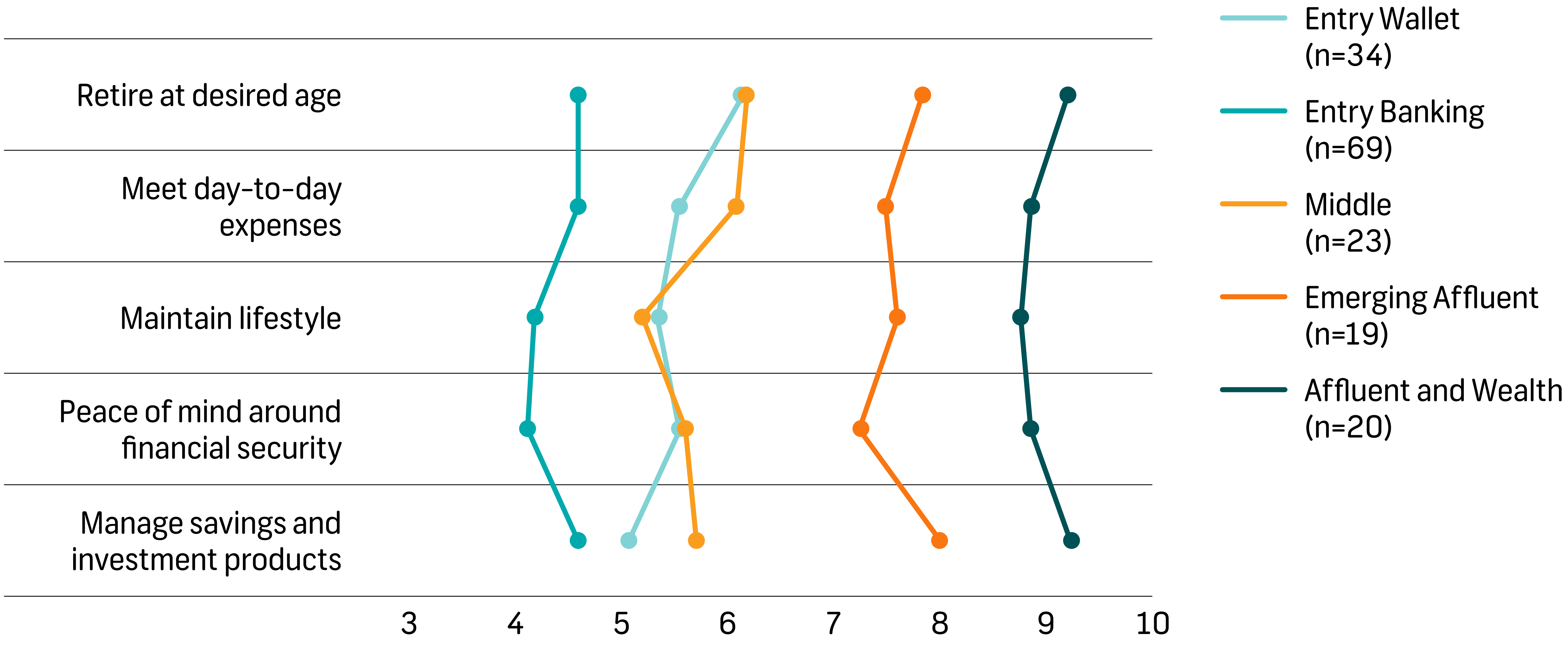
As was evident in 2023, the Entry Banking segment experienced the most difficult transition to retirement. Entry Banking continues to be the segment who is the most inadequately prepared and the least able to continue their standard of living into their retirement years.

Life in retirement continues to be much easier for more affluent consumers

This is particularly true for Affluent and Wealth consumers whose ability to plan and execute their retirement strategies and financial management capabilities are clear. More affluent consumers have been able to effectively secure their financial future and can confidently navigate their retirement years with stability.

How satisfied were you with your ability to...

Mean score (1-10)

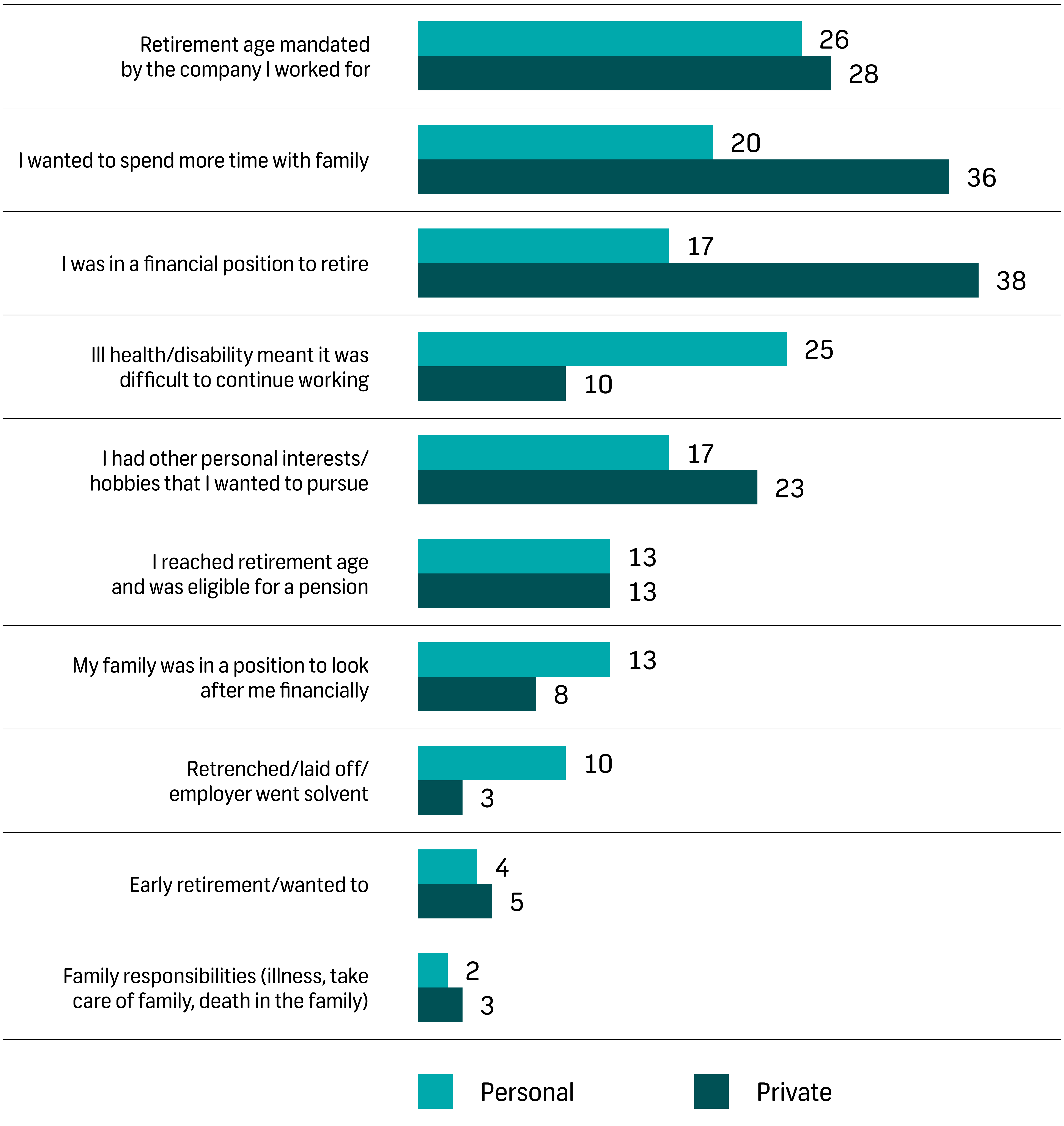


Mandatory retirement ages lead to retirement in both Personal and Private segments

Personal is more likely to retire because of ill health or mandatory to do so, while Private is more likely to retire because they are in a financial position to do so.

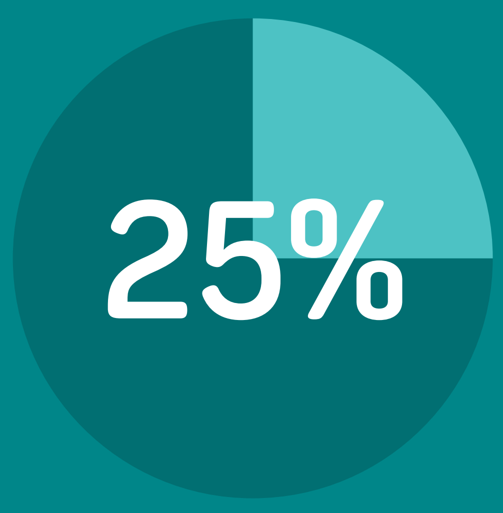
'Why did you decide to retire when you did?'

Ranked on total %



Mandatory retirement ages

Of consumers under 60 state that the company they work for has a mandatory retirement age.



Know what this age is. It's equally likely to be 60 or 65.

Themes of interest

Introduction to key themes in 2024

Based on the 2024 FNB Retirement Insights research findings four critical themes emerged that provide valuable insights into the retirement and financial attitudes, behaviours and needs of South Africans.

These themes represent key areas that significantly impact individuals' short- and long-term financial health and decision-making. The data across these themes reveal notable trends, challenges and opportunities that FNB believes warrant a deeper analysis.

1. **Financial wellbeing**

   In terms of financial wellbeing, the findings suggest that consumers across segments face various barriers and psychological constraints that affect their ability to effectively manage their money and plan for the future. Factors such as income limitations, lack of financial literacy, and short-term focused behaviours emerge as common obstacle.

2. **Retirement annuities**

   The research also highlights important dynamics around retirement annuities (RAs). While some consumers, particularly in more affluent segments, are actively contributing to RAs, many cite affordability issues and low awareness as reasons for not having these savings vehicles in place. This points to a need for greater education and potentially more accessible retirement savings solutions.

3. **Debt levels**

   Debt levels are another crucial indicator of financial health revealed in the research. The data shows that debt is a widespread reality and source of concern for many South Africans, with some segments more highly leveraged than others. Paying off debt often hinders the ability of people to save for their retirement.

4. **The role of the bank**

   Finally, the role of banks in supporting consumers' financial wellbeing is also a central theme. The findings reveal opportunities for banks to enhance their products, services and guidance to better meet customers' needs throughout their retirement planning and saving journey.

By examining these four themes in greater depth, this section of the report aims to provide a holistic view of the current state of consumer financial health, the key pain points and gaps that exist, and the potential strategies that banks can employ to drive better retirement outcomes.

1. Financial wellbeing

The 2024 research findings reveal that recent economic conditions have impacted people's confidence in their financial situations. A significant concern highlighted by many is the effect of decreasing interest rates on savings accounts (recent interest rate hikes were off a savings low interest rate base), particularly affecting middle-income and slightly wealthier groups.

Only two out of every five consumers feel secure about their finances, mostly those who have invested in long-term insurance and investment products.

There is also a noticeable gap in feelings of financial security between higher-income groups and low-income earners, or those just starting out in their investment journeys. This gap has become more pronounced, especially for middle-income earners, who now feel less comfortable financially compared to last year.

The overall sentiment across various income levels is concern about rising prices and economic uncertainty. This anxiety spans from those at the entry level to more affluent segments.

2. The role of a retirement annuity

The 2024 research findings reveal significant disparities in the adoption and utilisation of retirement annuities (RAs) across income segments. While an average of one in four respondents have an RA, with an average contribution tenure of around seven years, the number vary greatly based on income and affluence levels.

Affluent and Wealthy consumers emerge as the most likely to have RAs, with over 50% of these segments actively contributing for between seven and 10 years on average. In contrast, Entry Banking customers, constrained by limited incomes, exhibit the lowest rates of RA ownership and those who do have struggle to maintain regular contributions.

27% With a retirement annuity	73% Without a retirement annuity

Among the 73% of consumers under 60 who have never had an RA, insufficient income is cited as the top barrier, followed by job changes and increased expenses. This highlights the critical role of financial stability and disposable income in enabling RA adoption and consistent savings behaviours.

A lack of knowledge and understanding of RAs also emerges as a key barrier to uptake, suggesting a need for improved awareness and education initiatives around these products and their benefits.

3. Avoiding the debt spiral

The accumulation of debt poses significant risks to financial security after retirement, particularly as income becomes fixed and less flexible to accommodate debt repayments. Managing debt effectively is crucial to ensuring that individuals can maintain a stable financial state during their retirement years. Unfortunately, the prevalent 'Buy Now, Pay Later' culture has compounded the debt situation of many South Africans by encouraging them to take on debt to achieve instant gratification, without fully considering the long-term financial implications.

The findings around debt reveal that retail store cards and credit cards are prevalent sources of debt across many consumer segments. Retail store cards are especially significant for the lowest income group, the Entry Wallet, often being their sole form of credit for people in this category. As income levels increase, more diversified forms of debt appear, including car finance from the Middle segment upwards and home loans predominantly among the Affluent and Wealth groups.

The data also points to a concerning disparity in the availability of emergency funds, with the Entry segments, particularly the Entry Wallet, having significantly less money readily available in case of an emergency, which exposes them to greater financial risk in a crisis.

The widespread use of credit across all the segments highlights the urgent need for effective debt management strategies, especially to safeguard financial security post-retirement. Educational programmes that promote responsible borrowing and spending habits are urgently needed.

4. The role of banks

The role of banks in effective retirement saving and good personal finance behaviours is pivotal. According to the research, banks are the most universally accessed source of financial advice, demonstrating their central role in the financial lives of South Africans across all segments – from Entry Wallet to Wealth. However, the data reveals a highly nuanced picture.

While bank branches and consultants are primary advisors for many, there is a trend among more affluent clients towards diversifying these sources of advice. These clients increasingly rely on financial planners, investment companies, insurance brokers, and retirement consultants for more specialised financial guidance. This shift highlights the need for banks to adapt by offering more tailored and sophisticated services to meet the diverse needs and expectations of their clients across all income groups.

Concluding thoughts

The need for a multi-dimensional approach to navigate the challenges of retirement planning

Bheki Mkhize
CEO, FNB Wealth and Investments

The path to retirement is often shrouded in a mist of uncertainty and anxiety, making the journey seem daunting and overwhelming. The emotional complexity surrounding retirement planning can be a significant deterrent, preventing individuals from taking the necessary steps to secure their financial future. Those who feel they are lagging behind may be consumed by feelings of regret and inadequacy, which can paralyse their efforts to create a solid plan. Others who have yet to start planning may experience a sense of defeat or resort to avoidance. Even those who are inclined to plan may fall victim to procrastination in the face of the many complexities involved.

Since the 2023 research, the landscape of retirement planning has remained largely unchanged, with many individuals still finding it a complex and challenging task. However, despite the difficulties, retirement planning is not an insurmountable obstacle. The bank's role in providing support and guidance to customers throughout their retirement journey is more critical than ever.

To effectively assist customers in navigating this emotional landscape, banks must first recognise and acknowledge the emotional and financial barriers that hinder retirement readiness. This year's insights have illuminated the significant emotional toll that retirement planning can take, indicating that a shift in approach is necessary.

Banks can make a meaningful difference by focusing on the following key points.

Emphasising the importance of starting early

Encouraging young individuals to begin saving through retirement annuities can have a profound impact on their financial future.

Promoting financial organisation

Stressing the significance of keeping finances in order and prioritising essential expenses, regardless of income level, can help individuals build a strong foundation for retirement planning.

Encouraging a balance of expert advice and self-education

While seeking guidance from financial professionals is valuable, empowering individuals to educate themselves on saving and investment options can foster a sense of control and engagement in the planning process.

Highlighting the benefits of diversifying income sources

Emphasising the importance of stable employment and exploring additional income streams, such as starting a business or owning a home, can provide a sense of security and financial stability in retirement.

The barriers to effective retirement planning are multifaceted, ranging from financial instability due to limited disposable income and work limitations to a lack of planning caused by starting late or insufficient information. Unexpected expenses, such as retrenchments, business failures, or health issues, can further complicate the process. Moreover, macro factors, including the economic climate, unemployment rates, and the rising cost of living, can significantly impact an individual's ability to save for retirement.

Financial versus psychological constraints

In 2024, it is crucial to reframe the conversation surrounding retirement planning, taking into account the emotional context and acknowledging the deep-rooted psychological biases that influence behaviour.

Three mindsets

1

Procrastination results from being overwhelmed

Not knowing what to do leads to doing nothing at all.

2

Prioritising the present because of the fear of the unknown and a sense that the worst could happen

Avoidance and rejection of future planning.

3

Hyperbolic/temporal discounting – shorter term gains valued more highly than longer term, larger ones

Prioritise immediate returns.

Each mindset, whether stemming from financial instability, lack of planning, or broader economic conditions, presents its own set of psychological constraints that must be addressed.

To effectively tackle these mindsets, banks must ensure that retirement planning advice is accessible to all individuals, regardless of their income level. The manner in which this advice is presented is paramount; it should be easily digestible, encouraging, and inspiring. One potential strategy to make retirement planning more appealing is to introduce immediate benefits that can bridge the gap between future advantages and present-day rewards, making the process feel more tangible and relevant.

By acknowledging and addressing the psychological and financial barriers that individuals face, banks can empower and motivate their customers to take proactive steps towards a more secure and fulfilling retirement. Through a combination of accessible advice, emotional support, and innovative strategies, banks can help individuals navigate the fog of uncertainty and create a clear path towards financial stability in their golden years.

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