

## Provision for retirement needs 'not sufficient'

COMPILERS of new research on retirement needs and coverage have expressed concern over the number of South Africans whose pension provisions are significantly below recommended minimums.

"Worryingly, we found that 67% of members contributed less than 10% of their salary to their retirement fund each month," Old Mutual said yesterday in releasing its 2010 retirement monitor research finding.

"This is particularly concerning, given that we estimate that employees need to contribute a minimum of 15% (including the employer contribution) over a period of 40 years if they want to have any chance of ensuring they will have sufficient savings at retirement to maintain their standard of living. The average contribution level is currently 11.7%."

The monitor focused mainly on how satisfied employees were with their own financial readiness or provision for retirement.

According to these indicators, employees who are members of a retirement fund have a confidence level of 6.3 out of 10, far higher than the 4.8 recorded for those not belonging to a fund.

According to Craig Aitchison, managing director of Old Mutual Actuaries and Consultants, the gap in the confidence levels between members and non-members is hardly surprising. It does illustrate the significant effect that contributing to a retirement fund can have on the ability to be financially prepared for retirement.

He adds that the retirement monitor, which will be conducted on an annual basis, will also be beneficial in tracking the progress made by the pension fund industry in assisting South Africans to achieve their retirement savings goals.

The research also reveals that there is a direct correlation with personal income levels and confidence about financial readiness for retirement, with employees earning more than R40 000 a month scoring 7.2 versus the 4.7 for those earning less than R3 000 a month.

Awareness of and attitudes to pension reform were also measured. In this regard, only 7% of members were aware of the key issues. "This again illustrates the poor levels of understanding that most members have about their primary source of retirement savings." - I-Net Bridge