

The Future of Retirement

Investing in later life



Fact Sheet South Africa¹

HSBC's fourth annual Future of Retirement survey of older people's work and retirement reveals a positive picture of how people see their prospects and lifestyles in retirement. The survey shows a reasonable degree of optimism in South Africa with regards to financial security and living standards in retirement. Despite this general optimism, a large proportion of respondents worry about being in a vulnerable situation in later life.

Investing in Later Life – Key South Africa Findings

Marginally higher proportion of respondents wishing to leave their perspective on life as their legacy

All four pillars seen as almost equal contributors to retirement income

At least two thirds fear illness, dependency or shortage of money in later life

Only one third of respondents are not worried about being able to cope financially in the future

Taking *Expectations, Choice, Preparedness* and *Inheritance* as its main themes, *Investing in Later Life* highlights the key ways in which individuals in South Africa are preparing for their retirement.

1. Preparedness: the four pillars

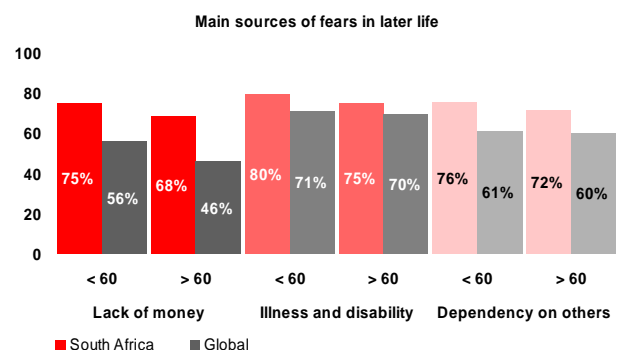
A significant proportion of South African respondents are *not* worried about being able to cope financially in the future. But how are people in South Africa planning, preparing and investing for their retirement? And is this optimism about a comfortable retirement justified?

Each of the four pillars of support for later life (*government, employer, family and self*) is regarded

as contributing to retirement income. It is interesting that, across all age groups in South Africa, all four pillars are seen as almost equal contributors to retirement income.

In the pre-retirement group, *government* is seen as the most important contributor to retirement income, *family* and *self* are ranked second and third respectively, while *employer* is seen as least important. Meanwhile, amongst the retirees, *government* is still seen as the most important contributor to retirement income, *self* and *family* are ranked second and third respectively, while *employer* is still seen as least important. There are modest household income effects on this distribution: *government* remains the main contributor for both high and low household income groups but with a larger weighting in low income households. Correspondingly, the *employer* is weighted higher in the high income households, thus making *family* the least important contributor for this group.

Our findings show that individuals in South Africa are reasonably optimistic about their prospects in later life, a third of respondents are not worried about being able to cope financially in the future and 59 per cent of the pre-retirement generations are looking forward to retirement. Nevertheless, at least two thirds of all those surveyed worry about finding themselves in poor health, dependent on others, and short of money when they retire.

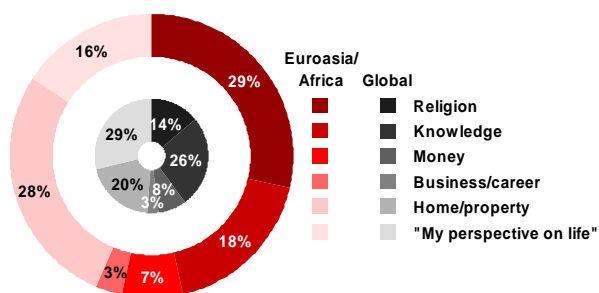


¹ Definition of high and low income cut-off point: 1,400 ZAR (monthly)

There are only modest differences between pre- and post-retirement groups in relation to fearing these three aspects of later life. Thus, 79 per cent pre-retirement fear not having enough money in old age, 75 per cent fear dependency, and 80 per cent fear illness/disability. Post-retirement these proportions are 68, 72 and 75 per cent respectively.

2. Inheritance

What do people want to pass on to their heirs?



Globally, most people want to pass on something to their heirs. Perhaps surprisingly, this is frequently *not* money. There is a clear greater tendency globally for people to choose the soft, less tangible values which we have termed *perspective on life*. This tendency is still apparent in South Africa, with just over half the population choosing these 'softer' values as their preferred legacy.

In South Africa, the findings show that 57 per cent of the working population and 58 per cent of retirees want their heirs to inherit their perspective on life (*spirit/sense of humour, knowledge, way of giving/supporting the community and religion*). Correspondingly, 43 per cent of those pre-retirement and 42 per cent of retirees wish to leave their heirs tangible or material legacies (*home/property, money and business/career*).