



AUDIENCE QUESTIONS AND ANSWERS

1. Will I receive CPD points for attending?

Yes. You can claim two CPD points under the "Technical" category if you attended the entire summit. The FPI approval number is: FPI21080140.

2. Please provide some perspectives on government intervention into pension schemes and whether the rand will go the same way as the Zimbabwean dollar.

The recent Green Paper on Social Security and Retirement Reform from the Department of Social Development was published on 18 August 2021 and then withdrawn on 31 August. We can only assume that the response and feedback from the industry and other sources has had some impact. While we cannot forecast how this will eventually unfold, it is an extremely ambitious task for government to take on as there are significant challenges to adopt, implement and effectively manage such a programme. In terms of the rand, our own investment philosophy does not attempt at forecasting the currency but rather focuses on the underlying managers. The Zimbabwean dollar suffered from run-away inflation and the lack of a sound monetary policy framework. We do not see that type of situation unfolding in South Africa as we continue to maintain a sound monetary policy framework.

3. What levels of savings do I need in retirement in order to live?

While retirement provision is particular and unique to each individual, one should always work on the required income to cater for two main buckets. The first being "income for essentials" and the second is "income for life's pleasures". This ensures you take care of the basics first and can top up for all the extra comforts. Two rules of thumb are (but subject to individual planning and needs):

Rule 1: Percentage saving of your salary for retirement, dependent on your **age that you start saving**

- Age 25: 17% to 18%
- Age 30: 22% to 24%
- Age 40: 42% to 45%
- Age 45: 59% to 63%

The best advice is to start early, which will bring you closer to the rule of thumb of an average of 15% of your salary throughout your lifetime. Based on compound growth, not accessing the funds on resignation, and the market return of the fund, you will be targeting approximately 75% of your salary at retirement age 65.

Please keep in mind that:

- remuneration such as bonuses will not usually form part of your contribution to retirement funding unless you make personal provisions via a retirement annuity; and
- in some employer-based retirements funds, contributions are made on a pensionable amount (for example, 73% of TCTC).

Rule 2: Have a capital lump sum saved between 12 and 17 times your annual salary.

The “rules of thumb” do, however, not consider personal circumstances and needs. Further, factors such as consumption, market, inflation and longevity risk in retirement will influence how much you can secure as an income from your capital amount. Items such as medical inflation usually are higher than standard inflation; therefore, accounting for an extra increase in medical aid should be planned for.

It would be best to do a full analysis annually of where you are and where you want to be. This allows for certainty, additional savings and understanding of sustainable income levels in retirement.

OTHER QUESTIONS, NOT DIRECTLY RELATING TO THE SUMMIT

4. Why is PPS not funding opportunities in wind, solar, water purification (acid mine water), vertical farming, worm farming, compost, organic farming? This will create 1000s of jobs?

There are many worthwhile causes that PPS and its professional membership are involved in. In terms of its investment strategy, PPS invests with underlying managers that themselves are mandated to outperform market-capitalisation benchmarks over the medium term. These managers are expected to incorporate environmental, social and corporate governance (ESG) risks into how they analyse opportunities but are not given other goals that are not performance-focused. At this stage, PPS has not invested in unlisted opportunities, but much work is being done on making these opportunities more accessible to institutional investors. PPS will consider other opportunities in time if they are aligned with its investment objectives.

4. What impact is the SETAs making on the shortage of skills that South Africa is having?

PPS works closely with two SETAs (Inseta and Fasset) and our graduate internship programme is registered with them. They encourage organisations by paying them a stipend to employ unemployed youth and provide them with work experience. They run various programmes like internships, learnership programmes and sponsor bursaries for employees. SETAs are there to close the skills gap in the various sectors – and in that regard often look at scarce skills per sector and try and address those.

6. Why is private education not working with government education to improve the quality of education?

It is costly to run a private school and they do it without any government assistance. This could be one of the main reasons for not assisting the public sector. There are definitely gains to be made if government partnered with the private education sector – a lot can be learnt from their success.

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