

## **Confronting the future: is South Africa ready for retirement?**

At the fourth annual PPS Retirement Summit, held on 26 October 2024, experts and thought leaders gathered to provide critical insights and solutions as South Africa grapples with a retirement readiness crisis. Under the theme “Next Chapter, Best Chapter”, the summit highlighted the urgent need for longevity literacy – an essential skill to help South Africans navigate the reality of extended retirements amid insufficient savings.

As Professor William Gumede, esteemed economist and summit guest speaker noted, “South Africa has untapped potential through its competitive private sector and an active civil society. True change requires moving beyond traditional divides and bringing the private sector, civil society and skilled professionals together in partnership with government.” Gumede stressed that by harnessing this collaboration, South Africa can better address the urgent need for retirement readiness and overall societal resilience.

### **Key insights from the PPS Retirement Summit**

While South Africans are living longer, the reality of retirement is daunting for most. The FNB Retirement Insights Survey released in 2023 shows that only 7% of South Africans can afford to retire without financial strain, leaving 89% of the population needing to work beyond retirement age. Stats revealed by [Treasury](#) explain how this financial shortfall often results from a culture of cashing out pensions when changing jobs, rather than preserving them. Maxwell Mojapelo, PPS Investments executive, emphasised that retirement should not be feared, likening it to the transition of finishing matric: “There is life after retirement, just as there is life after matric. Do not fear it, embrace it.”

With tools like the two-pot system offering some short-term flexibility while safeguarding long-term retirement savings, the summit urged attendees to rethink their financial strategies. Yet, as Mojapelo highlighted, time is essential: “Starting early is critical and South Africans need to take bold steps to ensure financial independence in retirement.”

## **A new definition of retirement**

Retirement today is more fluid and can include ongoing work or passion projects, Bonang Mohale, a trend professor and Vice-Chancellor of the University of the Free State, said. “Retirement should be about continued purpose and productivity, not a complete halt,” Mohale shared. This perspective recognises the increasing reality that many retirees want or need to remain active, whether financially or for personal fulfilment.

Johan Gouws, Head of Wealth Advisory at PPS, noted that retirement planning needs to pivot from a solely financial stress point to one of empowerment: “This summit demonstrates how South Africans can proactively shape their financial futures by gaining practical strategies, innovative tools and actionable insights directly from industry experts, no matter their age or savings level. With the right tools, retirement can indeed be the best chapter of one’s life.”

## **Building a lasting legacy**

Legacy planning emerged as a crucial topic. As Advocate Anneke le Roux, a fiduciary specialist at PPS, noted: “A legacy is not just for the wealthy. Anyone with loved ones should take steps to protect and prepare for the future.” With statistics obtained in 2022 from the Master of the High Court of SA showing that only 14% of South Africans have a valid Will and 65% of estates lack liquidity to settle costs and debts, planning has never been more critical. Attendees were advised to review and update Wills regularly, understand local estate laws and consider life insurance as a powerful tool in legacy planning, particularly in covering debts and supporting loved ones.

South Africa’s regulatory landscape, governed by the Financial Sector Regulation Act, also supports legacy planning by ensuring financial institutions prioritise transparency and client protection. Regulations, including the Financial Advisory and Intermediary Services (FAIS) Act and the Administration of Estates Act, provide essential guidelines to

protect financial legacies, enabling individuals to pass on unencumbered assets to their heirs.

### **Retirement readiness: tax efficiency and estate planning**

Tax efficiency and planning were highlighted as integral to successful retirement. A well-planned strategy, from using life insurance to mitigating tax liabilities through endowments or retirement preservation funds, can greatly impact one's financial legacy. Endowments, for instance, were recommended for those with higher tax rates, offering both liquidity and the benefit of uninterrupted legacy planning.

Summit attendees were encouraged to take these insights forward and actively shape their financial futures. South Africa is at a crossroads, and for many, this retirement readiness challenge can be overcome with early action, informed decisions and the help of financial professionals.

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