[ECONOMY]

**Many employees forced to stop working earlier than they plan, poll shows**

Only 60% of people said they chose to retire when they reached the mandatory age, Retirement Reality Report reads

[BL PREMIUM]

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Older people in SA face an underfunded retirement. Picture: 123RF.com

The number of people who are forced into taking retirement when they wish to remain working has increased, according to a recent survey, indicating a worsening situation for SA's older people.

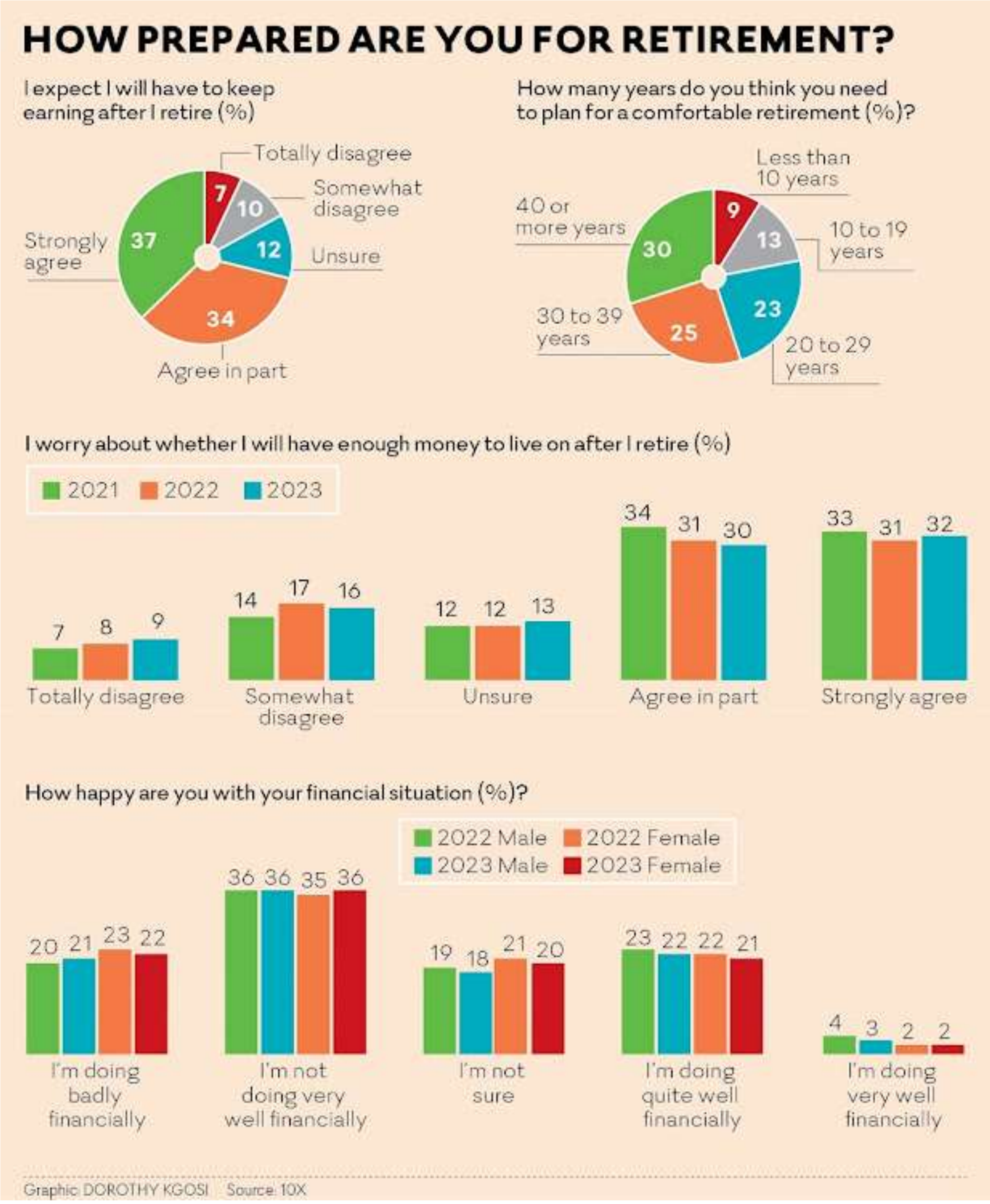
This is according to the Retirement Reality Report 2023/24, commissioned by financial services firm and pension fund manager 10X.

The firm used data from research firm Brand Atlas, which surveys consumers over the internet.

In the sixth and most recent report, more than 14,000 people who earn R6,000 or more a month were asked about their retirement savings.

The survey also asked 3%, or just more than 420 retirees, how they experienced retirement and explained that this data could be extrapolated to half-a-million older people.

It showed that only 60% of people said they chose to retire when they reached mandatory retirement age.




In the 2021 survey, 70% of employees said they could retire when they wanted to.

The mandatory retirement age differs from company to company, but is usually 60-65, though some firms may permit retirement at 67.

The recent results mean that 40% of retired staff surveyed were unlikely to have retired willingly, but are expected to leave as their companies want to employ younger and cheaper staff or reduce employee numbers.

Companies may also increasingly be asking people to take early retirement, which is usually enacted three years before the company's mandatory age, said 10X CEO Tobie van Heerden.

Van Heerden said the survey shows a disconnect between younger people who thought they could work longer to make up for insufficient retirement savings and the reality in which it is not often permitted.

**Life expectancy**

Alexforbes financial services group's executive of solutions & enablement, John Anderson, told Business Day that the retirement age of 65 was introduced in 1880 by Germany when most people did not even live to that age.

In the 1930s, the US introduced social security with a retirement age of 65, but life expectancy was only 61.7 years, he said.

People are now living longer, but have to stop working earlier than they would have liked. Anderson said "40 is the new 30; 60 is the new 50".

People are asked to retire despite few South Africans having enough money to see them through retirement.

Van Heerden said the survey data shows that nearly 30% of people over 50 have no retirement plans in place. "This means that they will need to save at least 40% of a monthly salary into retirement savings to comfortably retire."

He said the lack of funding for older people has huge socioeconomic implications.

Anderson said there is an increasing trend of families all living together to manage the increasing cost of living and declining income for those in retirement.

"Alternatively, we observe many retirees seeking to reskill in their later years to identify additional income streams that can support them during their old age.

Referring to working families supporting their parents and looking after their own children, he said, "From a social perspective, there is a ripple effect, where we end up with [a] sandwiched generation."

The sandwiched generation is left with too little money to save sufficiently for their own retirement.

**Compounding effect**

Van Heerden urged people to save enough from a young age.

"If you start early, the compounding effect of interest is the eighth wonder of the world."

He urged consumers to ensure they use investment providers that offer about inflation returns and low fees.

Most survey respondents who owned retirement plans did not know how much they were paying in fees.

"Only 37% could give a definitive answer on the costs, as an annual percentage of assets, of their retirement investments."

In this sample, 6% were paying less than 1% annually, 15% were paying 2%-3%, and 16% were paying 4% or more.

A further 37% had no idea what the costs on their investments were, while 13% believed they were not being charged at all.

The survey reported that “the reason may be that these consumers do not care too much ... but it is also likely that the fees on a product may be difficult to assess, especially [if they have] older-generation investment products.”

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