

OLD MUTUAL RETIREMENT MONITOR 2011



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1 About this research

The Old Mutual Retirement Monitor examines pre-retirement perceptions amongst working South Africans, in particular their confidence levels (given their individual circumstances and life stage) in regards to the financial provision that they have made for their retirement.

In this 2011 measure (research conducted at the end of 2010), 1 005 interviews were conducted with respondents screened as follows:

- All employed full time
- 18 - 64 years old
- None working in advertising, media, life assurance or retirement funding related industries
- All living in metropolitan areas.

IMPORTANT NOTE

While this Retirement Monitor is the second of its kind, caution is advised against making comparisons between these results and those of the previous Retirement Monitor (2010). The results summarised here are not intended to create assumptions or depict trends that may not be true.

2 Key findings

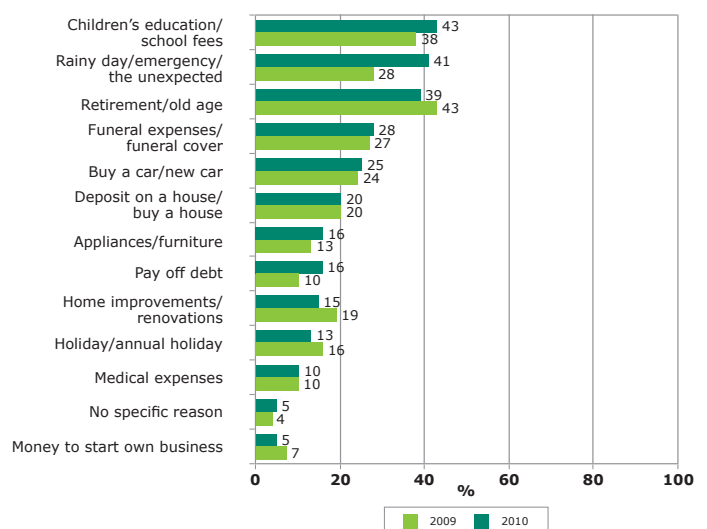
Savings and investments profile

Retirement fund members typically hold a high percentage of savings and investment policies like RAs, endowments, education and funeral policies, and are more likely to have medical aid.

While primary savings motivations are generally listed as retirement and children's education, there is significant variance in savings priorities according to lifestage and income levels:

- Younger respondents place a priority on the acquisition of assets like cars and houses.
- Middle aged individuals are focussed on saving for children's education.
- Retirement saving tends to only become a top priority for older people.

Amongst respondents from lower income brackets the relative importance of providing for death or funeral expenses is evident.



Satisfaction with retirement planning and provision

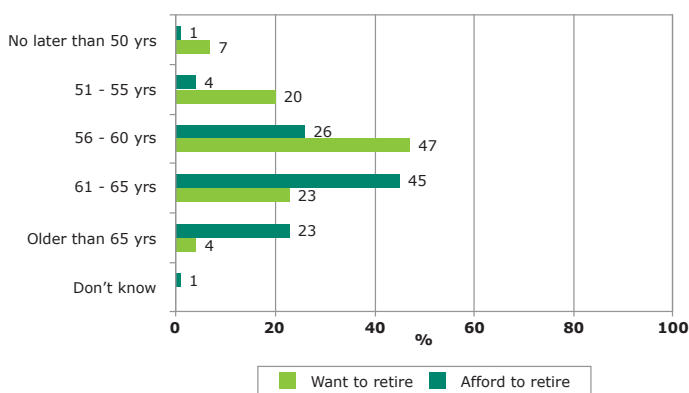
A direct positive correlation exists between income earned and the level of confidence in retirement preparation. Compared to non-fund members, fund members tend to be:

- more satisfied with the provisions that they have in place for their retirement;
- less fearful and more likely to look forward to their retirement;
- more confident in formal retirement products;
- marginally better planners who are more willing to confront and tackle their financial circumstances; and
- more likely to feel financially empowered.

Anticipated retirement age and funding sources

The average age at which respondents say they want to retire is 60 years. However, the average age at which they think they will actually be able to afford to retire is 64.

Desired retirement age vs. expected retirement age



Fund members expect 64% of their income to come from their pension (post retirement).

Non-fund members largely expect their post-retirement income to come from cash savings – however there is a growing sense that they will also be able to rely on the state pension.

Perceptions of funding adequacy

On average, respondents feel that their retirement savings will have to last them 14.2 years.

58% of respondents expect to continue to work for pay after formal retirement and the vast majority acknowledge that this will be due to financial necessity rather than choice.

Attitudes to trustees and administrators

There is lack of member knowledge about, and involvement in, the administration of their pension funds. Of the fund members surveyed:

- 65% did not know who their fund trustees are
- 64% did not know who manages their retirement fund investment
- 67% did not know where their assets are invested
- 92% did not vote in the most recent trustee elections

Despite these very low levels of awareness of fund trustees and managers, respondents still afford them very high levels of trust and confidence.

Member communication

The effectiveness of fund communication with members is disappointing, with the average ranking of communications effectiveness a relatively poor 6.4 on a scale of 1 to 10. More than a third of respondents also feel that communication should be more frequent.

Understanding of information remains a challenge and a large percentage of fund members would prefer face-to-face sessions to printed materials.

Most respondents say that the communication they receive tends to focus on the basics such as fund rules and risk benefits, rather than important issues surrounding adequacy and investment choice.

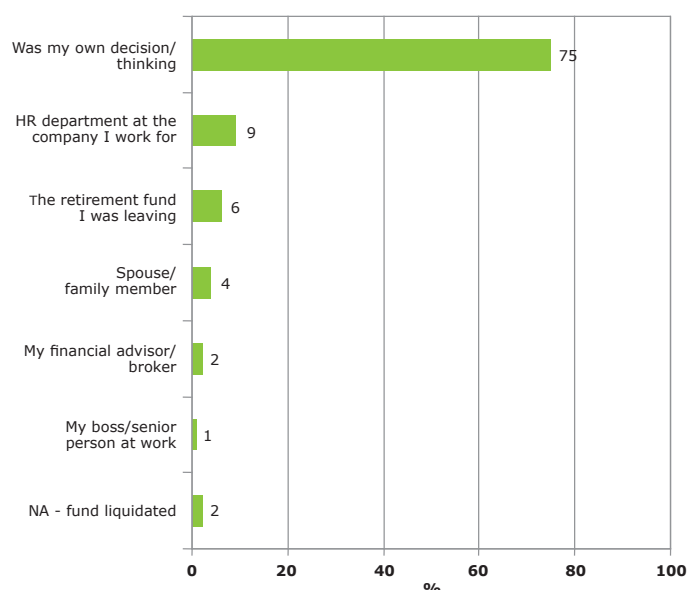
Preservation

Preservation behaviour varies depending on personal circumstances and the reasons for changing employment:

- 48% of respondents who left work voluntarily took all or some of their retirement benefit in cash.
- 56% of those leaving employment for involuntary reasons took all or some of their retirement benefit in cash.
- Only 1% of those who left work voluntarily preserved their funds.
- 9% of respondents that left or changed employment due to dismissal or retrenchment placed funds in a preservation plan.

Only 24% of respondents that have left employment in the past 15 years say they were given some advice by their fund or employer as to what to do with their retirement funds on leaving.

Influences on preservation behaviour



Understanding of Pension Reform

Understanding of the proposed pension reforms amongst both fund members and non-fund members remains poor. When asked what the reforms are, 76% spontaneously responded that they don't know.

In terms of awareness of the proposed reforms:

- 3% of respondents say they are aware of key issues;
- 11% say they have heard a bit about it; and
- 86% say they have little or no awareness at all.

Pensioners Survey

The Pensioners Survey forms part of the broader Old Mutual Retirement Monitor and is included to provide a glimpse of post-retirement life against the backdrop of current retirement savings trends as evidenced amongst pre-retirement individuals.

Pensioner Sample:

- 200 interviews conducted with amongst pensioners being screened as follows:
- Retired from a retirement fund and derive income from that fund (but could continue to work)
- Only derive income from a privately funded retirement annuity excluded
- Minimum pension income of R2 000 per month (could have other income)
- Aged 55+ years
- None worked in advertising, media, life assurance or retirement funding related industries
- All living in major metropolitan areas

Satisfaction with retirement planning:

The average satisfaction rating by pensioners of the financial provision they have made for retirement is a fairly respectable 6.95 out of 10.

Adequacy of Pensions:

Despite this, strong evidence exists that pension adequacy is under pressure. Nearly half of the pensioners surveyed believe that they do not have sufficient funds to last them through retirement.

53% of pensioners felt a drop in their standard of living when they retired. For 33% the drop was slight, 25% reported a big drop. As time passes, the portion seeing this drop jumps to 75%.

Only 17% feel that their pension has kept up with inflation, 51% feel it is a bit behind and a third feel that it is far behind. On average, their pension meets 77% of their retirement needs, while 23% currently receive financial assistance from children or other family members. For these pensioners, this assistance is almost a quarter of their income.

56% of pensioners surveyed say they received no pre-retirement advice or counselling.

For more information please contact Hugh Hacking on (021) 509 4489 or visit oldmutual.co.za/corporate



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