

How Covid has rocked retirement savings

Accessing retirement saving early to cover the shortfall and stopping retirement savings altogether are two of the alarming trend emerging in a Transunion survey.



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In addition the World Bank's 2019 report, South Africa's savings rate is 15% of its GDP—10% below the world average. While the 2020 Ipsos/News24 poll amongst 52,287 readers, more than four in 10 said that their finances had been severely affected by the pandemic. It also reflected that 60% of people had used money from their savings or emergency funds to cover expenses and were worried that the impact of the pandemic would seriously damage their retirement savings and retirement plans.

On the PPS investments platform, 7% of members paused their debit orders in March 2020, around the time of the hard lockdown and of those 67% did so for only two to three months. Only 14% opted to reduce their debit order escalation showing resilience despite the headwinds last year. About 2% with a living annuity made use of the Covid-19 relief measures to temporarily increase their drawdown to alleviate short-term financial pressure.

"The savings and investment industry must play a critical role in formulating a new approach to the South African savings deficit mindset. The responsibility to secure your financial security for retirement will mean retiring with the knowledge that your savings has worked hard for your twilight years," says Anil Thakersee, executive: marketing and business development at PPS Investments.

Retirement crisis deepens

With merely 6% of South African's able to retire comfortably, many may have to continue working well into retirement or rely on family or the state pension. If you plan to live comfortably after retirement, take into account your time horizon and consider saving proactively as early as possible. People are living longer.

Planning for a 30-year retirement used to be sufficient, but data suggest that the average professional male will live to 95 and the average professional female to 100. Depending on their retirement age, people will likely have to start planning for their retirement to last around 40 years.

Financial security during retirement is also necessary. It is advisable for you to project what your post-retirement spending habits will be as this will help you define the size of your retirement portfolio. Once you have a goal set, you have options to maximise your savings through investment products, diversify your portfolio, or choose the type of risk you want to take.

“If you were forced to dip into your retirement savings, now is the time to evaluate how you can make up the shortfall,” says Thakersee.

“The pandemic has significantly dented discretionary and retirement savings for some and particularly for those who lost part or all of their income and had no alternative but to access their savings, taking the first step to rebuilding or restarting the savings journey is achievable with the help of a financial adviser,” says Thakersee.

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