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# PURPOSEFUL RETIREMENT REGULATION

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# In the same way that you build your dream home, you create your dream retirement.

Glacier by Sanlam's Through the Years research report conducted face-to-face interviews with 82 retirees to find out how they financially planned for retirement. Of those that retired comfortably, 82% had engaged with a financial adviser. You don't have to 'build your house alone' – there are experts to help along the way.

## Here's a guide to Building a solid Retirement:



### PHASE ONE: IT STARTS WITH A PLAN

You need an architect to plan a home and you need an adviser to plan a retirement. Ask your financial adviser these questions about your plan:

1. Does it have a sustainable contribution rate?
2. Will it guarantee me an income and will this sustain my current lifestyle?
3. Does it give me sufficient market exposure to grow my portfolio?



### PHASE TWO: LAYING SOLID FOUNDATIONS

Laying solid foundations for retirement means working with an adviser to know how much you need to save now to live the same (or a better) lifestyle later on:



### PHASE FIVE: HOMEOWNER MAINTENANCE

Any homeowner knows that the responsibilities of owning a home continue long past the day you move in. Here are three ways to make your income last:

1. Live more modestly if necessary to make your income last the month
2. Jump into the gig economy and do part-time work to supplement your savings
3. Regularly review your investment returns and your expenses if need be. Don't just sit back and hope everything will be ok.



### PHASE FOUR: MOVING IN

On the day you retire, everything you've worked for comes together. But, as with moving into a house, decisions do still need to be made:

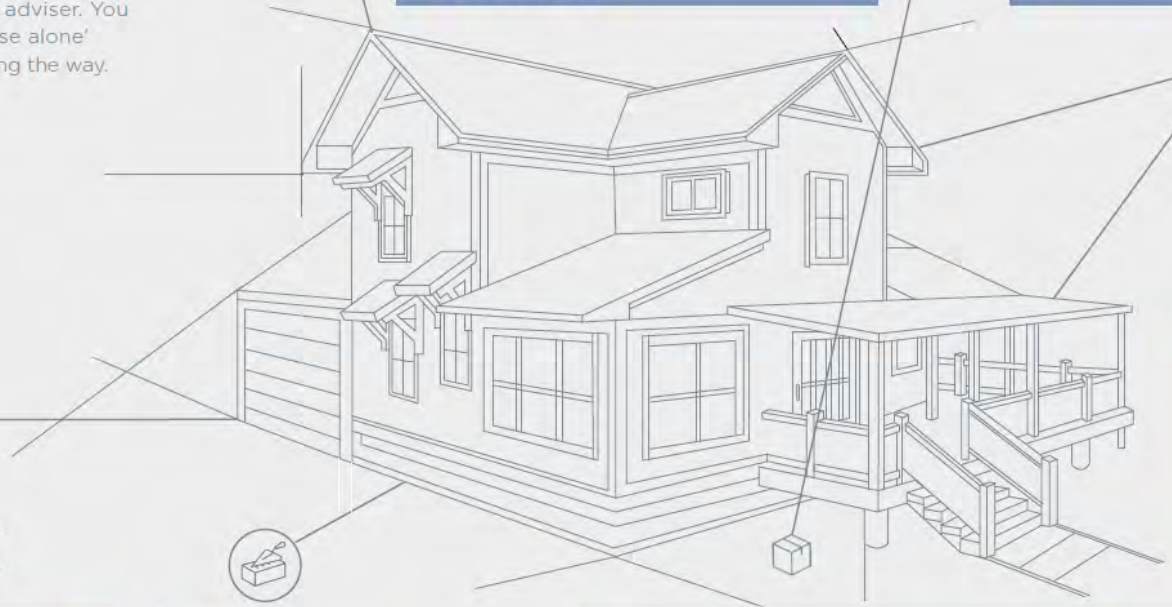
1. If you receive a lump sum, it's advisable to reinvest it
2. Do you keep your funds in your pension or provident fund, or transfer to a different retirement income vehicle?
3. Carefully consider the pros and cons of property as an investment



### PHASE THREE: ERECTING THE FRAME AND THE ROOF

Your framework sets the tone for the 'whole house' – if it's lacking, the house will be unstable or incomplete. Here's how to build a solid frame:

1. Pay your contributions on time every month. Increase the amount if possible as your salary changes
2. When you're younger, you may be less risk averse. As you get older, you may want to reduce this risk incrementally
3. If you're about to retire and haven't saved enough, you need to work closely with your adviser to make up the shortfall

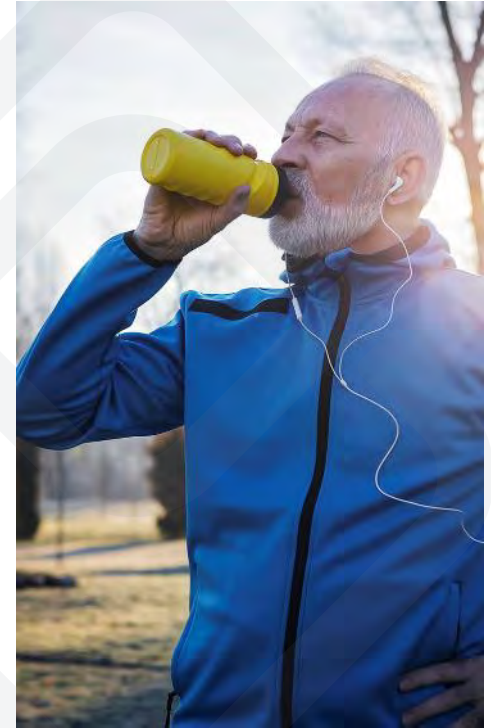


# WHAT WE HAVE BEEN SAYING SINCE 2019

Income stream management entails **shifting focus from the product to the goal**



A combination of traditional products into a tailor-made solution **strengthens the adviser's value proposition**



# THE REALITY

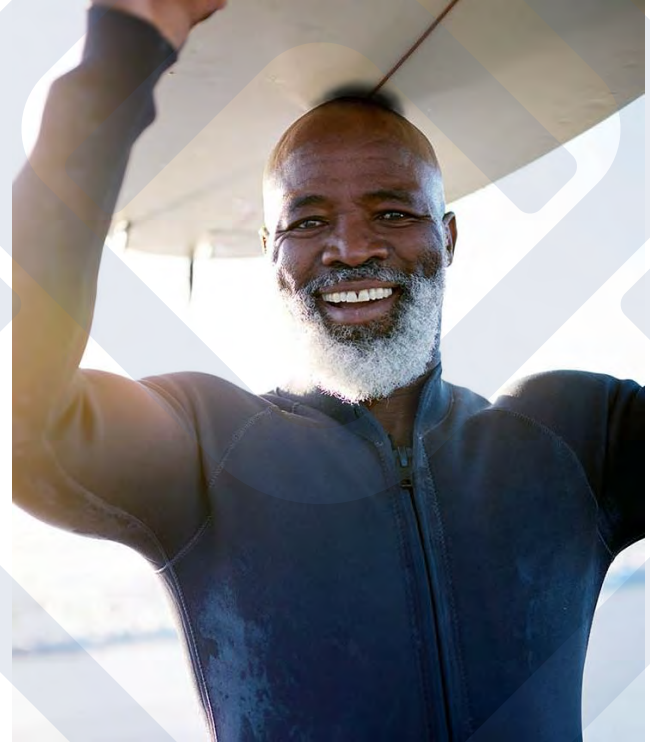
Retirement income is only as sustainable as the income purchasing power of the capital available

Lower costs cannot fix the dilemma of too little capital

**Tell the client whether you can offer advice or only damage control**

No singular product can make up for too little capital

Chasing performance is not the saving grace



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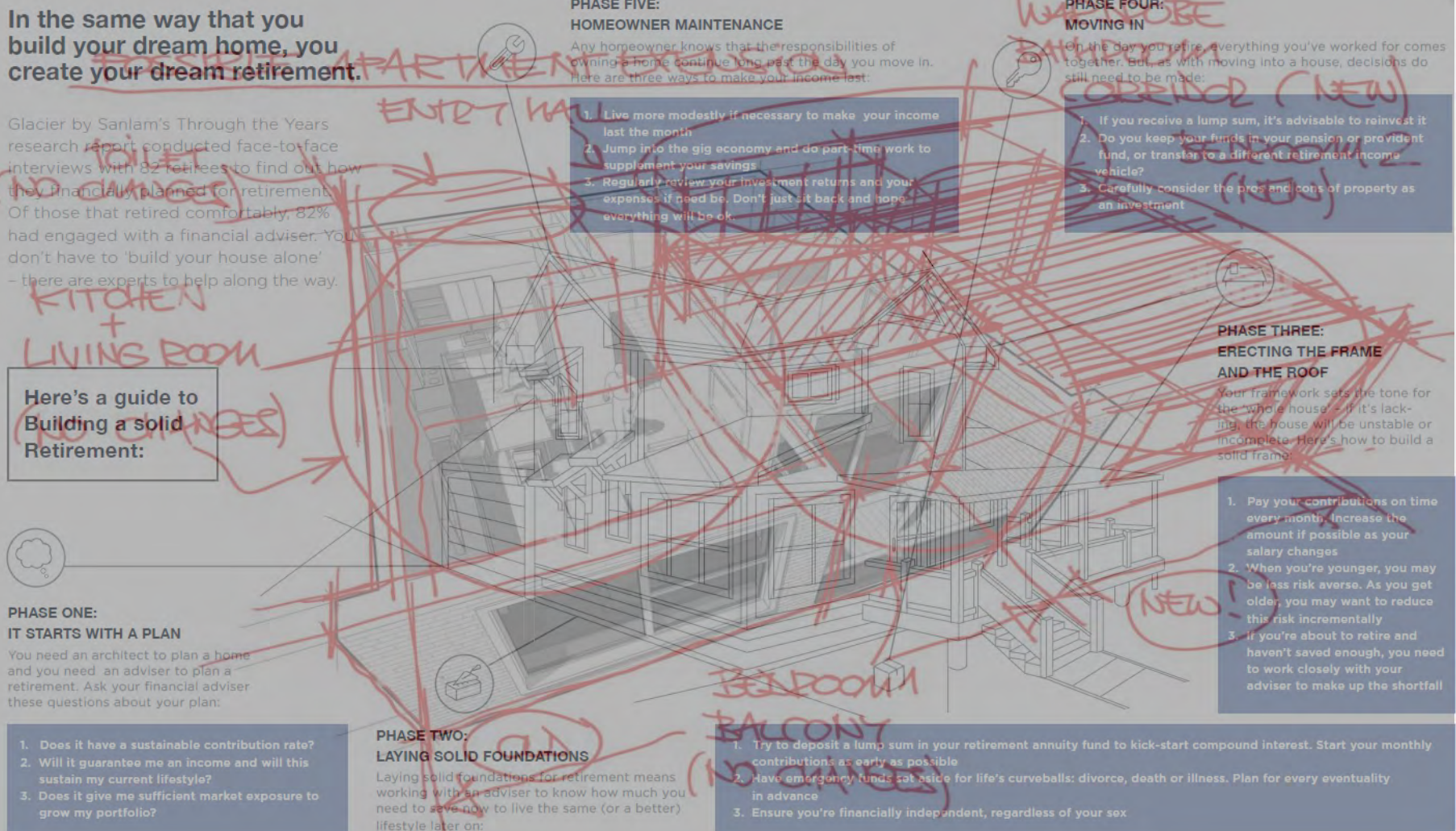
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[www.green-bicycla.com](http://www.green-bicycla.com)

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# LOOKING BACK ON RETIREMENT REFORM SINCE 2012

2015

**Tax-free investments**  
to support savings culture



2016

**Harmonisation**  
all retirement fund  
contributions are tax  
deductible but capped



2019

**Default regulations**  
preservation, investment  
strategy, income option  
and retirement benefit  
counselling



2019/2020

**Estate duty** liability  
changes that benefit  
income and preservation  
choices

2021

**Annuitisation**  
1/3, 2/3 rule at retirement  
for the members of all  
types of funds



2021

**Taking retirement  
savings offshore**  
Changing the concept of  
emigration to tax residency  
cessation for access



2021

**Sustainable  
post-retirement income**  
Rubber stamp on many  
annuity policies to provide  
retirement income



2022

**Offshore exposure**  
Reg 28 changes to  
increase prudential  
investment limits, more  
offshore exposure allowed

2014

**Tax deduction for  
post-retirement income**  
Section 10C



2014 - 2018

**Deferred/postponed  
retirement date**

# LOOKING FORWARD TO CURRENT PROPOSALS AND EXPECTATIONS



Transfers of separate plans in  
a retirement fund membership  
– TLAB 2022



Improved  
governance  
and conduct



Proposed 'two-pot' retirement  
system, culling full access to  
all savings at resignation and  
auto enrolment into retirement  
savings vehicles



Financial  
inclusion and  
transformation



Retirement fund consolidation



**COFI**  
Overarching  
conduct legislation

# BIGGEST RETIREMENT REFORM CHANGE

1

Controlled access to 1/3 of savings

2

Access not tax-efficient

3

Alleviate hardship, avoid high debt costs

4

Full access upon resignation taken away

5

Increased preservation

6

Will affect savings mindset and culture

7

Existing rights are not being taken away

8

Administration a potential nightmare

9

Implementation feared



Financial education

# LOOKING FOR THE SILVER LINING

> Member contribution rates have been declining since 2017

> 30.73% of respondents cashed all retirement savings upon resignation

> Not preserving when changing jobs, income replacement ratio of 75% during retirement

> Start saving at age      % of salary that needs to be saved

25	15%
35	24%
45	43%
50	60%

> Initial modelling by Sanlam Corporate does indicate better retirement outcomes with the two-pot system, even in the face of regular access to the savings pot

# REINFORCE FOR PURPOSEFUL RETIREMENT



- Build verandahs and patios as **separate** structures rather than extensions of the main building.
- If they blow off, **the rest of the house** will not be damaged.

375 x 426

# FSCAs 2022-2025 REGULATION PLAN

1

Conduct

2

Integrity and  
efficiency of  
financial  
markets

3

Broad scope  
of cross-  
cutting sector  
themes



# FSCAs 2022-2025 REGULATION PLAN

**Shaping the future of  
the financial sector for  
the benefit of South Africa  
as a whole.**



# PRINCIPLES FOR REDESIGNING THE REGULATORY FRAMEWORK

- ① **Harmonising** requirements

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- ② Facilitating a greater shift to **outcomes- and principles-based** requirements and less reliance on detailed rules-based requirements

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- ③ **Utilising interpretation instruments** like Guidance Notices more frequently, to inform outcomes- and principles-based requirements

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- ④ **Rationalising and synthesising** requirements as far as possible

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- ⑤ **Streamlining and consolidating** requirements as far as possible, to avoid multiple pieces of law, thereby creating a much simpler and user-friendly legal landscape

1

**Outcomes and principles applied in review – move away from only applying the rule**

2

**Use information and guidance effectively in planning and to educate**

3

**Apply logic and different approaches to the rules, then combine and harmonise**

4

**Streamline application and consolidate requirements, elements and objectives**

# TWO RULES TO HOLD ONTO WITH CONFIDENCE

1

Most things will prove to be **cyclical**

*Howard Marks*

2

Some of the greatest opportunities for gain and loss come when **other people forget Rule Number One**

Source: <https://multi-act.com/7-of-the-most-inspirational-investment-quotes/>



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