

NATIONAL SOCIAL SECURITY SYSTEM

Different strokes to make it work

A MAJOR CONCERN with retirement funds in South Africa – already being projected on to the proposed national social security system (NSSS) – is that many people cash out their retirement savings when they change jobs. Though the number is constantly changing, the average retiree has only 10 years' worth of retirement savings. That's cited as one of the main reasons people don't have sufficient money in retirement.

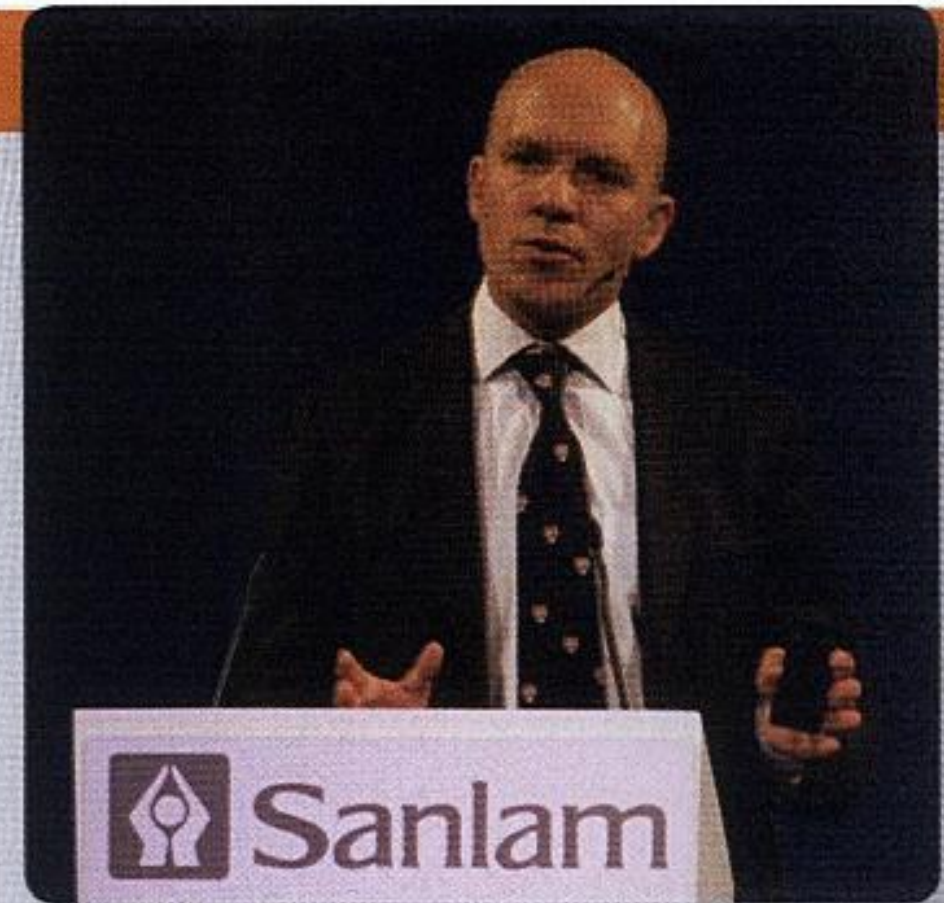
Looking towards Government's proposed system, a major concern is how it will draw the large number of SA's informally employed people into the net. Getting a large number of voluntary contributors to the NSSS and attempting to make retirement savings preservation mandatory could be conflicting aims, says an internationally recognised retirement fund economist. In fact, it could drive many people out of

the system, as similar state schemes did in South America, says Dr David McCarthy.

"I believe compulsory preservation will threaten the most financially vulnerable people in SA. There are vastly different levels of financial inequality here, so saving and spending priorities differ significantly between people at different income levels. So if we want people to enter and contribute to the NSSS they must be given access to their money if they need it."

McCarthy was the keynote speaker at the recent Sanlam presentation on its annual retirement fund survey, currently doing a roadshow throughout SA. Though based in London, where he lectures and does consulting work for the British government, McCarthy is originally from SA.

McCarthy says the NSSS can only work if it offers a flexible retirement savings vehicle to people. And, importantly, the costs of



Compulsory preservation will drive people away.
David McCarthy

running such a savings scheme must be reduced. "That's where Government can add value. By lowering costs, monitoring private sector involvement in the scheme and looking after the consumer."

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