



Benefit Design- Don't leave the poor behind

David O'Brien

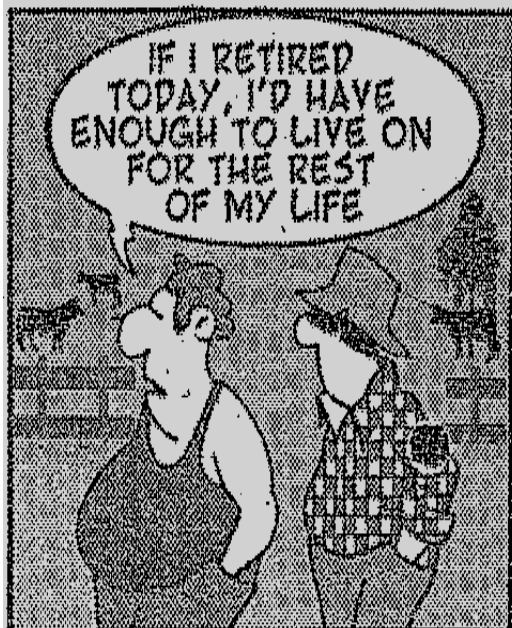
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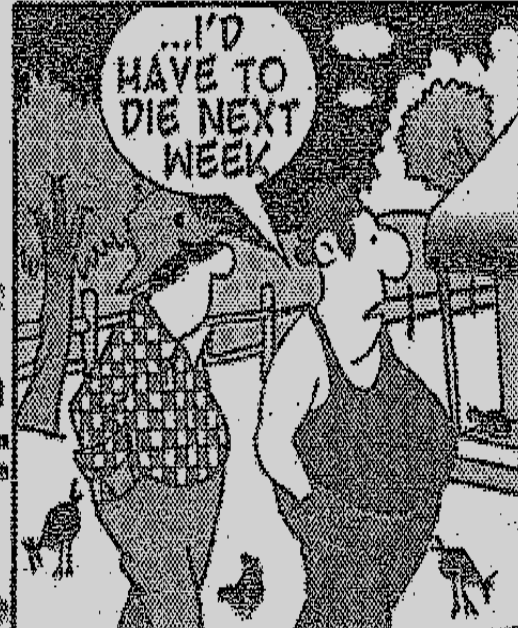
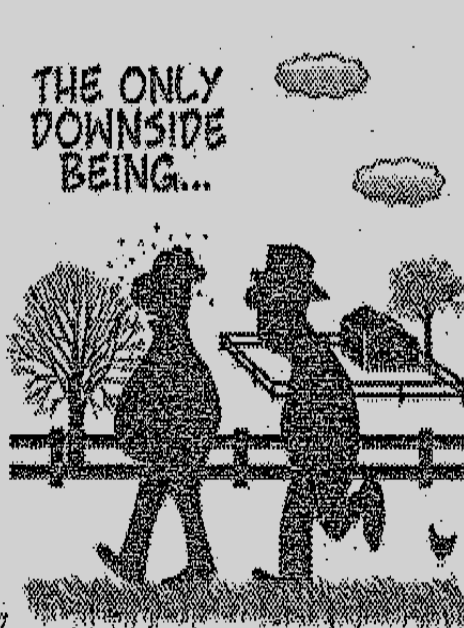
Never a truer word ...

CLANCY

Mark Lynch



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Unique challenges

- Unemployment @ 25%
- SA ranks 121st on UN Human Development Index
- Gini coefficient is 0.65 and growing
- Low Life expectancy
 - Prevalence of HIV/AIDS
 - Many of the poor will not reach retirement age
- Earnings patterns of the poor erratic
- Poor have more pressing needs than retirement savings

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Require unique solutions

- Formal economy not necessarily the best option
- Poor save in vehicles with social benefits
 - Home ownership
 - Education
 - Informal & community savings

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Low income members

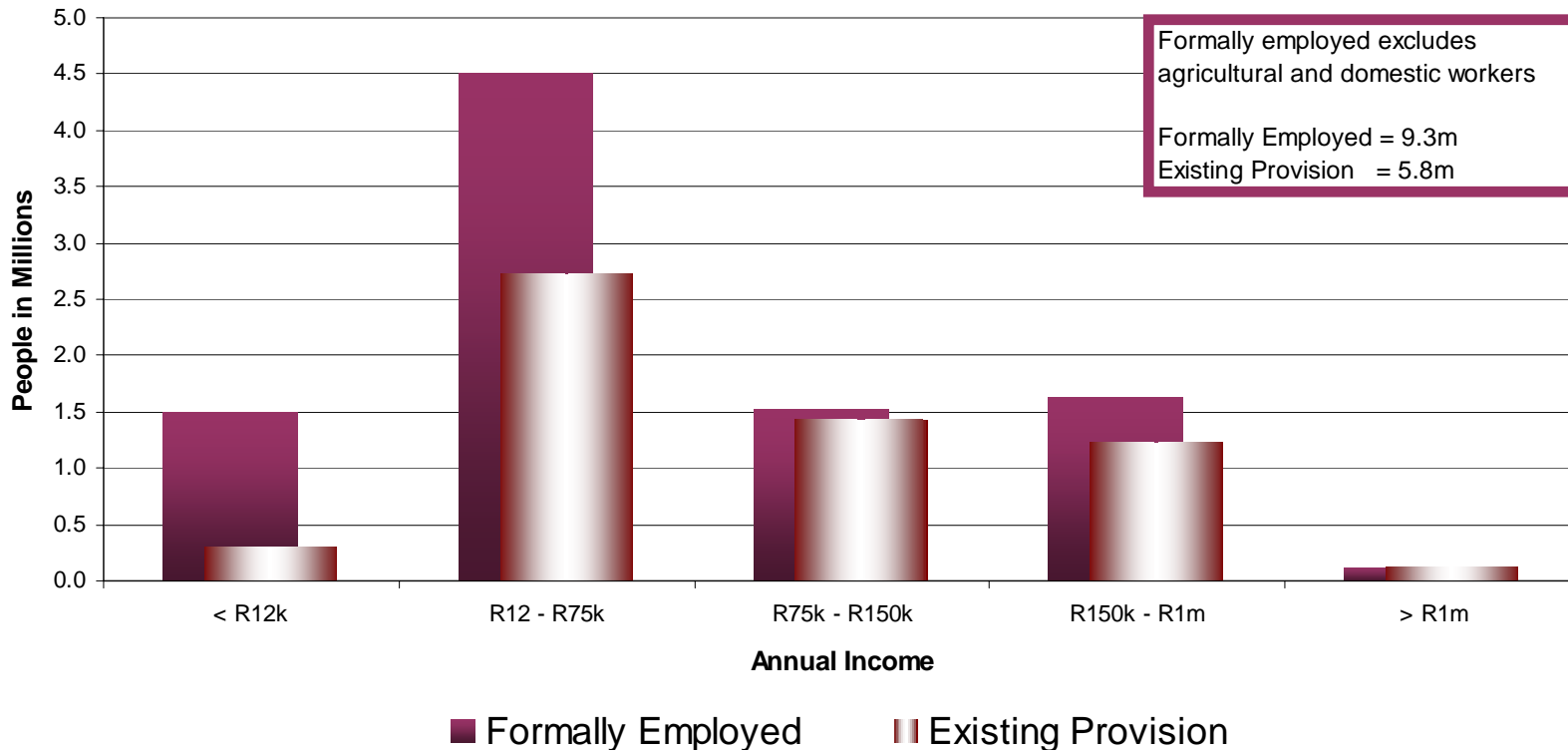
Formally employed	6,6m
Current system coverage	3,4m (52%)
Home ownership	37%
Average contribution	11%
Average income	R47,000 p.a.
Average retirement assets	R49,000
Average risk cover	2.5 x salary
Group Risk - GLA	R160,000
- LSDB	R136,000

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Earning <R133k pa, Old Mutual Analysis

Retirement Provision – Formally Employed

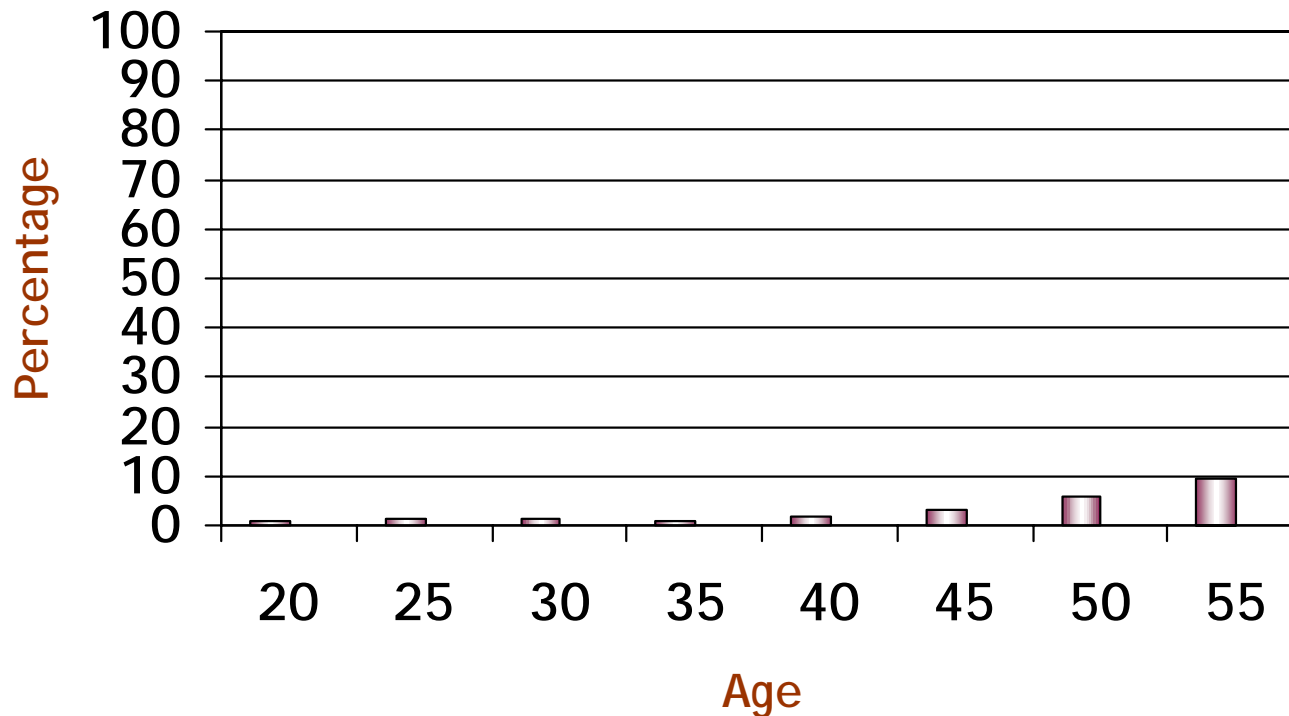


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Preservation Behaviour

% Benefits Preserved - Salary R0 - R70K p.a.



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Savings Attitudes

- Saving for retirement is not a priority
 - **67%** not currently saving
 - Incomes of working age people are lower than the income received from SOAG
- Prefer investments with tangible outcomes
 - Housing
 - Education
- Retirement income
 - **89%** age 60+ receive their income from SOAG
 - Remaining **11%** receive income from family / friends or have no income

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Savings Allocations

MAIN REASONS FOR SAVING	% SAVINGS
Emergency	43 %
Food	33 %
Funeral Costs	32 %
School Fees	20 %
Provide for family if you die	15 %
Furniture / Appliances	11 %
Medical Expenses	8 %
Retirement	5 %

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Finmark Trust

Social Release Valve - Australia

- Severe financial hardship (subject to proving hardship)
- Medical treatment
- To prevent foreclosure of a mortgage
- To help assist a disabled member
- Terminally ill
- Palliative care or death, funeral/burial expenses for a member/dependant
- Permanent incapacity

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Housing Fund – Mexico

- Infonavit - Pension Fund Manager and Mortgage Bank
- Loans are available for purchases, extensions, renovations and construction
- Issues 53% of mortgages in primary market and 25% in secondary market
- Largest Manager of Retirement savings in Mexico with 31% of funds
- Provides housing credit to 1.8 million workers / 10% of Mexican population
- Compulsory contribution rate 5 % of payroll, voluntary deposits allowed to a cap
- Low initial deposit
- \pm 5% interest (Commercial Banks charge from 9.4% to 13.5%)
- 15 to 20 year repayment terms
- Low income brackets fully financed
- Mid to high income brackets co-financed with private sector

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Education

Cost of basic education	Budget
Fees	R750.00
Stationery & Books	R300.00
1 x White Shirt	R40.00
1 x Grey Trousers/Skirt	R65.00
1 x V-Neck Jersey	R50.00
2 x Pairs Socks @ R20/each	R40.00
1 x Shoes	R100.00
Total per annum	R1345.00

Min. cost
per child
attending
school from
6 to 18
years old

± R18 000

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Think left and think right and think low and think high.

Oh, the thinks you can think up if only you try !

DR. SEUSS

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