irfa dispatch

THE RETIREMENT INDUSTRY NEWSLETTER

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Growth assets are the key to protecting retirement outcomes from high inflation

As rates breach SARB's upper limit, investors must ensure diverse and robust strategies to drive growth over the long term, says Old Mutual Head of Smoothed Bonus Products Marvin Nair

According to the South African National Treasury, only 6% of South Africans can retire comfortably, which is already cause for great concern. This situation is exacerbated by the fact that South Africans find it extremely difficult to save the 15% of their income needed for a solid retirement. In addition, preservation when changing jobs is voluntary under the current pension fund system, which leads to less favourable outcomes when these funds are accessed before retirement. The impending 'two-pot' retirement system, which comes into effect on 1 March 2024, will likely lead to a dramatic increase in the number of people who can afford to retire comfortably. It will allow for limited withdrawals from the 'savings pot' for emergencies but no access to the retirement pot savings when changing jobs, guaranteeing the preservation of at least two-thirds of their retirement funds.

In the meantime, we must contend with and plan around our current reality. Deloitte's South African Investment Management Outlook 2023 revealed that South Africa's savings rate is below that of its emerging market peers and is one of the lowest in the world at only 0.5%. Some reasons for our low savings rate are high unemployment, household debt burden and financial pressures to meet immediate needs. This scenario does not mean people do not want to save for their future. Retirement planning is a personal journey, and a 'one size fits all' investment strategy may erode value and detract from one's goal. Numerous economic variables increase the cost of living and adversely impact retirement outcomes, and some are beyond our control.

Beware the erosion of value

Inflation is one of the variables that hurt retirement outcomes, particularly during sustained periods of high inflation. Inflation is a sustained increase in the general price level of goods and services over time, usually measured over a year. The year on year inflation rate was reported as 6.3% by Stats SA as of May 2023, which is still outside the upper limit of the SA Reserve Bank's target range of 3% to 6%, and, therefore, can be considered a high inflationary environment. Most South Africans have experienced the impact of the current inflation rate, especially when grocery shopping. For example, in 2019, a can of Koo Baked Beans cost around R9.99; today, its average price is roughly R16.99. If the price increases at the current cost of inflation of 6.3%, it will cost you R23.06 in five years. If you put the R16.99 under your mattress and do not have the extra R6.07 in five years, you better develop a taste for a more affordable brand of Baked Beans sooner than later, because your beloved Koo would be too costly to afford. This example demonstrates that if your money is not growing or growing at a rate lower than the general increase in the cost of goods and services, it essentially means that your savings are losing value year after year. Effectively your money will be worth less because you can purchase fewer goods and services with the same amount - this can be referred to as 'erosion of value'.

While regularly contributing to your nest egg is at the core of any retirement plan, ensuring that your retirement savings and investments grow higher than inflation is also essential. It would thus be best if you were actively engaging with or keeping aware of certain economic factors requiring you to speak to your financial adviser to revisit your investment portfolio and the desired retirement outcomes, since 'nothing is ever cast in stone'. Members of company pension funds are not immune to inflationary risk; fund managers place contributions into low-risk assets to protect the member's capital as much as possible. However, this comes at a cost, as the expected returns are lower. The growth of the member's fund interest is nominal. Being a pension fund member entitles you to performance updates from the fund and its trustees. These insights will assist you in making decisions on alternative investment vehicles to supplement pension fund returns and provide additional cover to buffer the effects of inflation on your desired retirement outcomes.

Growth assets are crucial

Every investor should try and maximise their contributions and returns to have an optimal outcome in retirement. They need to engage with a financial adviser to map out exactly what the retirement planning journey will look like. After considering one's contribution rate to your retirement fund, the next retirement strategy is to have a good mix of asset classes to enable the best possible chance of growing retirement and preserving funds sustainably. That would include a focus on equities, properties, and alternative assets, which are generally expected to outperform inflation over the long term. Investors can also utilise investment portfolios to mitigate the inflationary risk and ensure that their retirement nest egg is protected from short-term volatility and long-term losses over time.

For example, Old Mutual provides clients with the benefit of having the best of both worlds through its smoothed bonus portfolios, which allows the client to have growth asset exposure right up until their retirement date, but with protection against short-term volatility and explicit guarantees, which means clients have desirable risk mitigation built in. Retirement daunts many people, but this need not be the case. A few life changes can dispel your anxiety and fears. Firstly, find a reputable financial adviser, map out your retirement goals and how much you will contribute to your retirement fund, consider investment options that align with your plan, start working from a budget, start saving and make the commitment for the long haul. Being proactive in managing your investments will ensure they remain on track to achieve your desired retirement outcome.

FA News | 18 July 2023

How to approach the envisaged Two-pot retirement system

South Africans have long struggled as retirement savers, with only around 5% retiring with sufficient financial means to maintain their pre-retirement lifestyle. This statistic underscores the need to comprehensively evaluate the retirement savings landscape.

According to Gary Mockler, CEO at GTC, leading financial wellness and advisory business "Saving a mere (say) 10% to 15% of one's earnings over a 40-year career and expecting it to sustain you for another 30 years in retirement, is inherently precarious. Moreover, the reality is that this gross contribution often includes deductions for insurance costs, fund charges, and administrative fees, resulting in a smaller less significant net investment amount funding retirement savings. As the sixth-largest provider of retirement fund administration in South Africa, GTC's statistics concur with other industry surveys, reflecting an average net retirement contribution of around 12%." While contemplating the use of retirement savings for short-term needs, it is crucial to understand the origins of the "Two-pot system." Government has considered mechanisms of using long-term retirement savings for shorter-term investment objectives - for various reasons.

This was initially driven by the financial stresses of the Covid-19 pandemic and subsequent lockdowns. Concurrently there has been an increasing trend of employees using resignation as a mechanism to access their retirement savings (with punitive tax consequences). There is clearly a need for South African employees to have access to contractual savings to cover unanticipated events. The Two-pot retirement system - as currently positioned - appears to have evolved into a broader financial access system, detracting from the emergency contingency mechanism originally envisaged. The question that a retirement fund member must address should not revolve around whether a portion of retirement savings can be accessed during their working years. Rather, the inquiry should focus on whether that member will be able to achieve their financial goals - both in the present and in their retirement.

Each retirement fund member measures their living standards and wealth accumulation according to their own benchmarks. To categorise retirement fund members and assess the South African retirement fund market generally, one would make use of the conventional Living Standards Measure (LSM 1-10). By this standard, those closer to level 10 could well elect to measure themselves internationally. They could choose to work and reside elsewhere in the world. On the other hand, those on the lower end of the LSM scale (and in this exercise we should include the 33% of the South African population who are unemployed) will have far more modest benchmark aspirations, and sadly for many a more realistic socio-economic benchmark is the Upper Bound Poverty Line (UBPL), as defined and measured by Stats SA.

Mockler concludes, "As we approach mid-2023, it is unlikely that many South Africans, irrespective of their LSM categorisation, find themselves in the financial positions they aspired to, just a few years ago. As South Africans, we have not historically been avid savers. We are experiencing accelerated impoverishment. Enforcing compulsory retirement savings while disregarding many families' significant financial shortfalls is incongruous with conventional financial planning methodologies. Criticising the early withdrawal of retirement funds for immediate use is akin to blaming the symptoms and not addressing the underlying cause.

"At the same time that Government considers dividing compulsory monies into various pots (and robbing from Peter to pay Paul), they must prioritise economic growth initiatives, contain expenditure, ensure fair revenue collection from citizens, and account honestly for monies received and spent. Once these basic objectives are met, the Regulator may then consider the allocation of a finite amount of savings away from an individual's long-term savings into short-term drawings. Until South Africans are able to create real wealth (and for many this is too grandiose an objective), we must acknowledge that desperate times call for desperate measures and that short-term financial stress takes priority over retirement savings."

FA News | 13 July 2023

Municipalities owe millions in pension

Finance Minister Enoch Godongwana said there were nine municipalities that had disclosed information on arrears of monthly statutory contributions to pension funds. Of the nine municipalities, six collectively did not pay more than R81.5 million collected from employee pension contributions to the pension funds.

This emerged when Godongwana was responding to parliamentary questions from DA MP Rochelle Spies, who asked for a list of municipalities that were in arrears with the payment of their mandatory contributions for staff and councillors. Godongwana said the National Treasury collected outstanding creditor's information via the Local Government Database and Reporting System (LGDRS) on a monthly basis. "Although the list of outstanding creditors includes pension fund contributions, it does not provide a breakdown for outstanding medical aid contributions, but this category is lumped under other payables. The National Treasury is putting measures to facilitate the collection of such information for further purposes.

"Another challenge is that some municipalities might choose not to disclose this information in their submissions to the National Treasury's database, which makes it challenging to get an accurate picture of municipalities owing the pension funds." Godongwana also said only four municipalities in the Free State and five in the Northern Cape had disclosed the information on arrears of monthly statutory contributions to pension funds. The Kai Garib Municipality, which has defaulted since February 2022, was in arrears by R30m. The Renosterberg Municipality has defaulted since May 2017 and owes R19.1m in pension fund and medical aid contributions. The Ubuntu Municipality, which has been in arrears since March 2023, owed third parties R3.4m while Thembelihle Municipality owed R5.1m since December 2021.

The Kheis Municipality has been defaulting since July 2021 and is in arrears by R19.9m while the Magareng Local Municipality is in arrears for R4.3m and has been defaulting since March 2021.The National Treasury has the power to stop the transfer of the equitable share to a municipality when it persistently fails to honour its financial commitments under certain conditions. These include the requirement that municipalities report on the non-payments to the South African Revenue Service, with pension and other staff benefits deducted from municipal officials to be paid over the appropriate funds and/ or institutions. Godongwana said the National Treasury had communicated the criteria for the release of the Equitable Share in its annual budget circulars. "Included in the criteria is the requirement to table a funded budget in terms of Section 18 of the Municipal Finance Management Act (MFMA) as well as making adequate provision to repay all creditors in terms of Section 65(2)(f) of the MFMA.

“Every time we receive correspondence from the respective pension funds administrators on outstanding payments or accounts, the National Treasury will send a letter to the respective municipality requesting reasons as to why they have defaulted.” The minister said none of the municipalities compensated any municipal officials or councillors affected by the no-payment of monthly contributions to the pension funds and medical aid funds. “The responsibility to ensure this is avoided at all costs is with the respective municipal councils,” he said. However, employees at Renosterberg Municipality instituted a lawsuit against the municipality, but it was dropped when there was follow-through. Godongwana said criminal charges were laid against the former administrative and political leadership of Renosterberg Municipality. “No arrest has been made and the criminal case is still under investigation by the law enforcement agencies as of May or June. The municipality has not received further communication from the law enforcement officers other than the charge sheet.”

Cape Times | 26 July 2023

‘Unretirement’ trend grows as older South Africans head back to workNews24

Here’s the good news. We’re living longer than ever before, and enjoying a better quality of life, while we do. The bad news is that less than 10% of South Africans have enough money to retire, which means many older people are working for longer just to make ends meet. It’s part of a global trend known as ‘unretirement’, which is seeing older people across the world flooding back to the workforce to supplement their incomes or simply to stay busy – and it’s having a major impact on retirement planning, says employee benefits advisory firm NMG Benefits. Statistics SA data suggests that between 2002 and 2020, the life expectancy of South Africans increased from 59.9 years to 64.6 years for men, and from 67.2 to 71.3 years for women. At the same time, the Pew Research center says the number of people living to 100 years and older is expected to grow to nearly 3.7 million by 2050, from just 95 000 in 1990.

The challenge lies in funding this new-found longevity, says Janice Masencamp, Head of Retirement Fund Consulting at NMG Benefits. South Africans are notoriously light on their retirement savings, and according to Sanlam’s benchmark survey report, one in five consumers say they will never be able to retire. NMG figures show that the average replacement ratio for retirees declined from 35% in 2019 to 32% in 2021. This means the average member of a retirement fund can expect an income of 32% of their pre-retirement salary after they stop working. “South Africans aren’t very good at saving or planning for their retirement at the best of times. Now, as we live for longer, we’re getting to a point where we should start planning as if we’re going to live to 100, and align our goals accordingly. This will have a major impact on the way we do financial planning. And those who don't have enough retirement savings will keep working until they're no longer able to," says Masencamp. Legally, there's no mandatory retirement age in South Africa. However, a retirement age is often written into employment contracts, and employees need permission from their employers to keep working beyond that age. There are clear benefits to employers of having older, more experienced employees in the workforce. They have valuable skills, knowledge, and experience which can be passed onto younger generations. Studies suggest people who work longer retain higher levels of energy and mental alertness, reduce their chances of cognitive diseases such as Alzheimer's and retain a continued sense of purpose and belonging.

However, for most 'unretirees', the biggest advantage of staying in the workforce is the ability to generate additional income and having more years to save towards retirement. "By working for only four extra years, post-retirement income can increase by about 10%. By working for an additional 10 years, this income can almost double," says Masencamp. "It's also crucial that working South Africans start actively planning for retirement as early as possible. This includes speaking to a financial planner, who can help navigate the numerous options for investing your retirement income based on your own personal needs, especially with the new 'two-pot' system being implemented. A planner will help you understand your various options and alternatives when it comes to deciding to withdraw or not, and what the ramifications of those decisions will be."

Cape Business News | 25 July 2023

What happens to my retirement fund if I get divorced?

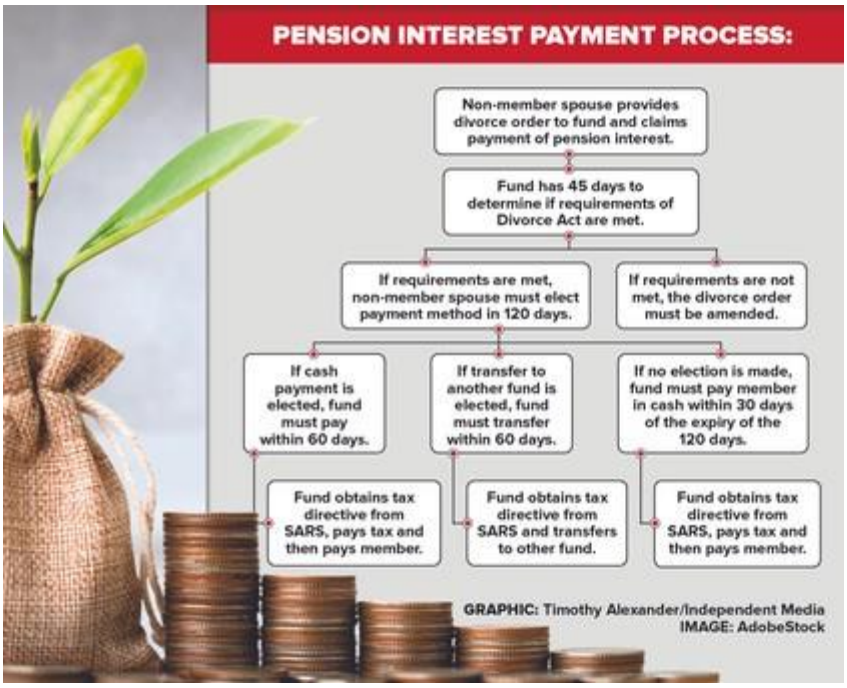
According to Statistics South Africa, in 2021 the Department of Home Affairs registered 106 499 civil marriages, 2 676 customary marriages and 2 240 civil unions. During the same year, the department registered 18 208 divorces. An issue that sometimes enjoys little attention is the division of assets built up by the divorcing parties to provide a carefree retirement, By Brett Ladouce

If you are married in community of property or out of community of property, but with the inclusion of the accrual system and/or with the inclusion of community of profit and loss, your retirement fund savings ("pension interest") will be deemed to form part of the assets that the divorce court can divide between you and your soon-to-be ex-spouse. The court that issues the divorce order can order your retirement fund to pay a portion of your pension interest to your spouse. The Divorce Act defines "pension interest", in relation to an occupational retirement fund, as the withdrawal benefit that you will be entitled to in terms of your employer-based retirement fund if you resigned on the date of your divorce. If you, for example, would have been entitled to a withdrawal benefit of R500 000 from your retirement fund if you resigned on the date of divorce, then the pension interest will be R500 000. The pension interest value will always be equal to the withdrawal benefit as of the date of divorce. In relation to a retirement annuity fund, “pension interest” is defined as the total contributions the owner of the policy made up to the date of divorce plus interest on the contributions calculated at a prescribed interest rate. Depending on the investment growth of the money in the retirement annuity fund measured against the prescribed interest rate, it is possible for the pension interest amount to differ from the fund value on the date of divorce.

If you are married out of community of property without the accrual system and without community of profit and loss after 31 October 1984, your pension interest will be excluded from the assets that the divorce court can divide between you and your spouse at divorce. There is no rule that states that your soon to be ex-spouse is entitled to 50% of the pension interest. You and your spouse can negotiate what portion of the pension interest will be payable to your spouse, but it cannot be more than 100% of your pension interest. The divorce order must meet the following requirements before your retirement fund can pay a portion of your pension interest to your ex-spouse:

The fund that must make the payment must be correctly identified. If you are, for example, a member of the ABC Pension Fund, the divorce order must refer to ABC Pension Fund. The order cannot refer to ABC Provident Fund, ABC Retirement Fund or ABC Pension Preservation Fund. It must be possible to identify the correct fund from the wording of the divorce order. It must refer to the division of the pension interest of the member. References to provident interest, pension benefits, retirement benefits, member share, fund credit and fund benefits are not acceptable as “pension interest” has a specific meaning in terms of the Divorce Act. There must be an explicit order against the retirement fund to make payment to the non-member spouse. The order must, for example, contain the following wording:

“The ABC Pension Fund is hereby ordered to pay 60% of the pension interest of the Plaintiff (member spouse) to the Defendant (non-member spouse.)” Payment cannot be made by the fund if the fund is only ordered to make an endorsement in its records that payment must be made to the non-member spouse.“ If you and your spouse decide to get divorced, ensure that you include the pension interests of all the funds that both of you are members of in the discussion regarding the division of all assets in an equitable manner.



Personal Finance | 19 July 2023

INTERNATIONAL NEWS

UK pension funds must broaden investments, new regulator warns

UK pension fund trustees must consider increasing the range of their investments, including in start-ups or other illiquid assets, or face “robust” intervention, the British regulator has warned. Nausicaa Delfas, newly appointed chief executive of The Pensions Regulator, added that it was important for trustees of defined contribution plans to have the expertise to assess more complex assets — and advised that, if they did not, they should look to consolidate or even wind up their schemes. “Trustees have a duty to savers to act in their best interests. That means properly considering the full range of investment options.”

The remarks, in Delfas’s first media interview since taking up her post in March, come alongside a government push to unlock billions of pounds of cash in public and private sector pensions for investment in British business. Earlier this month chancellor Jeremy Hunt unveiled a compact with nine of the UK’s largest pension companies and funds to allocate up to 5 per cent of their portfolios to private equity. Hunt said his “Mansion House” reforms could unlock an additional £75bn for high-growth businesses, while a wider set of reforms to DC pension schemes would increase a typical earner’s pension pot by 12 per cent over the course of a career. Unlike traditional “defined benefit” pension plans, where retirement income is guaranteed, newer “defined contribution” plans provide no certainty over eventual retirement income, with outcomes largely dependent on investment returns. Delfas, who was previously executive director of governance at UK regulator the Financial Conduct Authority, said the DC market was driven by a focus on the cheapest fees rather than overall value, which meant that trustees were not looking at assets that could deliver the best outcomes over the long term. “We expect that those schemes that have the scale and expertise are able to invest in a diverse range of assets,” she said, adding that “productive finance”, such as illiquid investments, start-ups and growth assets, had a part to play in a diversified portfolio.

“Clearly, some of the more sophisticated investments cost more, but our view is that even now, even within schemes are not actually using the full range of costs (available to them),” said Delfas. “The challenge of the last decade was how to get people saving. And now the challenge for us is how do we make sure that they get the right value from their savings.” Some fund trustees expressed concern that the Mansion House pact amounted to ministerial over-reach in their duty to act in members’ best interests, adding that the financial gains from private equity investment had been overstated by the chancellor. But Delfas defended the pact. “This is a voluntary agreement by the parties and it shows the intent to look at a diverse portfolio of assets. “We expect DC trustees to look at whether or not they are competent to conduct these kinds of [illiquid] investments and when not, then they should really look to consolidate their scheme or wind it up,” she said.

Ensuring that trustees overseeing investment decisions have the skills to assess more complex assets, and to challenge the advisers who may recommend them is a key issue for the regulator. The UK gilt market blow-up last September, which was triggered by the disastrous ‘mini’-Budget of then-prime minister Liz Truss, exposed a lack of knowledge of complex investment strategies among some trustee boards. It also revealed shortcomings in the regulator’s assessment of how these strategies were being used by pension funds. Delfas said she would like to see a professional trustee on every trustee board “but that’s hard to do at the moment with the number of schemes that exist”. A core priority for Delfas is accelerating consolidation in the DC market, which is dominated by thousands of smaller schemes, which would see the emergence of bigger and more professionally governed plans.

Data published by the regulator last month showed that only around a quarter (24 per cent) of DC schemes were meeting a requirement to assess value for members, with larger schemes, such as master trusts, more likely to meet it. “We believe that bigger schemes, with that greater scale and expertise, can deliver greater outcomes,” she said. “Trustees not doing what we expect can expect us to intervene more robustly, and be more assertive around the need to consolidate if they fail to improve or if they are not meeting regulatory requirements,” she added, warning that “we intend to fully use the powers that we have”. The regulator can pursue enforcement action against trustees who do not meet their duties and the government is considering whether to extend them to include the forced consolidation of schemes in the most egregious cases. Ensuring that investments in areas like private equity, which typically levy performance-based fees, do not erode returns, will be key for trustees. Government analysis published this month showed that typical private equity fees could leave some young pension savers worse off. Delfas cautioned that trustees would also have to look "carefully" at whether City fund managers could bring down their fees to reduce risks to pension savers. "My sense is that there needs to be a market solution," she said.

"The value for money framework will provide that lever for competition, and that clarity between schemes and the markets will naturally move." Nausicaa Delfas qualified as a solicitor in 1992 and has nearly two decades of experience in senior UK regulatory and enforcement roles in the UK. She joined TPR in March after six months as the Financial Conduct Authority's executive director of governance. Prior to that she was chief executive and interim chief ombudsman of the Financial Ombudsman Service, clearing its backlogs and spearheading its strategic, operational and digital transformation. She has held a variety of other senior positions in the FCA and its predecessor, the Financial Services Authority, including chief operating officer and executive director, international, in which she led the regulator's international and post-Brexit strategy.

Financial Times | 25 July 2023

Rule amendments opens Namibia building workers pension fund for wider membership

Pension benefits for workers and professionals in the construction industry are now available on a much broader scale, following changes to the rules of the Namibia Building Workes Pension Fund (NBWPF). At a breakfast meeting on Wednesday 26 July, the fund announced that certain critical rule amendments have been introduced to make the fund more attractive for higher income earners, and to expand the potential membership base. Per an agreement between the Construction Industries Federation (CIF) and the Building Workers Union, MANWU, the Namibia Building Workers Pension Fund was instituted in 1990. That same agreement made it compulsory for all CIF members to register their workers as members of the fund.

The Principal Officer of the fund, Mr Enwich Kazondu, said "We are reaching out to all professionals in the construction sector to join the NBWPF and register themselves and their employees with the fund. The NBWPF has been created as an umbrella fund for the construction sector and we really understand the industry. With the recent rule amendments we now can cater for all employers and employees in Namibia's construction sector". The fund is now in a position to accommodate members from the various professional associations that provide serviced to the construction industry. These include the Engineering Council of Namibia and the Namibia Council for Architects and Quantity Surveyors, as well as the Association of Consulting Engineers, Engineering Professions Association of Namibia, the Institute of Namibian Quantity Surveyors, the Namibian Institute of Architects, the Namibian Society of Engineers, and the Namibian Renewable Energy Industry Association. Chief Executive of the Construction Industries Federation,

Ms Bärbel Kirchner, said "Whilst the provision of a pension fund is mandatory for workers on construction sites, the aim is to encourage employers to include all their employees and that employers of related industry professions – architects, engineers and quantity surveyors – also make provision for retirement benefits for themselves and their employees." Mr Gordon Goeieman, chairperson of the NBWPF trustees, and member of the executive committee of the Construction Industries Federation, commented "We are extremely proud that we are ahead of the game and that our sector is one of the few, if not the only sector where the provision of a pension fund is mandatory. But let's face it, the mandatory requirement will eventually extend to sectors beyond the construction industry. Taking into consideration the current global as well as our local economic environment, it becomes obvious that everyone needs to make provisions for retirement, starting as soon as possible."

News Services | 26 July 2023

Pension funds and managers partner to diversify investments

The deal was signed during the KEPFIC 2023 Investment Conference

The Kenya Pension Funds Investment Consortium (KEPFIC) and the Fund Managers Association (FMA) will now share expertise in pursuing diversified investment opportunities for local pension schemes. The Memorandum of Understanding (MOU), signed during the KEPFIC 2023 Investment Conference on Friday last week, formalises collaborative efforts between the two lobby groups. "The purpose of the MoU is to promote pension investments in infrastructure and alternative assets aimed at achieving diversification together with higher returns for a sustainable future for pension beneficiaries,'' they said in a joint statement. KEPFIC is a pension industry initiative, supported by USAID and the World Bank Group, formed to support Kenyan retirement funds to make long-term infrastructure and alternative asset investments to diversify their portfolios and seek higher returns.

It works with pension schemes to overcome challenges such as limited visibility on alternative investment opportunities, large capital requirements, and a lack of specialised investment expertise. KEPFIC will lead in scouting and screening of viable prospects while FMA will conduct independent assessments of shortlisted opportunities, and showcase these investment prospects to pension funds. The head of the KEPFIC Secretariat and CEO, Spearhead Africa Ngatia Kirungie says they are keen to work with the FMA member fund managers and leverage their investment management expertise on commercially viable opportunities to promote the uptake of alternative assets investments in pension portfolios. “The need for portfolio diversification has never been stronger and we are pleased to formalise the relationship between KEPFIC and the FMA as we both work towards the common goal of ensuring optimal returns for our local pension schemes,’’ Kirungie said.

FMA chairman Patrick Kariuki on the other hand said fund managers have a responsibility to be good stewards of retirement funds for millions of individuals. “Working with KEPFIC will allow us to explore investment opportunities that have the potential to enhance investment portfolios for our pension schemes. We look forward to harnessing our collective expertise; contribute further towards diversification and responsible stewardship of pension funds,’’ he said. Last week pension schemes were presented with deals worth Sh700 billion in alternative investment assets spanning across different sectors among them energy, affordable housing, healthcare, water and sanitation, transport and logistics, agriculture, telecoms, and ICT.

The Star | 26 July 2023

OUT OF INTEREST NEWS

Savings month: How Gen Z can make maximum impact through investment

At a recent **Sanlam Investments event, Critical Conversations**, 21% of polled participants said their investments align with their personal values and sustainability goals. Panel member Dion Chang, founder of Flux Trends, said that this percentage is only going to increase as the Gen Z client comes to the fore. Energised by social justice, this generation is ethics-oriented and likely to invest deliberately, with the goal of using their money to mobilise social impact and sustainability. This Savings Month, Sanlam Investments experts speak to how Gen Z can prioritise values in investment decision-making to generate robust social and financial returns for the long term.

Be deliberate and engaged with how you invest

Paul Wilson, Chief Investment Officer for Sanlam Investments Multi-Manager, says, "Know which causes matter to you most and find out how you can support these, while building your wealth." Wilson suggests being actively engaged in pushing for a portfolio that generates sustainable impact. This means mindfully selecting investment options that align with the ways you'd like to change the world. Pawan Singh, Head of Alternatives: Multi-Strategy at Sanlam Investments, adds, "If you are passionate about job creation, consider investing in small and medium-sized enterprises (SME) financing or if climate mitigation is what matters to you, invest in a product that finances renewable energy projects." Consider reading the **United Nations Sustainable Development Goals** (UN SDGs) for inspiration on causes to champion.

Use Open AI carefully

Teboho Makhabane, Head of ESG and Impact at Sanlam Investments, advocates for constant research. "Do research to guide you on which companies and funds prioritise environmental, social and governance (ESG) factors. These can be companies that support businesses that have strong sustainability practices, promote social equity, and demonstrate responsible governance." Open AI could be a powerful 'ally' to collate this kind of information quickly, giving instant insight into a company's ESG credentials and performance.

Build a portfolio that reflects your values

"Sustainable investing is the future and it is here to stay. Always understand what you're investing in, it can be very rewarding when you actively invest with intention, says Natasha Narsingh, Chief Executive Officer at Sanlam Investment Management. "There doesn't have to be a trade-off – ESG investing can achieve both a measurable social and environmental impact as well as attractive returns." Gen Z also need to seek out asset managers whose values align with their own. Sanlam Investments is committed to driving maximum impact through smart investment. Gielie de Swardt, Head of Retail Distribution at Sanlam Investments, says, "Investors are moving away from traditional investment styles and seeking out alternative areas of wealth. We (asset managers) need to adapt accordingly." Sanlam Investments is passionate about empowering Gen Z clients to invest with confidence in the causes they care about.

FA News | **11 July 2023**