

THE CONVERSATION

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Perceptions about retirement can inform whether black South Africans save or not

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Retirement can either mean a loss of identity and social relations, or freedom from a dictated schedule. Shutterstock

Every person who is younger than retirement age is encouraged to plan and consistently save for retirement. However, few individuals actively plan for their retirement. This results in most South Africans becoming poorer during their retirement years. South Africans struggle with saving for retirement for a combination of reasons, some of which include high levels of debt and low levels of disposable income.

Other than assessing the extent to which people save for retirement, their attitudes towards retirement must be considered when creating a retirement plan. This is because one's attitude to retirement may either encourage or dissuade one from planning for it.

Little research has been conducted about how individuals in South Africa – particularly black people – perceive retirement. Previous research has found that individuals who have saved for retirement are more likely to actively engage in retirement planning and ultimately retire comfortably financially. So it is possible to suggest that, if one has a positive attitude towards retirement, retirement savings will occur.

I sought to find out how black South Africans view retirement.

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In my study, I interviewed 145 individuals living in the Eastern Cape province who hadn't yet retired.

Most of the respondents had a positive attitude towards retirement and looked forward to retiring. Many had also considered retiring early because of a lack of interest in their work, stress at work, poor health, or a combination of these factors.

The respondents agreed that having adequate financial preparations remains critical in achieving financial independence at retirement. The research found that where financial preparations have been made, individuals are more likely to have a positive attitude towards retirement. Where a positive retirement attitude is present, planning for retirement is likely to occur.

What I asked

I asked people to respond to the following statements:

Gains in leaving work:

- It is worthwhile retiring, because it means the end of all that is frustrating about work
- Retirement means being free to do what one wants
- When one is retired, it gives one the luxury of not living according to a work schedule

Losses associated with retirement:

- I am concerned about being bored at retirement
- Retired people have trouble finding things to do
- I am afraid I will feel lonely during retirement

Gains in entering retirement:

- Retirement will allow me to do things with friends that I was not able to do while I was working
- Retirement strengthens personal relationships, especially between husband and wife
- Retirement gives people a chance to re-establish relationships with old friends and meet new people

Retirement perceptions

Retirement attitudes can be viewed from two perspectives: either through gains or losses. For some, retirement involves the loss of a source of identity and the loss of the social relations established at work. For others, retirement represents freedom from a dictated schedule, and leaving behind troublesome aspects of work. There are also gains in entering retirement, such as increased leisure time and opportunities to cultivate neglected roles and social relations.

For some individuals, retirement presents the opportunity to be released from the obligations of paid full-time employment, to undertake new activities or to devote more time to leisure activities.

For others, retirement can be viewed as an unwelcomed and imposed disruption. It's a source of anxiety, an anticipated decrease in social interaction, and a transition to old age. In other words, approaching the transition into retirement may either evoke feelings of uncertainty and negative attitudes towards retirement – or it may be viewed as an opportunity for new beginnings.

When studying attitudes toward retirement, these three dimensions – gains in leaving work, losses associated with retirement and gains in entering retirement – must be considered. Irrespective of one's attitude towards retirement, one still needs to save money for it.

Where to from here?

Two lessons can be extracted from the study's findings. First, retirement attitudes matter because the way that people perceive retirement can influence their decision to save and plan for it. Despite one's disposition towards retirement, it is still important to save and plan for retirement.

A possible reason why people don't plan for retirement is that the reward is distant and uncertain. Simply put, there is no immediate benefit in planning for retirement; nor is there an immediate penalty in not planning. This leads to another possible explanation. The cost of saving for retirement is often sacrificed to instant consumption.

Saving for a distant event can be challenging when there are urgent financial commitments that need to be met. Secondly, financial preparations significantly influence retirement attitudes. Individuals who have saved for retirement look forward to retiring. Generally, those who are more inclined to think about the future, as opposed to the past or the present, will feel the need to save for retirement.

An unexpected finding related to the perceptions that pre-retired individuals have regarding their work. Individuals' preferences about and intentions towards retirement are affected by work-related variables, and that these preferences and intentions are the precursors to the actual act of retirement. Work-related variables such as stress at work, the absence of work-life balance or mundane tasks at work can push people to retire.

Alternatively, those whose identities are tied to their work are more likely to delay retiring. Financial planners, when conducting a financial needs analysis, should gauge information on how their clients perceive work.

Work involvement has been expressed as a degree of attachment to one's current job or to work in general. My study found that issues such as stress or a lack of interest at work can affect whether respondents retire early or at normal retirement age.

Gaining such insights can assist financial planners in providing informed advice. One's attachment, or lack thereof, to work determines whether one retires early or later and this has implications on retirement planning strategies.

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