

## Beyond trust to purpose through collaboration

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Last year, I presented at the Benchmark conference and shared a hard truth: our retirement industry was facing a trust deficit. Governance challenges, economic strain, and regulatory shifts had left many South Africans uncertain about their financial futures. But today, we move forward. We ask not just how we rebuild trust, but also how we achieve a shared purpose through collaboration.

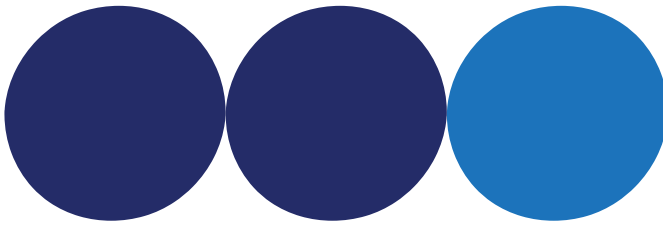


The 2025 Sanlam Benchmark research reveals not only the depth of the challenge, but the opportunities for meaningful collaboration too. The insights compel us to move from diagnosis to action. Because the truth is, no single stakeholder – government, employer, administrator or advisor – can solve this issue alone. It will take all of us, working together, guided by data and driven by a common mission, namely to enable the **Age of Confidence**, to empower every South African to retire with dignity, confidence, and choice.

**Guiding every step: Empowering members through education and advice.** This year the Sanlam Benchmark survey expanded its reach, interviewing 74 Employer Funds, 168 Participating Employers in umbrella funds (up from 100 in 2024) and 506 consumers here refer to those who are employed and who belong to an employer-sponsored retirement fund). One common theme echoed across every group: **education and communication are important!**

We believe this is a key area where stakeholders can collaborate to make a meaningful impact.

- Forty-nine per cent (49%) of employer funds and 58% of umbrella fund participants believe targeted communication can improve retirement outcomes.
- Nearly 50% of employer funds and 40% of umbrella fund participants support introducing retirement planning into the school curriculum.
- There is also a call in general for more communication.
- Seventy per cent (70%) of employer funds and 62% of participating employers would support investing in projects or businesses that create positive change while delivering financial returns – particularly in job creation and education/skills development.
- And over 90% of consumers confirmed the importance of receiving educational info/communication on retirement benefits.



But here's the challenge: Too many members are still not provided with adequate financial advice when making important financial decisions. Many members still rely on online sources such as Google for financial advice. Too many cash out all or some of their benefits when changing jobs. And despite **68%** of respondents **expressing a desire to save more** in a difficult economic environment, many simply can't afford to do so. This is not surprising. We know members are struggling and failing to increase their allocation to retirement contributions.

This is where collaboration becomes critical to ensure that education, communication, and professional financial advice are woven into the fabric of our system – not as afterthoughts, but as core pillars. The data is clear: education and advice are key to improving retirement outcomes.

But education alone can't fix a system that's too complex to navigate. If we want members to act with confidence, we must also make the system easier to understand and navigate. So, what role do each of the stakeholders in the industry play in this regard?

### Policy with purpose: Government

The Financial Sector Conduct Authority (FSCA) has outlined priorities for the next three years to advance consumer financial education, as detailed in the recently released Financial Education Plan (FEP). The FEP targets vulnerable and high-impact groups such as students, SMMEs, and grant beneficiaries, and includes measures like:

- advancing digital financial literacy;
- promoting a consumer-centric regulatory approach; and
- boosting thought leadership and outreach to vulnerable groups.

The FSCA is positioning itself not just as a regulator, but as a collaborative partner in building financial literacy and education. Industry stakeholders must partner with the FSCA as it shifts focus towards leveraging digital tools and innovative technologies to help consumers navigate increasingly sophisticated fintech products and services.

But we must go further. The need for education and clarity has been underscored by the roll-out of the Two-Pot Retirement System. While awareness has grown significantly – from 59% in 2024 to 92% in 2025 – many members still express concern and confusion:

- Only 36% of consumers have accessed their emergency pot since the legislation took effect on 1 September 2024.
- Forty-three per cent (43%) believe early access to retirement savings could harm long-term outcomes.
- Seventy-three per cent (73%) now understand the impact of emergency withdrawals.
- Seventy-seven per cent (77%) are aware of the tax implications – an encouraging sign of growing financial literacy.

These figures reflect both progress and opportunity. The foundation is being laid – but more must be done to ensure awareness translates into the momentum needed for informed, confident decision making.

While efforts to improve financial literacy are commendable, the broader system continues to face mounting pressure – from rising costs to implementation challenges. These also demand a more coordinated and sustainable response.

## Policy with purpose: The cost of complexity

As we continue to assess the impact of recent reforms, it's clear that the implementation of the Two-Pot System has introduced both opportunity and strain. The FSCA estimates the one-off cost of implementing the Two-Pot System at R1.6 billion. This could explain the increased administration fees, with employer fund fees rising from 0,51% to 0,71%, the highest since 2016. In contrast, umbrella fund fees have remained stable at approximately 0,61% since 2018, likely due to economies of scale. This cost evolution may explain why over 50% of standalone funds are considering converting to umbrella funds.

Importantly, funds and participating employers felt that more time should have been given to implement systems effectively and educate members properly to make informed decisions prior to implementation.

The roll-out – as it happened – has had an impact on ensuring members are fully equipped to make informed decisions, especially regarding tax implications and long-term outcomes.

The financial pressure is not limited only to retirement funds but is compounded by rising risk benefit costs. When comparing current costs to pre-COVID levels in 2019:

- Increase in the number of employer funds that have opted for approved risk benefits – 37% (2019) → 46% (2025)
- An expected increase in the total cost of death benefits under the fund (as a % of salary) – Employer funds 1.44 (2019) → 1.64 (2025) and umbrella funds 1,29% (2019) → 1,60% (2025)
- An increase in the total cost of disability income benefits (PHI) – Employer funds 1.00 (2019) → 1.11 (2025) and umbrella funds 0,99% (2019) → 1,36% (2025)

- Decrease in the average level of death benefits offered by umbrella funds – 3.12 x salary (2019) → 2.80 x salary (2025)
- Decrease in the average level of lump-sum disability benefits offered by both employer funds 2.64 x salary (2019) → 2.11 x salary (2025) and umbrella funds – 2.79 x salary (2019) → 2.35 x salary (2025).

Another notable trend is the rise in critical illness claims. Sanlam Group Risk's 2024 analysis shows:

- Tumours and circulatory diseases (heart attacks, strokes) account for over half of all claims.
- Cancer-related claims have increased across all disability product lines:
- Income Disability: 12,41% (2023) → 16,87% (2024)
- Critical Illness: 52,23% → 56,28% (44% in 2022)
- Lump-sum Disability: 8,15% → 13%.

As a result, it came as no surprise that there has been a clear increase in the number of employer funds (5% in 2019 and 33% in 2025) and umbrella funds (8% in 2019 and 49% in 2025) that now offer critical illness benefits, with the most common benefit being a multiple of one times annual salary.

These developments highlight the growing complexity and cost pressures facing retirement funds. As we navigate this evolving landscape, it's clear that reforms must be accompanied by sufficient time, resources, and support to ensure members are not only protected but also empowered to make informed decisions. And this is where administrators have a pivotal role to play – not just in implementing policy, but in translating it into meaningful, member-focused solutions too. The shift from service provider to strategic partner is no longer optional, it's essential.

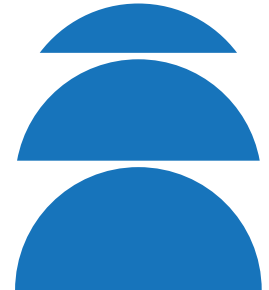


## From providers to strategic partners: Administrators

Simplifying and enacting policy with purpose is one side of the coin. The other is how we – the administrators – deliver policy provisions as partners who don’t just manage funds but also actively empower members to thrive. The feedback has remained consistent regarding what employer-provided benefits members value most. The majority of respondents indicated that their top requirement within a holistic employer offering is **education services** – including sourcing bursaries and funding for children – as well as **money management** and **budgeting tools**. These are not just nice-to-haves – they are essential tools for financial empowerment.

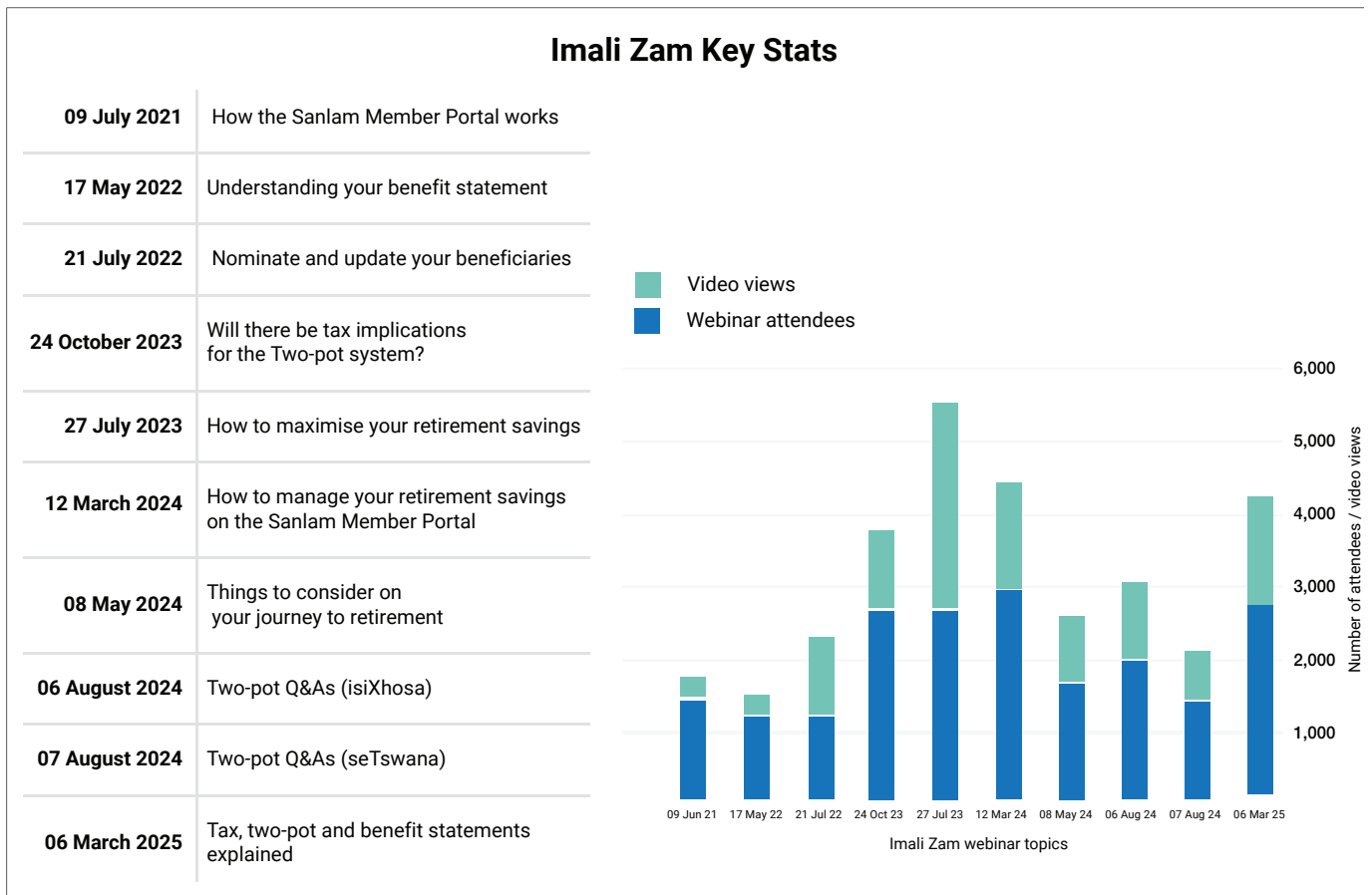
These sentiments reaffirm the need for administrators and employers to work together to unlock the full value of holistic solutions. Together, we can support the employee value proposition through benefits such as:

1. Medical Aid and Health
2. Salary and Income
3. Retirement and Pension
4. Financial advice and Debt support
5. Education and Training



Over 57% of consumers prefer a one-stop shop for financial needs, which explains the evolution of umbrella funds offering value-added benefits. We strongly believe that the more successful umbrella or retirement funds over the next decade will be those that are able to seamlessly integrate meaningful benefits into the existing Employee Value Proposition.

The Sanlam Umbrella Fund is being built with this vision in mind – designed to empower members with confidence in all aspects of their lives. We offer budgeting tools, education and information sessions, as well as access to retirement benefit counsellors. Our Knowledge-base platform and Imali Zam webinars have seen significant engagement rates, with our live webinars growing in traction since being launched in 2021. Topics that attract the most engagement are those that focus on improving retirement outcomes.



The shift – **from transactional service to strategic partnerships** – is how we begin to rebuild trust. Not just in the system, but in the everyday financial decisions members make. But trust alone isn’t enough – especially in a world where financial pressure is constant. To truly change behaviour, we must also rethink how we motivate and reward it.

## Incentivising better futures: The power of rewards

In a tough economic climate, incentives matter. Loyalty programmes are increasingly used to influence behaviour and improve financial outcomes. Given the financial pressures that members are under, it came as no surprise that

- 43% of respondents don't have an emergency fund;
- 33% confirmed using their withdrawal benefits to cover debt or living expenses; and,
- consistent with past surveys, a **majority of members (44%)** believe debt causes financial stress and should be paid off quickly.

Debt is not just a financial issue – it's a psychological one too. Members understand that debt can lead to stress, which in turn affects mental health and overall well-being. In our survey, members shared a range of debt philosophies:

- Forty-four per cent (44%) say debt causes financial stress;
- Forty-three per cent (43%) believe it should be paid off quickly;
- Forty-two per cent (42%) feel it can be managed with discipline; and
- Thirty-two per cent (32%) see it as a burden that blocks financial freedom.

This paints a clear picture: members are under pressure, and they're looking for support – not just in managing debt, but also in building financial resilience.

This is why rewards, including cash incentives, debt relief, and savings boosts, are rising in popularity and becoming an increasingly important part of holistic employee benefit solutions. In this economic climate, rewards are no longer just perks, they are lifelines as well.

***“The Wealth Bonus Lifestyle for SC programme is a prime example – members saved R12,9 million through benefits that came at no extra cost. These savings changed spending habits and improved cash-flow management.” – K. Mahlalela***

To ensure these programmes deliver real value, ongoing measurement is essential. This is the power of behavioural design. And it's a tool we must use more intentionally.

But while administrators and service providers can provide these value-added benefits, incentives are most effective when they're part of a broader support system – one where employers and advisors are equipped to guide, inform, and lead from the front.



## Employers and intermediaries: The frontline of financial confidence

Employers and intermediaries are uniquely positioned to influence outcomes. They are often the first point of contact for members making critical financial decisions, and the ones best placed to guide those decisions with empathy, clarity, and relevance.

They can offer cost-effective, relevant benefits.

They can help guide members to advice – before it's too late.

And they can help members navigate complex decisions with confidence.

One area where this guidance is especially important is in the use of default investment and retirement strategies. While 90% of Sanlam Umbrella Fund members are in a default strategy, highlighting their trust in Trustees and Joint Forums, 49% of members are unaware of their annuity choices at retirement. This reveals a clear communication gap.

Lifestage strategies are the most common default investment approach, used by 3 in 4 funds. We also see that employer funds continue to favour a multi-managed structure for their Trustee default portfolios.

Employers want trustee-endorsd annuity strategies that offer:

- longevity protection;
- inflation-linked income; and
- cost-effectiveness (especially for employer funds).

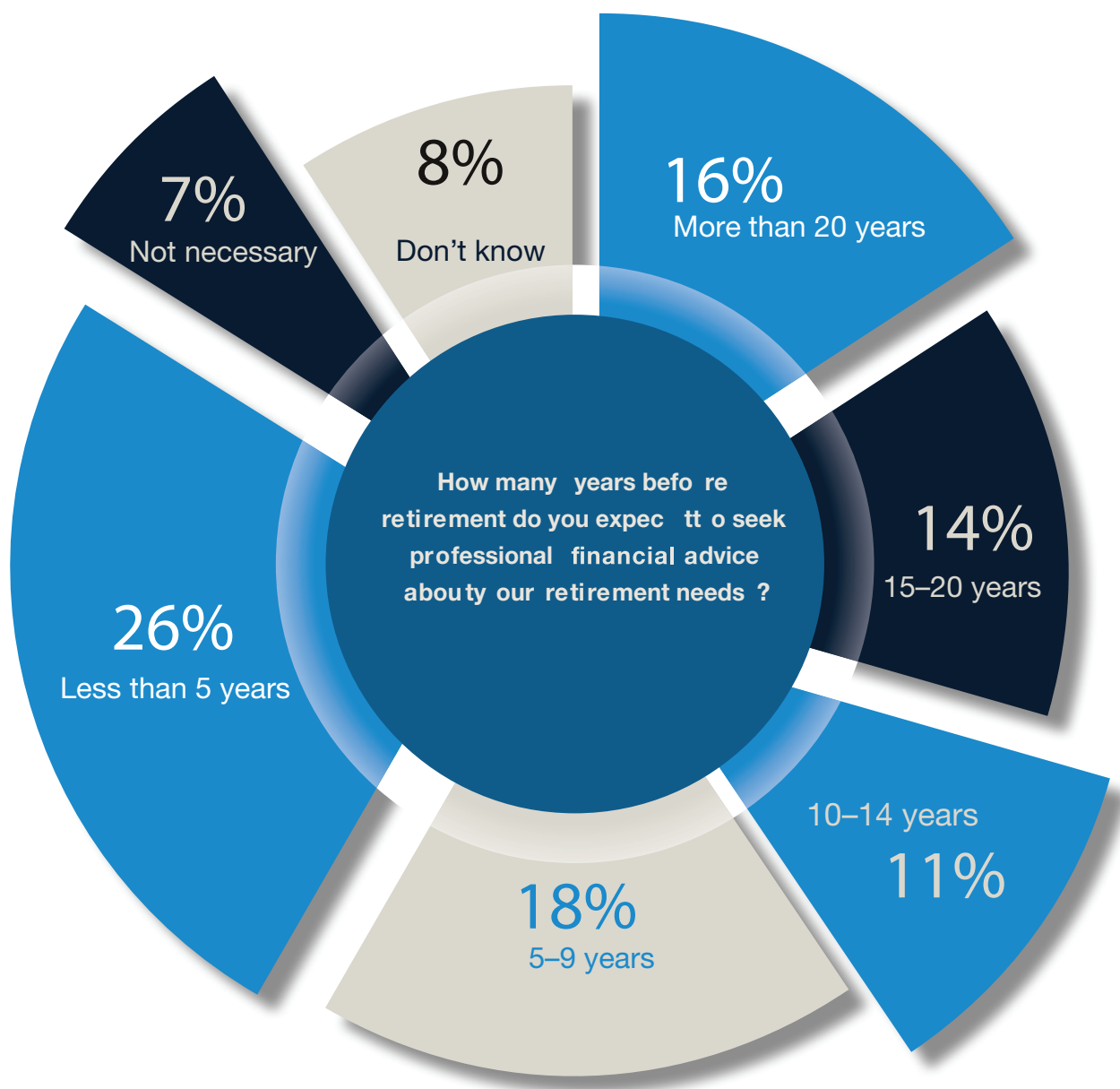
And we are seeing a positive shift. The use of trustee-endorsd annuities has increased from 24% → 38% among employer fund retirees and from 35% → 46% among retirees of participating employers in umbrella funds.

These trends reinforce the critical role employers and intermediaries play – not just in offering benefits, but also in helping members make sense of them. The earlier this guidance is provided, the better the outcomes for members. This is especially critical as most members confirmed that they only seek advice within nine years of retirement, which is far too late. This is where strategic partnerships and data-driven insights are key to empowering employers and advisors to intervene earlier and more meaningfully, including facilitating early access to professional financial advice.

As we look ahead, we must harness the power of collaboration, strategic partnerships, and data-driven insights to empower employers and advisors to intervene earlier and more meaningfully.

We must also consider the expectations of a new generation – one that demands digital-first, personalised engagement to enable confidence in making informed choices for their future.

## HOW EARLY IS “EARLY ENOUGH” FOR RETIREMENT PLANNING?



## The rise of the engaged member: From default to informed choice

There is reason to be optimistic about the future. Results of the Consumer Survey in which 506 economically active South Africans participated, reveal encouraging signs of member accountability and engagement:

- Fifty-seven per cent (57%) of members hold themselves accountable for their retirement decisions, while an additional 33% share the accountability with their financial advisors.
- Seventy-four per cent (74%) feel confident that they understand the retirement benefits offered by their employer.
- Even more encouraging is that nearly 60% reported to have reviewed their employee benefits in the past 12 months – a strong indicator of growing awareness and involvement.

This level of engagement may, in part, be driven by the implementation of the Two-Pot System, which has prompted members to engage with their employee benefits. Regardless of the trigger, this level of interaction is certainly what we aim for through our communication and education efforts.



These results suggest that the industry's collective investment in financial education is beginning to bear fruit. However, there is still work to be done, particularly in reaching members who are most vulnerable. Many members, especially those earning below R10,000 – and who also represent the largest group making Two-Pot withdrawals – continue to cash in when they leave their jobs and are failing to preserve benefits. They also don't seek financial advice when making important financial decisions.

In the Sanlam Umbrella Fund, we've seen the value of accessible support. Our benefit counsellors handle an average of 100 calls per month, with noticeable spikes during key reform periods such as the lead-up to the implementation of the Two-Pot System. This shows that when members have access to guidance, they use it. Interestingly, the engagements with counsellors have remained elevated and closer to 300 calls monthly since the implementation of the Two-Pot System.

Importantly, more than **50% of Sanlam Umbrella Fund active members are millennials**. As digital natives, they expect digital-first, intuitive communication. They trust default strategies, but they also want to understand their options. This reinforces the need for modernised, personalised engagement strategies that meet members where they are.

### The data also highlights the need to expand education across all benefit categories – not just retirement:

- Only 68% of members feel confident in understanding their medical aid benefits.
  - To help close this gap, earlier this year Sanlam announced a partnership with Fedhealth to be its exclusive medical aid provider. A move that supports the Sanlam Group's strategy to provide a complete health offering as part of its overall financial services value proposition. This partnership is about more than business – it's about making a meaningful difference in the lives of all South Africans. Since that announcement, a lot of behind-the-scenes work has been done and is happening to launch a next-generation medical aid solution that is designed to be simpler, more transparent, and better aligned with the needs of modern members. This rebooted offering will prioritise affordability, flexibility, and digital engagement, making it easier for members to understand and manage their healthcare benefits. The launch is scheduled for 1 October.
- Understanding group risk benefits is even lower, with only 47% of members reporting that they feel confident in their understanding of the group risk benefits offered by their employer.

The message is clear: we must sharpen our focus on educating members about risk and medical aid benefits. Together, these insights highlight the need to take deliberate steps to ensure that every member – regardless of income or benefit type – has the tools, knowledge, and support to make confident, informed decisions about his or her financial future.



***The average retirement age has remained at 64 for a decade, but only 4 in 10 funds believe this is sufficient to maintain living standards in retirement.***

## Conclusion

The average retirement age has remained at 64 for a decade, but only 4 in 10 funds believe this is sufficient to maintain living standards in retirement. A majority of members (58%) do not believe they are on track to accumulate enough capital for retirement. Our Sanlam Umbrella Fund data confirms these numbers, showing that most of South Africa's workforce may need to work until 80 to retire comfortably.

But underlying the 2025 Sanlam Benchmark insights is a picture of an industry ready to lead – and a moment ripe for transformation.

The data paints a clear picture: while challenges persist, there is a growing appetite for reform, innovation, and collaboration. These trends underscore the need for a coordinated response. There is also a call for National Treasury to develop a clear plan to achieve optimal retirement outcomes. While Treasury has consistently emphasised consolidation and improved governance, all stakeholders must collaborate to introduce legislation that enhances efficiency and reduces administrative costs – with these savings ultimately passed on to members.

Because when we collaborate with courage and clarity, we don't just change outcomes – we also change lives.

But let's be honest: this won't happen overnight. Nothing in our industry does.

We are not here to flip a switch. We are here to lay foundations. To make steady, deliberate progress. To build a system that will serve not just today's members – but also the next generation, and the one after that.

Yes, the road ahead is long. But the direction is clear.

We have the data. We have the insight. We have the will.

Now we need the discipline. The partnerships.

And the long-term commitment to do the hard work – together.