OASIS

Your Oasis

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CEO Update

Adam Ebrahim - Oasis CEO

Over the long term, the two fundamental drivers of retirement savings behaviour are our ability to save and our willingness to save. While the first factor depends on whether we earn an income that could plausibly exceed our essential household expenses, the second depends primarily on whether those of us with sufficient income are able to incorporate a certain level of discipline into our household expenditure plans.

In South Africa, the reality is that there are a large number of people who do not have a great ability to save. The 17 million social grants beneficiaries, for example, often do not have alternative sources of income which can be used to build up any significant financial wealth over time. Furthermore, within the labour force the unemployment rate is above 26%, which suggests that a huge proportion of our working age population may be prevented from incorporating a constructive savings regime into their lives.

That being said, the South African savings problem runs deeper than what can be explained by the problems of unemployment and poverty. In fact, even within the average middle to upper income households, there is often either an unwillingness to save or a failure to recognise that we need to save more for a sustainable retirement.

In this regard, a common mistake people make during their careers is to cash in their retirement savings when changing jobs. In this scenario, we believe that a far more sustainable and tax efficient way to save for retirement is to utilise a preservation fund, which is the ideal vehicle to safeguard the assets that have been accumulated in the form of retirement savings that are associated with tax relief.

A low savings rate and a lack of preservation means that only a fraction of South Africans begin retirement with sufficient capital that will comfortably last the rest of their lives. In fact, data from Association for Savings and Investment SA (Asisa) shows that the average pensioner receiving an income from a living annuity is drawing down approximately 6.4% of their retirement savings per year, leaving little more than 10 years before their capital is likely to begin depleting rapidly. This is unsustainable, and requires more vigilance in our pre- and post-retirement savings plans. At Oasis, this fact remains central to our advisory service, where we aim to ensure that our clients receive the best possible advice for a secure and comfortable retirement period.

A word on financial matters

During March, Oasis will launch a new and improved annuity calculator on our website. This application is a very useful tool for understanding the fundamental challenges which we all face when considering retirement. In practice, when you retire you need to draw an income from existing wealth, and to sustain a certain standard of living, this income needs to grow by the rate of inflation for the duration of your life. But how much should you draw from your savings each year? This seems like a simple enough question, however there are three unknown variables which will be crucial to ensuring that your drawdown rate is sustainable and does not deplete your wealth completely during retirement. Firstly, **how long will you live after retiring?** Secondly, **what will inflation be during the rest of your life**? And finally, **what will the return on your savings be?**

The Oasis Annuity Calculator captures these uncertainties by incorporating thousands of different scenarios into a comprehensive retirement model. It then guides you in the right direction based on a probability assessment of your life expectancy, investment returns and inflation. Generally, we want to be at least 98% sure that your initial drawdown rate is sustainable, and that you will have sufficient money during retirement. The primary benefit of the calculator is that it enables users to test a certain drawdown rate against their own demographic and investment characteristics, nudging them in the right direction to ensure a sustainable, happy retirement. We encourage our readers to visit our website or call Oasis on 0860 100 786 to find out how this powerful tool can benefit you.

In the News

On 1 March 2017, Oasis welcomed 25 new students to its Bursary Programme; bringing the total number of students who benefit from the organisation's educational empowerment initiatives to 56. These students represent the largest group of learners admitted by the Programme which together with Oasis projects and partnerships with tertiary institutions increases Oasis investment into education from R6.9 Million to R21 Million. The Programme, now in its fourth year, continues to recognise young learners with strong academic prowess, who have a progressive outlook towards their education and are using it to further the growth and development of South Africa.

Oasis Bursary recipients were inducted to the Programme at a special event where government and academic leaders, the community, their parents and the Oasis team were present. This gathering was symbolic in that it encapsulated the sectors of society which need to work in unison to address the systemic pressures faced by students and the educational landscape today. The creation of a new social compact amongst the role players involved in advancing education is a priority for Oasis, and as a business we will continue to champion solutions that allow for access to quality education and cultivates an appreciation and drive towards lifelong learning.

Oasis 2017 Bursary Students, pictured with Oasis Executives, Members of the Ebrahim Family, UCT Executives & Academic Staff

Applications for the 2018 intake of students to the Oasis Bursary Programme have opened, along with similar programmes for Chartered Accountants and final year students who are keen to be considered for Graduate Training, are requested to contact our recruitment team via email: **recruitment@oasiscrescent.com**.