



# Net Replacement Ratio's & Behavioral Patterns

Thabang Oliphant



Botswana Life

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## Test Question: How are you feeling today?

Happy and Excited

Enthusiastic and Motivated

Just Okay

I can't find my option here!

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# Are you making additional contributions to your pension annuity?

Yes

No

Logout

## NET REPLACEMENT RATIOS



**ANNUITIES & LONGEVITY**

**PENSION PROJECTIONS**

# ANNUITIES & LONGEVITY



What?

Features

Longevity

## What is An Annuity?

A series of payments bought by a single lumpsum amount



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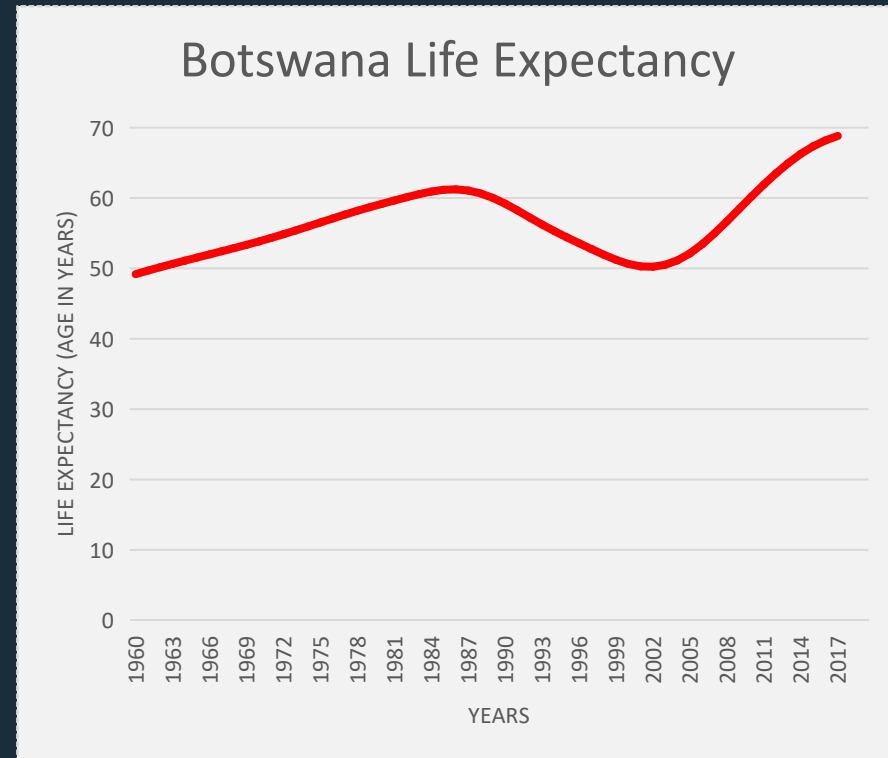
## Features of Annuities

There are various options and features that annuities can have to add more flexibility and suitability to individual needs

- ★ Life-time vs Term
- ★ Guaranteed Period
- ★ Escalation
- ★ Joint-life vs Single-life
- ★ Top-Ups

# Longevity

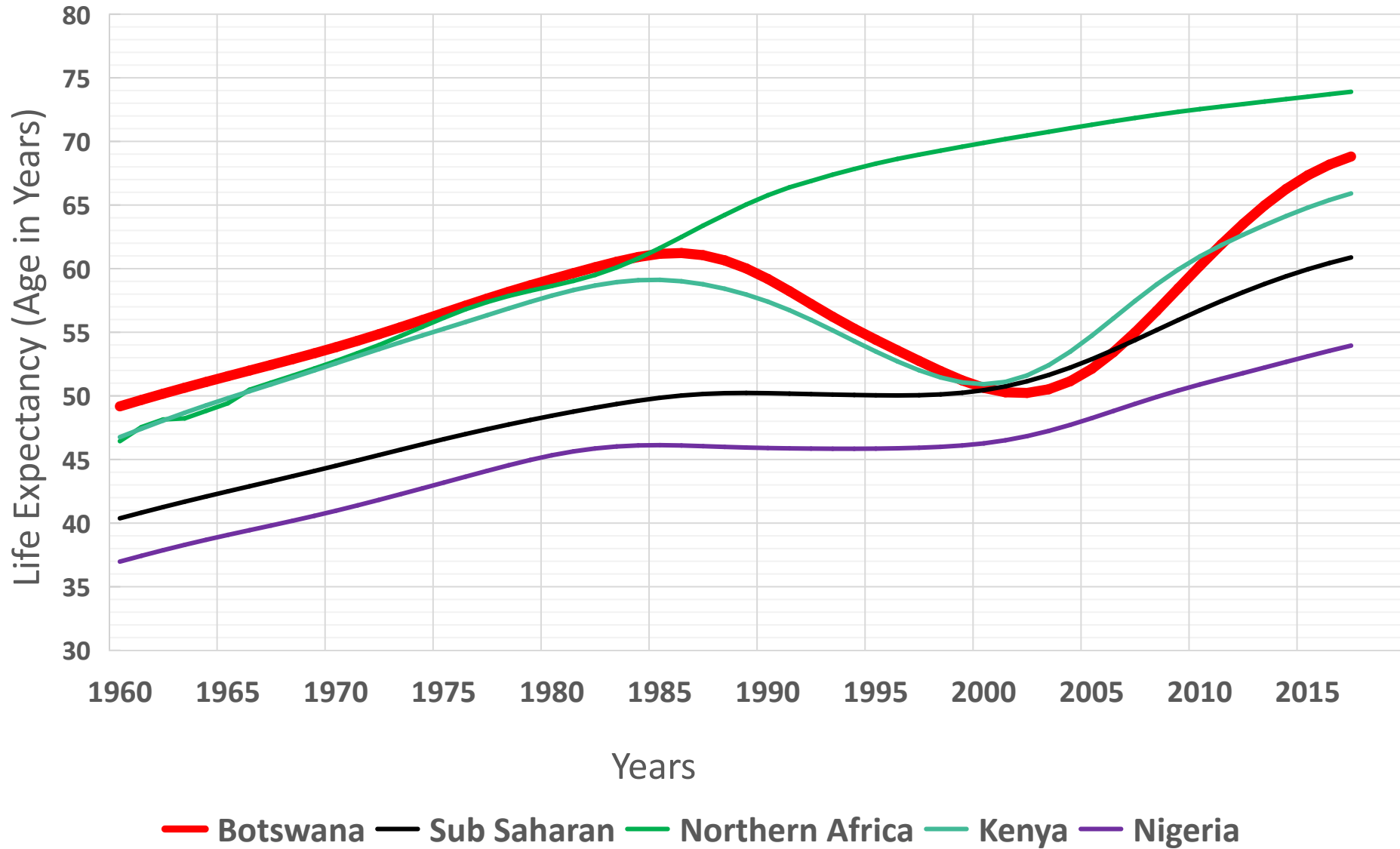
The change in average life expectancy over time in a certain population



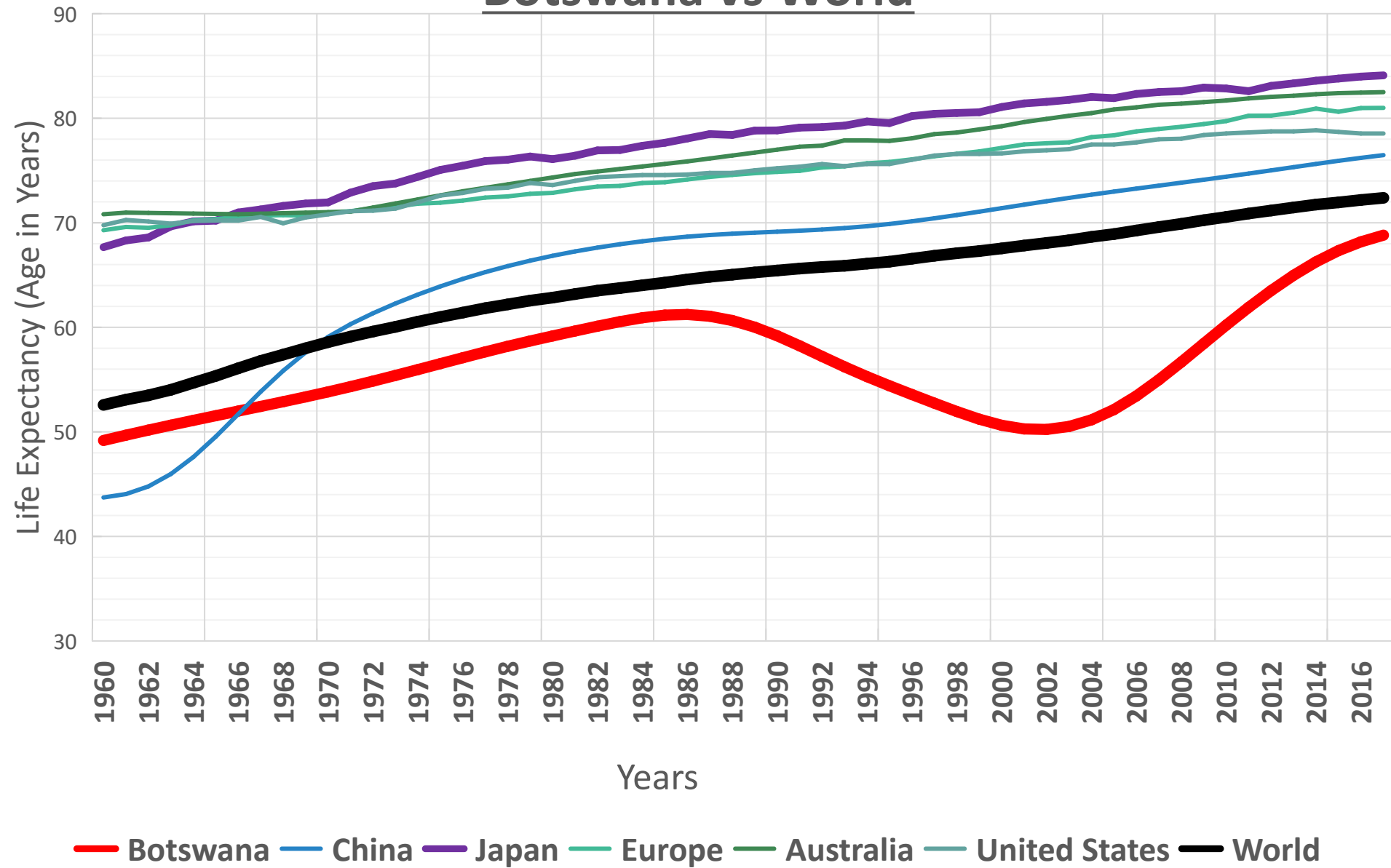
Vs The World?



# Botswana vs Africa



# Botswana vs World



# Net Replacement Ratio (NRR)



**What?**

**Importance**

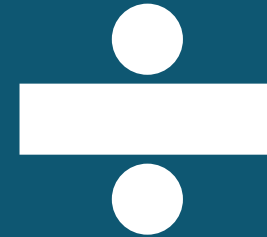
**World Stats**

## What is NRR?

The ratio of your pension  
over your final salary  
before retirement



**Pension Annuity**



**Salary at Retirement**



## Importance of NRR

Knowing the status of your country's NRR is of crucial importance



Review Country Pension System

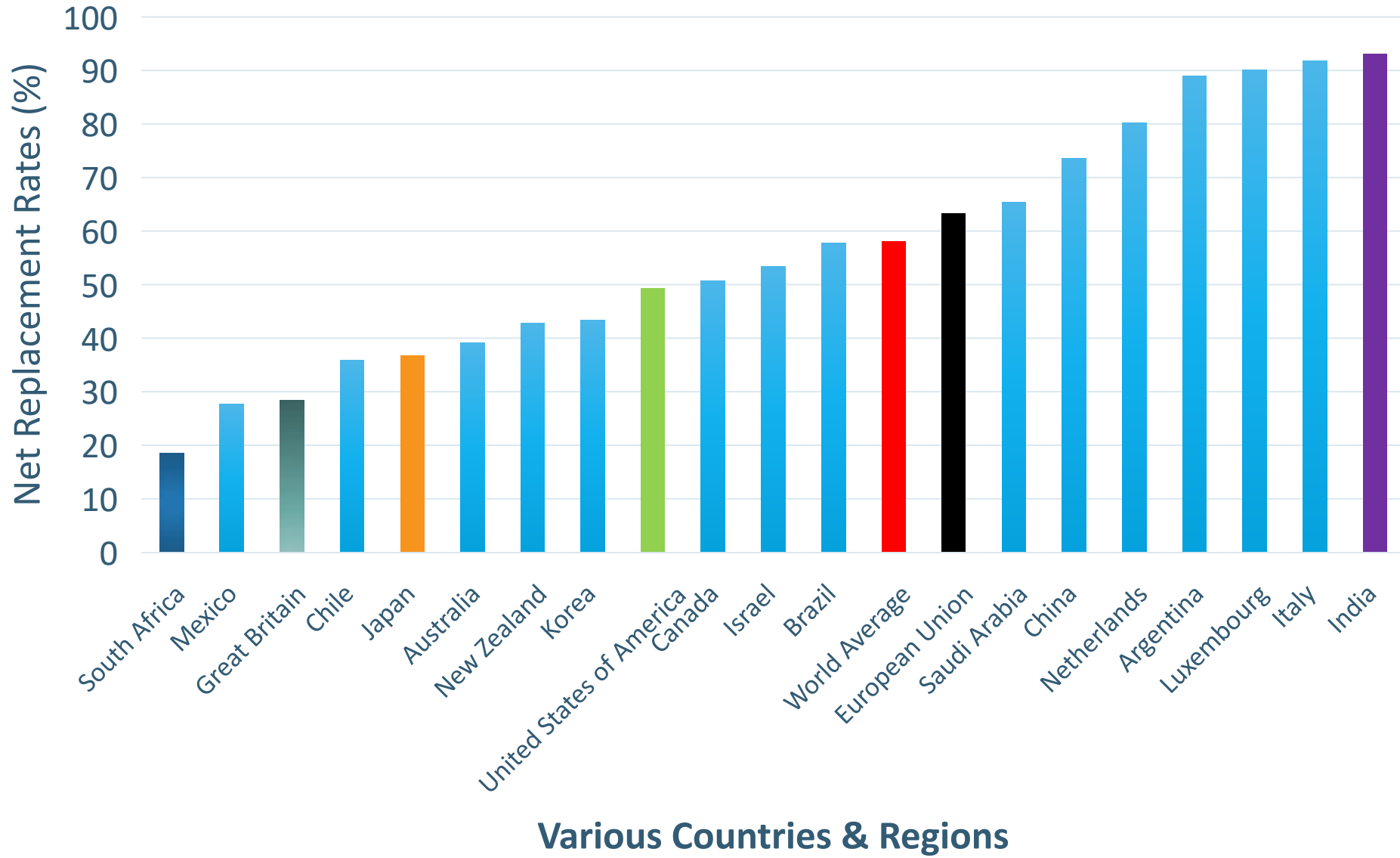


Fiscal Implications



Developing Pension Plan

# World-wide NRR Statistics



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## What do you think Botswana's NRR is?

Less than South Africa! 0-16%

16-30%

30-50%

50-80%

80-100%

More Than 100%!

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## What do you think the monthly annuity would be for a 65-year-old woman having a P1m lumpsum?

2,000-5,000 per month

5,000-7,500 per month

7,500-10,000 per month

10,000-15,000 per month

15,000-20,000 per month

More than 20,000 per month

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## Magic Numbers

Retirement Age	Male	Female
75	114	124
70	126	140
65	142	157
60	159	175
55	176	193
50	193	208
45	209	222

## Pension Projection

- To estimate (monthly) pension annuity, divide lumpsum by the relevant 'magic number'
- Let's use a case for a 65-year-old female for illustration



Magic Number =  
157



Retirement  
Benefits/Lumpsum  
= P1,000,000



Estimated  
Pension =  
 $P1,000,000 / 157$



= **P6,369.43**  
per month

## Required Lumpsum

- To estimate required lumpsum, multiply 'magic number' by desired (monthly) pension annuity
- Let's use a case for a 65-year-old female for illustration



Magic Number =  
157



Desired Pension  
Annuity =  
P17,000 per month



Required  
Lumpsum =  
 $P17,000 \times 157$



= **P2,669,000**

## Next Steps



Determine gap between  
Projected Funds &  
Required Funds



See a licensed professionals  
over determination of  
bridging the gap



Adjust lifestyle to meet  
funding requirements



Live in peace and await  
financial freedom in  
Retirement!

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## Did you enjoy this presentation?

Yes **A**

Yes **B**

Yes **C**

I wouldn't be telling the  
truth if I said "No" **D**

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THANK YOU