

Taxpayers plan to retire in poverty

How many South Africans will be able to afford to retire? Here are some numbers based on the recently released SA Revenue Service statistics for 2012.

There are 13 million registered taxpayers in South Africa. Roughly half of that number are unemployed or economically inactive.

Some 4.5 million people have submitted their tax return for 2011 so far. The bulk of the remainder fall below the tax threshold, which is roughly R5,000 a month. So, about one in 11 of South Africa's total population of 52 million is a taxpayer, and there are five times as many unemployed people as there are taxpayers.

Of the 4.5 million taxpayers, only 1.9 million claimed deductions for pension fund contributions - totalling R24bn - and 1.2 million claimed deductions for retirement annuity fund contributions, which totalled R12bn.

So 3.1 million people contribute R36bn to either a pension fund or a retirement annuity, or both. Applying an average tax rate of 25%, the tax contribution is about R9bn. That's less than 1% of the total state expenditure of R1trn.

In dire straits

Put simply, the bad news is that only three million South Africans are planning for retirement - about half of those who file tax returns, or one in 10, compared with the number of people who are unemployed.

To compound this, fewer than one in 100 taxpayers - a mere 440,000 people - earn more than R400,000 a year.

Of the 440,000, a healthy 352,000 are contributing to pension funds and 155,000 to retirement annuities. They truly have an incentive, because their marginal tax rates exceed 35%.

But even with these contributions - and their tax deductions - many of those earning more than R400,000 a year are substantially underfunded for retirement.

The number of South Africans who can afford to retire comfortably is statistically insignificant. And the state cannot afford to do much about it, especially if National Health Insurance implementation is a priority.

So I hope you handed out family savings plans instead of cellphones this Christmas - and made a New Year's resolution to work until you're 70 and then spend the children's inheritance while waiting for God.

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