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# irfa dispatch

THE RETIREMENT INDUSTRY NEWSLETTER

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# LOCAL NEWS

## The two-pot system: Providing relief today but at what cost to future wealth?

Some of us are familiar with the planned two-pot retirement system instituted by the government as a release from economic pressures, which will allow for limited withdrawals of up to a third of our retirement funds as at March 2024 to access retirement savings and to cope with challenging life events. However, such financial decisions made in haste and without the proper financial advice could impact not just this month's worries – but the future financial health and the legacy you leave behind for your loved ones.

The cumulative effects of the rising cost of living, the recent ninth increase in the interest rate in just two years, and the continual impact of the load-shedding crisis are all taking their toll on South Africans, with additional financial impacts notable globally. We're all just trying to survive from day to day. Unfortunately, when the average working life comes to an end, it doesn't mean the end of bills – which still need to be paid when you've retired and stopped earning an income. This is why – difficult as it may be – it’s important to cultivate the habit of small yet incremental savings and prepare adequately.

### Shift the mindset, shift the outcome

Through the new two-pot system, your retirement funds are split into two – the ‘savings pot’ is where you will be able to make a withdrawal once in a 12-month period. While this is immensely helpful in a crunch, you should make sure you understand the long-term financial impact of withdrawing from these savings. Consider this scenario: Thabo and Mandla, both 40 years old, have decided to save for retirement by using a retirement annuity (RA). They both contribute R1 000 per month to the same RA fund and underlying portfolio which grows at 10% a year. Thabo decides to take advantage of the new two-pot legislation and withdraws 10% every 12 months to help with emergencies.

Mandla doesn’t and allows his investment to grow at the growth rate of 10%. At the end of 20 years, Thabo has R230 175 saved in his RA and Mandla, R723 987 saved – which is more than three times the amount Thabo has. In addition, Thabo would have had to pay tax on withdrawals, further reducing the money that ends up in his pocket. The truth is, withdrawing from your savings will have a compounding impact over time. It is definitely not something you want to continue to do or do often and should be viewed as a last-resort option for when you're in a significant financial crunch.

Until now, retirement has had different meanings for different cultures – for many, it has come with a burden on the younger generation to financially maintain their retired loved ones. However, now is the time that we should be thinking about ways of changing that. It's also the time to find out about new avenues of creating generational wealth that could take care of you during your retirement years and take care of your children beyond that. You can start by seeking help from a financial adviser to guide you in avoiding any potential financial pitfalls, and by changing the way you approach creating generational wealth.

Save, as a rule, use when needed

Creating a savings culture can seem daunting while contending with a tenuous economic environment, which isn't unique to South Africa. It is global, and introducing options such as the two-pot system allows for flexibility when it comes to savings options. However, therein lies a double-edged sword. Historically, people could not touch the money in their retirement savings until reaching the retirement age of 55, or when they resigned from their job. The latter often posed a further challenge to the retirement funding system in that fund members would often opt to cash out their funds upon resignation to alleviate their financial burdens.

While the two-pot system introduces flexibility in accessing money from the savings pot, I believe it is also innately positive in that it will encourage more interest in saving for retirement, the flexibility of financial planning and may bring awareness of options to up-weight savings within the investment space. It is crucial to remember that saving for retirement is a marathon, and if a client is not in a tight financial corner they should definitely not access their retirement funds, they should rather opt to remain consistent towards reaching their desired finish line.

**IOL | 8 May 2023**

## Is a retirement fund a sure way to your financial independence?

A retirement fund, such as a retirement annuity, a pension or provident fund, is a common way and a great starting point for many people to save for their retirement years. While having a retirement fund is certainly a good step towards achieving financial independence, it is not a guaranteed path to financial freedom. There are several reasons why relying solely on the fact that you are contributing to a retirement fund may not be sufficient to achieve financial independence.

**How much are you contributing?**

We advise that you aim to provide for 75% of your salary, adjusted for inflation over time. For a young professional, your retirement fund contribution needs to be set at 17% of your salary and

adjusted for inflation over time. For a person closer to retirement, the expectation is that you should have settled all major debt such as your home loan and that your children should be self-sufficient when you retire at around the age of 65.Based on this, a pension income of 75% of what you used to earn should enable you to sustain your standard of living well into your golden years. If you are to achieve this, the rule of thumb is that you need to accumulate 17x your annual salary after a 40-year working career.

**How does your investment perform and grow over time?**

Your employer retirement fund is a group scheme, structured to meet the requirements of most people. However, each individual is unique and therefore also has unique needs and circumstances that must be factored into their planning if they are to have a successful retirement. Therefore it's important that you have your individualised retirement projections and planning done, that will take into consideration exactly what you need to provide, how much you are able to contribute regularly to an investment portfolio and then at what rate your investments need to grow to help you accumulate sufficient funds for when the time arrives.

**Accessing your retirement fund to meet your living and other expenses once retired**

The amount you can withdraw from your living annuity (i.e. a post-retirement investment vehicle) is regulated. You can withdraw an income of between 2.5% to 17.5% of your total investment value a year. While this is a broad range, you need to select an appropriate withdrawal rate that will ensure that your pension can last and indeed provide sustained income over your retirement years. This regular income may not always be enough to meet all your income requirements. As an example, how will you make major purchases such as replacing a vehicle once you are retired? It is therefore important to have other discretionary investment in your portfolio where provision can be made for such future needs over and above your monthly living expenses.

**Should I be contributing more to a retirement fund?**

Contributions into a retirement fund are tax-deductible up to a maximum of 27.5% of your gross income, with a maximum of R350 000 per tax year. This does not mean you should not contribute more than the threshold. A retirement fund is a fantastic proposition as no tax is payable on interest earned, dividends received or any of the capital growth achieved while in the retirement fund. Tax is due on withdrawal (where applicable) according to the taxation laws that apply at the time of withdrawal. Any contributions you make above the threshold allow you to build a tax-free credit that can be applied to your withdrawals at retirement. Along with the assistance of a financial planner, you should determine the appropriate allocation between your retirement fund and discretionary investments that will meet your income requirements once retired.

So, what can you do to achieve financial independence beyond just relying on a retirement fund? Here are a few steps you can take:

1. Create a budget and stick to it. This will help you identify areas where you can cut back on expenses and free up more money to save or invest.
2. Build an emergency fund. Having a separate fund for unexpected expenses can help you avoid dipping into your investment portfolio and overly relying on your retirement savings only.
3. Diversify your investment portfolio. While a retirement fund is a good start, your investment portfolio should have other types of discretionary investments that will allow you to access funds readily when you require money over and above the monthly payment you receive from your annuity.
4. Work with a financial planner. A financial planner can help you create a comprehensive retirement plan that takes into account your goals, your risk tolerance, and other factors and then structure an income plan that will ensure that both your monthly and ad-hoc expenses are provided for sufficiently and can be met.

While a retirement fund is certainly an important part of your investment portfolio and a means of securing your financial independence, it needs to be used in a broader retirement planning strategy that ensures that you maintain a diversified portfolio, that you can maintain an emergency fund, that your income can increase and keep up with inflation and that both your monthly and ad-hoc income needs are provided for and can be met when they become due.
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**Personal Finance | 7 May 2023**

## Expert warns against neglecting retirement savings amidst inflation and interest rate hikes

As inflation continues to rise, so do interest rates – putting more pressure on South African consumers. **Statistics South Africa** recently announced headline inflation growth of 6,9% in January to 7% in March, with core inflation increasing by 0,3%. This is concerning as the South African Reserve Bank (SARB) aspires to maintain inflation below 6%. Last week, SARB delivered a mighty blow by increasing interest rates by 0,50% (50 basis points). This hike brings the prime lending rate to 11.25% - the highest it has been since 2009 at the peak of the 2008 financial crisis.

According to Pieter Albertyn, Head of Product Solutions at Momentum Investo, interest rate hikes increase the cost of borrowing considerably, which over the long term, reduces ordinary working South Africans' ability to save. **Eighty20 reports** revealed the average middle-class South African now spends roughly two-thirds of their salary paying off their debts. "These kinds of interest rate hikes are only making it worse, so many households are in for a bad run if this continues," says Albertyn. Additionally, Albertyn says the high cost of living poses an imminent threat to retirement savings. He says a higher cost of living will likely lead individuals to lose focus on long-term investments and savings or even completely withdraw from their retirement savings without considering the consequences.

"Consumers should avoid the impulse to withdraw or neglect their long-term investments as doing so risks incurring substantial costs. Potential direct costs include exit penalties from withdrawing before the end of the savings term and losing out on the compounding effect of future investment returns represents an opportunity cost," he says. He says long-term investors who remain invested and reinvest the growth on their investments benefit from the effects of compound interest. This enables investors to receive additional growth on the investment returns that they have already earned.Speaking to how South Africans can avoid accessing their retirement savings, he says putting money away for emergencies is essential.

"Some retirement savings plans don't allow investment owners to access their money until they reach the age of 55. However, other specific investment offerings like the Investo Retirement Annuity allow investment owners to take contribution holidays. The policyholders can skip their contributions for a few months without suffering a penalty."However, he says consumers should make sure they put money away for emergencies. "If you have money for a rainy day, you don't have to dip into their long-term savings and disrupt your savings plan." While dark clouds are gathering, Albertyn believes there is a silver lining for investors. Investors can take advantage of the higher expected investment returns caused by the increasing interest rates by saving more. At the same time, they must be cautious about how much debt they take on.

"Investors hoping to reduce the extent of the tax they pay on their growth should bear in mind that contributions to retirement annuities are tax-deductible," he advises.Despite the immediate financial pressure caused by inflation and rising interest rates, Albertyn says consumers should consider their long-term financial goals and maintain their retirement savings. "You can empower yourself for the future by making responsible decisions today. At the very least, speak to a financial adviser to get an informed perspective on your journey to success," he concludes.

**FA News | 10 May 2023**

## How you can make the most of your retirement plan

Most people realise the importance of planning for retirement, but how many know exactly how to make their retirement plan work effectively for them?

Whether it be a retirement annuity, living annuity, or investment policy – every financial product has different benefits and restrictions. The key is knowing which product, or combination of products, to consider as part of a long-term financial plan. We have all heard the phrase that you are never too young to start saving for retirement, but where do you start? And more importantly, how do you ensure you optimise your retirement income? Gone are the days where all savings are poured into only a pension plan or retirement annuity. This is neither tax-wise nor cash flow effective when reaching retirement.I encourage my younger clients to start contributing to both retirement products and discretionary savings as early as possible so that they have a combination of constrained and unconstrained products in their portfolios.

**The benefits of a good retirement plan**

Withdrawing solely from a living annuity could mean paying more income tax in comparison with withdrawing from a combination of income streams. You are also unable to make ad hoc withdrawals from a living annuity – for example, when buying a new car or booking an overseas trip.A good long-term retirement plan will therefore include a combination of retirement and discretionary savings (your own savings which do not have the same restrictions as retirement products).This will ensure that your retirement income is designed in a tax-efficient manner, with the benefits of flexibility when you need to make ad hoc withdrawals.

**The key factors of retirement funds**

When contributing towards retirement products like a retirement annuity, pension or provident fund, the full tax benefit can be used, which is 27.5% of pensionable income restricted to a maximum of R350 000 per tax year. Upon retirement, you are allowed to withdraw one-third of the value of your retirement products, with the first R500 000 withdrawal being tax-free. Unless you need more discretionary funds, it is not advisable to draw more than the allocated tax-free portion as it will result in unnecessary tax deductions. Consider moving this R500 000 to your existing discretionary (after tax) savings funds – if it is financially feasible for your personal circumstances. The remaining retirement savings can be consolidated in a living annuity from which you can withdraw between 2.5% and 17.5% per annum, or a guaranteed annuity which will pay a specified income until your death. These income streams are subject to Income Tax as per the tax tables applicable to you. According to the current Sars tax tables, the first R141 250 of your overall taxable income per annum for the 2023 tax year is tax-free for persons over the age of 65.

**What to keep in mind about discretionary savings?**

Contributions towards discretionary investment products are made using after-tax funds. These funds are accessible for any elective withdrawals before and after retirement, and most are 100% liquid. You can also make monthly withdrawals to supplement your retirement income, or the funds can be used for ad hoc expenses, unlike living annuities which do not allow for ad hoc withdrawals. Discretionary funds from which you make withdrawals to supplement your annuity income or ad hoc withdrawals, could be subject to capital gains tax (CGT) or tax on interest earned, depending on the kind of investment, whether it be interest bearing assets, bonds, equities, unit trusts, etc.

**Staying motivated**

Your retirement plan should be personalised to your age, lifestyle, assets, and financial goals. Long-term investment goal should always be to build a portfolio which can withstand volatility when the markets are under pressure, participate in upward trends and bull market runs when they occur, but remain within acceptable risk parameters, while keeping relevant tax implications in mind. If you can get that right, you should have an optimised retirement plan with the result of adding real value despite planned withdrawals. When planning for a successful retirement that maintains your current standard of living do not underestimate the role of a financial advisor, who will partner with you and guide you on your journey to retirement. This will result in optimised retirement income.

**IOL Business | 10 May 2023**

## How much will you need to retire comfortably?

The short answer is as much as possible. The real answer is much more difficult…

As a Certified Financial Planner professional and co-author of the best-selling book *The Ultimate Guide to Retirement in South Africa* with award-winning editor Bruce Cameron, the most frequently asked question I receive from potential clients is “How much will I need to retire comfortably, how much is enough?” Planning for retirement is an important part of life that needs careful thought and planning. This is especially true now, when the Covid-19 pandemic, the Russian invasion of Ukraine, and the rampant corruption in South Africa have all caused economic uncertainty. Trying to figure out how much money you will need in retirement is hard, especially when you are young. Saving for retirement is at best an imperfect science. When you are retired, the assessment is also hard. This is because of things like changes in the returns on investments and how smooth those returns are, interest rates, inflation, and your health.

The short answer to how much you need for retirement and how much capital you need on your retirement day to ensure a financially secure future is: as much as possible. The real answer is much more difficult. And it is not a one-time solution. The issues must be revisited on a regular basis. The most important question you must answer is, 'What kind of retirement lifestyle do you desire?'. This is a complicated question that involves the following elements:

- **Where you want to live in retirement:** If you want to live on Cape Town's Atlantic Seaboard, you'll need a lot more money than if you want to live in Loxton, Karoo. Not only will property in Cape Town become more expensive, but so will rates and taxes.
- **Assisting children:** An increasing number of retirees find themselves financially assisting their children and grandchildren. This is true for both the rich and the poor. A social old-age grant is estimated to support five people on average. Education is becoming increasingly expensive, and grandparents are increasingly contributing to these costs from primary school through the tertiary level.
- **Healthcare:** Will you be satisfied with a hospital plan rather than a comprehensive plan? It has the potential to be a two-edged sword. A hospital plan may cost less, but non-hospital treatment may cost much more than what you save on contributions.
- **Food:** Eating out at top restaurants most nights are far more expensive than preparing simple, healthy meals at home.
- **Travel:** Many retirees prioritise domestic and international travel. Aside from finding tourism appealing, many retirees have children and grandchildren all over the world who they would like to visit.
- **Automobiles**: Two cars, one car, or no car? And, if so, what kind of car? Most people can get around using public transportation and Uber, and it will be far less expensive than owning a car, especially a luxury one.
- **Keeping up with the Joneses:** This includes everything from banking with an expensive private bank to having a low-cost pensioner account at a high-street bank, as well as learning about and utilising pensioner discounts. Pensioner discounts, which are numerous, can range from a discount at certain stores on certain days of the week to cheaper meals, especially during off-peak hours. The internet has made it easier to learn about these discounts.

This, however, is not the end of the story. Here are some additional factors that will influence your lifestyle choices:

- **Bequests:** The more money you leave to your children or grandchildren, the less money you will have to spend on yourself. This will also influence the type of pension you select.

- **Age:** When you plan to retire and how long you expect to live in retirement are all important considerations. At 65, males have an average life expectancy of 83 years and females have an average life expectancy of 88 years. But keep in mind that these are averages. You could live much longer, which means you'll need more money. According to the 2022 Just SA retirement survey, only two out of every five pensioners believe their income will cover their monthly expenses if they live to be 100.
- **Amount of wealth accumulated:** The more you have, the sooner and/or wealthier you will be able to retire. This includes your discretionary savings as well as any money in a tax-advantaged savings vehicle, such as a pension from a retirement fund.
- **Dependants:** People who rely on you for financial support will deplete your retirement savings. This could imply that you will not have enough to live on.
- **Debt:** You don't want to enter retirement in debt. If you have debt, you must repay it as soon as possible.
- **Tax:** Death is a major tax event. Your estate is subject to estate duty as well as capital gains tax (CGT). This may necessitate either additional assurance (premiums are much higher as you get older, reducing your income) or leaving a portion of your assets untouched (again, reducing your income).
- **Investment returns**: Even if you believe you will have enough money in retirement, your position may change dramatically due to poor or volatile investment returns.
- **Inflation:** Inflation can have a significant impact on your retirement savings. These are some examples:
    - *Pension increases below inflation:* Pensioners in the Transnet Second Defined Benefit Fund have faced years of increasing destitution because of lower-than-inflation increases. Their maximum annual growth is limited to 2%, well below average inflation.
    - *Investment returns:* The risk that inflation will outpace your returns because you are too conservatively invested, resulting in negative 'real' returns.
- **Healthcare inflation:** In recent years, the cost of healthcare, both actual costs and contributions, has risen significantly faster than average inflation. Some of this inflation is frequently concealed by reduced benefits. **Full Report:** ***https://www.moneyweb.co.za/financial-advisor-views/how-much-will-you-need-to-retire-comfortably/***

**Moneyweb | 10 May 2023**

## Pension Funds Adjudicator orders security firm to pay over outstanding retirement contributions

A ruling from the Pension Funds Adjudicator this week highlights the importance of reading through your retirement fund statements and holding your employer accountable for the contributions they have committed to pay

During 2020, the Financial Sector Conduct Authority, in recognition of the financial predicament of many companies and consumers, allowed companies to temporarily suspend or reduce contributions made to retirement funds on behalf of their employees. The Private Security Sector Provident (PSSP) Fund was one of many retirement funds that amended its rules to allow employers to pay contributions at a lower rate (5%) from September 2021 to March 2023. However, the Pension Funds Adjudicator (PFA), Muvhango Lukhaimane, notes that some "opportunistic employers" have continued to remit the lower rate even though the Covid-period concession has long since passed.

Other employers, such as Bamogale Security Solutions, have been deducting higher amounts from employee salaries while remitting a lower amount to the PSSP Fund as recently as this year. Lukhaimane has ordered Bamogale to pay the fund all arrear contributions, as computed by the fund, in the case of the following complaint: After reviewing his contribution statement, the complainant noticed that although Bamogale had deducted R342.53 from his salary, it had only contributed R228.35 to the retirement fund. He also found that although his employer had been deducting contributions from his salary without fail, it had not paid contributions from December 2019 to February 2022, and again from November 2022 to January 2023.

According to the PSSP Fund, the complainant only joined the fund on 1 March 2020. This showed that Bamogale had failed to timeously register the complainant with the fund when he started working at the company in December 2019. His fund credit of R10,634.14 as of 17 February 2023 represented his provident fund contributions from March 2020 to October 2022. The schedule indicated that reduced contributions had been received from May 2020 to September 2020. The complainant's fund also reflected arrears of R4,556 for December 2019 to February 2020 and November 2022 to January 2023 plus late payment interest of R1,803.38 as calculated up to 14 April 2023.

Although Bamogale was given the opportunity to comment on the discrepancies, the company did not submit any response to the PFA. The disgruntled employee was able to provide pay slips showing evidence of the deductions made and a fund statement showing the actual contributions paid over, clearly showing a discrepancy. Lukhaimane ordered the employer to

submit the outstanding contribution schedules to the fund so that it could calculate the amount of arrear contributions due within five weeks of the ruling.

*What you need to know*

Your retirement fund contribution statement should include the following information:

- Your employee number;
- Your tax number;
- Your contact details, including your cellphone number, postal address and residential address;
- A record of contributions received each month from you and your employer;
- Monthly fees charged;
- An opening balance, investment returns and closing balance; and
- Details of any additional voluntary contributions, or corrections due to error.

You should also regularly check the nominated beneficiaries on your retirement fund. If you have divorced your spouse and have not changed the beneficiary details three months after the divorce, the fund will recognise your former spouse as a beneficiary.

**Daily Maverick | 9 May 2023**

# INTERNATIONAL NEWS

## India's pension scheme returns 'exceedingly good' versus benchmarks – regulator

MUMBAI (Reuters) - India's national pension scheme offers "exceedingly good" returns of 9-12%, compared to most benchmarks, a top official at the pension fund regulator said on Tuesday.

The National Pension Scheme, adopted in 2004, has recently come under criticism for inadequate returns, leading to a few state governments reverting to an earlier pension plan considered fiscally unviable. Following this, the federal government set up a committee to review the country's pension system. "The equity scheme, since inception, has given an annual return of close to 12%," Deepak Mohanty, chairman of the Pension Fund Regulatory and Development Authority (PFRDA) said in an interview with Reuters on Tuesday. Mohanty is a member of the review committee. The pension scheme in which central government employees are registered has returned 9.4% since inception while the one for state government employees has returned 9.2%, Mohanty said.

"Compared with a market benchmark or the 10-year government bond, they've performed well," Mohanty added. States that have decided to move back to a so-called old pension scheme include Rajasthan, Jharkhand, Chattisgarh, Himachal Pradesh and Punjab. The old pension scheme offered assured returns to pensioners without any contribution from the employees, which made it fiscally unsustainable for the government. In contrast, the new pension plan requires the employee and the employer, including the government, to make contributions during their working life in return for a pension after retirement.

Economists warned that the return to a scheme with assured returns could hurt India's attempts to improve government finances and reduce debt. While declining to comment on the committee's deliberations, Mohanty said that the PFRDA's assessment suggests that with contributions made to the national pension scheme over 30 years, a government employee can receive a pension equivalent to 50% of the last drawn salary. While the debate over the need for assured pension returns has been sparked mostly by government employees, the PFRDA is debating introducing a voluntary assured return product for private sector employees. "If you bring in an implicit guarantee, it has a cost," Mohanty said. The introduction of such a product would also require pension funds to hold more capital, he said. "We've been discussing it and have made significant progress. but I cannot put a timeline."

**Reuters | 9 May 2023**

## Social Security investment secures your financial future, not an expense

The red lights are flashing on Kenya's social security dashboard. Transient poverty is becoming an issue of concern to policymakers and families. We are saving far less than we need in our old age. The statistics are stark and even State-provided social protection still falls short of targets.
We are only spending 0.4 percent to diminish the risks and vulnerability of poor households and cushion our future. This scenario is further exacerbated by reports that fewer State pensions are being disbursed to retired civil servants due to a cash crunch. Recently during the Kenya Social Protection Conference President William Ruto did not mince words as he challenged participants to come up with practical, workable strategies to ameliorate the situation.

At the conference, speakers were unanimous that social security was an investment and not a cost. Statistics show that only 25 percent of the Kenyan workforce contributes to the National Social Security Fund while 24 percent to National Health Insurance Fund. As people develop through their lifetime they have an expectation that a time will come when they will retire. It follows that they will experience a reduction in income. For some people, the State pension or supplementing what they have with employer-sponsored retirement plans or even some other form of pension programme would make up for some of this loss of income in retirement. A few may have an opportunity to accumulate wealth without using pension schemes.

Some, through their business ventures, money markets, stocks, low-risk investments such as fixed deposits, tax-free bonds or other asset classes. The Retirement Benefits Authority (RBA) says only 25 percent of employed persons have some form of pension plan. It means that millions are wallowing in abject poverty in old age as they either have less monies or none at all to sustain them. Little wonder that statistics by the Kenya National Bureau of Statistics show that retirees are getting back to the job market to avoid the misery in old age. The RBA says 73 percent of retirees are not happy with their pension while only four percent of members have savings of Sh10 million. When planning for retirement decide whether your savings are enough to live on in old age and if not, where additional income will come from.

Few people realise that providing the required level of income in retirement requires a substantial level of pension savings. The International Labour Organisation says in some countries, there is dissatisfaction with the administration of social security, considered the foundation on which workers can build on to plan for their retirement. It provides a basis for protection in the future.

One of the key global problems facing social security today is the fact that more than half of the world's population (workers and their dependents) is excluded from any type of social security protection. They are covered neither by a contribution-based social insurance scheme nor by tax-financed social benefits, while a significant additional proportion is covered for only a few contingencies, adds ILO. It calls for reforms to involve a review of the role of the State, the responsibilities of the social partners and the desirability of greater participation of the private sector. The achievement of universal social protection is closely aligned with the 2030 Agenda for Sustainable Development, in particular Sustainable Development Goal (SDG) 1 which is explicit, ''end poverty in all its forms everywhere." There is a growing global consensus that affirms social security as the surest way of meeting the SDGs referred to by the United Nations as the ''global blueprint for dignity, peace and prosperity for people and the planet. Kenya spends Ksh28B on safety net programmes compared to countries like Belgium, Brazil, Mexico, France, and Germany which spend between 20 to 40 times on social protection programmes seen as a key strategy for tackling poverty and vulnerability. They have a combination of insurance benefits and fall- back system of unemployment assistance for workers who have exhausted their insurance entitlements.

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