



**cogence**

BlackRock | Discovery

# How health and behavioural insights have **transformed retirement planning**

The majority of South Africans are not prepared for retirement. In addition, increasing life expectancy and rising living and healthcare costs will put further pressure on retirement incomes.

Traditional approaches towards retirement planning that focus solely on investment returns are simply no longer sufficient. Instead, advisers need to adopt a comprehensive data-driven strategy that integrates health insights, savings behaviour analysis, and global investment expertise to help South Africans meet their investment outcomes and better support themselves in retirement.

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## ■ Rethinking retirement: Aligning health and wealth

Investment returns are just one piece of the retirement puzzle. Advisers who incorporate health insights into financial planning can provide their clients with an accurate picture of their needs in retirement, including life expectancy – how long they are likely to live – the state of their health, and potential medical costs, to create a personalised investment strategy that ensures a quality retirement.

## ■ Planning for longevity

Living to the age of 100 has become a real possibility. Globally, life expectancy is rising, driven by medical advances that have significantly extended lifespan far beyond historical norms. According to a 2024 report by the World Economic Forum, the average global life expectancy increased from 66.8 years in 2000 to 73.4 years in 2019. Locally, members of Discovery Vitality live, on average, to 83 – well above the global average. However, living longer brings new challenges: rising healthcare expenses and the need for savings to sustain an extended retirement.

Longevity planning is no longer optional. Advisers must plan for the financial implications of clients living longer, such as saving more over time and recommending products that cover long-term health costs.

## ■ Managing behavioural risks

Every adviser knows that even the best financial plan can fall short if behavioural risks are not managed. Cognitive biases, such as loss aversion, short-termism, and hyperbolic discounting, influence financial decision-making, especially when it comes to saving and investing for retirement. Loss aversion causes investors to overemphasise potential losses over equivalent gains, preventing them from taking advantage of attractive opportunities. On the other hand, short-termism drives investors to prioritise immediate rewards over long-term gains, which can undermine their ability to adequately save for retirement.

Hyperbolic discounting leads investors to favour smaller, immediate rewards over larger, delayed ones, such as spending a bonus on a holiday instead of investing it for future growth.

Avoiding these behavioural risks is crucial to avoiding poor financial decisions that can hinder investors from achieving their long-term goals.

## ■ Navigating a new era of holistic retirement planning with Cogence

To navigate the complexities of retirement planning, advisers need a partner equipped with expertise, innovative tools, and global reach. Cogence, an independent discretionary fund manager operating under its own FAIS Category II licence, offers a comprehensive solution that integrates global investment expertise, behavioural science, and longevity data.

By leveraging collaborations with leading asset managers like BlackRock, Cogence provides tailored value propositions aligned to clients' unique risk tolerances. Cogence goes beyond delivering consistent investment returns. Using Discovery Vitality data and BlackRock's Aladdin Wealth™ technology, advisers gain actionable insights into clients' health, savings behaviour, and life expectancy.

The Cogence technology platform equips advisers with tools, including co-branded personalised investment proposals, offering a holistic view of a client's savings, investments, and health behaviours. These insights allow advisers to craft financial plans with individual recommendations to ensure that clients can enjoy a quality retirement – for longer.

The advantage of tools that provide intelligent reporting and personalised insights lies not only in predicting lifespans and modelling healthcare costs, but also in offering individual recommendations to optimise financial outcomes. With these insights, advisers can develop forward-thinking, personalised retirement strategies that holistically address the client's financial and health needs.

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