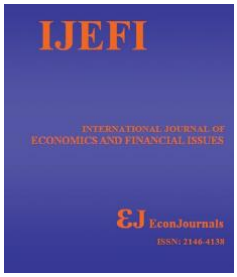

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Evaluating the Determinants of Retirement Annuity Fund Investment Intention in South Africa's Retirement Savings Landscape

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ABSTRACT

The growing concern over insufficient retirement savings in South Africa highlights the importance of understanding the factors that influence individuals' decisions to invest in Retirement Annuity Funds (RAFs). The purpose of this study is to assess critical factors influencing an individual's intention to invest in RAF in an emerging economy. The study examines the relationships between awareness and knowledge of RAFs, including their tax benefits, and financial literacy, and how these factors influence individuals' intention to invest in RAFs. A quantitative research approach was employed, using structured surveys distributed to university employees in KwaZulu-Natal, South Africa. The findings reveal that while individuals have moderate to high awareness of RAF tax benefits, this knowledge does not significantly influence investment intention. Additionally, financial literacy was found to have a negative relationship with the intention to invest, suggesting that financially literate individuals may prefer alternative investment options. The study contributes to knowledge by highlighting these relationships, providing insights that can help the national treasury and financial service providers develop guidelines to improve awareness and knowledge to influence attitudes about the benefits of investing in a RAF.

Keywords: Financial Literacy, Investment Intention, Retirement Annuity Fund, Retirement Savings, Tax Benefits
JEL Classifications: G11, G23, J26

1. INTRODUCTION

The importance of investing in one's post-retirement life cannot be over-emphasised. Governments worldwide are concerned about having so many people, including older persons, who end up relying on and over-stretching the fiscus (October, 2021). South Africa is no exception, with the population expected to live longer due to advances in medical technology and healthier lifestyles (Redonda and Axelson, 2021). Consequently, many individuals outlive their retirement savings, are unable to retire, or have to adjust their standards of living significantly (Hungwe and Odhiambo, 2019; Wood, 2019). Snyman et al. (2017) suggest that most South Africans will not retire in the comfort they wished. Only 4% of the population are estimated to retire comfortably, 12% are simply managing, 33% must significantly adjust their lifestyle, and 51% must work post-retirement or depend on their children or the State (Makgele and Chikwekwete, 2019). Willows (2019) found that one-third of the participants in a South African higher education institution's retirement fund would have inadequate savings for retirement.

Despite the substantial pension-related tax expenditures (PTEs) offered by the South African government, these incentives seem to have failed to ensure adequate retirement savings among individuals (Redonda and Axelson, 2021). Many South Africans, particularly those in lower-income groups, are not taking full

advantage of retirement savings opportunities, exacerbating financial insecurity in post-retirement years (Willows and October, 2023). The major reasons for this failure are the lack of awareness regarding the benefits of South Africa's retirement tax reforms and limited financial literacy concerning retirement annuities and their advantages. The inability to accumulate sufficient retirement savings places a financial strain on both individuals and the government, which is then required to provide additional social assistance to retirees (Makgele and Chikwekwete, 2019).

Although various studies have examined investment behaviours in financial products such as insurance policies (Nasir et al., 2021; Oladepo, 2019) and retirement funds (Bongini and Cucinelli, 2019; Dragos et al., 2020; Nosi et al., 2017), there is a lack of research specifically assessing the impact of awareness and knowledge of tax benefits and financial literacy on the intention to invest in Retirement Annuity Funds (RAFs) in South Africa. While the South African government provides tax incentives to improve pension savings (Mitchell, 2020; Nam and Loibl, 2021), gaps in retirement-related knowledge continue to hinder meaningful participation in RAFs.

Consequently, this study aims to assess the factors influencing an individual's intention to invest in RAFs in South Africa, particularly the predictive power of awareness and knowledge about tax benefits offered by RAFs and financial literacy. Understanding these factors is critical for policymakers, financial institutions, and individuals, as it will help in designing effective strategies to encourage long-term retirement savings. This study contributes to the understanding of the determinants of retirement investment decisions and provides insights that can inform future legislative changes and financial education programmes to improve retirement savings behaviour in South Africa.

2. LITERATURE REVIEW

South Africa's retirement fund system is substantial, with assets equalling approximately half of the national GDP and contributing 40% to the Johannesburg Stock Exchange (Orthofer et al., 2019). These funds are critical to both national capital and household wealth; however, only about 23% of South Africans of working age contribute to them, highlighting a gap in savings participation (Pillay and Fedderke, 2022). Understanding the retirement system's structure and access barriers is essential to developing policies that encourage broader investment in retirement savings. The retirement system comprises public, occupational, and private pension funds, primarily regulated by the Social Assistance Act (No. 13 of 2004) and the Pension Funds Act (No. 24 of 1956) (South African National Treasury, 2023a). Public provisions, like the older person's grant, aim to reduce elderly poverty through means-tested income support (South African Social Security Agency, 2023). Occupational pensions are employer-based and mandatory for eligible employees, whereas private or personal pensions, including RAFs, are typically the only viable option for self-employed and unemployed individuals (Pillay and Fedderke, 2022).

For most households, savings held in retirement funds are the only source of wealth (Orthofer et al., 2019). The two main retirement funds in South Africa are pension and provident funds. These funds are arranged by an employer where qualifying employees must join and contribute to the fund. The member's contributions to the fund are determined as a percentage of their salary (Cameron and Fourie, 2020). In some cases, employers also contribute to the fund to benefit employees. Upon retirement, the member may elect to receive a lump sum of up to one-third of the total investment value, and the balance must be reinvested and received as annuities (Coetzee et al., 2023; South African Revenue Services, 2015).

While South Africa has a sophisticated retirement fund system, many people in informal employment, as well as self-employed and unemployed people, are excluded (Orthofer et al., 2019). Hence, these people will only have the option of a RAF, which is a personal and private retirement scheme (Coetzee et al., 2023). The contributions to a RAF are based on the individual's choice to pay the premium monthly or annually directly to the provider (Cameron and Fourie, 2020). After turning 55 years, a member may retire from the fund and receive a cash lump sum of up to one-third of the fund value, and the balance of the amount must be used to purchase annuities (South African Revenue Services, 2015). Those who do not invest in any of these funds or are underinvested are forced to rely on the State's old-age pension grant for their retirement.

To nurture a saving culture amongst citizens, governments implement PTEs. PTEs are revenue foregone by the government by not taxing income paid to retirement funds and exempting from taxation the investment income from retirement funds (De la Feria and Redonda, 2020; South African National Treasury, 2022). During 2020/2021, pension-related spending in South Africa was estimated at R97 734 million, equating to 38.79% of the total tax expenditure (South African National Treasury, 2023b). Despite the cost of PTEs, the government implements these policies to reduce the burden of caring for older people from the fiscus and relatives and shifts it to individuals themselves, hoping that all elderly citizens will live out their post-retirement years comfortably (Makgele and Chikwekwete, 2019; October, 2021). The problem is that most low- and middle-income earners do not benefit from these provisions as they do not have enough income to contribute to these funds (Redonda and Axelson, 2021).

Before 1 March 2015, the Income Tax Act (No. 58 of 1962) allowed for deductions of contributions to retirement funds from income by individuals and employers (South African National Treasury, 1962; Stiglingh et al., 2023) in terms of Sections 11(k) for pension fund contributions and 11(n) for RAF contributions (Coetzee et al., 2023; South African National Treasury, 1962). Section 11(k) allowed an individual a deduction of up to 7.5% of retirement funding employment (RFE) income for a pension fund (South African National Treasury, 1962). In terms of Section 11(n), a member of a RAF was allowed a deduction limited to a maximum of 15% of non-retirement funding employment income (N-RFE) after certain deductions (Stiglingh et al., 2023). No section in the Income Tax Act made provision for deducting contributions made to a provident fund by an individual (Coetzee et al., 2023).

The above provisions of the Income Tax Act (pre-1 March 2015) presented some problems. Sections 11(k) and 11(n) did not provide limits on RFE and N-RFE. De la Feria and Redonda (2020) and Redonda and Axelson (2021) argued that this made the system regressive and unjust as it favoured higher-income earners who could afford substantial contributions and abused the provisions by hiring experts for tax planning and taking advantage. Low and middle-income earners could not make such substantial contributions and were, therefore, unable to take advantage of these provisions. This flaw in legislation perpetuated South Africa's inequality (Groenewald, 2018). Limiting deductions on contributions would ensure that higher-income earners do not avoid paying taxes by making substantial contributions to the funds (Redonda and Axelson, 2021). Such limits would ensure they pay their fair share of taxes based on their income, at the very least (Redonda and Axelson, 2021).

In response to these deficiencies, the South African Government amended the Income Tax Act by deleting Sections 11(k) and (n), replacing them with a new Section 11F (Coetzee et al., 2023; Orthofer et al., 2019; Groenewald, 2018). However, the changes only partially addressed the system's inequity because the new Section 11F introduced limits. It allowed individuals to deduct payments to retirement funds limited to the lesser of R350 000 or 27.5% of their remuneration or taxable income (whichever is higher) or taxable income for the year (Groenewald, 2018; Stiglingh et al., 2023).

3. CONCEPTUAL MODEL AND HYPOTHESIS DEVELOPMENT

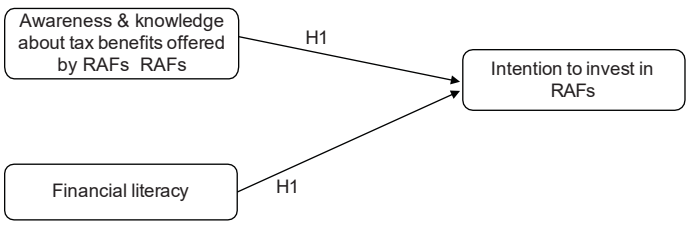
Several factors influence an individual's intention to invest in RAFs. Scholarly literature intimates that the Theory of Planned Behaviour (TPB) is the most effective tool for identifying these factors (Ajzen, 1991). This theory offers a model that can forecast an individual's behaviour based on intention. Nosi et al. (2017) modified the TPB to predict the intention to invest in private pensions, known as Piani Individuali Pensionistici (PIPs). The aforementioned authors added a fourth predictor – Anticipated Inaction Regret (AIR) to evaluate individuals' emotional state after failing to act. In this paper, awareness and knowledge of tax benefits of RAFs and financial literacy towards RAFs were hypothesised to influence people's intention to invest in RAFs. The hypothetical relationship between these variables is depicted in Figure 1.

3.1. The Influence of Awareness and Knowledge about RAFs Tax Benefits on Intention to Invest

Awareness alone is not helpful; it must be escalated to knowledge, which is the degree of understanding individuals have about something (Dragos et al., 2020). Awareness and knowledge are popular concepts in marketing, especially consumer behaviour. They are the first two steps of consumer-marketer interaction (Belch and Belch, 2020), and their importance is codified and demonstrated in various consumer response models such as the Hierarchy of Effects Model (Lavidge and Steiner, 1961). This study uses the same conception that awareness and knowledge of tax incentives associated with RAF contribution influence consumer attitudes and predict an individual's intention to invest in RAFs. Consequently, hypothesis 1 (H1) is formulated as follows:

H_1: Awareness and knowledge about tax benefits offered by RAFs positively influence an individual's intention to invest in RAFs.

Figure 1: Conceptual model



Source: Own figure

3.2. The Influence of Financial Literacy on Intention to Invest

Financial literacy is a person's proficiency in making significant decisions concerning the effective and efficient use of their financial resources (Kumari, 2020). It displays an individual's knowledge about financial decisions. Numerous studies have propounded the concept of financial literacy in South Africa. Recently, a report on financial literacy (Roberts et al., 2021) by the Financial Sector Conduct Authority (FSCA) in collaboration with the Human Sciences Research Council (HSRC) indicates that 52% of South Africans are financially illiterate. An earlier study by Sibanda and Sibanda (2016) involving a different sample of South Africans found the financially illiterate rate to be 54%. Wentzel (2016) highlights that despite financial literacy being a topical concept in South Africa and more effort and emphasis placed on improving it, the country still fares poorly in international surveys measuring financial literacy. Other empirical studies (such as Nanziri and Olckers (2019), Shambare and Rugimbana (2012), and Willows (2019) support this view. Based on this premise, hypothesis 2 (H2) is formulated as follows:

H_2: Financial literacy positively influences the intention to invest in RAFs.

4. METHODS

This study employed a quantitative survey methodological approach underpinned by the positivist philosophical view. The deductive approach to research was deemed suitable because it prioritises testing hypotheses to clarify the links between variables being studied (Fuyane, 2021). The study focused on staff members employed on a permanent and fixed-term contract basis at a University of Technology (UoT) in KwaZulu-Natal, South Africa, whose annual income ranged between R1 and R625 992. The classification was based on the Bureau of Market Research, which categorised income classes in South Africa as low-income earners (R1-R73 351/annum), middle-income earners (R73 352-R625 992/annum) and high-income earners (+R625 993/annum) (Meiring et al.,2023). Thus, 537 employees were identified as forming the target population. A simple random sampling technique using an MS Excel spreadsheet's random function was applied to select the sample. The initial sample size was determined using Yamane's (1973) formula, with a 5% margin of error (Hair et al., 2020). The minimum sample size required for the study was 230. To avoid a low response rate associated with online

surveys, the instrument was distributed to 300 respondents and 271 responses were received. The survey's first question sought to determine whether participants contributed to an RAF. Those who indicated they already had a RAF policy were excluded from the study. One hundred and fifty-eight did not have a RAF policy and hence proceeded to complete the survey. The effective sample of 158 participants resulted in a 52.67% response rate.

A structured online questionnaire developed using Google Forms was used to collect data from the sample. To evaluate the instrument's validity and suitability for the intended purpose, a pilot study was conducted with 22 participants. An exploratory factor analysis (EFA) using Principal Components as the extraction method and Promax rotation was conducted to detect a simple scale structure and test reliability. To obtain a simple structure from the best-fitting model, the researchers employed iterative rotational techniques (Costello and Osborne, 2019). Content validity was evaluated by reviewing the literature and seeking the views of three university professors. Construct validity was assessed on full-scale data analysis. Convergent validity was measured with Average Variance Extracted (AVE) suggested by Hair et al. (2020), and discriminant validity was assessed using Fornell and Larcker's (1981) criterion. Scale reliabilities were assessed using (Chronbach's Alpha) CA, conducted concurrently with factor analysis and later confirmed with composite reliability (CR). Data were evaluated for multivariate outliers using the Mahalanobis distance test (Tabachnick and Fidell, 2013). The descriptive and EFAs were performed using the Statistical Product and Service Solutions Version 29 (SPSS V29). After the EFA, CFA was conducted on Amos 29 to assess the convergent and discriminant validities. Lastly, multinomial logistic regression (MLR) analysis was employed to test the hypotheses.

5. RESULTS

This section presents the study's results, focusing on the predictive power of awareness and knowledge about tax benefits offered by RAFs and financial literacy on individuals' intention to invest in RAFs. The findings are structured according to the research questions and hypotheses, followed by a detailed statistical analysis.

Table 1 delineates the demographic characteristics of the respondents. Males constituted the majority, accounting for 67%, while females accounted for 33%. These statistics align with the gender representation at the institution, as reported in the UoT's 2022 Annual Report. Table 1 further shows that the respondents' age spanned from 18 to over 50 years. Most respondents are 30-39 years old (39%), with the second largest group being 18-29 years old (27%). The 40-49 age group accounted for 26% of the respondents, while just 8% of respondents were older than 50. This indicates that a significant proportion of the participants were younger to middle-aged employees.

Regarding income bracket, 35.4% of the respondents have a gross yearly income ranging from R73 351 to R412 000. A further 34.2% of respondents reported that their annual income fell from R412 001 to R625 992. Approximately 30.4% of the participants reported that their gross annual income fell within R1 to R73 361. The income categories provide additional evidence for the significant proportion of respondents who report obtaining a university education, indicating that they belong to the academic, technical, and professional workforce and receive substantial salaries.

Table 1: Demographic characteristics of respondents

Demographic characteristic	Category	Percentage
Gender		
	Female	33
	Male	67
Age group		
	18-29 years	27
	30-39 years	39
	40-49 years	26
	50+years	8
	Total	100
Income bracket		
	R1-73 351	30.40
	R73 352-R412 000	35.40
	R412 001-R625 992	34.20
Level of education		
	No Matric	0
	Matric	2
	Undergraduate diploma/degree	37
	Postgraduate diploma/degree	61
Pension fund membership		
	Member	56
	Non-Member	44

About 37% of the respondents have achieved an undergraduate degree or a diploma. Approximately 61% of respondents reported obtaining a postgraduate degree or diploma. However, a small percentage of respondents (2%) mentioned having merely completed matric. Hence, the educational data substantiates that most participants have achieved a substantial level of education.

Of the 158 respondents, 56% indicated that NTRF membership was part of their employment terms and conditions, while 44% were not members of any pension scheme. Those with NTRF membership are employed on permanent contracts, and such membership is compulsory. The remaining 44% of employees are on fixed-term contracts.

The first hypothesis (H1) posited that awareness and knowledge about tax benefits offered by RAFs positively influence an individual's intention to invest in RAFs. The awareness and knowledge of RAFs and their associated tax benefits were assessed using six key indicators, as shown in Table 2 below. The results show that the mean scores ranged from 3.27 to 3.97. This indicates that many individuals have moderate to high awareness and knowledge of RAFs and the tax advantages that come with them. The standard deviations (SD) ranged between 1.05 and 1.23, reflecting some response variation. The variability in the responses can be attributed to the specialised and complicated nature of tax knowledge. It is possible that some participants may lack awareness and knowledge of some elements.

The second hypothesis (H2) proposed that financial literacy positively influences the intention to invest in RAFs. Respondents' financial literacy was assessed using four key financial planning and control indicators. The results, as summarised in Table 3, demonstrate that the mean financial literacy score ranged from 3.99 to 4.41, suggesting high levels of financial literacy among respondents. The standard deviation values for financial literacy indicators ranged from 0.94 to 1.08, with the highest variability in long-term financial goal setting (SD = 1.08). This suggests that while most respondents demonstrated sound financial planning habits, their attitudes toward long-term investment strategies varied, influencing their reluctance to commit to RAFs.

The regression results are presented in Table 4 below. These results reflect that awareness and knowledge of tax benefits were not statistically significant predictors of intention to invest ($\beta = -0.482$, $P = 0.101$). Despite the respondent's relatively high awareness, the statistical results suggest that knowledge of tax benefits does not significantly predict the likelihood of investing in RAFs. The lack of significance indicates that knowing about tax benefits is insufficient to drive investment decisions. A possible explanation could be that individuals are aware of RAFs but still perceive them as inaccessible, risky, or financially burdensome.

Further, the regression analysis revealed an unexpected negative relationship between financial literacy and the intention to invest in RAFs ($\beta = -0.828$, $P = 0.049$). The odds ratio (0.437, 95% CI: 0.192-0.996) further supports this finding, indicating that individuals with higher financial literacy were less likely to invest in RAFs. The standard deviation values (0.94-1.08) for financial literacy indicators also suggest variability in responses, particularly regarding long-term financial goal setting (SD = 1.08). This indicates that while some participants demonstrated strong budgeting and financial management skills, others struggled with long-term financial planning, which may have influenced their reluctance to invest in RAFs.

When directly asked about their intention to invest in a RAF, 84% of respondents expressed a willingness to invest, while 16% stated they had no intention to do so, as reflected in Figure 2. This suggests that despite the lack of statistical significance in the regression analysis, a large proportion of individuals still recognise the importance of retirement savings. The discrepancy between self-reported intentions and regression findings may indicate that social and psychological factors, such as peer influence, employer recommendations, or perceived necessity, play a larger role in shaping investment decisions than financial literacy or tax awareness alone.

To assess the factor structure and validity of the measurement scale, an Exploratory Factor Analysis (EFA) was conducted using the Principal Components Extraction method with Varimax rotation. Following recommendations by Tabachnick and Fidell (2013), factor loadings below 0.32 were suppressed, and no cross-loading issues were identified. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy yielded a value of 0.78, which is

Table 2: Awareness and knowledge of RAFs and their associated tax benefits

Awareness and Knowledge (AK) test items	Valid responses	Mean	Standard deviation
AK1- Apart from the employer's pension fund, you can also contribute to a RAF irrespective of how much you earn or your employment status.	158	3.97	1.15
AK2 - Contributions to the RAF are tax deductible up to a maximum of 27.5% of taxable income or remuneration, limited to R350 000/year.	158	3.82	1.05
AK3 - As a result of the above deduction, you will pay less tax than you would have paid if you did not contribute to a RAF.	158	3.87	1.15
AK4 - The returns of the RAF (i.e., interest, dividends, and capital gains) are tax-free.	158	3.27	1.23
AK5 - A third of the savings in the RAF may be taken as a cash lump sum at retirement. The balance must be used to purchase an annuity (pension).	158	3.63	1.17
AK6 - The first R550 000 of the retirement fund lump-sum benefit is tax-free.	158	3.62	1.16

Table 3: Financial literacy

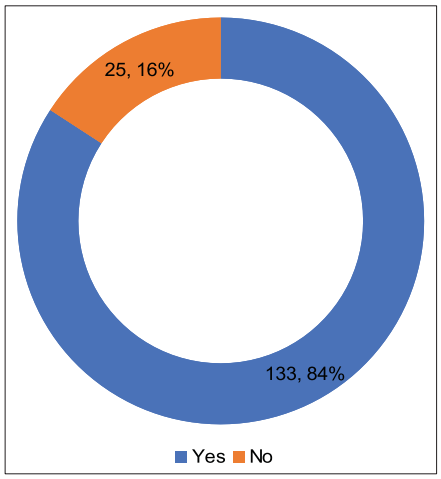
Financial Literacy (FL) test items	Valid responses	Mean	Standard deviation
FL1 - Having a budget and monitoring it helps prevent financial difficulties.	158	4.41	0.94
FL2 - Before I buy something I carefully consider whether I can afford it.	158	4.24	0.96
FL3 - I keep a close personal watch on my financial affairs.	158	4.13	0.98
FL4 - I set long term financial goals and work hard to achieve them.	158	3.99	1.08

Table 4: Summary of multinomial logistic regression analysis

ITI[a]	β	Standard error	Wald	df	P-value	Exp (B)	95% confidence interval for Exp (B)	
							Lower bound	Upper bound
Yes								
Intercept	4.221	2.548	2.744	1	0.098			
Awareness and Knowledge	−0.482	0.294	2.682	1	0.101	1.619	0.910	2.882
Financial Literacy	−0.828	0.421	3.880	1	0.049	0.437	0.192	0.996
Financial Planning	−0.421	0.307	1.883	1	0.170	1.523	0.835	2.777

[a]The reference category is: Yes, I intend to invest in a F F

Figure 2: Responses on intention to invest in a RAF



above the acceptable threshold for factor analysis (Kaiser, 1974; Watkins, 2018). Additionally, Bartlett's test of sphericity was statistically significant (χ^2, $P < 0.001$), confirming the suitability of the data for factor analysis (Watkins, 2018). A total of seven latent factors with Eigenvalues >1 were retained, explaining 65% of the total variance. The extracted factors and their respective loadings are presented in Table 5 below.

Table 5: EFA results

Rotated component matrix[a]				
Construct	**Component**	**Loadings**	**% variance explained**	**Eigenvalue**
AK	2		11.68	4.323
AK2		0.846		
AK5		0.796		
AK6		0.796		
AK3		0.727		
AK1		0.647		
AK4		0.583		
FL	4		9.18	2.171
FL2		0.852		
FL3		0.839		
FL1		0.724		
FL4		0.692		

[a]Rotation conve ged in 6 iterations

6. DISCUSSION

This study aimed to evaluate the determinants of individuals' intention to invest in RAFs, with a specific focus on awareness and knowledge of RAF tax benefits and financial literacy. The findings revealed several important insights that contribute to the understanding of retirement investment behaviour in South Africa.

Contrary to expectations, the study found that awareness and knowledge about RAF tax benefits did not significantly predict the intention to invest ($\beta = -0.482$, $P = 0.101$). This finding suggests that although many individuals may be aware of the tax advantages of RAFs, such as the deductibility of contributions and tax-free returns, this knowledge alone is not a sufficient driver for investment decisions. These results align with previous studies indicating that financial decision-making is often influenced by behavioural and psychological factors beyond mere awareness (Mitchell, 2020; Redonda and Axelson, 2021). One explanation is that, even though individuals understand RAF benefits, they may still perceive them as complex, inaccessible, or financially restrictive. The high standard deviation values (1.05-1.23) observed in awareness indicators further indicate variation in understanding, suggesting that while some individuals have strong knowledge, others remain uncertain about how RAF tax incentives translate into tangible benefits for their personal financial situations (Crueinvest, 2025).

Additionally, past research has shown that low- and middle-income earners often do not perceive tax incentives as a strong enough motivator to contribute to retirement savings (Groenewald, 2018; Redonda and Axelson, 2021). Given that many participants fall within the low- and middle-income bracket, it is possible that they do not have sufficient disposable income to take advantage of RAFs, rendering tax benefits ineffective as an incentive. This finding underscores the limitations of tax-based retirement savings incentives, particularly for lower-income individuals who may prioritise short-term financial obligations over long-term savings.

A surprising finding in this study was the negative relationship between financial literacy and the intention to invest in RAFs, indicating that individuals with higher financial literacy were less likely to invest in RAFs. This contradicts the expectation that financially literate individuals would have a greater propensity to engage in structured retirement savings. An explanation is that financially literate individuals are more aware of alternative investment options, such as stocks, real estate, or unit trusts, which may offer greater liquidity, higher returns, or fewer withdrawal restrictions than RAFs (Spear, 2024). Previous research has highlighted that financially sophisticated investors tend to diversify their retirement savings beyond annuity products (Bongini and Cucinelli, 2019; Orthofer et al., 2019). Additionally, financial literacy does not necessarily equate to trust in financial institutions. Individuals with greater financial awareness may also be more sceptical of investment products due to concerns about hidden costs, administrative fees, or regulatory uncertainties associated with RAFs. This aligns with behavioural finance theories, which suggest that overconfidence in financial decision-making can sometimes lead individuals to opt out of traditional retirement products in favour of self-managed investments (Hauff et al., 2020).

7. CONCLUSION

This study examined the factors influencing individuals' intention to invest in RAFs in South Africa, focusing on awareness and knowledge of tax benefits and financial literacy. The findings revealed that while individuals have moderate to high awareness of RAF tax benefits, this awareness does not significantly predict investment intention. Additionally, financial literacy had a negative relationship with the intention to invest, suggesting that financially literate individuals may explore alternative investment options. These results challenge the assumption that increasing financial awareness will drive greater RAF participation. The findings have important implications for policymakers, financial institutions, and individuals. Policymakers should reconsider the effectiveness

of tax incentives in promoting retirement savings, particularly for low- and middle-income earners. The study suggests that tax benefits alone may be insufficient to encourage participation in RAFs, and alternative policy measures, such as government-matching contributions or flexible contribution options, should be explored. Financial service providers should focus on developing tailored educational programmes that go beyond basic financial literacy, addressing behavioural factors that influence investment decisions. Employers also play a critical role in retirement planning by incorporating financial education initiatives and workplace pension schemes to promote informed decision-making.

8. AUTHOR CONTRIBUTIONS

Conceptualisation: Bonginkosi Keith Zwane, Alastair Marais, Celani John Nyide
Data curation: Bonginkosi Keith Zwane
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Writing–review & editing: Bonginkosi Keith Zwane, Alastair Marais, Celani John Nyide

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