

No saving grace for Vic

FINWEEK'S PREMATURE OBITUARY for long-term saving begs a response ("It now doesn't make sense to save," 2 April). Author Vic de Klerk believes that those close to retirement won't recover their losses of the past two years in their lifetimes. That can only be based on the twin assumptions of a permanently impaired capitalist system and that these hypothetical near-pensioners were inappropriately only invested in share markets. In fact, many well-managed balanced unit trusts recorded small gains for the 24 months to end-March this year.

The report misses a more fundamental point: Saving for retirement is primarily about smoothing consumption over the lifecycle of a family. Put bluntly, most people don't plan to work until they die. If you accept that you're faced with the next issue: Finding an appropriate store of wealth that will protect purchasing power over time. And despite the carnage of 2008, equities still win that battle hands down, outperforming inflation by 7,1%/year since 1900.

The report further challenges the value-add of asset managers over the past 10 years, compared to the debatable benchmark of lending rates. I can confirm that's indeed been achieved by at least one asset manager. The Coronation Balanced Plus Fund – designed for retirement savers – produced a total return of 362%, or 14,9%/year, for the 10 years to end-March 2009. Based on the rule of 72, with which Vic is well acquainted, an investment in that fund doubled every 4,8 years.

Are we operating in the toughest economic environment in a generation? Undoubtedly. Does that mean the outlook is so negative that we should give up on the system? Hardly.

The seeds of exceptional long-term gains are often sown in times of great uncertainty and maximum pessimism. Those at the beginning of their careers heeding the advice to shun saving do so at their own grave peril.

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