

The retirement reality: Planning challenges and behaviour of the self-employed



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Dates:

Received: 12 June 2025

Accepted: 08 Oct. 2025

Published: 10 Dec. 2025

How to cite this article:

Scott, T. & Lotter, M., 2025, 'The retirement reality: Planning challenges and behaviour of the self-employed', *Southern African Journal of Entrepreneurship and Small Business Management* 17(1), a1184. <https://doi.org/10.4102/sajesbm.v17i1.1184>

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Background: The retirement system in South Africa faces numerous challenges, particularly with safeguarding and managing retirement funds. Self-employed individuals (SEIs) do not have access to occupational funds, encounter unique challenges and circumstances and experience difficulties in retirement planning.

Aim: The objectives are to examine SEIs' perceptions, attitudes and behaviours towards retirement planning, focusing on their awareness of retirement planning strategies, assess their approaches to saving for the future, and identify key obstacles and hurdles that SEIs encounter when planning retirement.

Setting: This study investigates the retirement planning difficulties and behaviours of SEIs in South Africa, specifically within a defined age range and income bracket.

Methods: This qualitative study, employing a constructivist perspective and semi-structured interviews conducted via Microsoft Teams, explored the retirement planning of South African SEIs. ATLAS.ti was used to analyse interview data, inductively generating insights to refine retirement planning theories.

Results: Self-employed individuals encounter considerable obstacles in retirement planning, attributed to variables such as unstable income, restricted access to retirement products and financial illiteracy. Most participants indicated difficulties in maintaining consistent savings and prioritising long-term retirement objectives.

Conclusion: The challenges experienced may result in insufficient funds and a diminished quality of life after retirement. To resolve these challenges, it is essential to offer customised financial education and assistance specifically geared to SEIs.

Contribution: This research addresses a critical literature deficiency by providing practical insights into South African self-employed retirement planning. Its findings are relevant for policymakers and financial entities.

Keywords: retirement planning; self-employed; South Africa; challenges; behaviours.

Introduction

A growing number of people worldwide are turning to self-employment, often out of necessity, to generate income and secure their future, given the declining prospects in the formal job market (Baluku et al. 2020). In 2023, the percentage of total employment in South Africa that was self-employed was 16.31% (Trading Economics n.d.). Although self-employment offers specific benefits, including flexibility and autonomy, it also entails an increasing responsibility for financial security. This shift necessitates a trade-off between immediate consumption and retirement savings. For many business owners, however, the expectation is to fund retirement using the wealth generated by their enterprise. This wealth often presents a challenge, as it is typically illiquid and held in the form of working capital or fixed assets (Rostamkalaei, Nitani & Riding 2022). Retirement planning is crucial for achieving financial security after employment (Abdullah et al. 2024). Unfortunately, self-employed individuals (SEIs) frequently overlook this vital element because of their focus on developing and expanding their enterprises (Joulfaian 2018), the volatility of their income (Stats SA 2023) and the lack of occupational retirement funds (Marumoagae 2023; Snyman, Van der Berg-Cloete & White 2017). The coronavirus disease 2019 (COVID-19) pandemic exacerbated the challenges faced by SEIs in South Africa (Rogan & Skinner 2020). These compounding financial pressures, combined with the inherent uncertainty of self-employment, created additional challenges that further exacerbated retirement planning.

Self-employed individuals in South Africa often neglect retirement provisions, which can jeopardise their standard of living as they transition from a certain quality of lifestyle to one that may be unsustainable (Pfau 2011). Self-employed individuals are more prone to challenges such as income instability, restricted access to occupational retirement funds and insufficient financial literacy, which can hinder their ability to save for retirement efficiently (Snyman et al. 2017). Because of the distinct circumstances and challenges encountered by SEIs in South Africa, it is established that their retirement planning habits and outcomes noticeably diverge from those of salaried employees.

There is insufficient emphasis on the unique needs and circumstances of SEIs. Despite the growing importance of retirement planning for SEIs, a knowledge gap persists in delving deeper into understanding SEIs' behaviour, where current research frequently relies on quantitative methods (e.g. Krüger, Rootman & Zeka 2020; Maseko & Surujlala 2011; Mustafa et al. 2025; Nazimuddin et al. 2024; Snyman et al. 2017). Qualitative research offers in-depth exploration to help understand the 'why' behind SEIs' behaviours (eds. Denzin & Lincoln 2018) for exploring their motives, habits and issues with retirement planning. Subsequently, the primary objective of this study is to examine retirement planning among SEIs in South Africa. The specific objectives include analysing their perceptions, attitudes and behaviours towards retirement planning, with an emphasis on the awareness SEIs have regarding retirement planning strategies; evaluating their methods of saving for the future and exploring the primary challenges and obstacles they face when planning for retirement within the South African context.

Literature review

Concept of retirement planning

Retirement planning is crucial to financial security, as it secures a comfortable and fulfilling post-work existence. It is the termination of full-time employment or the individual's departure from the labour force (Nazimuddin et al. 2024). Retirement planning requires both psychological and financial preparedness (Nansubuga 2018). Psychological readiness involves developing a positive outlook, forming new habits and fostering social connections. At the same time, financial preparedness entails having sufficient savings and investments to maintain a desired lifestyle during retirement (Riitsalu et al. 2024).

Retirement planning in South Africa encounters considerable obstacles. A significant segment of economically active South Africans found it challenging to accumulate sufficient retirement savings to maintain their preferred standard of living after retirement (10x Investments 2023). The 10x Investments (2023) reported that 67% of economically active South Africans are poorly prepared for retirement, either by not having a plan (46%) or having a vague plan (21%). In addition, 62% are concerned they will not have enough retirement funds. Furthermore, merely 6% of economically active South Africans are anticipated to retire comfortably (National Treasury 2022).

South African occupational retirement funds are mandatory, with contributions from both employers and employees. In contrast, SEIs frequently contend with fluctuating earnings, limited access to formal retirement savings options and the sole responsibility for their financial security. This distinct set of conditions necessitates a comprehensive understanding of their retirement planning practices and the challenges they face in developing effective support mechanisms and policies to enhance their financial wellbeing in retirement.

Research on retirement planning among SEIs in South Africa has been scarce. Research has investigated individuals' preparedness or beliefs regarding retirement, frequently concentrating on specific demographics such as dentists (Snyman et al. 2017), Dutch Reformed ministers (Alsemgeest 2018) and soccer players (Maseko & Surujlala 2011). International research in Canada highlights the difficulties faced by SEIs, notably reduced savings rates despite financial prudence (Rostamkalaei et al. 2022). In Ghana, retirement planning focuses on securing future wellbeing through diverse economic and non-economic investments (Oteng, Manful & Akuoko 2024). Another study conducted in Ghana investigated both the specific financial planning instruments adopted by the self-employed workforce for retirement and the primary motivational drivers behind their pension-saving behaviours (Ofori 2021). A quantitative study in Malaysia demonstrated that financial attitude and literacy strongly influence retirement planning among SEIs, with financial advisers moderating these relationships (Mustafa et al. 2025). Nonetheless, these studies may not adequately reflect the distinct experiences of SEIs within the varied South African settings. Moreover, current South African research often focuses on specific professions (Alsemgeest 2018; Maseko & Surujlala 2011; Snyman et al. 2017) and/or general working populations or specific demographic and geographical areas (Krüger et al. 2020), thereby neglecting the numerous demands and issues faced by SEIs across various sectors.

Theoretical background

This study utilises behavioural economics to analyse the retirement planning practices of SEIs in South Africa. Behavioural economics highlights the psychological factors that influence individual decision-making, including present bias, loss aversion, and overconfidence (Thaler & Sunstein 2008). Present bias refers to the tendency to prioritise immediate satisfaction over long-term benefits. Present bias in retirement planning can cause individuals to prioritise their current expenses over retirement savings, even when they are aware of the long-term consequences. While the benefits of retirement savings may be far off and less obvious, the pain of saving is felt immediately (Thaler & Sunstein 2008). The tendency for people to experience the distress of a loss more intensely than the joy of an equivalent gain is known as loss aversion. Loss aversion can manifest in various ways in retirement planning. For instance, people may be reluctant to invest in assets with a larger risk but also a higher potential return because they fear losing their money. They

may hesitate to change their investment plan because of the perceived danger of underperforming their existing investment, even if a new approach offers greater long-term prospects (Kahneman & Tversky 1979). The propensity to overestimate one's skills, expertise and influence over circumstances is known as overconfidence. Overconfidence in retirement planning may lead individuals to believe they will have sufficient time to save later, that they can outperform the market without adequate knowledge, or that they will live shorter lives than the average person; thus, they require less savings. This may lead to inadequate planning and savings (Malmendier & Tate 2005).

Save More Tomorrow™, an application of behavioural economics to retirement planning, was developed by Thaler and Benartzi (2004). This study examined how phrasing decisions might significantly increase retirement savings plan participation and contribution rates in a manner that reduces present bias and loss aversion. This initiative suggested that workers pledge to increase their savings rates in the future in tandem with pay raises. This strategy utilises the notion that people are more willing to make future sacrifices than present ones.

Behavioural economics elucidates the challenges several SEIs face in South Africa regarding retirement planning. Their emphasis on immediate financial objectives and reluctance to embrace risk may result in postponed or insufficient savings. Moreover, excessive confidence in their income-generating capabilities may cause individuals to undervalue the importance of retirement planning (Kahneman & Tversky 1979; Malmendier & Tate 2005; Thaler & Sunstein 2008). Utilising behavioural economics to examine retirement planning among SEIs in South Africa allows for a comprehensive understanding of the determinants affecting their decision-making and the formulation of more effective interventions to enhance their financial wellbeing (Thaler & Sunstein 2008).

Research design

This study employs a constructivist paradigm, recognising that individuals actively derive meaning from their experiences (Creswell & Creswell 2018). Constructivism was selected to gain insight into the subjective experiences, attitudes and decision-making processes of South African SEIs. Constructivism prioritises understanding individuals' perspectives and the social and cultural factors that shape their lives (eds. Denzin & Lincoln 2018; Merriam & Tisdell 2016). This study utilised an inductive research methodology to examine retirement planning among SEIs. This approach facilitated gathering comprehensive and detailed data directly from SEIs concerning their retirement planning experiences. A qualitative method was employed to provide rich, detailed and context-specific insights necessary to grasp SEIs' subjective experiences, feelings and underlying motivations (Creswell & Creswell 2018).

The investigation targeted SEIs in South Africa aged 35–45 years with an annual income of over R350 000.00.

This group was selected to identify individuals at a pivotal career phase who may experience heightened pressure to accumulate retirement savings (Lee, Hassan & Lawrence 2018; Madrian & Shea 2001). The province of the SEIs may affect earning potential (e.g. Gauteng versus Eastern Cape), but the minimum income threshold of R350 000.00 was instituted to ensure that all members possess the necessary financial basis to participate actively.

A purposive sample strategy was employed to select participants based on their self-employment status, age and income criteria. Recruitment was conducted via a combination of convenience sampling and snowball sampling methods. Convenience sampling utilised social media channels, including LinkedIn and WhatsApp, to distribute invitations. The subsequent snowball sampling was greatly facilitated when two participants sought and disseminated an invitation summary to their entrepreneurial networks, resulting in a multitude of indications of interest. Fifteen individuals initially agreed to participate. Ultimately, 11 SEIs finalised the informed consent paperwork and obtained an interview appointment. The remaining four persons either cancelled or did not respond to follow-up queries, resulting in a final study sample of $n = 11$ participants, at which point saturation was achieved.

The data-collection method involved conducting semi-structured interviews with SEIs. Semi-structured interviews offer flexibility while ensuring that key topics are thoroughly covered (Patton 2002). All interviews were conducted remotely via Microsoft Teams, a tool selected to effectively engage a geographically diverse sample and guarantee the superior quality of audio recordings necessary for subsequent thematic analysis. A semi-structured interview guide was created for this study to gather data from participants. The guide comprised a combination of open-ended questions to extract comprehensive information regarding participants' views, practices, and obstacles related to retirement planning. The interview guide underwent pre-testing for content validity with a researcher with substantial qualitative research expertise. Input from this individual resulted in slight modifications to the interview guide.

To establish the rigour and trustworthiness of this qualitative research, the criteria of credibility, transferability, dependability and confirmability were meticulously addressed (Struwig & Stead 2013). Credibility ensures the study's conclusions are accurate (Struwig & Stead 2013). High credibility was achieved by meticulously aligning the precise research topic, the semi-structured interview design and the use of sophisticated data analysis, such as thematic analysis (ed. Given 2008). Furthermore, all transcriptions were verified by the participants using a process known as member checking, to ensure that the data accurately captured their ideas and views. Transferability pertains to the applicability of findings to similar contexts (Bless, Higson-Smith & Sithole 2006). Transferability was ensured by providing a comprehensive description of the research environment and the participants, including their specific demographic

characteristics and recruitment process. Dependability was upheld by providing a thorough and detailed account of every stage of the research methodology (Bless et al. 2006). The researcher executed each phase, from sampling to transcription, with precision to ensure that a critical reviewer could trust the entire research process (ed. Given 2008). Confirmability refers to the extent to which the study's conclusions can be independently verified (Struwig & Stead 2013). This was established through a meticulous audit trail, including comprehensive documentation of all digital recordings and written transcriptions. To ensure the traceability of claims, the empirical data presentation utilised extensive direct quotations from the participants (Babbie & Mouton 2012).

Data analysis and process

The primary method employed for analysing the interview data was thematic analysis. This method entails recognising, examining and analysing persistent themes present in the data (Braun & Clarke 2006). Thematic analysis is especially effective for qualitative data, facilitating a profound comprehension of the underlying meanings and motivations that shape participants' responses.

The data analysis process adhered to the seven phases described by Struwig and Stead (2013) and Marshall and Rossman (2016):

- Phase 1: Interview transcripts were thoroughly examined to clarify and eliminate identifying details.
- Phase 2: The researcher engaged with the data by conducting several readings of the transcripts.
- Phase 3: The coding framework, created in ATLAS.ti, guided the initial inductive coding, where in vivo codes were prioritised. The coding process concluded with a rigorous examination of classified codes to develop dominant themes and sub-themes. To ensure credibility, triangulation was employed by comparing themes across participants and verifying them against the original transcripts, with a specific focus on identifying and addressing negative cases. This structured analysis, supported by ATLAS.ti's memo function to document analytical decisions, enhanced the confirmability of the findings, ensuring they accurately represented participant viewpoints.
- Phase 4: Codes were systematically compared to discern emerging themes and patterns.
- Phase 5: Themes were further explored and linked to established theoretical frameworks related to retirement planning.
- Phase 6: Member checking was performed to validate the findings, wherein participants reviewed the preliminary results to offer feedback and verify the accuracy of the interpretations.
- Phase 7: The principal findings were synthesised and conveyed clearly and succinctly, underpinned by illustrated data extracts. The software ATLAS.ti was

employed to enhance the coding and analysis process. ATLAS.ti facilitated the development of codes, the allocation of codes to text segments and the analysis and organisation of codes. This software enabled the visualisation of relationships among codes and the identification of emerging themes.

Ethical considerations

The College of Business and Economics Research Ethics Committee (CBEREC) of the University of Johannesburg granted approval to conduct the semi-structured interviews with the participants. The ethics approval number is 24SOM03. Ethical considerations were meticulously evaluated during the research process. Participants were informed of the study's aims, benefits and participation advantages. All participants provided informed consent by reading and signing a consent form. Written informed consent was obtained from all participants involved in the study. Participants' confidentiality was ensured and preserved throughout the study. Participant data were anonymised, with references made solely to participant numbers, and all personally identifiable information was removed. All procedures performed in the study followed the ethical standards of the institutional research committee.

Results

The participants, who were suitable because of their status as SEIs in South Africa with a minimum income level, provided valuable insights into their unique views and approaches to retirement planning. The sample encompassed a diverse range of businesses, including consulting, freelancing, financial services, real estate, entertainment, marketing, agriculture and healthcare. The participants' demographic information is presented in Table 1. The study comprised 11 SEIs in South Africa, with a mean age of 38 years. Participants had an average of 10 years of self-employment experience, indicating a substantial level of engagement in their enterprises.

A review of the transcripts revealed multiple analogous remarks, which were then categorised into the themes shown in Table 2.

TABLE 1: Demographic details of self-employed participants.

Participant	Age (years)	Industry	Years of self-employment	Gender
1	40	Consultancy	14	Male
2	34	Freelancing (Public Speaker)	8	Female
3	31	Financial services	7	Female
4	45	Real estate	15	Male
5	41	Consultancy	10	Male
6	40	Real estate	8	Male
7	36	Entertainment	9	Male
8	41	Marketing	13	Female
9	42	Agriculture	7	Female
10	35	Financial services and real estate	13	Male
11	37	Health care	10	Female

TABLE 2: Summary of key findings.

Theme	Key findings
Retirement planning approaches	Various approaches, short-term focus and percentage allocation.
Retirement planning awareness	Varying levels of knowledge, professional advice and financial preparation.
Challenges and barriers	Financial constraints, competing priorities and lack of discipline.
Retirement planning perceptions	Diverse retirement expectations, mistrust in financial institutions and varying perceived importance.

Retirement planning approaches

Various approaches

The degree of active participation in retirement planning exhibited significant variability. Some participants exhibited a proactive mindset, engaging in early planning and saving, while others faced challenges reconciling immediate financial demands with long-term retirement objectives. The degree of active involvement in retirement planning varied, with some individuals seeking professional guidance and others relying on personal research. The subsequent quotations foster a proactive mindset:

Participant 2: 'I started this one retirement annuity when I was about 19 years old, so for me it's never too early to start preparing.'

Participant 3: 'I'm well ahead of my retirement plan more than my friends because I do financial reviews like every 2 years.'

Participant 7: 'I read a lot and do my own research.'

Participant 11: 'I do seek professional advice from my planner ... we do reviews every 2 years.'

Short-term focus

Participants experienced challenges of balancing urgent needs with long-term objectives. Numerous participants prioritised immediate financial commitments over retirement savings, including business expenses and family needs. This conduct underscores the importance of cultivating a long-term perspective and practising delayed gratification. The subsequent quotations foster delayed gratification:

Participant 4: 'I kind of like ... need to pay off my monthly expenses first before I think about saving for retirement because I might not even make it to retirement.'

Participant 6: 'I spend my money on monthly expenses first before I contribute towards retirement.'

Percentage allocation

The examination of income distribution strategies uncovered various methodologies, ranging from systematic budgeting to spontaneous saving. While some participants utilised disciplined saving practices, others faced challenges in allocating adequate resources for retirement. The subsequent quotations foster income distribution:

Participant 7: 'I only started now with this 10 percent, 20 percent and 70 percent saving and spending rule.'

Participant 10: 'I contribute a huge portion of my income; I ensure that I maximise retirement tax relief of R350 000.00 every year as well as maximise my tax-free saving at R36 000.00 annually.'

This study elucidates the varied retirement planning strategies adopted by SEIs in South Africa, emphasising the significance of proactive planning, differing degrees of engagement and difficulty reconciling immediate requirements with long-term objectives. Effective budgeting and a savings-focused mentality, shaped by tax incentives and legislation, are essential elements. The findings underscore the necessity for specialised financial education and supportive policies to enable SEIs to ensure their financial stability in retirement.

Retirement planning awareness

Varying levels of knowledge

Participants demonstrated varying degrees of familiarity with retirement planning options, with some being well-versed in conventional instruments, such as retirement annuities. In contrast, others have investigated novel options, such as tax-free savings funds. The subsequent quotations exhibit varying levels of knowledge:

Participant 1: 'Retirement planning options I know are retirement annuity, pension or provident fund.'

Participant 3: 'I know people have annuities and something that the government has been pushing for tax-free savings funds.'

Professional advice

The majority sought professional guidance for retirement planning, acknowledging the intricacies involved. Many participants actively sought professional financial counsel, recognising the complexities of retirement planning and the benefits of expert assistance. Nevertheless, some participants preferred a self-directed approach, highlighting the value of personal autonomy and control over financial choices. The study emphasised the significance of early financial planning and periodic evaluations to guarantee sufficient retirement funds. The subsequent quotations foster advice and information:

Participant 2: 'I have a financial planner so I'm comfortable seeking professional advice and information.'

Participant 1: 'I'm comfortable seeking professional advice. But I would like to be in control of the final decision.'

Financial preparation

Some participants had thoroughly evaluated their financial needs and established detailed retirement plans, while others did not comprehend their future financial obligations. This underscores the necessity for focused financial education programmes to encourage early planning and goal establishment. The impact of inflation on retirement funds has become a significant concern for participants. Many acknowledged the diminishing effect of inflation on purchasing power and the necessity of modifying savings and investment plans correspondingly. This underscores the necessity for long-term financial planning and diligent saving to preserve purchasing power throughout retirement. The study emphasised the influence of government regulations and tax incentives on retirement planning behaviour. Participants desired to comprehend the diverse tax

advantages accessible to SEIs, including tax deductions for retirement contributions and tax-exempt savings accounts. This suggests that lawmakers may significantly influence retirement savings by offering advantageous tax incentives and promoting financial literacy programmes. The subsequent quotations foster financial preparation:

Participant 3: 'I am confident in how much I need to retire with ... The amount that you're saving is it increasing in line with inflation? I must take all of that into account and it is important for everyone to do the same to avoid shortfalls.'

Participant 10: 'I recognise that the capital I am accumulating today will not possess equivalent purchasing power in 20 years. Inflation is a significant concern, necessitating adjustments to my retirement strategy.'

This study reveals varying degrees of awareness regarding retirement planning among participants. While some were familiar with various retirement instruments, such as annuities and tax-free savings accounts, others demanded additional information. A distinct trend regarding the significance of professional financial advice was noted, with numerous participants actively pursuing guidance while underscoring the necessity of personal autonomy in financial decision-making. Moreover, the study underscored inconsistencies in financial readiness for retirement. Some participants had meticulously assessed their requirements.

Challenges and barriers

Financial constraints

Self-employed individuals encounter considerable obstacles in retirement planning, including financial limitations, conflicting priorities and a lack of discipline. Unpredictable income, unforeseen expenditures and liquidity challenges created financial hardships. Reconciling company requirements with retirement planning was a prevalent difficulty, as participants frequently prioritised the expansion and viability of their enterprises. Moreover, self-discipline was recognised as an impediment for numerous participants, resulting in erratic retirement savings practices.

The study revealed that SEIs in South Africa face significant challenges in retirement planning. A primary impediment is financial limitation. The inconsistent income of SEIs complicates the ability to sustain regular retirement savings. Respondents expressed concerns about the inflexibility of retirement annuities, particularly the potential penalties associated with early withdrawals. This anxiety over losing access to funds during financial difficulties deters many from investing in such products. The subsequent quotations foster financial limitations:

Participant 4: 'The biggest challenge is again, self-employed. Your income is up and down. Unplanned things occur and then you've got to kind of divert funds now and then.'

Participant 11: 'I have heard that retirement annuities can be an excellent investment; yet I am apprehensive about their limited liquidity. What if I require funds to address a medical emergency?'

Competing priorities

A significant challenge identified is competing priorities. Self-employed individuals frequently prioritise the immediate exigencies of their businesses over long-term retirement objectives. The continuous demands of managing a business, including operational expenses and reinvestment for growth, can eclipse retirement planning. This emphasis on short-term financial goals may lead to neglect of retirement savings. The subsequent quotations foster competing priorities:

Participant 7: 'I kind of like ... need to pay off my monthly expenses first before I think about saving for retirement because I might not even make it to retirement.'

Participant 10: 'Umm, so it's really just like a prioritisation of budget thing ... looking at like all the money that's earned. How much needs to go into the business and how much do I need now and later for retirement?'

Lack of discipline

The absence of self-discipline has proven to be a considerable obstacle to retirement planning. In the absence of occupational retirement funds, SEIs must take the initiative to accumulate savings for retirement. This necessitates a substantial degree of self-discipline, which can be difficult for many. Participants frequently encounter difficulties with irregular contributions or outright disregard for retirement savings. The subsequent quotations foster discipline:

Participant 7: 'Discipline? I don't have that.'

Participant 11: 'An issue about self-employed individuals and a constant contribution is that we're not automatically forced to make any contributions, but it is according to our own discretion if we want to contribute or not.'

Participants emphasised the influence of external factors on their retirement planning, including economic recessions, industry-specific obstacles and unforeseen personal expenditures, which can hinder their capacity to save for retirement. These external elements can intensify the financial limitations and conflicting priorities encountered by SEIs. The research findings highlight the intricate and multifaceted challenges of retirement planning for SEIs in South Africa. Tackling these challenges necessitates a holistic approach that considers the distinct circumstances of this demographic.

Retirement planning perceptions

Diverse retirement expectations

Participants exhibited a range of perspectives regarding their retirement expectations, with some aiming to maintain their current lifestyle and others seeking additional income sources. Concerns about trust in financial institutions were prevalent, shaped by factors such as media portrayals of financial scandals and individual experiences. Although all participants acknowledged the significance of retirement planning, their viewpoints differed in emphasis and methodology. Some participants emphasised the importance of financial security, while others explored alternative strategies beyond traditional retirement savings. The subsequent quotations foster retirement expectations:

Participant 1: 'For me it's setting up enough assets that generate money to continue to live the picture of life that I have for myself.'

Participant 9: 'I wouldn't make a retirement plan like my sole kind of income. That's not the plan. So, for me, my retirement looks like me having self-run businesses so that they can run themselves where I'm like that the money that I get off retirement funds should just be pocket money.'

Mistrust in financial institutions

The study revealed that SEIs in South Africa hold diverse views on retirement planning. Numerous participants articulated a preference for entrepreneurial strategies for retirement, envisioning a future in which they remain actively engaged in business endeavours. This reflects their entrepreneurial mentality and aspiration for financial autonomy. Many participants expressed concerns about conventional retirement savings instruments and financial institutions. Distrust in these institutions was apparent, arising from previous experiences, media reports of financial scandals and an overarching lack of faith in the financial system. This distrust frequently led to a preference for alternative investment strategies, such as real estate investments or equity accumulation in personal enterprises. The subsequent quotations foster trust in financial institutions:

Participant 6: 'I have had stories about financial institutions and not holding the end of their bargain.'

Participant 1: 'I don't trust these financial institutions and the way the government have set up an automated plan for everyone.'

Varying perceived importance

Notwithstanding these limitations, participants acknowledged the significance of retirement preparation. They recognised the necessity of safeguarding their financial future and mitigating the risks linked to self-employment. Nonetheless, their conception of retirement frequently diverged from conventional models, prioritising flexibility, autonomy and ongoing participation in work. Some individuals displayed a proactive approach to retirement preparation, while others showed a more passive attitude. The differing levels of engagement can be attributed to factors such as financial literacy, risk tolerance and personal circumstances. The subsequent quotations foster the importance of retirement planning:

Participant 1: 'Ok, retirement planning is very important because I mean, it depicts a picture for you of when you can stop working. And the longer you prolong having money saved up then the longer you will have to work. It's very vital.'

Participant 8: 'Retirement planning is crucial as it provides a vision for when one can cease working. The longer one delays accumulating savings, the longer one must continue working. It is essential.'

This study reveals diverse views on retirement planning among South African SEIs. Their expectations vary widely, ranging from maintaining their current lifestyle to continuing business work as a primary income source, rather than

relying on traditional financial resources. A key finding is pervasive distrust in financial institutions, often stemming from past negative experiences and media portrayals. This mistrust in financial institutions drives some participants to explore alternative investment strategies. Despite these apprehensions and varied goals, all participants agree on the importance of retirement planning. However, their concept of retirement often breaks from conventional ideas, emphasising flexibility, autonomy and continued involvement in work.

Discussion

Retirement planning approaches

Many SEIs exhibited a proactive approach by initiating early planning, saving and setting retirement goals. This corresponds with the established principle of early retirement planning, which is to capitalise on the advantages of compound interest (Lusardi & Mitchell 2014). Lusardi and Mitchell (2014) assert that early planning facilitates enhanced wealth accumulation over time. The study revealed variations in proactivity, suggesting that financial literacy and access to credible information are crucial in shaping retirement planning behaviours. The study's findings align with existing research, which suggests that while financial knowledge was comparable between SEIs and salaried workers, the SEIs engaged in fewer financial behaviours that promote long-term financial wellbeing (Rostamkalei et al. 2022). Similarly, in the US, SEIs reportedly participate in tax-advantaged retirement plans at a lower rate than wage earners (Joulfaian 2018). This underscores the fact that although the fundamental principle of early planning is acknowledged, its execution significantly differs among this group.

Financial literacy is essential for effective retirement planning (Boisclair, Lusardi & Michaud 2017). The diverse income allocation tactics noted, with some utilising structured budgeting and others focusing on immediate needs, highlight the need for financial literacy (Hastings et al. 2013) and access to suitable financial planning resources. Nazimuddin et al. (2024) found that financial skills and strategies have a significant impact on the savings behaviour of SEIs. Individuals with higher financial literacy are more likely to engage in robust retirement planning, and establishing a savings plan is a proven strategy for building wealth (Van Rooij, Lusardi & Alessie 2012). Existing studies have shown that financial attitudes and literacy significantly influence retirement planning (Lusardi & Mitchell 2011; Van Rooij et al. 2012). This highlights the need for targeted financial education and awareness programmes tailored to specific segments of the self-employed population in South Africa (Dhlembeu, Kekana & Mvita 2022).

While the interview questions did not directly use the terminology of behavioural economics, an analysis of the SEIs' descriptions of their decision-making process reveals several instances that align closely with the concepts of present bias. Individuals tend to assign greater value to immediate rewards compared to future ones, a concept

crucial for understanding inadequate saving behaviour (Thaler & Sunstein 2008). Participants predominantly favoured the immediate, concrete advantages of addressing business expenses and family obligations over the more abstract, long-term objective of retirement savings. O'Donoghue and Rabin (1999) illustrate how this tendency can lead to inefficient decision-making, particularly in scenarios involving deferred benefits, such as retirement funds. This inclination toward short-term gratification is a substantial obstacle to long-term financial planning, ultimately diminishing retirement wealth (Goda et al. 2019). The present bias is particularly relevant for SEIs because of their variable incomes and urgent business requirements. This suggests that SEI retirement planning challenges are not solely because of financial illiteracy or income constraints, but are fundamentally linked to a behavioural tendency to over-discount the future. This finding supports the theoretical integration of behavioural economics into this study. Consequently, financial education programmes should be developed to help SEIs mitigate these behavioural biases and understand the long-term implications of their financial decisions (Thaler & Benartzi 2004).

Retirement planning awareness

Retirement planning for the SEIs requires a sequence of deliberate decisions that depend on both comprehensive knowledge of available alternatives and the ability to accurately estimate the potential outcomes and associated probabilities of each option (Rostamkalaei et al. 2022). Self-employed individuals exhibited differing levels of acquaintance with traditional retirement planning instruments, including tax-free savings accounts and retirement annuities. Significantly, more inventive instruments were recognised, indicating a readiness to investigate various alternatives. This propensity for diversification and management of retirement results corresponds with broader trends recognised by Lusardi and Mitchell (2014). They contend that individuals are increasingly seeking enhanced autonomy and flexibility in their retirement planning, departing from conventional, uniform approaches. The findings of this study corroborate this pattern among the self-employed demographic, who frequently prioritise autonomy and control in their professional endeavours, extending this inclination to their financial planning.

Despite the prevalent belief that SEIs are less inclined to pursue external support, most SEIs in this study actively sought professional guidance for their retirement planning. Working with an adviser is correlated with improved financial planning, encompassing retirement preparation and crisis response (Marsden, Zick & Mayer 2011). This highlights the importance of acknowledging the challenges involved in retirement planning, particularly for those with inconsistent income sources and distinct financial situations. The counsel of an informed adviser is essential in navigating these intricacies, and utilising an adviser demonstrably enhances retirement income, resulting in substantially higher sustainable spending (Harlow, Brown & Jenks 2020). Additionally,

participants displayed differing degrees of confidence concerning their financial readiness for retirement. Some individuals proactively evaluated their needs and created financial strategies, while others recognised the gaps between their existing resources and their aspirational retirement lifestyle. A common issue was the impact of inflation on retirement savings, underscoring the need for long-term planning and prudent investment choices. This highlights the importance of financial knowledge and access to professional counsel for SEIs in effectively managing their retirement resources amid economic volatility (Harlow et al. 2020).

Several SEIs favour a self-directed retirement strategy to maximise personal autonomy, revealing a distinct disparity between subjective confidence and objective preparedness, which aligns with the behavioural principle of overconfidence (Chen et al. 2024). This bias manifests as an overestimation of both financial knowledge and retirement preparation. For example, some individuals display only a superficial understanding of financial products (e.g. merely naming a tax-free savings fund) yet feel competent enough to manage their retirement without professional assistance. The study also identified significant discrepancies in financial preparedness. Existing research suggests that consumers who are overconfident in their financial knowledge are less likely to engage in consistent retirement planning, specifically by making regular contributions to retirement accounts (Chen et al. 2024). Individuals often perceive themselves as ready without having comprehensively assessed their actual financial requirements.

Challenges and barriers

Examining the obstacles to retirement planning for SEIs identified financial constraints, conflicting priorities and a lack of self-discipline. Research highlights that the SEIs face a greater degree of agency and cognitive demand in structuring their retirement security (Rostamkalaei et al. 2022). Inadequate self-discipline impedes SEIs from sustaining regular retirement savings. The lack of external mechanisms, such as compulsory payments via employment, underscores the significance of self-discipline and regular financial practices for this demographic. Successful planning for this cohort requires a deliberate decision to save. The erratic income associated with self-employment poses significant challenges in sustaining regular retirement savings. Self-employed individuals often experience a gap between their stated intention to plan for retirement and their actual ability to save for retirement. This constraint stems from the illiquidity of business wealth, combined with the unpredictable nature of cash flows, which hinders the regular diversion of disposable income toward dedicated retirement vehicles (Rostamkalaei et al. 2022).

Self-employed individuals expressed concerns regarding the rigid structure of retirement annuities, particularly their limited accessibility during times of financial distress. The psychological impact of this illiquidity drives decision-making: SEIs prioritise the immediate and powerful fear of

losing access to their capital over the tax-advantaged benefits of the annuity. For SEIs, the fear of this perceived risk of loss in a future financial emergency acts as a powerful psychological barrier, causing them to prefer less formal, more liquid savings vehicles. To address this barrier, efforts to overcome this inertia and risk aversion should focus on simplifying choice architecture and facilitating access to robust retirement planning tools and services (Madrian & Shea 2001). The introduction of the two-pot system (Republic of South Africa, 2024), which allows for pre-retirement fund access, provides compelling policy validation for this finding. Although legislation amendments postdate this study, the two-pot system explicitly addresses flexibility. It is likely to resonate more strongly with SEIs, potentially mitigating their historical preference for non-retirement savings.

Participants emphasised the challenge of reconciling retirement planning with other urgent financial priorities. Self-employed individuals frequently prioritise allocating business profits toward capital expenditures or working capital over contributing those funds to personal retirement savings (Rostamkalaei et al. 2022). Prioritising ongoing business operations and meeting urgent financial obligations frequently overshadowed long-term retirement savings. This discovery highlights the susceptibility of SEIs with inconsistent income to choose quick gains above long-term financial security, illustrating the previously mentioned concern of present bias. A reduced emphasis on immediate gratification over future benefits is a meaningful determinant of retirement savings accumulation (Goda et al. 2019).

Retirement planning perceptions

Self-employed individuals expressed varied viewpoints regarding their retirement objectives, with some seeking to maintain a quality of life similar to that of their pre-retirement years. In contrast, others emphasised self-sufficiency through ongoing entrepreneurial activities. The findings indicate that SEIs in South Africa frequently anticipate a retirement that includes continued engagement in business activities.

A notable finding was the widespread distrust in financial institutions, shaped by apprehensions regarding future economic uncertainties, adverse media portrayals of financial scandals, and individual experiences of perceived mismanagement. Ricci and Caratelli (2017) sought to understand how the level of confidence in financial institutions impacts investors' choices and determined that financial knowledge and trust are essential drivers of retirement planning, necessitating policy action to promote increases in both variables among the citizenry. The absence of trust presents a considerable obstacle to effective retirement planning, potentially dissuading individuals from engaging with traditional retirement savings options. The lack of confidence is consistent with extensive research on trust in financial institutions, indicating that negative perceptions can significantly affect individuals' readiness to utilise formal

financial products and services (Guiso 2008; Ricci & Caratelli 2017). Guiso (2008) asserts that trust is essential for financial participation, which may result in suboptimal financial decisions. All participants recognised the significance of retirement planning; however, their perspectives varied in emphasis and approach. Numerous individuals emphasised the importance of financial security and independence during retirement, acknowledging the need for self-reliance without relying on occupational retirement funds. Some individuals expressed dissatisfaction with conventional retirement planning methods, indicating a preference for alternative strategies, such as establishing self-sustaining businesses. This underscores the notion that traditional retirement models may not adequately align with the self-employed demographic, which typically values control and flexibility in financial planning.

In summary, the findings predominantly validate the existing literature on retirement planning for SEIs, underscoring the importance of early planning, consistent savings, consulting a financial adviser (Mustafa et al. 2025) and reducing present bias (Thaler & Benartzi 2004), while offering context-specific insights relevant to South Africa.

Limitations

The research offers an in-depth analysis of retirement planning obstacles and behaviours among SEIs in South Africa, providing significant insights for policymakers and financial institutions. However, the study's focus on middle-income individuals and its cross-sectional design limit its generalisability and capacity to monitor temporal changes. The postdate implementation of the two-pot system analysis limits the evaluation of this policy's direct influence on retirement planning behaviours. Subsequent research ought to rectify these shortcomings by incorporating a more extensive sample, utilising a longitudinal design and investigating the effects of the two-pot system. This will enhance the awareness of retirement planning difficulties and opportunities for SEIs in South Africa.

Recommendations and implications

The findings underscore the critical need for integrated support systems that enable SEIs to balance immediate business demands with long-term retirement objectives. Specialised financial education is essential to address the observed variability in financial literacy and planning initiatives among SEIs. These programmes must be customised to the unique challenges of SEIs, focusing on managing variable revenues, comprehending retirement options and alleviating present bias by demonstrating the efficacy of early planning and compound interest. Beyond general education, support must include encouragement and facilitated access to affordable, professional financial advice. This professional guidance can help SEIs align tax-advantaged retirement contributions with business expansion goals. Addressing these needs requires collaboration among financial institutions, government

organisations and educational entities to ensure that resources and professional services are accessible and relevant to the SEI community.

Self-employed individuals' concerns about the rigidity of conventional retirement annuities highlight the need for more adaptable and accessible retirement savings solutions. Policymakers and financial institutions should investigate innovative products that enhance liquidity and adaptability to the variable income streams of SEIs. Subsequently, a study examining the two-pot system's ability to meet flexibility requirements is warranted.

Conclusion

This research examined the retirement planning difficulties, actions and viewpoints of SEIs in South Africa. Key findings encompassed a variety of differing degrees of awareness regarding retirement planning alternatives, as well as considerable obstacles, including financial limitations, conflicting priorities, insufficient self-discipline and varied viewpoints on retirement expectations and confidence in financial institutions.

These findings hold considerable significance for politicians, financial institutions and SEIs. Policymakers can leverage these findings to formulate focused retirement planning strategies, while financial organisations can design novel retirement goods and services. Self-employed individuals can leverage these findings to enhance their comprehension of the problems and opportunities inherent in retirement planning, thereby taking proactive measures to secure a comfortable retirement. Subsequent research should focus on mitigating the limitations of this study, including the implementation of longitudinal studies, comparative analyses, and investigations into specific subgroups of SEIs. Consequently, future studies might enhance the understanding of retirement planning problems and opportunities for SEIs in South Africa, ultimately fostering improved financial wellbeing for this group.

Acknowledgements

This article is based on research originally conducted as part of Thabo Scott's master's thesis titled, 'Retirement Planning Challenges and Behaviours of the Self-Employed', submitted to the College of Business and Economics, Department of Finance and Investment Management, University of Johannesburg in 2024. This thesis was supervised by Dr Melany Lotter. The manuscript has since been revised and adapted for journal publication. The original thesis is available at: <https://hdl.handle.net/10210/517981>.

Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

Authors' contributions

The data were conceptualised, gathered and evaluated by T.S. M.L. and T.S. reviewed and finalised the article.

Funding information

This research received no specific grant from any funding agency in the public, commercial or not-for-profit sectors.

Data availability

The raw data were generated at the College of Business and Economics, University of Johannesburg. Derived data supporting the findings of this study are available from T. S. at thaboscott57@gmail.com, upon request.

Disclaimer

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