

Afores: Find out what they are and how they support your retirement



Professors from Tec in León explain what they are, what they're for, and what implications having an Afore has for your future income and retirement

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PEXELS

According to the National Population Council (CONAPO), **16.5%** of the Mexican population **will be over the age of 65** by 2050. This means growth of **more than double** the number of people of retirement age compared with 2020.

Armando Martínez, Director of the Bachelor's Degree in Business Transformation and Strategy and the Bachelor's Degree in Finance at the [Tec's León campus](#); and **Roxana Lastiri**, full professor of Finance **clear up these doubts** about Afores.

Afores (Retirement Fund Administrators) are **financial institutions** responsible for **administering the retirement funds** of Mexican workers.

These institutions provide different investment options, enabling workers' **money to grow over time** and obtain a return. When workers retire, the Afores pay their pensions.



Understanding how Afores work

This is why it's important to understand **what they are, what they're for, and how** to choose a Retirement Fund Administrator (**Afore**).

1. Acts of 1973 and 1997

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3. Find out which Afore you have

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5. Don't put it off! Review your yearly returns

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"The key lies in creating a strategy that adapts to each individual's age and personality".- Roxana Lastiri.

1. Acts of 1973 and 1997

The Social Security Acts of 1973 and 1997 mark a **crucial change to the pension system** in Mexico, said Martínez.

The Act of **1973** established a pension scheme based on **contributions** made by **active workers** to a common fund for **financing retired workers**.

However, due to factors such as the **drop** in the country's **birth** rate and the increase in life expectancy, **this system presented problems** for maintaining itself in future, explained Martínez.

This implied that **fewer people would contribute** to the pension system, generating the risk that future generations **would be unable to retire** with a good quality of life, continued Lastiri.

"This meant that younger generations could face big financial difficulties when they retired, as they would receive much lower pensions than their predecessors were accustomed to," remarked Lastiri.

So, from July 1, **1997**, it was established that all **employees** registered with the Mexican Social Security Institute (IMSS) after that date **would have individual retirement funds**.

The academics mentioned that these funds consisted of an **Afore account** for **depositing** their **contributions** and those of their employers for their retirement during the years they were working.

"The return percentages of your Afore will vary depending on the SIEFORE you belong to" .- Armando Martínez.

2. SIEFOREs: What they're for and what benefits they have

Specialized Retirement Fund Investment Companies (SIEFORE) are **investment funds** in which **Afores invest the resources** of workers to **generate returns**.

They are currently managed in a **generational** way, which means that **workers are grouped** depending on the year they were born **into a SIEFORE** that will be working on their investments for their entire lives.

"The return percentages of your Afore will vary depending on the SIEFORE you belong to, as investments will be modified according to the stage of life you are at," remarked Martínez.

You can consult which SIEFORE group you belong to and your return [HERE](#).



Besides reviewing which generational group you belong to, Martínez and Lastiri give the following **tips** on how to **manage your Afore** better:

3. Find out which Afore you have

Martínez said that the **first step** is **knowing which Afore you are registered with**. Both academics mentioned that although workers are assigned one as soon as they have been registered in the Social Security system, **most don't know** which one they're registered with.

"This is important because each Afore manages different rates of return, and the one we're registered with is not always the one that's best for us," explained Lastiri.

The National Commission for the Retirement Savings System (CONSAR) mentions three ways to consult your Afore:

- Over the phone: call SARTEL toll-free on **55 1328-5000**
- Via the Internet: go to <http://www.e-sar.com.mx/www.aforeweb.com.mx> and enter the **Localiza tu Afore** section.
- Through the AforeMóvil app

Finally, Martínez said that even if you **change jobs or start working for yourself**, your individual Afore account **is maintained** and you can continue making contributions to it.

Si estás en tu primera chamba ☐, no cometas el error de dejar en el olvido tu ahorro para el retiro.

Descubre ☐ cómo puedes localizar tu cuenta [#Afore](#) en esta [#InfoSAR](#). pic.twitter.com/3VWr9sRXDW

— CONSAR (@CONSAR_mx) [January 19, 2024](#)

4. Review rates of return, fees, and services before switching

Once you have located your Afore, the academics mentioned that there are **different ways of switching** if you wish to do so.

Lastiri advised people to perform a **careful analysis before switching** their Afore, as this **could imply associated costs** and affect long-term returns.

“Although you can switch your Afore once a year in the app, my recommendation is not to do so often if you want your Afore to generate greater income,” explained the professor.

CONSAR [explains](#) that there are **two ways of switching** your Afore:

- *Performing the procedures directly with the Afore of your choice*
- *Through the AforeMóvil app*

What's more, CONSAR says that **you need to have certain documents** to perform the procedure, such as the transfer application, net return documents, or an electronic record, depending on the method to be used.

¡No lo olvides! ☑☑ Durante enero recibirás tu estado de cuenta [#Afore](#). Conoce su función en esta [#InfoSAR](#).
[#LaConsarTeInforma](#) pic.twitter.com/xtGuKRQ7XD

— CONSAR (@CONSAR_mx) [January 18, 2024](#)

5. Don't put it off! Review your yearly returns

Lastiri recommends always **monitoring the interest** generated by your contributions. You can do this through the **account statement** that Afores send every year.

“Review your account’s rate of return. Don’t forget that there can be negative returns, and your contributions will lose money with these,” said the professor.

She explained that you should always **compare** your Afore’s rate of return against previous years to analyze **how much** your retirement fund is growing or if it’s shrinking.

Moreover, Martínez mentioned that workers have the option of making **voluntary contributions** to their individual account. These additional contributions enable them to increase the amount in the retirement fund and obtain greater benefits in future.

6. Beneficiaries and wills

Professor Lastiri explains that another important issue is **always designating a beneficiary** of the Afore account.

Lastiri said that **Afores lapse** after ten years of inactivity in Mexico, which means that **you could lose the funds** if you don’t keep your record of beneficiaries up to date.

She also compared this situation to that of the United States, where active efforts are made to locate beneficiaries in the event of death, which does not happen in the **Mexican system**.



7. Diversify savings and investments

Besides Afores, there are **other options for saving** for retirement, such as private pension plans or investments.

Lastiri stressed the need for **personal financial planning**. She emphasized that Afores have **low rates of return** compared with other investment methods such as CETES, and their fees can affect savings even more.

Lastiri suggests it is essential to explore other investment opportunities that offer **more attractive rates of return** in the long term.

“The key lies in creating a strategy that adapts to each individual’s age and personality, seeking investment alternatives that generate income and wealth constantly,” she explained.

Martínez and Lastiri concluded by saying that although Afores are a tool provided as legal benefit that may help support retirement, it’s important for people **not to rely solely on these**

savings.

They recommend **always looking for more options** to invest, always bearing in mind each person's **financial profile**.

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