Pension funds are undervalued

With July being National Savings Month, a recent survey by Master Card of consumer purchasi priorities has found that the number of South Africans planning to either save 'the same or more over the next half-year has decreased from 92% in the last survey six months ago to 70%.

By Zinhle Matentji 31 Jul 2013

The benefits of saving cannot be disputed, but in our current global economic climate more people are working harder for their money as inflation and the cost of living continue to soar, leaving many with nothing left at the end of the month to save.

Problematic attitudes to pension funds

South Africans have the unfortunate reputation of being consumerists with little interest in saving; they live now rather than plan for the future. Whether this is due to a lack of financial education, limited access to registered financial institutions, or a mindset, continues to be debated.

There are people employed here, from the rest of the African continent, who have survived civil wars, cou political unrest and had their pensions or private funds stolen, who question the value of a pension fund wi a South African employer, for fear of never realising their investment. Given their history, this is understandable.

However, the pension funds offered to South Africans as part of company benefits appear not to be value even at executive level, despite this top tier most certainly having received some form of financial educatic and it being common knowledge that a government pension is very modest.

Pension fund education necessary

Pension fund contributions differ from company to company; some employer contributions range from 7-19%, others contribute 100%. Executive search companies are finding that many senior management executives, who have been offered a pension contribution by their prospective employers, prefer it to be added to their salaries in terms of cash in hand. When negotiations deadlock at this juncture, the executive decline the positions to continue to chase a bigger salary.

This approach from the 30-40 age group is surprising, considering they are at a point in their lives where many own property, have families and educational commitments, and yet planning for their old age does n feature. The question is: how are they saving, do they have investments and what returns are they realising

Companies need to educate employees about the importance of a pension fund and the benefits of savin for retirement. Pension fund education could be incorporated in the employee wellness programme, and i would also make sense to combine it with health and life insurance education. Specialists in pension funds/retirement funds should be regularly invited to present to employees or to host workshops on the importance of having a solid nest egg for the long term and ensure that it is sufficient to beat inflation and sustain a comfortable standard of living post their working careers.

ABOUT ZINHLE MATENTJI

Zinhle Matentji is the owner and managing director of headhunting company Search Specifics. She is motivated to transform the executive search industry through her belief that more

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