

SMEs hold key to boosting SA savings

With national savings levels currently lower than in 2010, small to medium size enterprises (SMEs) have a fundamental role to play in increasing the South African savings rate - a critical step in boosting the economy's growth rate, according to the latest Old Mutual Savings Monitor.

"As major employers and contributors to the South African economy, SMEs have been identified as a vital component in the drive to encourage more South Africans to save," says Riana Grobler, senior marketing consultant at Old Mutual Corporate.

To this end, business owners are urged to create formal structures in which their employees can save by amongst other things ensuring that a retirement vehicle is available to them; and, by making every effort to provide them access to a retirement fund. To ensure increased participation, employers could, for instance, match staff contributions, or make membership compulsory.

Presently, many business owners do not offer their employees access to a retirement fund, because it is perceived to be costly, complicated and time consuming. However, this has changed with the introduction of the Old Mutual Easy Benefit Plan, which was specifically designed as a retirement solution for business owners and their staff.

The Old Mutual Easy Benefit Plan offers employee benefits such as life and disability cover, family funeral cover as well as a retirement savings without any medical underwriting. Businesses also receive ongoing support as well as free access to advice from a web-based, employment law service.

Employers also have the option of structuring retirement schemes to allow for variable contribution rates by employees. For example, employees can choose a monthly contribution rate of either 15% or 5% of their monthly salary.

Presently, the majority of South Africans are not

saving enough for retirement, as it is perceived to be a luxury especially amongst the lower income brackets. Any motivation to save would firstly be towards their children's education.

By introducing more employer-based schemes, especially among the small to medium-sized enterprises, more South Africans will be empowered to save for their long-term goals, such as retirement.

Financial education programmes are one of the many tools employers can use to raise awareness of the importance of long-term savings and the various savings options available. Providing these tools not only improves financial literacy, but it also shows that the employer cares about the well being of employees, which can help to attract, motivate and retain key staff.

Concludes Grobler: "Every business needs competent staff and for a company to recruit the most capable individuals, they must offer something more than a market related salary. A staff member with employee benefits is a more productive worker, which exponentially translates into a more productive workforce."

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Contact your Old Mutual financial adviser to find out more about the Old Mutual Easy Benefit Plan, visit the website www.oldmutual.co.za/easybenefitplan or send an email to rgrobler@oldmutual.com

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