

SME's respond to cheaper, simpler retirement solution

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South African business owners struggling to retain their top staff in the current tough economic climate are showing a willingness to offer employees some form of retirement benefits, provided the solution is cost effective and simple to administer.

This has been demonstrated by the prolific take-up of Old Mutual's [Easy Benefit Plan](#), which was launched in 2010 to address the need for simple retirement fund solutions for businesses wanting to offer benefits to their employees. According to Hugh Hacking, Umbrella Fund Product Manager at Old Mutual Corporate, 250 schemes have joined the Easy Benefit Plan since it was launched last year.

“We have about 5 000 members at the moment, with an average of 20 members per scheme. The average salary of those participating is R2 100 per member. These statistics show that smaller businesses are willing to provide their staff with employee benefits, provided that it is cost effective and simple to implement and manage.

Hacking says that the [Easy Benefit Plan](#) is a retirement fund solution ideally suited to smaller businesses that are implementing employee benefits for the first time.

He says the plan offers employee benefits such as life and disability cover, family funeral cover as well as a retirement savings vehicle without any medical underwriting. “We have tried to make it as easy to purchase, activate and administer as possible. Businesses also receive ongoing support as well as free access to advice from a web-based, employment law service.

The employer pays the total monthly contributions on the member's behalf to Old Mutual (the retirement fund administrator and the insurer) with the total contribution equating to around 8.5% of a member's retirement funding income.

The 8.5% contribution is split up as follows:

- 5.2% of retirement funding income goes towards the employees' retirement savings. (Employees can choose to pay in an extra amount).
- 1.87% covers lump sum permanent disability and death benefits provided by the Fund.
- 0.63% provides a temporary Disability Income benefit and a Family Funeral benefit.
- 0.8% covers various scheme expenses.

The retirement savings are invested in Old Mutual's market-leading Absolute Stable Growth Portfolio which, despite the recent market crash, has not experienced negative returns.

To be eligible for the [Easy Benefit Plan](#), the business must employ five or more staff members and have access to the Internet. In order to activate the package, the business will also require an accredited payroll system or Microsoft Excel.

Says Hacking: “This product was designed specifically with affordability in mind, allowing people to gradually increase the amount that they are saving. Old Mutual recommends that if you plan to work for 40 years, you should ideally save around 15% to 20% of your monthly salary in order to ensure a comfortable retirement and so employees should be encouraged to contribute additional amounts over and above the basic employer contribution. In addition, having access to disability and funeral benefits will give many employees peace of mind, as they know that their families will get the required financial support when they need it the most.”