

THE FUTURE OF EMPLOYEE BENEFITS

Part 2: The role of the broker

by Dimeon van Rooyen

Only an estimated 5% of the population are able to retire and maintain their existing living standards. Clearly, it is not good enough to only have some form of retirement savings. It is also necessary to ensure these savings will be sufficient. To achieve this, most people need the advice of experts in the retirement industry.

There is an almost non-existent savings culture in this country. It is possible that one of the contributing factors to this poor savings culture is that the younger generation sees their parents retire with hopelessly inadequate benefits. They therefore question the need to put away any money at all if all that money seemingly amounts to so little in the end. However, the problem lies

not with the retirement industry but with inappropriate savings plans. This is where financial advice becomes indispensable.

"The reason a financial planner is so important is that with retirement planning you are effectively peering into the future," says Pieter Cronjé, director at the Financial Intermediaries Association of Southern Africa. "This means you first have to look at the likely purchase power of your money at retirement age and what your needs will be at that time. You also need to look at your other assets.

"WITH RETIREMENT PLANNING, YOU ARE EFFECTIVELY PEERING INTO THE FUTURE"

All these considerations should be taken into account to arrive at the monthly amount you need to set aside, to achieve your future retirement target. It involves a couple of complex calculations that most people do not have the skill to do. If we look at our current statistics, about 60% of pensioners do not have sufficient savings, which means they either have to work in retirement or cut down on expenses.

If you find out you got your target wrong, after you have been saving for 30 years, it is very difficult to catch up. This is because you only have 10 working years left and the more time you have, the easier it is to achieve your target. Time plays a major role in the amount you will have available at the end of your career."

This is where a financial adviser with the appropriate qualifications comes in. The financial adviser here refers to the broad term and could be a financial planner or broker. Unfortunately, this advice comes at a cost but over time the benefits will far outweigh these costs. The earlier in your career the advice is gained, the greater the benefit will be.

Because of the importance of your financial decisions, it is a good idea to shop around to ensure you get the best possible advice at the best



Pieter Cronjé