

# Retirement reform a positive step

THE government's proposed overhaul of SA's current retirement funding model is a positive step given the alarming lack of retirement savings among most South Africans.

However, it is critical the correct balance is struck in order for the initiative to succeed.

That is according to Pieter Cronje, director at the Financial Intermediaries Association of Southern Africa (FIA), who says the cost of National Health Insurance combined with the proposed contributions to the National Savings Fund may prove too expensive for lower income earners to afford.

"If this is the case, what we could end up seeing is a resistance from employees to belonging to the schemes, which would defeat the purpose of the government's initiatives. It is therefore important the contribution levels towards healthcare, social security and retirement be kept at a sustainable level to encourage the greatest participation."

Cronje added that the government had a tough task implementing changes to the current system, as there had to be a balance between the provision of social security and retirement benefits, as well as macroeconomic job creation and the infrastructure development goals of government.

"That being said, the FIA is in full support of government's aim to reform social security and retirement provision in SA, as the shortcomings in the current system are evident."

However, he noted that any proposals on social security and retirement reform must be negotiated at the Nedlac (The National Economic Development and Labour Council) forum before any implementation could take place.

"Implementing a national scheme on this scale is a huge undertaking and in order for it to be successful it is crucial that government obtains buy-in from all parties. Negotiating such a proposal at the Nedlac level would make this process much easier. — *I-Net Bridge*