

Saving plans reform on the cards

GOVERNMENT'S proposed overhaul of the country's current retirement funding model is a positive step, given the alarming lack of retirement savings among most South Africans.

But it is critical that the correct balance be struck for the initiative to succeed.

This is according to Pieter Cronjé, director at the Financial Intermediaries Association of Southern Africa (FIA), who said the cost of National Health Insurance along with the proposed contributions to the National Savings Fund, might prove too expensive for lower income earners.

"If that is the case what we could end up seeing is resistance from employees to the schemes, which would defeat the purpose of the government's initiatives.

"So it is important that the contribution levels towards healthcare, social security and retirement be kept sustainable to encourage the greatest possible participation."

Cronjé said the state had a tough task implementing changes to the system since 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.

But he said the FIA fully supported the state's quest to reform social security and retirement provision in SA since the shortcomings in the system are clear.

But he noted that proposals on social security and retirement reform must be negotiated at the National Economic Development and Labour Council (Ned-lac) forum before implementation can take place.

"Implementing a national scheme on this scale is a huge undertaking and for it to be successful it is crucial that the government obtain buy-in from all parties.

He proposed that the process be negotiated at Ned-lac level. - *I-Net Bridge*