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HOW TO SET EMPLOYEES UP FOR A SUCCESSFUL RETIREMENT

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An independent advisor will carefully consider the goals of the scheme and will investigate the options and related fee structures so as to advise the most cost-effective solution for the members of the scheme. This is a critical part of devising a suitable strategy, as fees can have a significant impact on the outcome for members.

It is a well-known fact that most South Africans will not have enough or have very little money saved for retirement. Forward-thinking employers, especially those in small to medium enterprises, have an increased focus on devising plans to assist employees with regards to retirement planning.

But this presents a challenge for the employer. Setting up a company pension fund can be onerous and add to the already high administrative and compliance burden companies experience. Much like IT or payroll or communication services which are outsourced, companies can engage with an external provider, experienced in investment and retirement planning, to set up a scheme for its employees. This is a growing trend, away from the traditional company pension schemes that have been in place for decades.

ENGAGING WITH AN ADVISORY FIRM OFFERS THE FOLLOWING BENEFITS:

- **Ease of administration**
- **Reduced costs**
- **Competitive fee structure for the members of the employee benefits scheme**
- **Choice of investment options**
- **Reduced risk**

Financial advisors play an essential advisory role in the employee benefits industry. As intermediaries between the financial institutions and the consumers, financial advisors are mandated to align the client's financial needs and requirements with the right solutions offered by the final product.

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When it comes to employer-sponsored retirement plans, companies differ in size, location, requirements, occupational structure, and fringe benefits offered to their employees. Therefore, life, dread disease, disability, funeral cover and pension/provident fund contributions will be unique to each company. As an employer providing employee benefits, you can achieve the following:

- **Provide protection for your employees with appropriate risk cover – life, dread disease, disability and funeral cover.**
- **Increase job satisfaction & security for employees.**
- **Job & benefit attraction for potential new employees.**
- **The employees in an umbrella fund qualify for a "group rate", thus the cost of risk cover, remarkably, is considerably lower when compared to individual policies.**

Another consideration is which type of advisor to engage with. There are two types of financial advisors – tied or independent. A tied or a multi-tied agent will be restricted to a list of funds or providers within the agreement of the company which the advisor represents. An independent advisor is not connected to any specific product and/or product supplier or asset manager and is, therefore, able to deliver independent, unbiased advice to a company seeking to set up an outsourced employee benefits scheme.

A POPULAR OPTION IS USING AN UMBRELLA FUND. Brenthurst Wealth has invested 100% into its own umbrella fund, available to business owners who are considering the implementation of a designated group scheme for all employees. This is especially important because of proposed legislative changes which might see employers being forced to join the GEPF (Government Employment Pension Fund), as part of the government's plans to devise regulations to make it compulsory for all working South Africans to contribute to some form of retirement investment.

The Department of Finance (Treasury) is planning to make it compulsory for the plus-minus six million working South Africans, who do not have access to an employer-sponsored retirement plan, to join a mandatory retirement system. This is to encourage retirement saving and, thus, reduce the burden of people who become reliant on social grants at retirement, which the government will indirectly provide to these employees upon normal retirement.

AS WITH ALL INVESTMENTS, FEES NEED TO BE CAREFULLY SCRUTINISED. AN UMBRELLA FUND SCHEME IS TYPICALLY DIVIDED INTO THREE SECTIONS:

1. Risk product fees
2. Pension/Provident fund fees
3. Pension/Provident fund performance fees

An independent advisor will carefully consider the goals of the scheme and will investigate the options and related fee structures so as to advise the most cost-effective solution for the members of the scheme. This is a critical part of devising a suitable strategy, as fees can have a significant impact on the outcome for members.

Clients (employers) and members of schemes should be entitled to have access to all the facts and figures regarding fees paid and how money is contributed and invested on their behalf. The client's advisor is the one that needs to be upfront and transparent in respect of the fees.

The advisor is paid a fee to ensure that the client receives full disclosure of the product's fee structure and to ensure that the client is well educated on the product and understands what they are buying into.

It is not the client's responsibility to understand the technical workings of a pension funds scheme, neither to police nor do the work of the advisor. The advisor must guide the client to a suitable product which matches their needs and affordability, ensuring that their employees will have sufficient savings in their pension at retirement.

As with all investment matters, there are complex issues and a wide range of options that need to be considered. It is, therefore, advisable to engage with an experienced, qualified advisor to assist in selecting the most suitable product to meet your company's needs and one which will be in the best interest of the employees.

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BRENTHURST RANKED THIRD IN THE CATEGORY FOR BOUTIQUE WEALTH MANAGERS THIS YEAR