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FITTING IN RETIREMENT SAVINGS

Saving for retirement is a complex task that demands discipline on the part of the saver. They must start from an early age and contribute enough to achieve a decent outcome in retirement. In theory this is simple, but when an individual has to find more money to pay for living expenses, one of the first things they may be tempted to sacrifice is their retirement savings rate if they have the option.

Our main proposals here are:
- For contributions to be structured so that they increase over time, in line with the individual's age or some other factor. (We discuss this further in **Part 2, Chapter 3**.)
- For risk benefit structures to have variable elements that change according to the needs of the individual over their life cycle. Such an approach is best accommodated by a contribution rate that either increases over time or is variable over the life cycle.

Many people might be unwilling to increase their total gross contribution rate because they don't understand the implications of inadequate protection. This means that to pay for risk benefit expenses, you have to vary the amount of money you channel towards retirement savings over time. As long as we are able to achieve the same average contribution rate towards retirement savings as we would under a fixed benefit offering, then the retirement outcome should remain similar.

Alternatively, the employer could provide a fixed benefit offering and present the results of the employee benefits review to the employee. This would allow them to take up the benefits not offered, but which they need, at their own cost.

The cost issue in funds is often clouded by how well employees understand the 'cost advantage' to them of having their fund or employer use economies of scale to provide them with services they might normally procure in their own right. An effective total rewards framework is hugely dependent on communicating this point effectively.