# THOUGHT LEADERSHIP Article

GIPF
Government Institutions Pension Fund
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**Financial literacy cultivates a culture of savings**

Savings culture is a lifelong discipline that can lead to an accumulation of personal wealth. Since financial literacy can cultivate a culture of saving, awareness through a targeted approach to achieve the appropriate financial objectives are required. The ability to comprehend and effectively utilise financial skills is critical in the workplace and will be highlighted in this article. Having a savings culture is a necessity for the financial well-being of households and the economy of the country. The current level of savings by households, based on research, remains a concern. Literatures has highlighted that the adequacy of retirement savings is very low and as a result households do not accumulate sufficient wealth, which at the end of the day has profound implications to personal welfare as well as public policy. Low saving households may lack a buffer to deal with negative shocks in the long run, therefore it is highly likely that such households will depend on public support in the foreseeable future.

If this assumption is true, more deliberate effort needs to be made by employers to improve the savings culture amongst employees, to ultimately improve the understanding of the fundamental pillars of money matters that include, for example, budgeting, savings, debt and the importance of investing.

Financial literacy is one of the aspects that most employers do not consider as a necessary tool when embarking on various internal employee interventions, assuming that employers consider the provision of such basic financial literacy education as not being their responsibility, but rather a personal matter that an individual employee should take up with either their retirement savings service providers or banking institution. The assumption is that employees are already well informed about financial matters, hence their understanding of keeping additional savings can be managed at an individual level. The employers, by virtue of maintaining a compulsory pension scheme, assumes that the future financial needs of their employees are addressed and therefore further information regarding additional voluntary savings is not necessary.

This misconception results in many employees not having additional savings that could assist them during difficult times or simply just for the improvement of their retirement packages.

Employees are therefore advised to always have a certain level of savings to prepare for any eventualities that may arise. Employers are therefore encouraged to provide basic financial education for their employees, as the absence of same does have some unintended negative implications to the sustainability of the company. Employees who are financially literate may experience improved mental health whereas for those who resort to borrowing excessively, may not be productive due to poor financial wellbeing, resulting in absence from the workplace and demanding for higher salaries and benefits and in some instances result in a higher turnover.

The GIPF encourages its employees to improve their future financial wellbeing by offering various additional monthly voluntary pension contributions which if taken up by employees at an early stage of their career can enhance their future financial prospects. These additional voluntary contributions are one of the options that can be explored to enhance retirement savings. It's a savings plan that is supported by regulations and employees can participate in such a scheme from the time they enter the employment relationship with their employers. The Fund further provides various financial literacy awareness sessions internally by inviting financial experts to provide information on investments, savings and preretirement information and options available to them.

This is a good option to encourage savings, and is flexible in nature, since the option remains with the employees to participate in the scheme. It is my conviction that if voluntary pensions contributions awareness is encouraged more employees will participate and in the long run ultimately improve savings culture in the economy.

In addition, voluntary contribution adds to the equation of the current compulsory pension contribution and if taken seriously might increase the likelihood of good retirement benefits for employees. This additional amount is added to the monthly contribution to boost future retirement savings. It is always advisable to take the smaller voluntary contribution as a beginning point and gradually grow savings to a higher voluntary contribution as time goes based on sustainable and depending on individual circumstances. This will certainly increase and complement the benefits that are expected in the future. Therefore, the idea of voluntary contributions needs to be encouraged by employers as part of their commitment to improving financial literacy amongst employees.

The impact of voluntary additional pension contributions will be appreciated by employees in the long term, as it will help them to grasp the fundamentals of financial management and grow their savings to improve their future financial wellbeing.

Employers are encouraged to create the culture of saving by providing various information sessions on financial literacy to empower employees on the value of managing their own money and being prepared for any financial shocks that may arise.

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