

What does this mean? Demystifying employee benefit terms

Many South Africans battle to understand the financial terminology used in the traditional employee benefits industry, according to research conducted by Momentum Corporate.



Qhawekazi Mdikane, chief marketing officer at Momentum Corporate

Through its Digital Benefits Statement research, Momentum Corporate found that financial literacy surrounding benefits is still unequal across income and age groups.

The research, which sampled a wide range of South African employees from 2018 to 2021, found that younger generation of employees struggle with their limited exposure to financial terms. On average, the research found a 19% decrease in financial term familiarity between 2018 and 2021, indicating an increasing need to help people understand their financial environment and make better financial decisions on their journey to success.

Momentum's research found that people who have access to employee benefits, often feel confused and intimidated by the complex concepts and language in the annual communications and statements they receive from their employer and employee benefits provider.

The top five most misunderstood employee benefit terms include Pensionable Salary (48%), Trustee (48%), Normal Retirement Date (47%), Underwriting (39%) and the Risk Benefit Salary (35%).

To help bridge this gap, Momentum Corporate has launched its website, www.employeebenefitsexplained.co.za, that explains these benefits in a way that is easy for anyone to understand.

Chief marketing officer at Momentum Corporate, Qhawekazi Mdikane, says, "As an industry, we have to start prioritising the experiences of employees so they can understand, appreciate and engage with their finances in a more meaningful way. When employees feel more empowered and in control of their financial destiny, they tend to be more engaged and productive in the workplace."

Mdikane adds that employers should actively encourage their employees to use the resources on the website regardless of their employee benefits provider. It is a resource available to anyone and everyone.

The website addresses this industry-wide challenge by explaining employee benefits in plain language. Over 50 important areas are covered, including topics like:

- The different types of annuities that can be purchased at retirement,
- Why preserving retirement savings when changing jobs is important,
- The differences between pension, provident, retirement annuity and preservation funds, and
- The trustees who manage retirement funds.

Mdikane believes this new platform finally simplifies something that should never have been so complicated in the first place. In addition, the valuable information is available in an accessible digital format: “There is a burning need for more digitally-financial literacy interventions. We live in a digital world. We expect up-to-date, real-time information to be available when we need it, in a format that is easily accessible and understandable. In this day and age, that means accessing information through your phone as many working South Africans don’t have access to a laptop.”

Further development phases will include adding more terms, informative multimedia content, and an interactive functionality where users can post comments, like and share content, and ask experts questions they may have. Mdikane concludes, “This is just the beginning of our drive to empower employees to understand their employee benefits. This website provides a good foundation but we are excited for what’s to come as we help more South African employees get further ahead on their journeys to success.”

For more information, visit: employeebenefitsexplained.co.za

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