VOLUNTARY CONTRIBUTIONS, THE "GAME CHANGER"

March 18th, 2025

Most pension schemes, by design, are structured to offer private products or services for both the formal and informal sectors through occupational and individual setups. This is mainly done through the three mainstreams of contributions into a pension scheme namely employer, employee, or sometimes voluntary. Whilst employer and employee contributions are guaranteed, on the other hand, voluntary contributions are optional because it is dependent on an individual's commitment and willingness to save.

A pension scheme operates in two stages: the accumulation and de-accumulation stage. During the accumulation stage, contributions from members are paid into the fund and, to facilitate the spread of risk, invested in various sectors such as government securities, corporate bonds, fixed-term deposits, equity, and offshore investments. De-accumulation occurs when an individual begins to receive pension payments, causing the value of the pension fund to decrease. The component of voluntary contributions presents an option to individuals within a pension scheme to maximize additional marginal returns on the funds that are to be invested.

With regards to the tax regulations of pension schemes, individuals are expected to receive additional guaranteed returns on tax savings because of the tax exemption provided by law on pension or retirement annuity. In addition, pension fund reforms are also important potential suppliers of long-term non-inflationary financing to productive investment.

In most unforeseen circumstances, the extra funds in the form of voluntary contributions could tend to present a cushion to protect the livelihood of the individuals exiting the pension scheme. The existence of a relatively easy method of deducting pension contributions from the scheme members at source serves as a seamless advantage.

In addition, wealth creation through pension schemes is a cornerstone of financial planning for individuals and families worldwide. Pension schemes, whether provided by employers or established individually, offer a structured method for accumulating and growing wealth over the long term. One of the key drivers of wealth creation in pension schemes is the power of compounding. Reinvesting returns earned on investment allows wealth to grow exponentially over time, as both the initial principal and accumulated gains generate further returns.

In sum, pension funds play a significant role in the provision of long-term funds to the corporate sectors. They (pension funds) remain to be one of the best, most secure, and most reliable form of investment for both the present and future generations. Pension ni chintu chabwino kwambili!

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