

Secure yourself,  
Secure your future



## The Importance of Preserving Pension Benefits When Changing Jobs – How to Secure Your Retirement Savings When Moving Employers

Martha Tigo's cousin, Edith Netu, had always been ambitious. As a 29-year-old accountant and a devoted mother of two, she worked tirelessly to secure a brighter future for them. She was over the moon when she received a lucrative job offer at a larger firm. The salary increase promised a better lifestyle, and the benefits were irresistible.

Caught up in the excitement of her dream career move, Edith made a decision she would later regret. She cashed out her pension contributions from the former employer's pension scheme and used the funds to buy a second-hand car. It seemed like a great decision at the time, but fate had other plans.

The car was involved in a tragic accident en-route from Beira when the driver dozed off and lost control of the vehicle before crashing into a tree between Nyazura and Rusape. The vehicle was a total write-off and since it was only covered by third-party insurance, there was no insurance compensation.

When Edith got the news of the accident, she was distraught that her pension savings had vanished in a flash. The realisation hit hard; had she preserved her pension, she would have had a financial safety net. Now, she faced the daunting challenge of rebuilding her retirement savings from scratch.

Her story serves as a stark reminder, when changing jobs, safeguarding your pension benefits is essential for long-term financial security.

### Why pension benefits are more than just savings

Your pension is not just a slice of your salary set aside for retirement, it is your financial safety net for the future. Yet, many employees, like Edith, often underestimate the value of their pension benefits, seeing them as disposable income when switching jobs. The temptation to withdraw and spend is high, but the long-term consequences can be devastating.

Pension benefits are designed to provide financial stability in retirement. When left untouched, they accumulate value over time through compound interest.

### The cost of cashing out

Many employees are tempted to withdraw their pensions when leaving a job, often to cover immediate financial needs. However, early withdrawals come with severe drawbacks such as:

- Tax Implications: Early withdrawals often attract significant taxes, drastically reducing the amount you receive.
- Loss of Compounded Growth: Pensions grow exponentially over time due to investment returns on the contributions made. Withdrawing your savings prematurely disrupts this process, thereby reducing your future benefits.
- Reduced Retirement Security: Without sufficient pension savings, you risk financial instability in your later years, leading to dependency on family or social welfare.

### Options for Preserving Your Pension When Changing Jobs

Changing jobs can be an exciting step forward in your career, but it is also a critical time to make informed decisions about your financial future, particularly your pension. There are options available to help you preserve and grow your pension even as you transition to a new role:

- Leave your pension with your current employer's pension fund
  - o Pension schemes allow former employees to leave their accumulated benefits with their fund, letting the savings continue to grow.
- Transfer to your new employer's pension scheme or preservation fund
  - o Pension fund accumulations are portable, i.e. they can be moved from one funded pension fund to another. This option can be exercised if one changes employment. Members should engage the Principal Officers of the former and new pension fund to facilitate the transfer of pension accumulation. This ensures continuous growth and uninterrupted contributions. In some jurisdictions, portability of pensions takes place between the public and private occupational pension schemes, as well as cross-border level to cater for migrant workers.

Edith's story is a reminder that short-term financial gains should never come at the expense of long-term security. The few extra funds from a pension withdrawal might seem helpful in the present, but the long-term impact can be devastating.

### Secure your future

At IPEC, we are dedicated to ensuring all Zimbabweans understand the importance of pension preservation. As an employee, you must take charge of your retirement savings by making informed decisions when changing jobs. Employers also have a role to play. They must educate employees on pension preservation and guide them on transferring or retaining pension accumulations.

Edith learned the hard way that a short-term financial decision can have long-term consequences. You do not have to make the same mistake. If you are changing jobs, prioritise your pension savings.

For more information on pension preservation and retirement planning, visit [www.ipec.co.zw](http://www.ipec.co.zw) or consult a licensed pension fund administrator today.

### About IPEC

The Insurance and Pensions Commission (IPEC) is a statutory body established in terms of the Insurance and Pensions Commission Act [Chapter 24:21] to regulate the insurance and pensions industry for the protection of policyholders and pension scheme members.

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