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[Subject]

[Date]

**The financial environment in Chile**

One of the fastest growing economies in the Latin America is Chile. This fast growth has allowed the country to lessen the poverty. A significant decrease in the people living on or below the poverty line has been observed during the time span 2000 to 2015. This figure dropped from 26% to 7.9%. Due the certain factors, the pace of economic growth of the country slowed down during the time period 2014 and 2017. The major factors being the decreasing prices of copper. This factor affected the quantity of exports and the amount of private investments in the country. The track of the economic growth straightened in the year 2018 which saw the figure at 4.8% in the first half. This rise was driven by an increase in consumption expenditures and people investing in various areas. The money came from increased wages, decreased rate of interest and improved confidence shown by the general public. The government also experienced a decline in the income due to slower economic growth. The government has supported the economy by cutting down the expenses by 1.6% as calculated on GDP. Various tax reforms have been introduced by the government.

**My Role**

I will be taking the role of an entrepreneur. The reason behind this is that an entrepreneur is most likely to come across the pension issues as he has to employ different persons. On the same grounds, he will be the most affected by the changes in the laws regarding pension along with the employees themselves.

**Why did I choose this country?**

I have chosen Chile because the economy of this country has shown increased growth over a period of time. Further it is easier to study the system as it stands on the three pillars namely redistribution, mandatory contribution and voluntary saving. Chile has an economy where demand and supply interact to ascertain the prices if the products. The economy is characterized by a high level of external trade. The company has a strengthened financial system and a consistent policy that has helped the country to gain the strongest value of bonds in the region. The larger portion of exports are on the account of services. The highest proportion of exports is provided by copper that provides almost 20% of the exports and government earnings. Further improvements in the trade were achieved by participating in a free trade agreement with the US. As much as 26 agreements have already taken place between Chile and sixty other countries. It also became the first country to join OECD in 2010. The Fiscal policy arrangements in the country generally depend upon the phase through which the economy is going. In the boom or the period of prosperity, the government keeps the higher amounts in the wealth funds. On the other hand, during recession marked by declining copper prices, the government uses deficit spending.

**My choice of funds**

As an entrepreneur, I will offer the mandatory individual accounts for the employees. In this plan every individual employee has his own account of capitalization savings. Every employee is bound by law that he contributes 10% of their salary into these savings accounts. Some contribution to these accounts also come from those people who are self-employed. This is known as the voluntary contribution. The number of people linked to this system is higher as compared to the number of people who share in the resources. The pension system is directed by the administrators. They are private institutes who work to manage these accounts. At this point in time, there are six administrators working in the country and they are looked after by the superintendent of pensions. There are five investment options available for the people opting for pensions. The companies are not allowed to offer any investment option other than the designated ones. The members can break up their amounts to be placed in various options. However there are some age restrictions on men as well as on women. If the person does not specify any investment available, he or she will be allocated the option according to his or her age. The investment options allowed for the pension fund are specified by the government. In a broader sense, only government issued bonds and long term documents issued by the financial institutions are designated for the investment. The administrative charges are known as fee. This is charged to the active depositors as well as those who benefit. The active depositors are charged a percentage of their salary while the benefiters are charged a percentage of their withdrawals. Meeting some minimum requirement, a person can take early retirement form the work. There are several options through which the person will be paid in case he or she chooses an early withdraw.

I am an entrepreneur and I will be employing people who are aged 20 to 50. Since this plan allows different options for different aged people (International center for pension management), so this would be the most appropriate for me. Further there is a separate account for each of the individuals so there is a minimum chance of any conflict between employees.

**Benefits of pension funds managers**

Yes the pension fund managers have been beneficial to Chile. They have played their part in elevating poverty. Further the old people get some resources to live their lives properly.

**Benefits of entrepreneurs**

Yes the entrepreneurs have been beneficial to the country. They have provided employment to a large number of people as well as contributed for the benefit of the society as a whole through the pension funds contribution.

# References

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