



Are South Africans  
**PREPARED**  
for a rainy day?

do great things

 OLD MUTUAL





## By applying the knowledge they've gained, South Africans can steer their finances into fair weather.

While it's clear that there is a greater awareness of the importance of debt management amongst South Africans, it is also evident that the financial recovery seen in the Old Mutual Savings Monitor 2010 has stalled. A series of sharp increases in energy costs (both petrol and electricity) as well as in the cost of food is putting strain on households. On the positive side, there appears to be a swing towards seeking professional financial guidance.

The journey to financial freedom is made up of a series of small and manageable steps. Let's help South Africans **take that step today.**

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# 01

## Sampling and methodology

The Old Mutual Savings Monitor is conducted twice a year, with the inaugural measure having taken place in 2009. Each wave comprises of 1 000 interviews amongst working South Africans living in major metropolitan areas, and examines levels of savings and investment as well as their attitude to finances in general and savings in particular.

The sample is quota controlled so as to match the demographic and socio-economic profile of working South African metropolitan dwellers, and is statistically stable and relevant.

The fieldwork over the various measures was conducted as follows:

- Measure 1 (SM 1 '09) June/July 2009
- Measure 2 (SM 2 '10) March/April 2010
- Measure 3 (SM 3 '10) September/October 2010
- Measure 4 (SM 4 '11) April/May 2011

The study is conducted on behalf on Old Mutual by independent research house, Peppercorn Research.



28%

**Just under a third find that they are more careful with their money... than before.**

We need A FRESH approach



70%

**70%** said that they need more education on how to handle their finances.

We need A FRESH approach

# 02

## Recap of main findings from Measure 3 (SM3 '10)

In Measure 3 the general theme was one of recovery and the lessons learnt during the worst of the recession. Whilst the recovery was far from complete, and bad habits and poor financial skills do not disappear overnight, there were early indications that (some) South Africans are making earnest attempts to save more and to manage their debts more effectively.

At that stage (end 2010) the economic environment was conducive to such a shift, as significant negotiated wage increases and interest rate reductions had taken place since the inaugural measure of the Old Mutual Saving Monitor. At the time of field for that inaugural measure (June/July 2009) the prime rate was 11%. By the time Measure 3 was taken, there had been three subsequent reductions of 0.5% bringing the prime rate down to 9.5%, the lowest level since the 1970s. With more cash available, consumers were able to act. There had also been a recovery in the markets, which affected the value of underlying investments and (perhaps) trickled down into some recovery in the confidence that consumers had in formal savings and investments.

# 03

## Macro issues - putting the Measure 4 results in context

In this Measure 4 we are seeing the effects of a series of sharp increases in energy costs (both petrol and electricity) as well as in the cost of food. These are largely necessity items in the household budget and households are feeling the pinch. This upswing in consumer price inflation is squeezing what real increases were seen in compensation levels (if not negating them entirely). Add to this the noise around toll fees (at least in Gauteng) and it is easy to understand why many households feel so pressed.

Interest rates have remained unchanged with no further cuts since November last year, and the prime lending rate is holding steady at 9%. In all probability households have now become used to the lower rate environment and any stimulatory effect of the cuts seen in 2010 has by and large worn off. Whilst rates have remained steady, each MPC announcement is accompanied by words of caution, urging consumers to think carefully before taking on new debt and warning that an increase in rates may be on the cards before the year is up.

Let us not forget that 2010 saw South Africa host a successful Soccer World Cup. Even if a particular household did not benefit financially directly, the wave of positive sentiment that gripped the country would have had an effect.

2011 did not see the end of retrenchments and restructuring. On the contrary, there were some significant and high profile retrenchments. Even if consumers and their families are not directly affected by retrenchments or a move to shorter hours, the possibility is top of mind: "that could be me". All of this makes consumers more cautious.

A woman and a child are sitting on a patterned blanket in a grassy park. The woman, wearing a purple tank top, is looking up at a yellow balloon held by the child. The child, wearing a white shirt, is reaching up towards the balloon. The background is filled with lush green trees and foliage, creating a bright and cheerful atmosphere. A large, white, outlined '51%' is superimposed over the top left portion of the image.

51%

**51%** of parents have  
children's education as  
their savings objective.

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# 04

## Main findings from Measure 4

The recovery seen in the last measure of The Old Mutual Savings Monitor has largely stagnated. Across the board consumers are finding themselves hard pressed, and for many just keeping up with cost of living is a struggle. All sectors are feeling less satisfied with their financial situation.

The vast majority readily admit that they have been influenced by the recession, with cost control and cutting back on household expenses wherever possible being the first step.

There also appears to be greater awareness of the importance of debt management, with consumers being wary of taking on new debt and trying to pay off existing debt faster, or at the very least trying to make payments on time so as to avoid extra interest. Notwithstanding heightened awareness around the importance of debt management, much of the improvement in repayment patterns seen in Measure 3 have been given up in this measure, as households struggle to keep up with other demands.

Generally, it is only after cost control and debt management that their attention turns to focus on savings, and a total level savings as a % of household income has decreased, with increasing proportions going to precautionary savings (increasing healthcare premiums as well as short-term insurance) and to debt repayment.

Consumers appear to have lost confidence generally and in particular in their ability to make good savings and investment decisions. In short, they seem rattled. One positive consequence is what appears to be a swing towards seeking professional advice rather than simply relying on word of mouth and the advice of friends and colleagues. It is early days in terms of identifying a trend, but the apparent move towards favouring professional advisors as the preferred source of personal finance information is encouraging.

Whilst a reversal in recovery and a slump in outlook and savings behaviour characterises this 4th measure of the Old Mutual Savings Monitor, there is evidence of a polarised response throughout the results. This polarisation occurs even within segments where one would expect a similar or more homogeneous response (e.g. groups of a similar age or income bracket). This is because the factors that drive how people handle their finances and the extent to which they save (or don't) are multiple and complex and not restricted to the obvious (such as income, age, education and cultural affiliation). Depending on where one sits on the attitudinal continuum from Contented Organiser to Panicked Procrastinator, the stresses brought on by a recessionary environment can and do have different effects. What tends to happen is that good (or prudent) behaviour of a typical Organiser is reinforced, whilst many Procrastinators continue to do just that and refuse to confront the reality of their financial situation, becoming more ostrich-like in their behaviour.



29%

Just under a third of those who are saving more... attribute this to a shift in mindset.

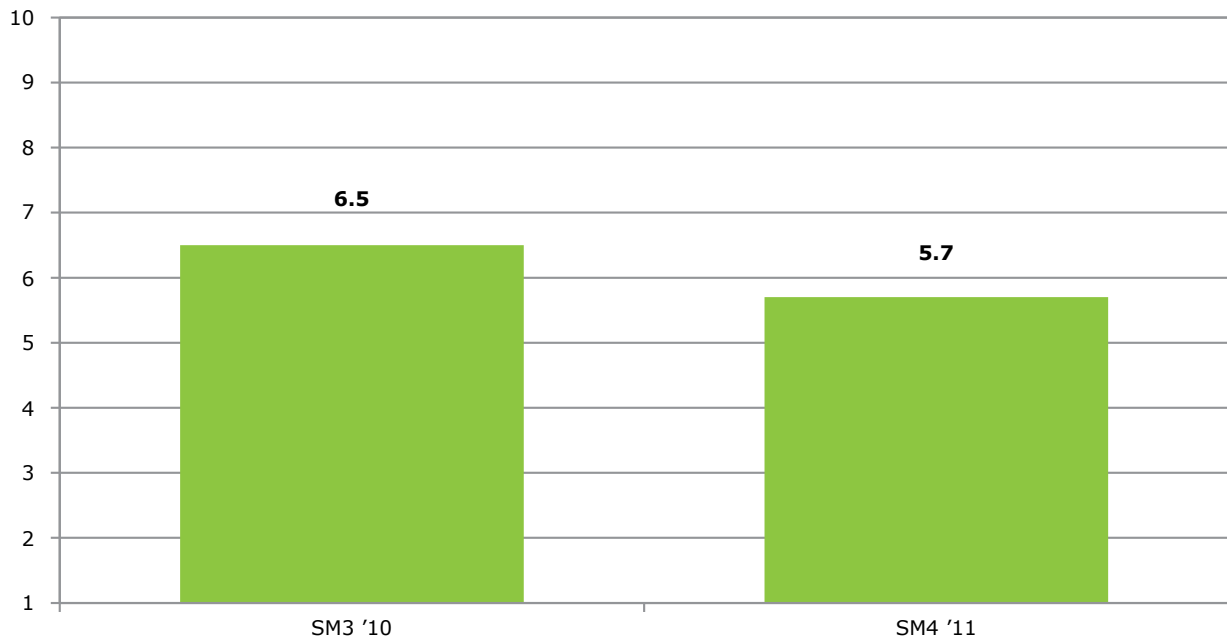
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# 05

## Satisfaction with current financial situation

This measure sees a significant drop in satisfaction levels across the board, with the exception of very upper-income households.

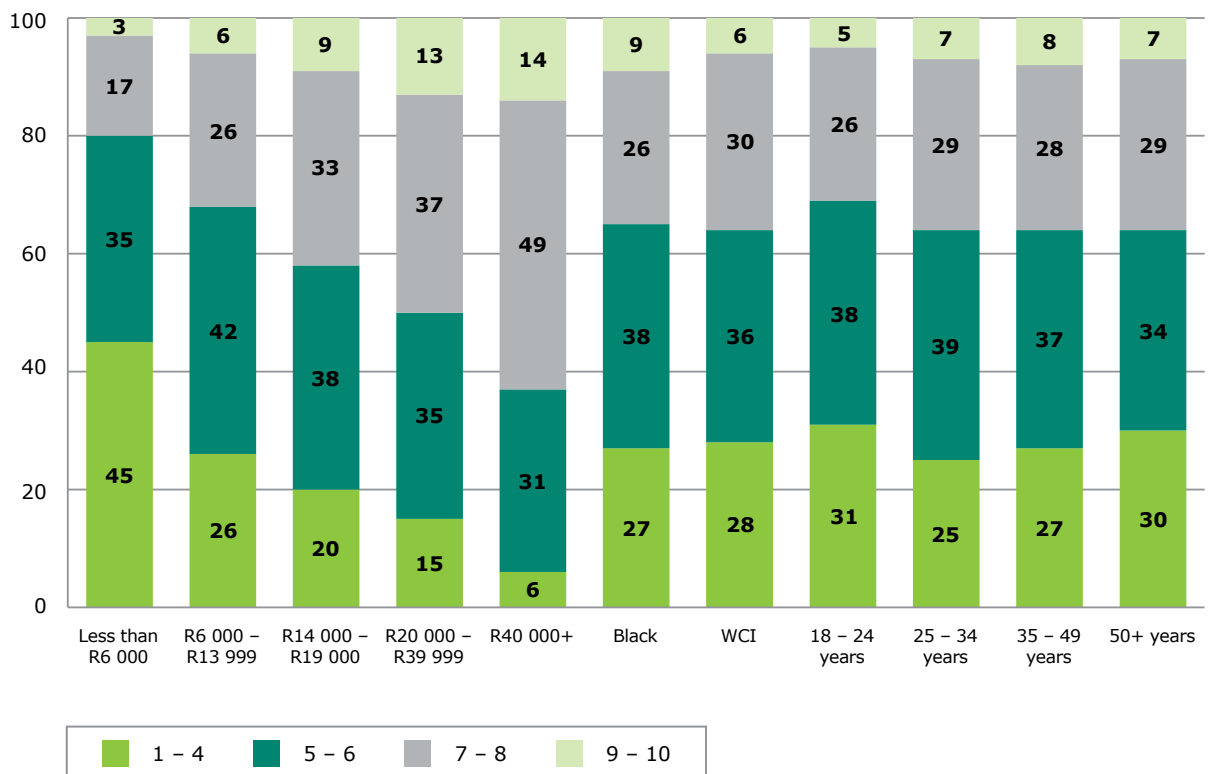
### SATISFACTION WITH CURRENT FINANCIAL POSITION (SCORE OUT OF 10)



1 = completely dissatisfied and 10 = completely satisfied

**65%** say they are saving more or the same than they were a year ago.

## SATISFACTION WITH CURRENT FINANCIAL SITUATION



1 = hopelessly dissatisfied and 10 = extremely satisfied

Those with low levels of satisfaction complain about what they see as a hand-to-mouth existence, with no or severely impaired ability to provide for their families, and feelings of insecurity that stem from having little savings set aside for future needs. Another major bugbear for these respondents is the debt trap, with many feeling that they are unable to clear this and are constantly shifting between payments.

Those who are more satisfied with their financial situation comment on the relief that financial security brings. Their higher satisfaction is driven by heightened awareness of the need to budget and keep a handle on expenses, having the comfort of a savings buffer and being able to get to grips with their debt levels.

A close-up photograph of a woman with long brown hair, wearing a light-colored straw hat with a black patterned band. She is smiling broadly, looking upwards and to the right. She is holding a small yellow flower in her right hand. The background is bright and slightly blurred, suggesting an outdoor setting. Overlaid on the image is the text '19%' in a large, white, outlined font.

19%

**One in five commented that the recession has made them realise the importance of saving.**

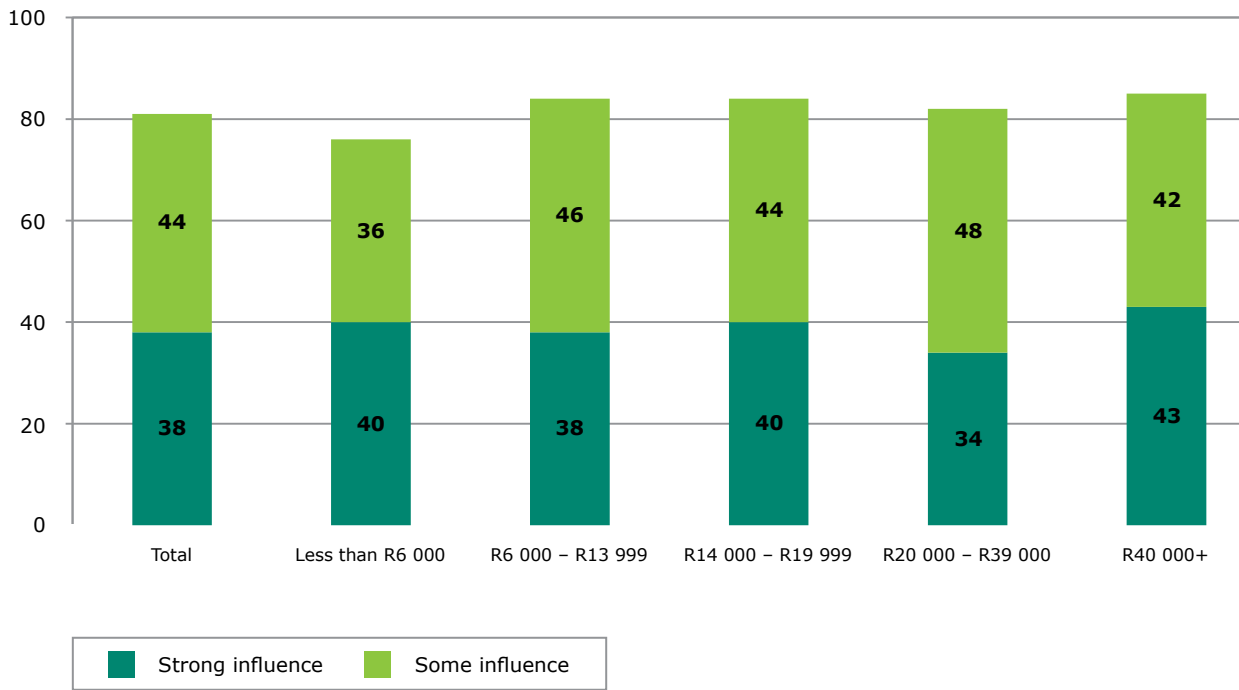
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# 06

## Influence of the recession

In this measure consumers were asked directly whether the recession has in any way influenced how they feel about or approach their finances, even if this has not actually changed their behaviour. It is clear that the recession has been felt across the board, but the effect is weaker amongst lower income groups. This is not to say that these poorer households are not struggling – on the contrary, they are – it is rather that some of these households feel that nothing has changed as they have always struggled. For some low income earners there is a perception that the recession is something that only really affects rich people.

### INFLUENCE OF THE RECESSION



As to how the recession has been felt, the most prevalent theme is the **affordability pressures** that household are facing. As recessionary forces have kept salary increases to a minimum, households are struggling to make ends meet and the common complaint is that they simply can't buy what they used to. Just under a third (28%) find that they are more careful with their money and budget and plan more than before. One in five comment that the recession has made them realise the importance of saving and building up a buffer against hard times.

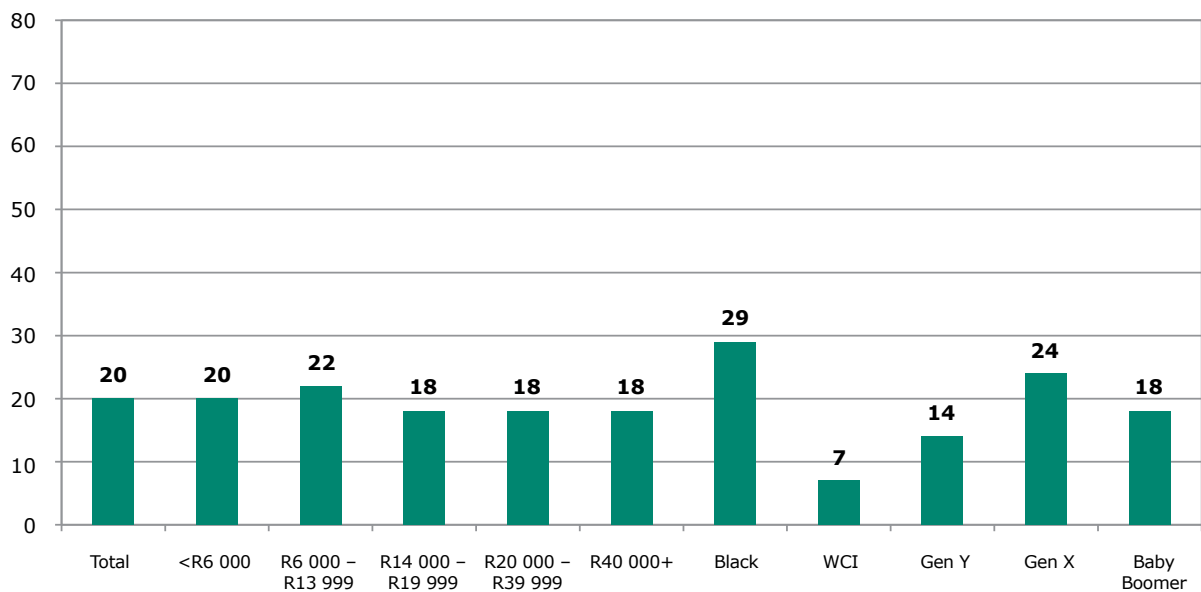
13% report reduced income levels as a result of retrenchments or household members working shorter hours or having benefits at work reduced.

# 07

## The Sandwich Generation and questions on co-dependency

The term 'Sandwich Generation' has been coined to describe those who are supporting not only children, but also parents or other older dependents. They account for 20% of the sample in this measure (23% in SM3 '10) and are fairly evenly spread across income groups, but highest amongst Black households and those aged 35 – 49 years.

### INCIDENCE OF SANDWICH GENERATION



The incidence of children still living with their parents is high. Some 48% of Generation Y still live at home with their parents, and looking specifically at younger Gen Y (18 – 24 year olds), this climbs to 56%. When asked why they are still living at home, the primary driver is (predictably) affordability. Staying at home allows these children to build up savings for when they do ultimately leave home. Also, in many instances their staying at home is a joint decision as they contribute to the pool of household income and ease the affordability pressures felt by all.

The majority of South Africans who have parents or older family members who are still alive foresee that they will have to support them (either on a planned basis or conceding that they will probably end up having to).

	SM3 '10	SM4 '11
Yes, I am planning to support them	57%	51%
No, I am not planning to, but will end up supporting them	15%	14%
No, I am not planning to, they should support themselves	21%	31%
Don't know	7%	4%



51%

**51%** of South Africans are planning on supporting their parents.

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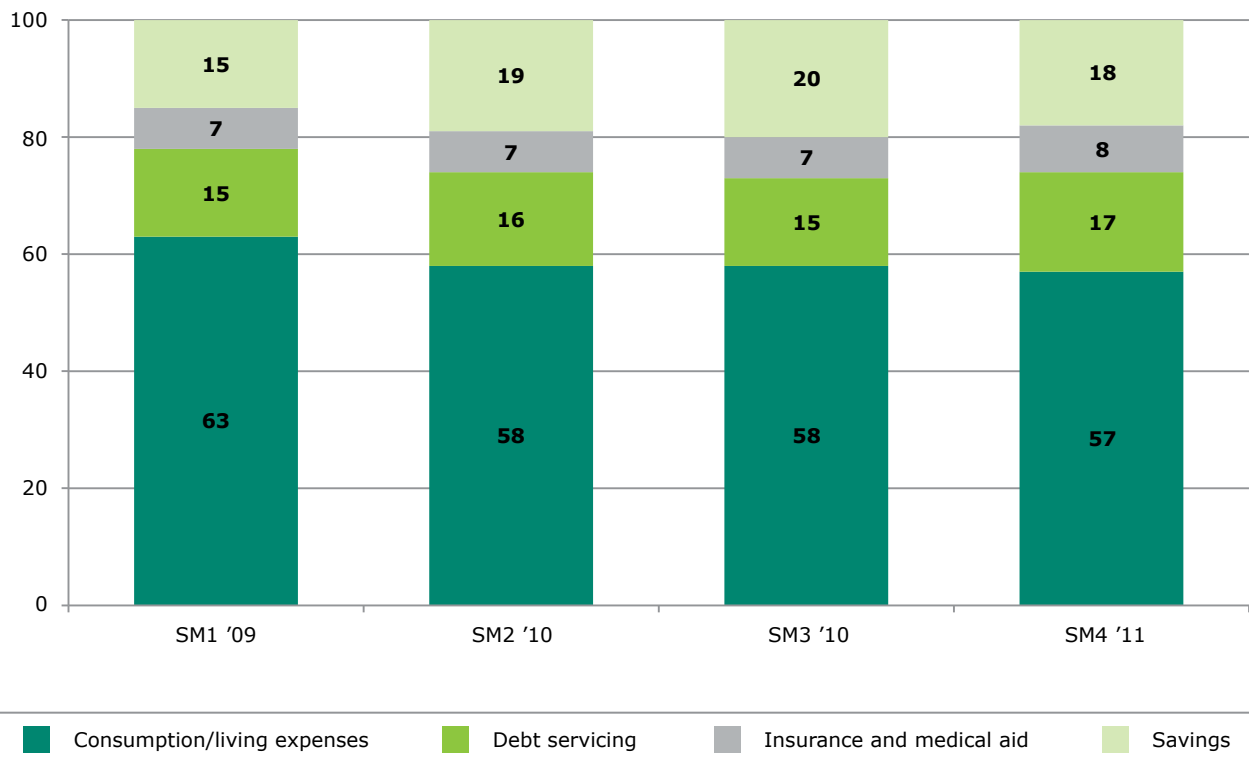
# 08

## Shift in savings levels

At a total market level, it would appear that South Africans are not saving any more than they were in the last measure. The trend towards increased savings appears to have been halted and in some instances reversed, with proportionally higher amounts of household income going to precautionary savings (short-term insurance and healthcare) and debt servicing.

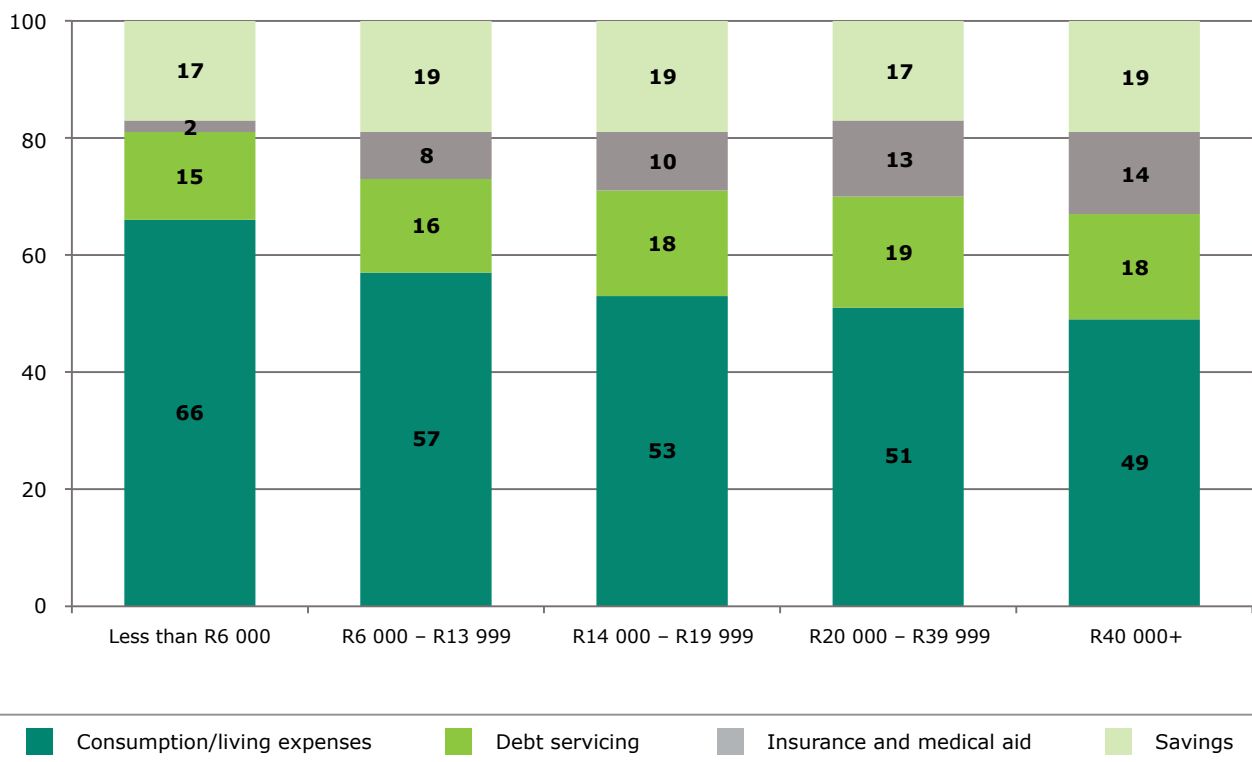
Overall savings as a percentage of household spend has fallen back to 18%, but is still ahead of the Measure 1 2009 data. This decrease is most evident in the lower (<R6 000) and upper (R40 000+) income bands. The increase in expenditure on debt servicing is evident across all income bands.

### PERCENTAGE OF INCOME SPEND



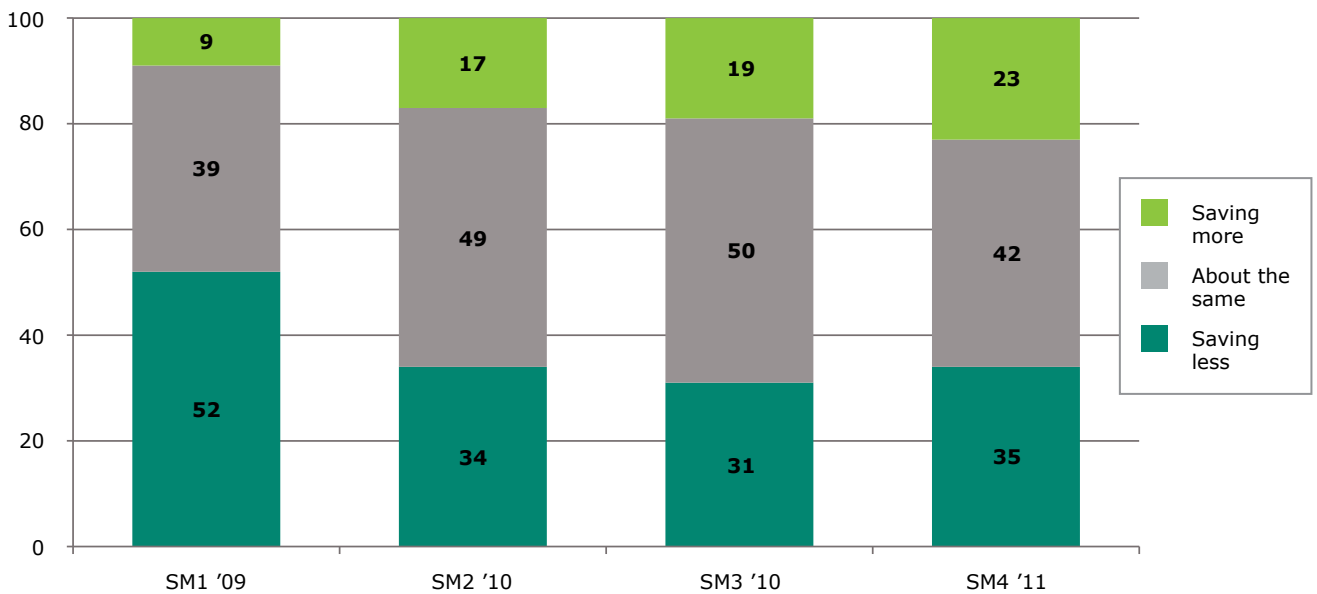
Looking across income groups, the correlation between savings as a percentage of total spend and income is much weaker in this SM4 '11 than it has been historically. The impact of higher medical aid and insurance premiums as well as debt servicing is marked at the middle and upper end of the market.

### PERCENTAGE OF INCOME SPEND BY HOUSEHOLD INCOME

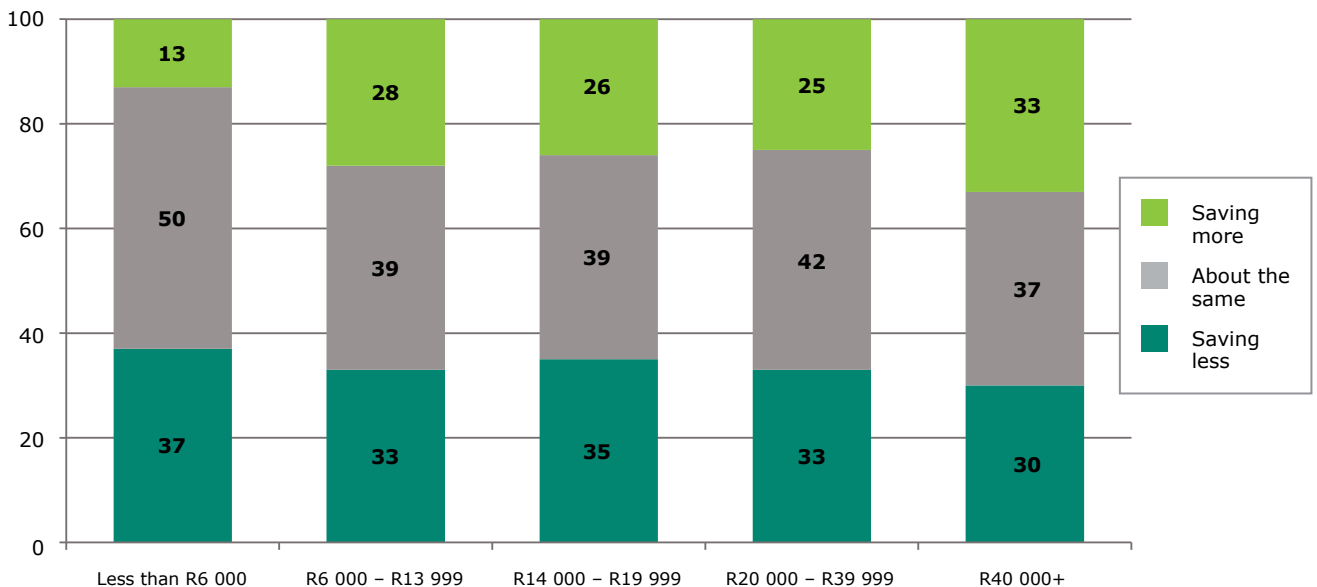


In this measure, there has been an increase both in the % of people saving more, and those saving less. One gets the sense that South Africans are more conscious of their financial situation generally and are less inclined to simply report that things have stayed the same. Whilst the 65% who say that are saving more or the same than they were a year ago is down from the 69% seen in the last measure, this is still in stark contrast to the first measure of the Old Mutual Savings Monitor where 52% claimed to be saving less.

### SAVING PATTERN COMPARED TO A YEAR AGO



### SAVING PATTERN COMPARED TO A YEAR AGO BY HOUSEHOLD INCOME



Those households who report saving more than a year ago attribute this to more funds being available for savings for a variety of reasons such as:

- improved income (more household members working, better jobs)
- decreased demands (e.g. kids left home)
- have paid off debt or at least got debt under control so freeing up funds for savings

One in five mention a particular cause or item they are saving for.

Encouragingly, just under a third (29%) of those who are saving more spontaneously attribute this to a shift in mindset driven by a recognition of the importance of saving and a growing awareness of the need to watch expenses and budget carefully. This shift in headspace is highest amongst the R40 000+ income group.

Those who are saving the same or less cite increased demands on income as having the main stifling effect on savings. It is all they can do to keep up with the rising cost of living. This complaint abounds across all income groups. Other dampening effects are over-indebtedness and deteriorating income (below inflation increases or even decreases in absolute terms with household members being retrenched or put on "short hours").

Reasons Saving More/Less/Same	Total	Saving More Than I Was A Year Ago	About The Same	Saving Less Than I Was A Year Ago
Increased demands on income	37%	1%	32%	67%
Little change in circumstances/needs	31%	0%	60%	17%
Effect of debt/debt management	15%	22%	11%	16%
Improved income	11%	41%	2%	1%
Shift in headspace	11%	29%	10%	1%
Deteriorating income	9%	0%	3%	22%
Item/cause specific savings	6%	21%	2%	0%
Decreased demands	1%	6%	0%	0%
Other	1%	2%	0%	0%

## 09

## Savings objectives - what are South Africans saving for?

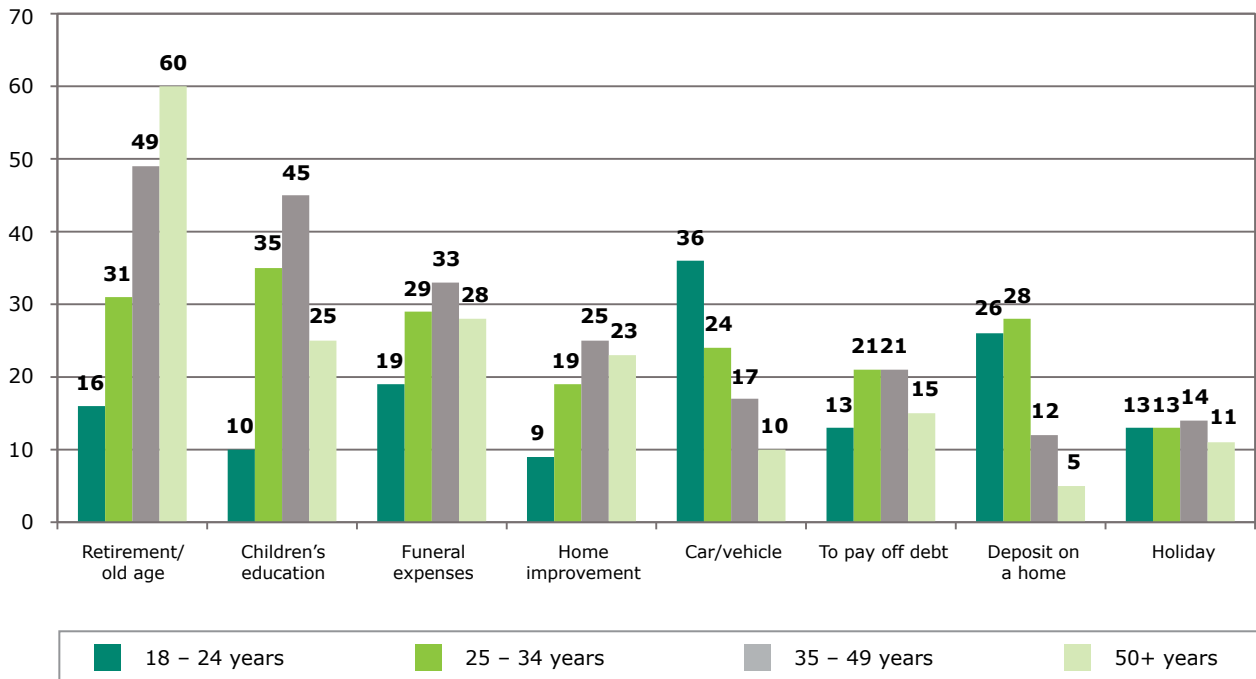
At a prompted total market level, whilst savings objectives remain relatively stable, the following is worth noting:

- Increasing trend towards retirement savings
- Increase in funeral savings
- Drop off on holiday savings, presumably a reflection of tougher economic times with other more pressing goals being given priority

Prompted Savings Objective	SM1 '09	SM2 '10	SM3 '10	SM4 '11
Deposit on a home	19%	23%	20%	18%
Car/vehicle	22%	29%	21%	20%
To buy a specific item/other specific purpose	4%	3%	4%	13%
Retirement/old age	28%	31%	35%	41%
Emergency expenses/rainy day fund	45%	43%	43%	42%
Children's education	31%	30%	40%	34%
Children's education (rebased on those who have dependent children)	54%	55%	55%	51%
Funeral expenses	21%	23%	21%	29%
Money to start my own business	7%	5%	7%	7%
Home improvement	18%	18%	18%	21%
Furniture/home appliances	7%	6%	7%	8%
Holiday	18%	17%	17%	13%
Medical expenses fund/for medical expenses	9%	7%	10%	13%
To pay off debt	15%	13%	17%	19%
No specific reason	7%	5%	5%	6%

Age or lifestyle continues to be one of the primary determinants of what people are saving for, in particular with regards to retirement savings.

### PROMPTED SAVINGS OBJECTIVE BY AGE



# 10

## Savings and investment vehicles used

At a total market level, banked cash savings have decreased marginally, as have equity-based investments. Informal savings are down significantly from the uptake seen in SM3 '10, but remain above the levels seen in SM2 '10.

	SM1 '09	SM2 '10	SM3 '10	SM4 '11
Banked cash savings	29%	47%	48%	43%
Informal saving	33%	40%	54%	44%
Formal savings products & policies	77%	84%	82%	85%
Investments	6%	6%	11%	7%
Alternative investments	0%	2%	1%	1%
Insurance and precautionary savings	47%	45%	52%	54%
Bonds	Not measured		5%	4%

### 10.1 Banked cash savings

Banked cash savings are down marginally at a total market level, driven by a marked drop at the lower income end of the market (households with a monthly household income of less than R14 000), and there has in fact been a significant increase in cash banked savings at R40 000+.

In the last measure (SM3 '10) we saw a drop in banked cash savings amongst R40 000+ and surmised that the R40 000+ income bracket were showing renewed confidence in equity-based investments with cash savings being converted into shares and unit trusts. That movement is not repeated here. It is not suggested that R40 000+ households are now pulling out of equity-based investments, rather that few new equity-based investments are being made and the safer, more cautious cash holding is being favoured.

Banked Cash Savings	SM1 '09	SM2 '10	SM3 '10	SM4 '11
Less than R6 000	20%	46%	44%	34%
R6 000 to R13 999	31%	46%	48%	39%
R14 000 to R19 999	35%	47%	50%	48%
R20 000 to R39 999	33%	45%	52%	54%
R40 000 or more	47%	62%	52%	65%

## 10.2 Formal savings products

The last measure saw a sharp uptake in personal retirement annuities which has now reverted to SM2 '10 levels. To some extent this may be explained by the difference in sample profile as regards self-employed respondents vs. not. In SM3 '10 the % of self employed (total sample) was 16%. That is now 10%. Although within the self employed sub-sample penetration of personal retirement annuities is in fact up from 28% in SM3 '10 to 37% in this measure.

	SM1 '09	SM2 '10	SM3 '10	SM4 '11
Endowment policies	15%	12%	18%	13%
Retirement annuities	26%	24%	33%	24%
Pension or provident fund	41%	49%	47%	53%
Education policies	14%	20%	23%	19%
Education policies (amongst those with dependent children)	27%	36%	32%	29%
Funeral policies	61%	65%	64%	68%
Life assurance/death and disability policies	33%	34%	40%	41%

Pension and provident funds are marginally up, but these holdings will by and large be a function of employer profile rather than an investment that has been actively chosen. Looking at retirement specific savings (employer-based funds as well as personal retirement annuities) unduplicated incidence levels climb with both income and age, and at a total level:

- 62% have either a private retirement annuity or are a member of a retirement fund through their employer;
- 15% have both a private retirement annuity and membership of a pension or provident fund through their employer; and
- 38% have neither.

Looking at shifts over time across the various income groups, the general pattern is one of increasing penetration of formal retirement products.

Education policies are down slightly, but when filtered by those with dependent children penetration is still at a third of total sample.

FUNDISA was measured for the first time in this measure but has insignificant penetration as yet.

Life assurance and disability policies are showing an increasing trend at total sample level. To put this result in context it is important to note the relative importance of death, funeral and disability cover for South African households. 45% believe feel that “death, funeral and disability cover is more important to me and my family than retirement saving”, and this sentiment is particularly strong amongst lower income households with 55% of those earning less than R6 000 per month agreeing with this compared with 28% of those earning R40 000+.

<b>Death, Funeral and Disability Cover are more important</b>	<b>Total</b>	<b>Less than R6 000</b>	<b>R6 000 to R13 999</b>	<b>R14 000 to R19 999</b>	<b>R20 000 to R39 999</b>	<b>R40 000 or more</b>
Agree	45%	55%	45%	41%	39%	28%
Disagree	55%	44%	55%	59%	61%	72%

Looking at funeral cover (formal and informal) – the relative importance for Black households is notable. 83% of Black households have funeral cover in one form or another, be it formal or informal.

<b>Funeral cover</b>	<b>Total</b>	<b>Less than R6 000</b>	<b>R6 000 to R13 999</b>	<b>R14 000 to R19 999</b>	<b>R20 000 to R39 999</b>	<b>R40 000 or more</b>	<b>Black</b>	<b>WCI</b>
Funeral policy	68%	62%	69%	72%	73%	77%	75%	59%
Burial society	20%	28%	20%	17%	13%	9%	31%	5%
Funeral policy OR burial society	74%	73%	72%	75%	75%	77%	83%	61%
Funeral policy AND burial society	15%	16%	17%	14%	11%	9%	23%	3%
NEITHER funeral policy nor burial society	26%	27%	28%	25%	25%	23%	17%	39%

## 10.3 Informal savings

	SM1 '09	SM2 '10	SM3 '10	SM4 '11
Savings club or stokvel	26%	32%	31%	31%
Burial society	Not measured		33%	20%
Grocery scheme	Not measured		13%	7%
Cash savings – not banked	10%	14%	14%	6%

Given that informal savings vehicles are generally the ambit of Black households (although not exclusively so), we have filtered the results so as to look at the results within Black households. Both burial societies and grocery schemes show a decline, but as this is only the second measure for both of these savings types, we are refraining from identifying any trend at this stage.

### BASE: SM4 '11, BLACK HOUSEHOLDS

	Total	Less than R6 000	R6 000 to R13 999	R14 000 to R19 999	R20 000 to R39 999	R40 000 or more*
Savings club or stokvel	48%	48%	49%	62%	37%	29%
Burial society	31%	32%	31%	33%	30%	24%
Grocery scheme	11%	12%	13%	10%	7%	2%
Cash savings – not banked	8%	4%	9%	10%	12%	16%

\*Caution: Small base size

## 10.4 Precautionary savings

Incidence of medical aid and short-term insurance remains relatively stable despite cost pressures, and is directly correlated with income. Generally speaking South Africans appear to be shopping around and trading down to cheaper options rather than giving up cover completely.

	SM1 '09	SM2 '10	SM3 '10	SM4 '11
Short-term insurance	32%	30%	33%	31%
Medical aid/insurance	40%	38%	44%	48%

## 10.5 Equity-based investments

Equity-based investments (such as shares, unit trust and exchange traded funds) remain relatively stable and remain the realm of upper income groups. To the extent that there is some drop off, this occurs in the middle income (R6 000 – R20 000) bracket where the take-up seen in SM3 '10 has been reversed.

	SM1 '09	SM2 '10	SM3 '10	SM4 '11
Less than R6 000				
Unit Trusts/Mutual Funds/ETFs	1%	1%	1%	0%
Listed Shares	1%	1%	2%	1%
R6 000 To R 13 999				
Unit Trusts/Mutual Funds/ETFs	0%	6%	5%	2%
Listed Shares	2%	2%	8%	3%
R 14 000 to R19 999				
Unit Trusts/Mutual Funds/ETFs	8%	7%	7%	3%
Listed Shares	4%	3%	10%	4%
R20 000 to R39 999				
Unit Trusts/Mutual Funds/ETFs	5%	5%	8%	8%
Listed Shares	4%	2%	11%	11%
R40 000 or more				
Unit Trusts/Mutual Funds/ETFs	10%	14%	17%	14%
Listed Shares	10%	7%	17%	16%



**38%** have no formal  
retirement savings.

We need A FRESH approach

# 11

## Credit and debt: The other side of the savings coin

### 11.1

#### Property ownership and home loan repayment patterns

In SM3 '10 there was some indication that some households were using easing economic conditions as an opportunity to reduce their debt levels and there was a marked increase in the percentage of households paying extra into their home loan every month. At that stage we hypothesised that it was probably as a result of households maintaining their monthly repayments at historical levels rather than cashing out the "saving" resulting from reductions in interest rates. In this Measure 4 however, the percentage paying minimum only has climbed back up to 59%.

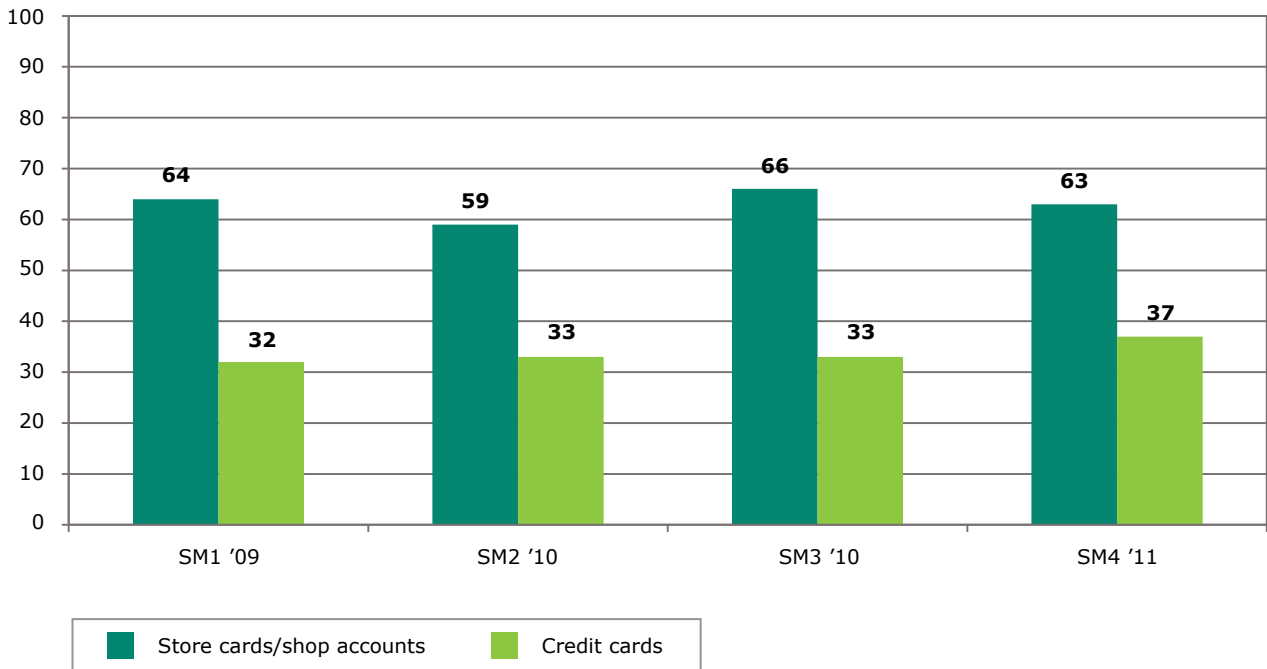
Home Loan Repayment Pattern	SM1 '09	SM2 '10	SM3 '10	SM4 '11
Struggle to meet	18%	10%	4%	3%
Pay extra every month	20%	16%	30%	24%
Extra lump sums	10%	3%	7%	11%
Recent advance	1%	0%	1%	1%
Re-negotiated due to financial pressure	3%	2%	3%	1%
Pay minimum only	53%	59%	49%	59%
Can no longer afford to pay extra	8%	9%	7%	5%

### 11.2

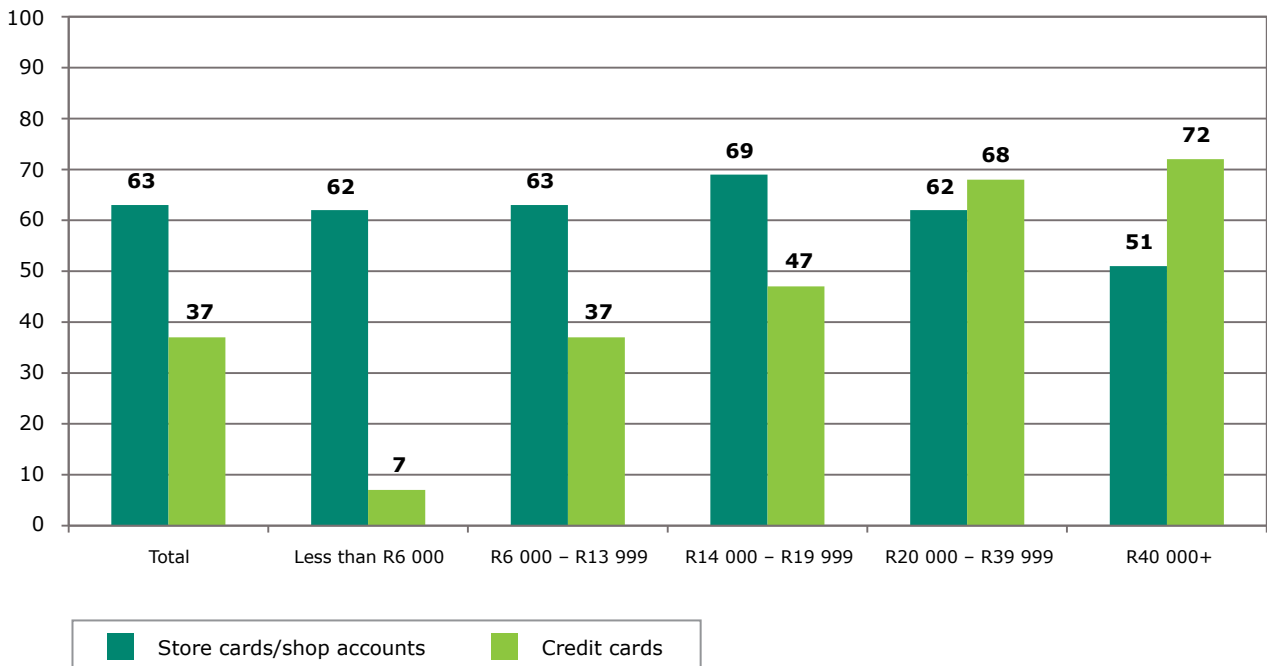
#### Credit cards and store cards

Incidence of credit cards has increased slightly (most marked in R20 000 – R39 999 bracket) and store cards are down marginally with the sharpest drop being seen in the R40 000+ bracket (down from 68% to 51%).

## INCIDENCE OF SHORT TERM/ROTATING CREDIT

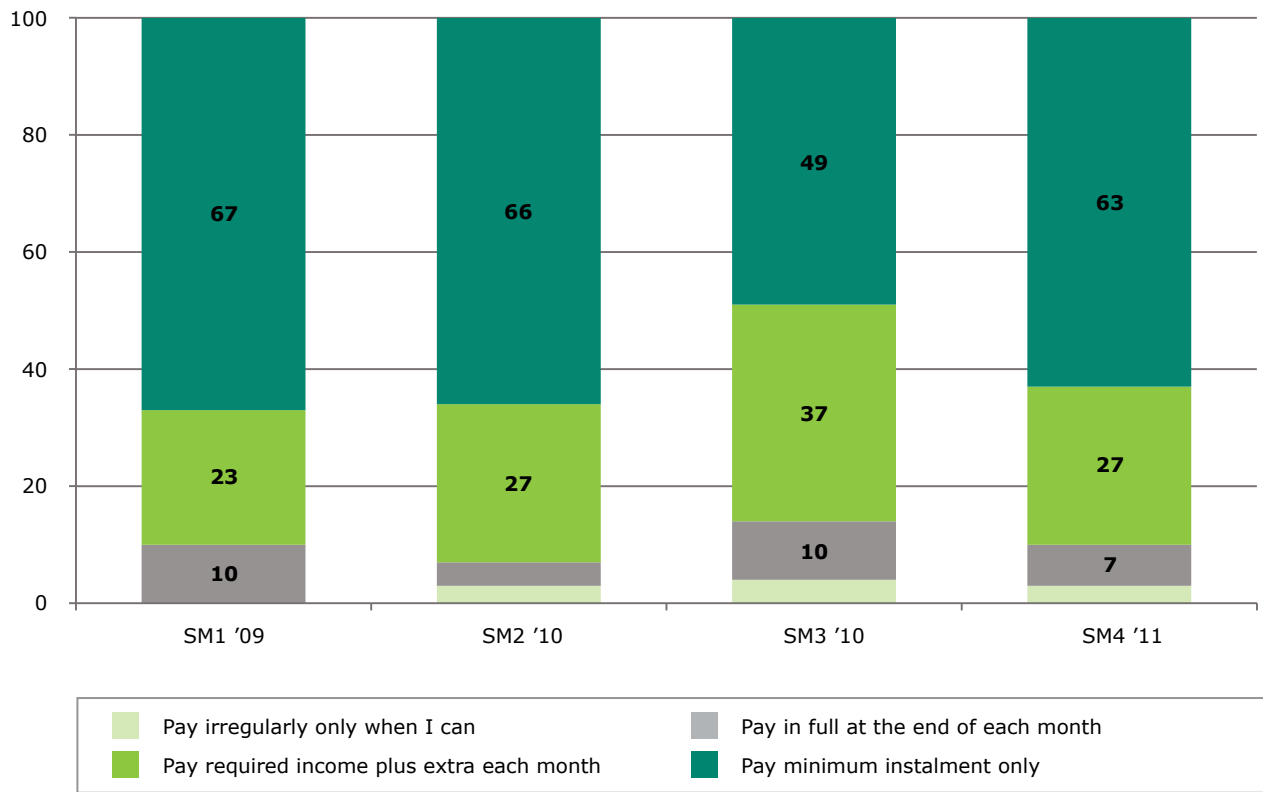


## INCIDENCE OF SHORT TERM/ROTATING CREDIT BY INCOME



Are South Africans managing these any differently? Looking at store cards, in the last measure there was evidence of attempts to chip away at this debt, with a significant increase in the proportion of consumers who try and pay a bit extra over and above the minimum required on a monthly basis. Those improvements in repayment patterns have not been sustained, and store card holders appear to have reverted to minimum payments. Only 7% clear these accounts in full at the end of the month and whilst this percentage increases with income level, only 12 % of store card holders in the R40 000+ bracket clear these cards in full.

### REPAYMENT PATTERN - STORE CARDS/SHOP ACCOUNTS



When it comes to credit cards, more disciplined payment patterns are evident than for store cards, with a higher incidence of full repayment (as was the case in historical measures). Unfortunately much of the improvement in credit card repayment patterns seen in the last measure is no longer evident, with the exception of the R40 000+ bracket where the incidence of full repayment at the end of each month has improved significantly.

### REPAYMENT PATTERN - CREDIT CARD



## 11.3 Other short-to-medium term debt

Incidence of other short-to-medium term debt is relatively stable at a total sample level, but with sharp increases in car finance and overdraft facilities in the R40 000+ income group. Whilst the incidence of overdrafts and car finance has increased in this group, the results indicate that consumers are trying not to let these get out of hand, and a proportionally higher percentage are paying extra each month when compared with the previous measures.

Current Short/Medium Term Loans	SM1 '09	SM2 '10	SM3 '10	SM4 '11
Any personal loan	18%	27%	30%	28%
Personal loan from a financial institution	Not measured	16%	17%	19%
Personal loan from a micro lender	Not measured	3%	3%	3%
Personal loan from a friend/family member	Not measured	14%	15%	10%
Car finance	18%	14%	17%	17%
Hire purchase/instalment sale	Not measured	15%	16%	12%
Revolving credit facility	11%	9%	6%	9%
Overdraft	Not measured	7%	8%	9%

## 11.4 Preference for putting away into savings vs. paying off debt

Generally speaking the preference is in favour of establishing a nest egg rather than paying off debt, with a trend towards debt reduction starting to appear over time. This swing in preference is less evident once respondents are asked to actually allocate a windfall, in which instance they continue to opt for a mix of debt reduction and actual savings.

	SM2 '10	SM3 '10	SM4 '11
Prefer to put money away into savings and investment	66%	65%	57%
Prefer to pay off debt	34%	35%	43%

A photograph of a woman with long dark hair, wearing a light green polo shirt and blue jeans, hugging a young child with curly hair from behind. The child is laughing joyfully. They are outdoors in a park-like setting with green trees and grass in the background. A large white outline of the number '63%' is superimposed in the upper right quadrant of the image.

63%

**63%** of store card holders pay the minimum only every month.

We need A FRESH approach

# 12 Attitudinal dynamics

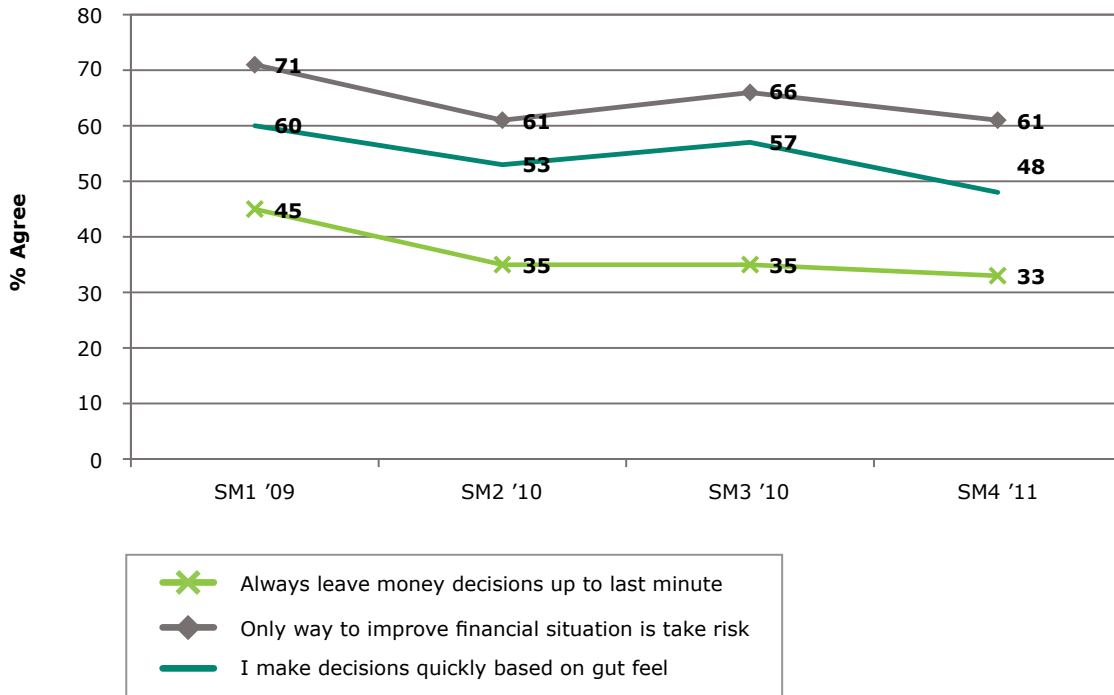
Two of the most significant definers of differences in attitude and behaviour remain income and education level. The following trends are worth noting (these were present in historical measures and remain in evidence in this SM4 '11):

- Upper income households and better educated South Africans are better planners and plan further in advance. The R40 000+ bracket in this measure show a sharp upswing in future (5-10 year) planning ahead.
- Lower income households, by contrast, are less organised and more likely to be confused by the world of finances. These households are less likely to plan in advance, not necessarily because they do not realise the importance of this, but because their economic reality forces them to live in the now.
- Looking at age, older consumers are slightly better planners. But the main differences continue to relate to current savings goals and the savings and investment horizon that they see.

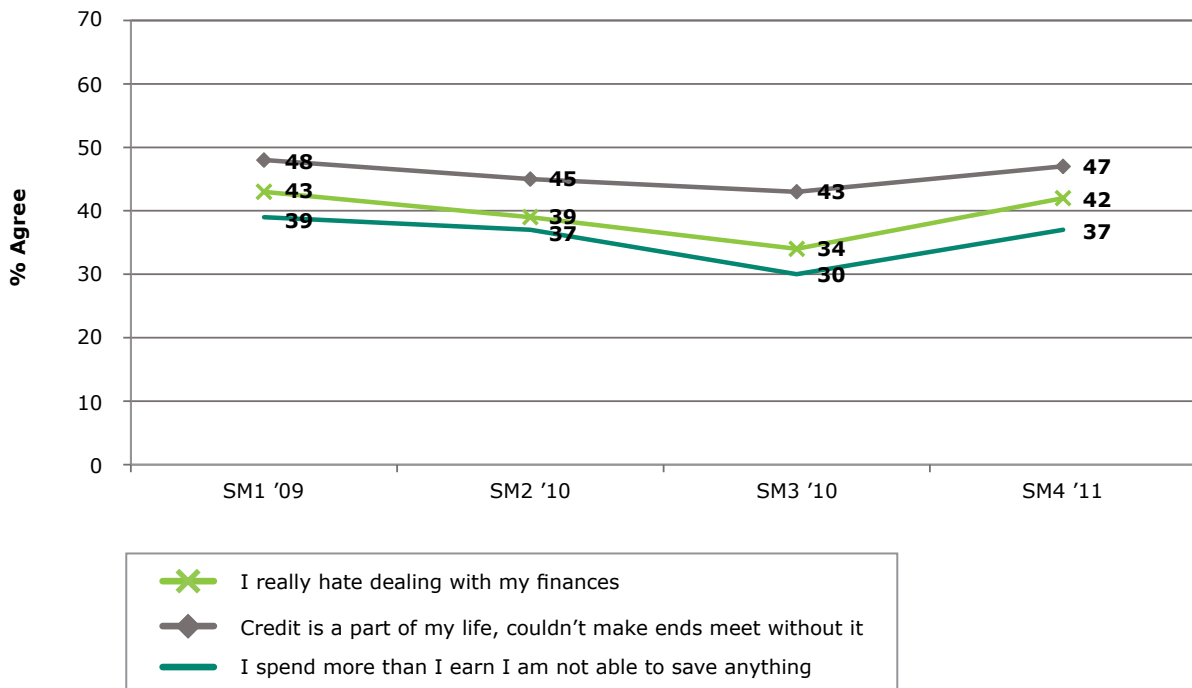
In the last measure (SM3 '10) a number of emerging trends pointed to economic recovery and an improvement in savings mindset. Unfortunately, not all of these trends have continued into this measure and there is evidence of a more cautious and tempered approach.

**47%** Nearly half feel that credit is a necessity to make ends meet.

### ATTITUDINAL DYNAMICS: EMERGING TRENDS MORE CAUTION, LESS RISK



### ATTITUDINAL DYNAMICS: ONE STEP FORWARD, ONE STEP BACK



<b>% Agree (Strongly or Slightly)</b>	<b>SM1 '09</b>	<b>SM2 '10</b>	<b>SM3 '10</b>	<b>SM4 '11</b>
I don't buy anything until I have enough money to pay for it	70%	66%	72%	67%
Finances are never properly organised	52%	46%	51%	53%
Actively plan my finances five to ten years ahead	46%	48%	50%	47%
No alternative but to get into debt	66%	68%	61%	66%
Important to save, but do not have enough money	79%	75%	73%	69%
I wonder if I have done enough to secure my retirement	74%	76%	77%	75%
I really hate dealing with my finances	43%	39%	34%	42%
I consider myself a spender, not a saver	39%	34%	36%	35%
Always trying to become more knowledgeable about financial matters	77%	77%	82%	74%
Seem to leave my money decisions to the last minute	45%	35%	35%	33%
Credit is part of my life, can't make ends meet without it	48%	45%	43%	47%
Would organise finances better if had more time	52%	55%	51%	51%
World of financial services leaves me confused	46%	39%	46%	44%
Go to loan shark rather than borrow from a neighbour	24%	26%	21%	24%
Anything to do with financial matters extremely boring	34%	31%	32%	32%
I want to learn more about how to save	-	82%	82%	82%
Is important to save money for a rainy day	95%	97%	94%	95%
Always plan finances carefully	75%	80%	76%	80%
Avoid debt wherever I can	80%	81%	80%	77%
Always worried about not having enough money	82%	79%	77%	80%
Extremely cautious with finances	81%	83%	79%	78%
Set financial goals	79%	79%	78%	76%
Financial security means having enough money	90%	91%	90%	89%
Have to be in complete control of my finances	88%	90%	88%	86%
Saving for future is not a priority right now	33%	26%	24%	26%
We don't talk about money in our family	24%	23%	24%	25%
Only way to improve financial position is to take risks	71%	61%	66%	61%
Spend all that I earn, not able to save anything	39%	37%	30%	37%
I need more education on how to handle my finances	-	73%	66%	70%
Death, funeral and disability cover are more important	-	-	-	45%

In addition to finance specific statements, respondents are asked the extent to which they do (or don't) agree with some more general attitudes. The following shifts are worth noting:

- There is still a third of South Africans who feel that their children should look after them when they are old and a further third who feel that the government will look after them if they are unable to look after themselves. What is very concerning is the sharp uptake (up to 53%) of those households in the lower income bracket (<R6 000) who feel that the government will look after them. Whether this is a genuine belief or borne out of desperation/wishful thinking is up for debate. At the upper income end of the market the trend is in the opposite direction (i.e. declining expectations of government support).
- Uptake in those who feel that their lives are never properly organised
- Drop in those who are happy and content with their lives (although agreement with this (even if slight) stands at 75%, indicating evidence of positive outlook despite dissatisfaction with financial situation)

<b>% Agree (Strongly or Slightly)</b>	<b>SM1 '09</b>	<b>SM2 '10</b>	<b>SM3 '10</b>	<b>SM4 '11</b>
I place a lot of value in having material things	53%	52%	50%	52%
I am very optimistic about what the future holds for me	86%	86%	86%	81%
Community support is very important to me	76%	77%	77%	74%
I tend to make decision quickly based on gut feel	60%	53%	57%	48%
My children should look after me when I am old	30%	26%	39%	34%
I feel a lot of pressure to be successful in life these days	79%	74%	75%	76%
Work is just a means of getting money to survive	75%	74%	67%	74%
I feel I never have enough money to do the things I want	78%	76%	73%	73%
Government will look after me if I am not able to look after myself	29%	30%	30%	32%
I will complain if I get bad service	84%	84%	88%	84%
I like to take risks in my life	63%	53%	62%	56%
I worry a lot about what other people think of me	43%	40%	39%	42%
I am really proud of my home and am always spending time and money making it better	78%	81%	80%	76%
Being rich is a priority for me	60%	58%	58%	56%
I am always the first to try out new fashions and styles	34%	32%	36%	34%
I like to own products that are the most technologically advanced	65%	63%	62%	60%
I feel confident about the South African economy	56%	58%	61%	58%
My life never seems to be properly organised	43%	35%	39%	44%
Due to work commitments, have no time for family and friends	44%	44%	42%	45%
I am happy and content with my life	79%	84%	80%	75%
I like to be different from everyone else	61%	60%	64%	58%
Maintaining a healthy lifestyle is a top priorities	85%	88%	87%	81%
Always put plans to improve my life on hold	71%	72%	71%	71%

A man in a white shirt is shown from the side, holding a white paper cutout of a house. He is standing in a field of tall grass. The background is a blurred landscape with green grass and some trees in the distance.

# 40%

**40%** expect their financial situation to improve.

We need A FRESH approach

# 13

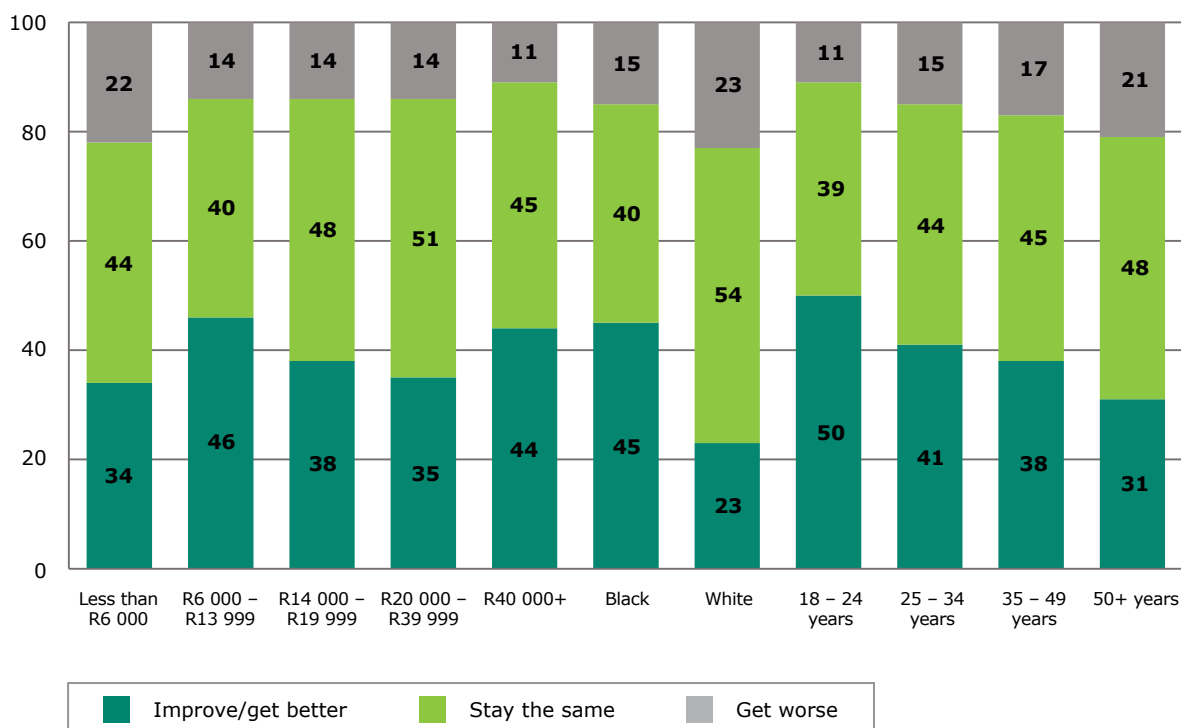
## Future expectation - do consumers expect their finances to improve?

For the first time in this measure, respondents were asked whether they expect their financial situation to improve, deteriorate or stay the same in the next six months. There are marked differences in optimism level depending on race, with Black respondents being the most optimistic. Younger people are also more optimistic. Many have only just recently started working and earning their own money, so their optimism is understandable. It is important to bear in mind that these are working youth in an economy that has extremely high youth unemployment levels.

Results by total sample:

- Improve 40%
- Stay the same 44%
- Get worse 16%

### EXPECTED SHORT TERM CHANGES IN FINANCIAL SITUATION



By and large, future expectations are a reflection of current satisfaction levels. Those with higher satisfaction with their current financial situation are more likely to think that their situation will improve in the next six months.

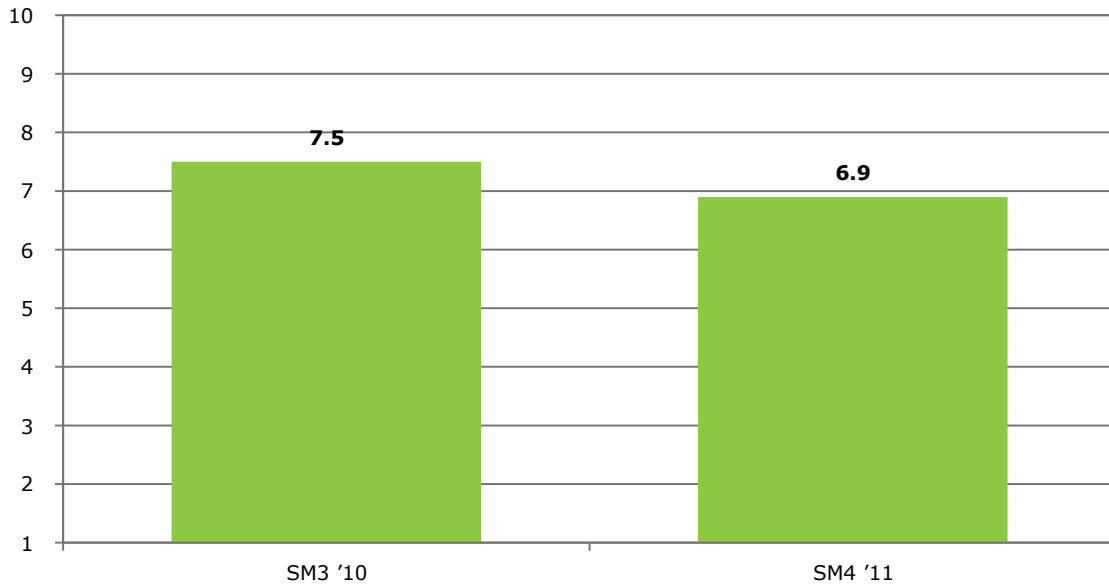
Future expectations also correlate with respondent's attitude to finances generally. Those who expect an improvement moving forward are better goal setters and knowledge seekers. Those who feel that their situation will get worse are poorer planners, more likely to hate dealing with their finances and more likely to be bored or confused by the world of personal finance.

# 14

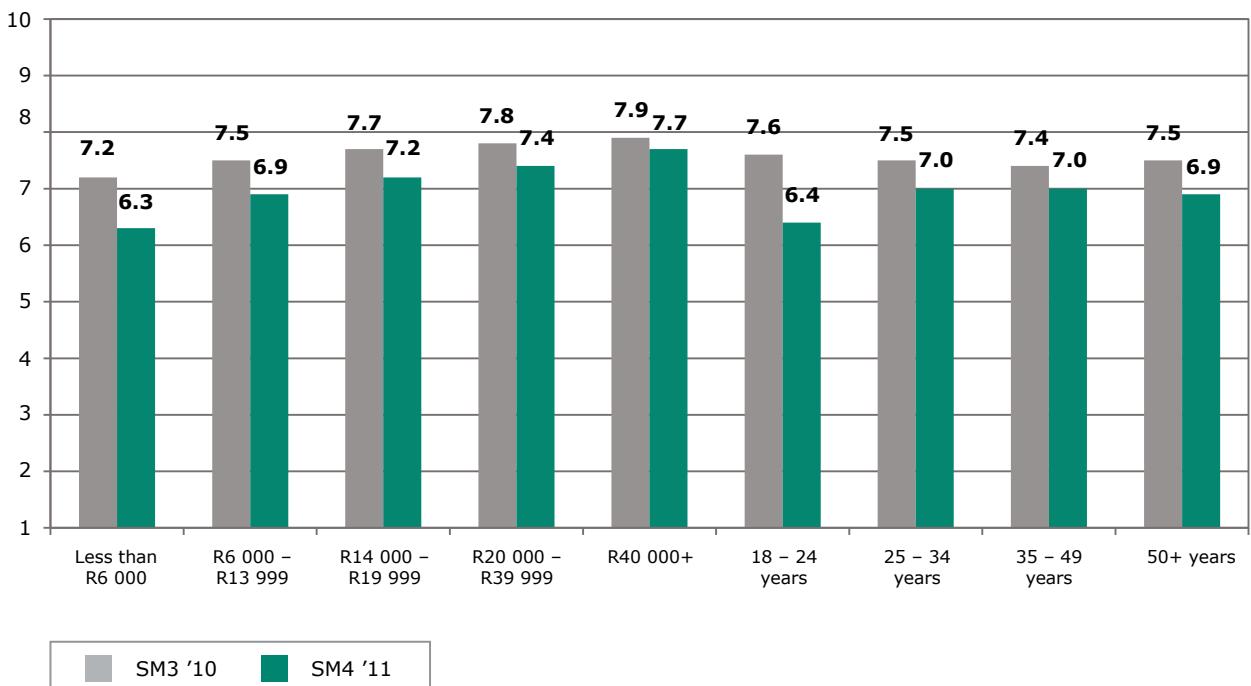
## Confidence in financial decision making

In this measure there has been a sharp drop in confidence, amongst lower income groups in particular.

### CONFIDENCE IN ABILITY TO MAKE GOOD SAVINGS AND INVESTMENT DECISIONS



### CONFIDENCE IN ABILITY TO MAKE GOOD SAVINGS AND INVESTMENT DECISIONS





6.9

**6.9** out of 10 - how  
respondents rate their ability  
to make financial decisions.

We need **A FRESH** approach

# 15

## Sources of financial information

South Africans continue look to multiple sources for financial information and advice, although the incidence of accessing any source on a regular basis is low. The most pervasive sources of information are word of mouth (speaking to friends and colleagues) and financial advisors. It is early days yet, but the results indicate a shift away from word of mouth in favour of financial advisors, and this measure financial advisors eclipse word of mouth as the claimed primary source of financial information.

### SOURCES ACCESSED ON A REGULAR BASIS:

	SM1 '09	SM2 '10	SM3 '10	SM4 '11
Financial Advisor/broker (any)	16%	19%	21%	26%
Word of mouth	33%	28%	28%	17%
Television	25%	22%	20%	16%
Newspapers	16%	17%	11%	10%
Radio	18%	14%	12%	9%
Internet	8%	6%	4%	5%
General magazines	6%	4%	5%	3%
Business magazines	4%	3%	3%	2%

# 16

## Extracts from Youth Market results

Generally speaking the youth are no more or less satisfied with their financial situation than other age groups and have experienced a similar drop in satisfaction levels from SM3 '10 and SM4 '11.

The youth are the most likely to claim little effect from the recession, with a number reporting that they were still being supported by their parents during the worst of the recession. It is important to bear in mind that these are working youth and for many (for the "younger" youth in particular) they are working and earning their own money for the first time. Having "cash in the wallet" bolsters confidence notwithstanding the depressed surroundings that many live in. It is also important to remember South Africa's high youth unemployment rate, which means that these working youth are significantly better off than their non-working peers.

That said, the vast majority (75%) have still been affected by the recession and cite the same factors as other age groups: inflationary pressures, more cautious budgeting, cutting out extras and a renewed appreciation of the importance of saving.

<b>Influence Of The Recession</b>	<b>Total</b>	<b>18 – 30</b>	<b>18 – 24</b>	<b>25 – 34</b>	<b>35 – 49</b>	<b>50+</b>
Yes – strong influence	38%	36%	29%	37%	42%	41%
Yes – some influence	44%	39%	40%	42%	42%	48%
Yes	82%	75%	69%	79%	84%	89%
No influence at all	18%	25%	31%	21%	16%	11%

When picturing the Youth Market it is important to keep in mind that the incidence of dependents is significant. 37% have dependent children and 28% provide financial assistance to a parent or older family member to a greater or lesser degree. 14% qualify as part of the Sandwich Generation.

<b>Dependent Children</b>	<b>Total</b>	<b>18 – 30</b>	<b>18 – 24</b>	<b>25 – 34</b>	<b>35 – 49</b>	<b>50+</b>
Yes	63%	37%	18%	57%	85%	58%
No	37%	63%	82%	43%	15%	42%

<b>Other Dependents</b>	<b>Total</b>	<b>18 – 30</b>	<b>18 – 24</b>	<b>25 – 34</b>	<b>35 – 49</b>	<b>50+</b>
Yes	29%	28%	21%	31%	31%	23%
No	71%	72%	79%	69%	69%	77%

<b>Sandwich Generation</b>	<b>Total</b>	<b>18 – 30</b>	<b>18 – 24</b>	<b>25 – 34</b>	<b>35 – 49</b>	<b>50+</b>
Sandwich Generation	20%	14%	3%	20%	26%	18%

48% of the youth continue to live at home, for reasons of affordability. It is not that they have left home and have now returned, but rather that they have yet to leave for the first time. Whilst staying at home allows them to save for other things (like a car or a deposit on independent accommodation), it is also important to bear in mind that they, as working youth, are also contributors to household income and that in many instances it is a question of co-dependency rather than being one-sided.

<b>Live At Home With Parents</b>	<b>Total</b>	<b>18 – 30</b>	<b>18 – 24</b>	<b>25 – 34</b>	<b>35 – 49</b>	<b>50+</b>
Yes, I live with them in their home	21%	48%	56%	32%	9%	2%
Yes, they live with me in my home	4%	2%	0%	3%	6%	4%
No	75%	50%	44%	64%	85%	94%

Savings as a % of income is similar to other age groups as is the drop in savings levels.

The youth are focussed on asset acquisition – cars and deposits on property. The significantly lower importance given to retirement savings is notable. More education is needed as regards the importance of and the benefits of starting retirement savings early on in life.

<b>Prompted Savings Objective</b>	<b>Total</b>	<b>18 – 30</b>	<b>18 – 24</b>	<b>25 – 34</b>	<b>35 – 49</b>	<b>50+</b>
Emergency expenses/rainy day fund	42%	40%	38%	45%	41%	40%
Retirement/old age	41%	19%	16%	31%	49%	60%
Children’s education	34%	23%	10%	35%	45%	25%
Funeral expenses	29%	23%	19%	29%	33%	28%
Home improvement	21%	14%	9%	19%	25%	23%
Car/vehicle	20%	32%	36%	24%	17%	10%
To pay off debt	19%	19%	13%	21%	21%	15%
Deposit on a home/immovable property	18%	29%	26%	28%	12%	5%
To buy a specific item/other specific purpose	13%	16%	13%	17%	12%	10%
Holiday	13%	12%	13%	13%	14%	11%
Medical expenses fund/for medical expenses	13%	10%	6%	15%	14%	10%
Furniture/home appliances	8%	9%	9%	8%	9%	5%
Money to start my own business	7%	8%	9%	6%	6%	8%
No specific reason	6%	6%	4%	5%	6%	7%

Generally speaking the youth have fewer savings and investment vehicles overall, which is not unexpected as they are still building a portfolio.

	<b>Total</b>	<b>18 – 30</b>	<b>18 – 24</b>	<b>25 – 34</b>	<b>35 – 49</b>	<b>50+</b>
Any type of bank account	100%	100%	100%	100%	100%	100%
Transmission account	15%	12%	12%	14%	15%	15%
Current/cheque account	36%	33%	25%	39%	41%	28%
Savings account	83%	84%	90%	80%	81%	86%
Banked cash savings	43%	40%	39%	42%	43%	49%
Stokvel or savings club	31%	23%	20%	29%	36%	35%
Burial society	20%	13%	7%	16%	25%	24%
Grocery scheme	7%	3%	2%	4%	11%	8%
Cash savings – not banked	6%	4%	3%	7%	6%	8%
Endowment policies	13%	7%	6%	11%	16%	14%
Retirement annuities	24%	17%	7%	23%	29%	30%
Pension or provident fund	53%	42%	36%	51%	60%	52%
Education policies	19%	11%	4%	20%	25%	13%
Funeral policies	68%	55%	48%	65%	74%	76%
Life assurance/death and disability policies	41%	31%	24%	39%	46%	43%
Unit Trusts/Mutual Funds/ETFs	3%	3%	3%	3%	3%	4%
Listed shares	5%	4%	3%	5%	5%	6%
Off-shore investments	1%	1%	2%	0%	0%	1%
Art/antiques	0%	0%	0%	0%	0%	1%
Gold coins	0%	0%	0%	0%	0%	1%
Other savings/investments	0%	0%	1%	0%	0%	0%
Short-term insurance	31%	27%	23%	29%	35%	34%
Medical insurance/medical aid	48%	40%	37%	47%	52%	46%
Medical insurance	5%	3%	3%	5%	5%	4%
Medical aid/medical scheme	46%	39%	37%	45%	51%	44%
Government retail bonds	3%	0%	0%	1%	5%	3%
Inflation-linked bonds	1%	1%	0%	1%	1%	2%

Looking specifically at black youth in relation to savings clubs and stokvels, penetration is significant (36%), but considerably lower than older age groups.

## BASE: SM1 '11 (WAVE) AND BLACK (RACE)

Savings Club or Stokvel	Total	18 – 30	18 – 24	25 – 34	35 – 49	50+
Yes	48%	36%	30%	44%	54%	55%
No	52%	64%	70%	56%	46%	45%

There is a lower penetration of credit cards amongst the youth, but store cards are on a par with older segments. Repayment patterns of both credit cards and store cards are on a par with other age groups, as is the swing back to minimum monthly repayments.

Short Term/Rotating Credit	Total	18 – 30	18 – 24	25 – 34	35 – 49	50+
Credit card	37%	29%	19%	38%	43%	35%
Store cards/shop accounts	63%	61%	57%	66%	65%	54%

## BASE: 18 - 30

Repayment Pattern – Store Cards/Shop Accounts	SM1 '09	SM2 '10	SM3 '10	SM4 '11
Pay in full at the end of each month	9%	2%	8%	8%
Pay required minimum plus extra each month	26%	31%	34%	28%
Pay minimum instalment only	64%	63%	53%	60%
Pay irregularly/only when I can	0%	3%	5%	3%

Looking at the incidence of other short-to-medium term debt, this tends to climb with age, but the youth do access this credit at a significant level, most notably personal loans and car finance.

**TABLE: CURRENT SHORT/MEDIUM TERM LOANS**

<b>Current Short/Medium Term Loans</b>	<b>Total</b>	<b>18 – 30</b>	<b>18 – 24</b>	<b>25 – 34</b>	<b>35 – 49</b>	<b>50+</b>
Any personal loan	28%	25%	19%	26%	30%	32%
Personal loan from a financial institution	19%	14%	11%	15%	23%	21%
Personal loan from a micro lender	3%	2%	0%	3%	3%	3%
Personal loan from a friend/family member	10%	11%	9%	11%	9%	11%
Car finance	17%	16%	12%	18%	21%	10%
Hire purchase/instalment sale	12%	11%	10%	13%	13%	11%
Revolving credit facility	9%	6%	4%	9%	10%	8%
Overdraft	9%	5%	3%	8%	12%	9%
Other	0%	0%	1%	0%	0%	0%

**14%** of youth support both children and parents or other older dependents.

Looking at attitudes to life in general and finances in particular, the optimism of youth is notable, as is the relative importance afforded to material wealth and the outside signs of success. The youth are also more impulsive and display a greater appetite for risk.

	Total	18 – 30	18 – 24	25 – 34	35 – 49	50+
Don't buy until I have enough money	67%	68%	67%	67%	64%	73%
Finances are never properly organised	53%	57%	53%	59%	53%	45%
Plan my finances five to ten years ahead	47%	42%	36%	45%	51%	50%
No alternative but to get into debt	66%	65%	69%	66%	67%	62%
Important to save, but do not have enough money	69%	66%	66%	70%	69%	71%
I wonder if I have done enough to secure my retirement	75%	70%	77%	70%	78%	76%
I really hate dealing with my finances	42%	45%	50%	40%	40%	42%
I consider myself a spender, not a saver	35%	38%	42%	37%	32%	31%
Always trying to become more knowledgeable about financial matters	74%	76%	74%	76%	72%	76%
Seem to leave my money decisions to the last minute	33%	36%	45%	33%	32%	27%
Credit is part of my life, can't make ends meet without it	47%	46%	38%	49%	50%	39%
Would organise finances better if had more time	51%	56%	56%	56%	48%	46%
World of financial services leaves me confused	44%	42%	50%	39%	44%	51%
Go to loan shark rather than borrow from a neighbour	24%	24%	29%	22%	24%	22%
Anything to do with financial matters extremely boring	32%	34%	37%	31%	30%	33%
I want to learn more about how to save	82%	84%	89%	82%	82%	77%
Is important to save money for a rainy day	95%	94%	97%	95%	95%	95%
Always plan finances carefully	80%	76%	72%	79%	82%	85%
Avoid debt wherever I can	77%	75%	76%	75%	77%	80%
Always worried about not having enough money	80%	80%	82%	80%	80%	79%
Extremely cautious with finances	78%	74%	74%	75%	80%	80%
Set financial goals	76%	74%	72%	76%	75%	80%
Financial security means having enough money	89%	88%	90%	89%	90%	86%
Have to be in complete control of my finances	86%	85%	89%	85%	85%	88%
Saving for future is not a priority right now	26%	28%	33%	26%	24%	28%
We don't talk about money in our family	25%	30%	34%	24%	24%	24%
Only way to improve financial position is to take risks	61%	62%	67%	60%	64%	54%
Spend all that I earn, not able to save anything	37%	37%	39%	37%	38%	32%
I need more education on how to handle my finances	70%	73%	84%	68%	70%	66%
Death, funeral and disability cover are more important	45%	49%	47%	48%	45%	39%

In terms of more general attitude to life, the pressure to stand out and be successful is evident, as is a more impulsive approach. They are also very optimistic about what the future holds for them, again bearing in mind that these are working youth.

	<b>Total</b>	<b>18 – 30</b>	<b>18 – 24</b>	<b>25 – 34</b>	<b>35 – 49</b>	<b>50+</b>
I try to give my children the best opportunities in life	77%	53%	37%	69%	92%	85%
I place a lot of value in having material things	52%	57%	58%	52%	53%	43%
I am very optimistic about what the future holds for me	81%	84%	91%	82%	80%	74%
Community support is very important to me	74%	73%	70%	73%	75%	76%
I tend to make decision quickly based on gut feel	48%	54%	59%	51%	44%	40%
My children should look after me when I am old	34%	32%	26%	34%	34%	41%
I feel a lot of pressure to be successful in life these days	76%	82%	87%	79%	75%	65%
Work is just a means of getting money to survive	74%	73%	80%	72%	75%	72%
I feel I never have enough money to do the things I want	73%	69%	76%	70%	74%	71%
The government will look after me if I am not able to look after myself	32%	33%	31%	33%	28%	41%
I will complain if I get bad service	84%	86%	84%	84%	87%	81%
I like to take risks in my life	56%	62%	67%	56%	56%	48%
I worry a lot about what other people think of me	42%	41%	51%	39%	44%	41%
I am really proud of my home and am always spending time and money making it better	76%	75%	72%	75%	77%	79%
Being rich is a priority for me	56%	63%	67%	59%	55%	46%
I am always the first to try out new fashions and styles	34%	48%	54%	39%	31%	18%
I like to own products that are the most technologically advanced	60%	70%	75%	63%	59%	48%
I feel confident about the south african economy	58%	61%	63%	62%	56%	51%
My life never seems to be properly organised	44%	45%	44%	44%	43%	46%
Due to work commitments, have no time for family and friends	45%	47%	43%	48%	47%	37%
I am happy and content with my life	75%	76%	71%	77%	75%	74%
I like to be different from everyone else	58%	65%	61%	64%	55%	49%
Maintaining a healthy lifestyle is a top priorities	81%	83%	85%	80%	80%	83%
Always put plans to improve my life on hold	71%	72%	71%	73%	70%	70%

The optimism of youth is reflected in their expectation for the next six months: 47% expect their financial situation to improve.

	Total	18 – 30	18 – 24	25 – 34	35 – 49	50+
Improve/get better	40%	47%	50%	41%	38%	31%
Stay the same	44%	38%	39%	44%	44%	48%
Get worse	16%	15%	11%	15%	17%	21%

Regarding confidence in their ability to make good savings and investment decisions, the “younger” youth show lower confidence levels than older age groups and the drop in confidence levels over the period is also more marked for them.

Confidence in Ability	Total	18 – 30	18 – 24	25 – 34	35 – 49	50+
Mean	6.88	6.74	6.4	6.96	6.96	6.87

### BASE: 18 - 30 (AGE A)

Confidence in Ability	SM3 '10	SM4 '11
Mean	7.58	6.74

Regarding sources of information, similar patterns emerge across the various age groups including the shift in favour of professional advisors.

Sources accessed on a regular basis:

	18 – 30	18 – 24	25 – 34	35 – 49	50+
Financial advisor/broker (any)	20%	15%	25%	29%	30%
Word of mouth	20%	20%	18%	17%	14%
Television	16%	13%	16%	18%	12%
Newspapers	11%	10%	11%	9%	9%
Radio	9%	5%	9%	9%	10%
Internet	7%	6%	7%	5%	2%
General magazines	4%	3%	2%	4%	2%
Business magazines	2%	1%	2%	2%	1%



674

**A significant drop is seen in the youth's confidence to make good financial decisions.**

We need **A FRESH** approach

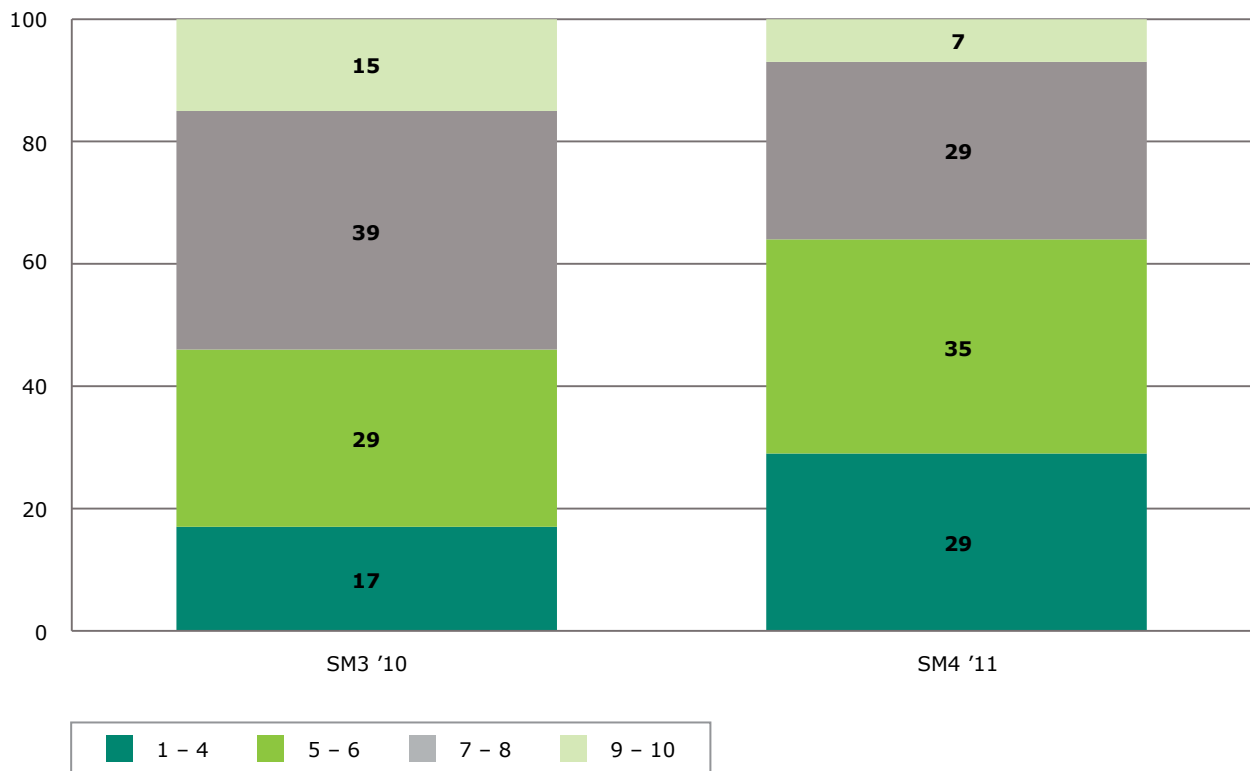
# 16

## Extracts from Baby Boomers results

Baby Boomers are those people born before 1965. They are at the stage of their lives where they should be focussing on providing for their own retirement, yet still have significant other obligations such as dependent children who have yet to leave home or become financially independent, as well as (for those who fall into the “Sandwich Generation”) aging parents who require financial assistance to varying degrees. Whilst all age groups are concerned about the recessionary effects that they see around them; have heightened awareness of the need to save and to spend cautiously; and worry as to whether they will have enough to retire on, Baby Boomers face a dynamic that exacerbates their predicament even further: they are running out of time. Many Baby Boomers will not be able to make up for their lack of savings before they reach retirement age.

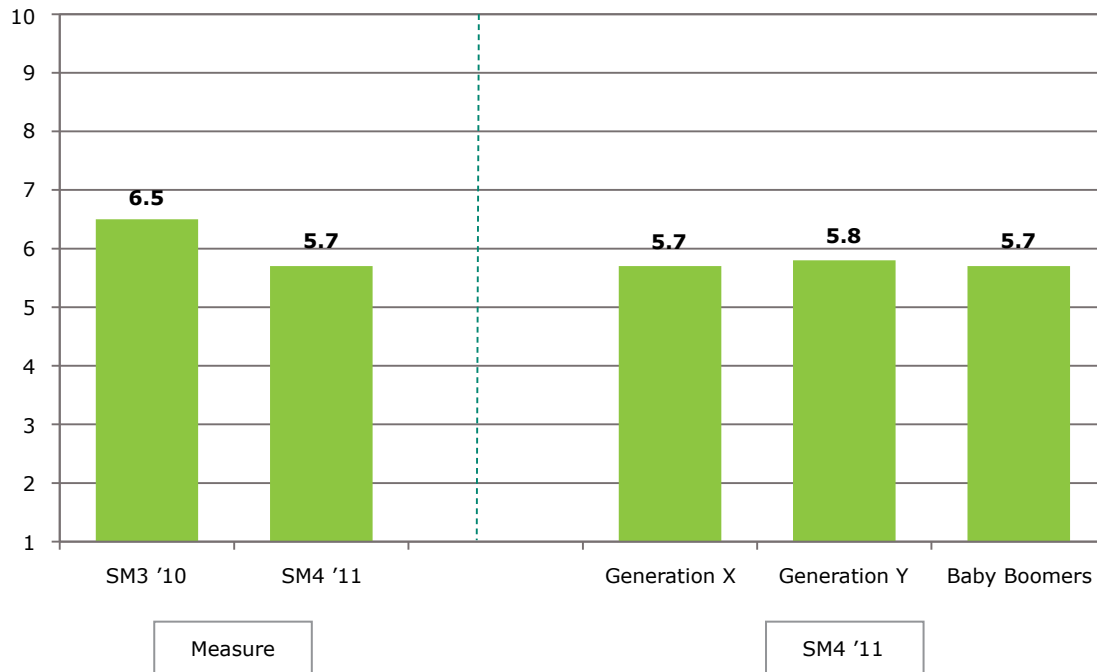
As is seen across all age groups, Baby Boomers show a significant drop in their satisfaction with their financial situation: from 6.5 to 5.7.

### SATISFACTION WITH OVERALL FINANCIAL SITUATION



1 = hopelessly dissatisfied and 10 = extremely satisfied

## SATISFACTION WITH CURRENT FINANCIAL POSITION (SCORE OUT OF 10) BABY BOOMERS

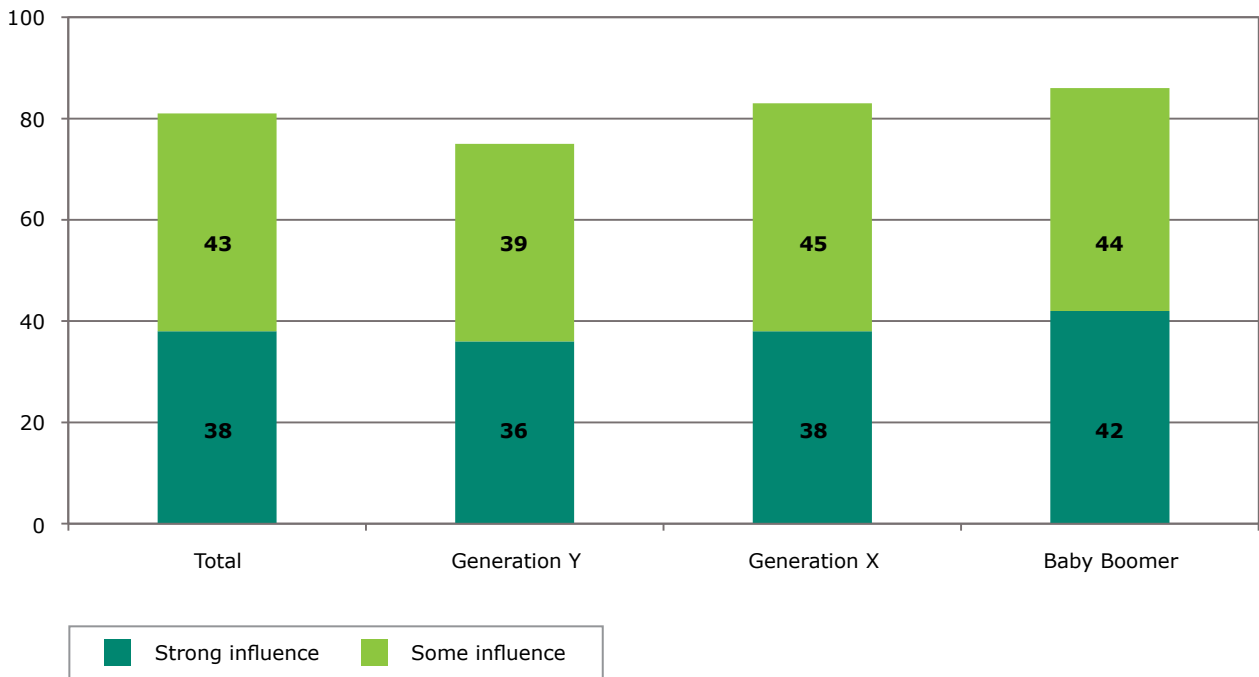


1 = completely dissatisfied and 10 = completely satisfied

86% claim to have been influenced by the recession, which is significantly higher than Gen Y (75%) and marginally higher than Gen X (84%). Asked to describe the ways in which they have been affected by the recession, Baby Boomers raise similar issues to other generations: the constant struggle to keep up with the rising cost of living; the difficulty of trying to supplement income through own business or second job in a depressed environment; the focus on cost management and cutting out luxuries; whilst at the same time having a heightened awareness of the need to save and put something, anything, away whilst they still can.

Unlike the responses of Gen Y which paint a picture of at least partial protection afforded by parental support (some 48% of Generation X still live at home with their parents), most Baby Boomers do not have anyone to turn to.

## INFLUENCE OF THE RECESSION



Whilst the incidence of Sandwich Generation is highest in Gen X (24%), one in five Baby Boomers also find themselves in this position, and some 61% still have dependent children.

Dependent Children	Total	Gen Y	Gen X	Baby Boomer
Total	100%	30%	47%	23%
Have dependent children	63%	37%	82%	61%
Have other dependents	29%	28%	31%	25%
Sandwich Generation (i.e. have both)	20%	14%	24%	18%

38% of Baby Boomers say that they are saving less than they were a year ago, whilst 25% say they are saving more. Whilst the % who claim to be saving less is highest amongst Baby Boomers, if one looks at the trend of "saving more" by Baby Boomers over time, the trend is an increasing one. This is probably an indication of heightened awareness of the need to save.

<b>Saving Pattern Compared To A Year Ago</b>	<b>Total</b>	<b>Gen Y</b>	<b>Gen X</b>	<b>Baby Boomer</b>
Total	100%	30%	47%	23%
Saving more than I was a year ago	23%	26%	21%	25%
About the same	42%	45%	44%	37%
Saving less than I was a year ago	34%	30%	35%	38%

<b>Saving Pattern Compared To A Year Ago – Baby Boomers</b>	<b>SM1 '09</b>	<b>SM1 '10</b>	<b>SM2 '10</b>	<b>SM1 '11</b>
Total row %	27%	32%	22%	20%
Saving more than I was a year ago	7%	12%	15%	25%
About the same	39%	46%	53%	37%
Saving less than I was a year ago	54%	42%	33%	38%

At 59%, retirement is the primary savings objective for Baby Boomers as one would expect. However, the flip of that is that some 40% do not claim to be actively saving with a retirement specific motive in mind. Other savings objectives compete for their attention or else they lack focus and simply save for a rainy day/non-specific reason. Other savings objectives include children's education, funeral expenses, home improvement and debt reduction.

<b>Prompted Savings Objective</b>	<b>Total</b>	<b>Gen Y</b>	<b>Gen X</b>	<b>Baby Boomer</b>
Emergency expenses/rainy day fund	42%	40%	44%	40%
Retirement/old age	41%	19%	46%	59%
Children's education	34%	23%	46%	25%
Funeral expenses	29%	23%	34%	26%
Home improvement	21%	14%	25%	22%
Car/vehicle	20%	32%	18%	10%
To pay off debt	19%	19%	21%	17%
Deposit on a home/immovable property	18%	29%	18%	4%
To buy a specific item/other specific purpose	13%	16%	13%	11%
Holiday	13%	12%	14%	11%
Medical expenses fund/for medical expenses	13%	10%	15%	10%
Furniture/home appliances	8%	9%	9%	5%
Money to start my own business	7%	8%	6%	7%
No specific reason	6%	6%	5%	6%

Looking at trends over time, the results do indicate an increased awareness of the importance of retirement savings. It is also worth noting the drop off in holiday specific savings, again probably a sign of tougher economic times.

<b>Prompted Savings Objective – Baby Boomers</b>	<b>SM1 '09</b>	<b>SM1 '10</b>	<b>SM2 '10</b>	<b>SM1 '11</b>
Retirement/old age	52%	50%	52%	59%
Emergency expenses/rainy day fund	57%	45%	50%	40%
Funeral expenses	23%	23%	27%	26%
Children's education	16%	18%	30%	25%
Home improvement	21%	20%	20%	22%
Holiday	27%	21%	18%	11%
To pay off debt	15%	11%	15%	17%
Car/vehicle	8%	16%	11%	10%
Medical expenses fund/for medical expenses	12%	9%	12%	10%
No specific reason	10%	9%	2%	6%
Furniture/home appliances	7%	2%	6%	5%
Deposit on a home/immovable property	3%	7%	4%	4%
To buy a specific item/other specific purpose	3%	1%	4%	11%
Money to start my own business	2%	3%	5%	7%

Incidence of property ownership and home loans is highest amongst Baby Boomers. Whilst 46% of Baby Boomers continue to pay the minimum amount only on their home loan every month, there is evidence that some Baby Boomers are least are trying to chip away at that debt by paying a bit extra each month or paying in extra lump sums as and when they can.

<b>Own Any Property</b>	<b>Gen Y</b>	<b>Gen X</b>	<b>Baby Boomer</b>
Total	30%	47%	23%
Yes	15%	57%	78%

<b>Primary Residence – Baby Boomers</b>	<b>SM1 '09</b>	<b>SM1 '10</b>	<b>SM2 '10</b>	<b>SM1 '11</b>
Struggle to meet	23%	14%	2%	9%
Pay extra every month	21%	17%	33%	24%
Extra lump sums	7%	4%	3%	15%
Recent advance	1%	0%	2%	1%
Re-negotiated due to financial pressure	0%	2%	5%	1%
Pay minimum only	54%	58%	48%	46%
Can no longer afford to pay extra	12%	6%	8%	5%

Of all the generations, Baby Boomers are the least reliant on store accounts and incidence of store cards has dropped significantly since the last measure. That said, just over half of them (54%) do have store accounts, and for those who do have these accounts, repayment patterns have weakened.

Credit card penetration has remained fairly steady but repayment patterns have weakened with the proportion of Baby Boomers who clear their credit cards in full at the end of each month having dropped back to historical levels.

<b>Short Term/Rotating Credit</b>	<b>Total</b>	<b>Gen Y</b>	<b>Gen X</b>	<b>Baby Boomer</b>
Credit card	37%	29%	44%	34%
Store cards/shop accounts	63%	61%	68%	54%

<b>Short Term/Rotating Credit</b>	<b>SM1 '09</b>	<b>SM1 '10</b>	<b>SM2 '10</b>	<b>SM1 '11</b>
Credit card	33%	31%	36%	34%
Store cards/shop accounts	52%	47%	62%	54%

<b>Repayment Pattern - Credit Card – Baby Boomers</b>	<b>SM1 '09</b>	<b>SM1 '10</b>	<b>SM2 '10</b>	<b>SM1 '11</b>
Pay in full at the end of each month	26%	16%	32%	25%
Pay required minimum plus extra each month	29%	28%	37%	30%
Pay minimum instalment only	45%	52%	28%	44%
Pay irregularly/only when I can	0%	3%	4%	0%

<b>Repayment Pattern - Store Cards/Shop Accounts – Baby Boomers</b>	<b>SM1 '09</b>	<b>SM1 '10</b>	<b>SM2 '10</b>	<b>SM1 '11</b>
Pay in full at the end of each month	8%	8%	17%	9%
Pay required minimum plus extra each month	23%	30%	37%	28%
Pay minimum instalment only	69%	59%	41%	60%
Pay irregularly/only when I can	0%	3%	4%	3%

As regards other short-to-medium term debt, there is evidence of a drop off in car finance amongst Baby Boomers, and an increasing trend as regards the incidence of personal loans.

<b>Current Short/Medium Term Loans – Baby Boomers</b>	<b>SM1 '09</b>	<b>SM1 '10</b>	<b>SM2 '10</b>	<b>SM1 '11</b>
Any personal loan	18%	24%	29%	32%
Personal loan from a financial institution		14%	17%	21%
Personal loan from a micro lender		2%	3%	3%
Personal loan from a friend/family member		11%	13%	11%
Car finance	14%	14%	15%	11%
Hire purchase/instalment sale		10%	14%	10%
Revolving credit facility	7%	7%	6%	8%
Overdraft		9%	8%	9%

Of the three generations, Baby Boomers have the highest claimed preference for savings over debt reduction, although a significant proportion (39%) claim a preference for debt reduction and this appears to be increasing over time. Looking at how they would allocate a windfall, Baby Boomers opt for a mix of savings and debt reduction, as other generations do.

<b>Prefer Saving To Paying Off Debts</b>	<b>Total</b>	<b>Gen Y</b>	<b>Gen X</b>	<b>Baby Boomer</b>
Prefer to put money away into savings and investment	57%	59%	55%	61%
Prefer to pay off debt	43%	41%	45%	39%

Looking at attitudes to finances, there are few significant differences across generations or in fact with Baby Boomers over time. What drives attitude is ones savings typology (Organiser vs. Procrastinator) rather than age in isolation.

Looking at attitudes to life in general, one gains the sense that Baby Boomers at this stage of their lives are less concerned about material trappings and what others think of them. There is a sense of "been there, done that". They are also the most risk averse of all the Generations, and in this wave exhibit declining inclination to make decisions based on gut feel. They are also the least optimistic about the South African economy and what the future holds for them (although 73% do agree at least to some degree that they are happy with what the future holds for them).

<b>ATTITUDES TO WORK AND LIFE</b>	<b>Total</b>	<b>Gen Y</b>	<b>Gen X</b>	<b>Baby Boomer</b>
I try to give my children the best opportunities in life	77%	53%	88%	85%
I place a lot of value in having material things	52%	57%	52%	43%
I am very optimistic about what the future holds for me	81%	84%	83%	73%
Community support is very important to me	74%	73%	73%	77%
I tend to make decision quickly based on gut feel	48%	54%	45%	45%
My children should look after me when I am old	34%	32%	34%	37%
I feel a lot of pressure to be successful in life these days	76%	82%	78%	66%
Work is just a means of getting money to survive	74%	73%	75%	73%
I feel I never have enough money to do the things I want	73%	69%	76%	71%
The government will look after me if I am not able to look after myself	32%	33%	30%	35%
I will complain if I get bad service	84%	86%	84%	83%
I like to take risks in my life	56%	62%	57%	46%
I worry a lot about what other people think of me	42%	41%	42%	43%
I am really proud of my home and am always spending time and money making it better	76%	75%	77%	78%
Being rich is a priority for me	56%	63%	56%	48%
I am always the first to try out new fashions and styles	34%	48%	32%	22%
I like to own products that are the most technologically advanced	60%	70%	61%	46%
I feel confident about the south african economy	58%	61%	59%	51%
My life never seems to be properly organised	44%	45%	44%	45%
Due to work commitments, have no time for family and friends	45%	47%	47%	41%
I am happy and content with my life	75%	76%	75%	73%
I like to be different from everyone else	58%	65%	57%	50%
Maintaining a healthy lifestyle is a top priorities	81%	83%	80%	82%
Always put plans to improve my life on hold	71%	72%	73%	67%

Baby Boomers are the least likely to foresee an improvement in their financial situation in the next six months. Whether this is a real pessimism on their part or rather the contrast with the naturally more optimistic outlook of their younger counterparts is debatable.

	<b>Total</b>	<b>Gen Y</b>	<b>Gen X</b>	<b>Baby Boomer</b>
Improve/get better	40%	47%	39%	31%
Stay the same	44%	38%	46%	48%
Get worse	16%	15%	15%	20%

Baby Boomers show a sharp drop off in their ability to make good savings and investment decisions (from 7.4 to 7) as is also evident amongst other generations. However, overall they are the most confident of the three generations.

Baby Boomers use multiple sources of information but favour professional advisors and post-recession are showing a swing away from word of mouth.

A close-up photograph of a man and a woman. The man, in the upper half, is smiling broadly with his eyes closed, his hands covering the woman's eyes. The woman, in the lower half, is also smiling broadly, her mouth open in a joyful expression. The background is a plain, light color. A large, white, outlined percentage '61%' is superimposed over the center of the image.

61%

**Baby Boomers have  
the highest claimed  
preference for savings  
over debt reduction.**

We need A FRESH approach

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